THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 6 of this Circular apply *mutatis mutandis* to this cover.

ACTION REQUIRED BY SHAREHOLDERS

1. This entire Circular is important and should be read with particular attention to the section entitled "*Action required by Shareholders*", which commences on page 3.
2. If you are in any doubt as to what action you should take, you should consult your CSDP, Broker, banker, legal adviser, accountant or other professional adviser immediately.
3. If you have disposed of all of your Shares, please forward this Circular together with the attached Form of Proxy (*yellow*), to the purchaser to whom, or the CSDP, Broker or other agent through whom the disposal was effected.

AFRICAN DAWN CAPITAL LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1998/020520/05)
Share code: ADW ISIN Number: ZAE000060703
("**Afdawn**" or "**the Company**")

CIRCULAR TO SHAREHOLDERS

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relating to:

- the approval of the Elite Transaction;
- the approval of the Candlestick Transaction, which Transactions may be deemed to be a disposal by Afdawn of all or the greater part of its assets or undertaking in terms of section 112 of the Companies Act and, accordingly, may constitute an "affected transaction" as defined in section 117(1)(c) of the Companies Act; and
- the Consolidation of the share capital of the Company on a 40 to 1 basis.

and incorporating:

- the Notice of General Meeting of Afdawn Shareholders;
- a Form of Proxy *(yellow)* in respect of the General Meeting for use by Certificated Shareholders and Dematerialised Shareholders with "own-name" registration only; and
- a Form of Surrender *(blue)* in respect of the Consolidation for use by Certificated Shareholders only.

Corporate Advisor and Sponsor	Independent Reporting Accountant and Auditor	Independent Expert
PSG CAPITAL	Grant Thornton An instinct for growth™	BDO

Date of issue: 16 September 2016

This Circular is available in English only. Copies of this Circular may be obtained during normal business hours from the registered office of Afdawn, the Sponsor and the Transfer Secretaries at their respective addresses set out in the "*Corporate Information*" section of this Circular from the date of issue hereof until the date of the General Meeting. A copy of this Circular will also be available on Afdawn's website (www.afdawn.co.za).

FORWARD-LOOKING STATEMENT DISCLAIMER

The definitions set out on page 6 of this Circular apply to this forward-looking statement disclaimer.

This Circular contains statements about Afdawn and/or the Afdawn Group that are or may be forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Afdawn cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which Afdawn operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions made by Afdawn, as communicated in publicly available documents by Afdawn, all of which estimates and assumptions, although Afdawn believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to Afdawn or not currently considered material by Afdawn.

Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of Afdawn not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. Afdawn has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.

CORPORATE INFORMATION

The definitions and interpretation commencing on page 6 of this Circular apply *mutatis mutandis* to this Corporate Information section.

Directors
WJ Groenewald (CEO and acting Chairman)
G Hope (CFO)

HH Hickey *#
V Lessing *#
SM Roper *#

** Non-executive*
 # Independent

Date and place of incorporation of Afdawn
12 October 1998
Johannesburg, South Africa

Corporate Adviser and Sponsor
PSG Capital Proprietary Limited
(Registration number 2006/015817/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)
and
1st Floor, Building 8
Inanda Greens Business Park
54 Wierda Road West
Wierda Valley
Sandton, 2196
(PO Box 650957, Benmore, 2010)

Independent Reporting Accountants and Auditors
Grant Thornton Cape Inc.
(Registration number 1994/001166/21)
6th Floor, 123 Hertzog Boulevard
Foreshore
Cape Town, 8001
and
Grant Thornton Johannesburg Partnership
52 Corlett Drive
Wanderers Office Park
Illovo, 2196

Company Secretary and Registered Address
Alun Rich (on behalf of Statucor Proprietary Limited)
202 Waterfront Terraces
Waterfront Road
Bellville, 7530
(PO Box 5405, Tygervalley, 7536)

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Independent Expert
BDO Corporate Finance Proprietary Limited
(Registration number 1983/002903/07)
22 Wellington Road
Parktown, 2193
Johannesburg
(Private Bag X60500, Houghton, 2041)

Independent Property Valuers
Pierre Rynners Valuers
Registered Professional Valuer (No. 3626)
20 Islington Crescent
Midstream Estate
Ekurhuleni
1629

Registered Address of Candlestick, PTF1 & PTF2
202 Waterfront Terraces
Waterfront Road
Bellville, 7530

Registered Address of Elite
3rd Floor The Village at Horizon
Cnr Sonop and Ontdekkers Road
Horizon View
Gauteng, 1724

Place of incorporation of Elite, Candlestick, PTF1 & PTF2
South Africa

CONTENTS

ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 6 of this Circular apply to this section headed "*Action required by Shareholders*".

This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to what action to take, please consult your Broker, CSDP, banker, attorney, accountant or other professional advisor immediately. If you have disposed of all of your Afdawn Shares, this Circular should be handed to the purchaser to whom, or the CSDP, Broker or other agent through whom, the sale was effected.

ACTION REQUIRED BY SHAREHOLDERS REGARDING THE GENERAL MEETING

A General Meeting of Afdawn Shareholders will be held at 09h00 on Tuesday, 18 October 2016, in the boardroom at African Dawn Capital Limited, 202 Waterfront Terraces, Waterfront Road, Bellville, 7530 to consider and, if deemed fit, to pass with or without modification, the resolutions set out in the Notice of General Meeting. A notice convening the General Meeting is attached to, and forms part of, this Circular.

1. DEMATERIALISED SHAREHOLDERS WITHOUT "OWN-NAME" REGISTRATION

1.1 Voting at the General Meeting

1.1.1. If you do not wish to or are unable to attend the General Meeting and you have not been contacted by your CSDP or Broker, it is advisable for you to contact your CSDP or Broker immediately and furnish your CSDP or Broker with your voting instructions in the manner and by the cut-off time stipulated by your CSDP or Broker in terms of the Custody Agreement between you and your CSDP or Broker.

1.1.2. If your CSDP or Broker does not obtain voting instructions from you, your CSDP or Broker will be obliged to act in accordance with the instructions contained in the Custody Agreement between you and your CSDP or Broker.

1.1.3. You must <u>not</u> complete the attached Form of Proxy (*yellow*).

1.2 Attendance and representation at the General Meeting

1.2.1. In accordance with the Custody Agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to:

attend, speak and vote at the General Meeting; or

send a proxy to represent you at the General Meeting.

1.2.2. Your CSDP or Broker should then issue the necessary letter of representation to you for you or your proxy to attend, speak and vote at the General Meeting.

2. CERTIFICATED SHAREHOLDERS OR DEMATERIALISED SHAREHOLDERS WITH "OWN-NAME" REGISTRATION

2.1 Voting, attendance and representation at the General Meeting

You may attend, speak and vote at the General Meeting in person (or, if you are a company or other body corporate, be represented by a duly authorised natural person). Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy (*yellow)* in accordance with its instructions and returning it to the Transfer Secretaries at ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by them no later than 48 hours before the commencement of the General Meeting (or any adjournment of the General Meeting), excluding Saturdays, Sundays and official public holidays.

2.2 Shareholders' appraisal rights

Shareholders who wish to exercise their rights in terms of section 164 of the Companies Act, in relation to the Transactions, are referred to **Annexure 14** of this Circular. Shareholders who wish to exercise their rights in terms hereof are required, before the Special Resolution to approve the Transactions is voted on at the General Meeting, to give notice to the Company in writing objecting to the Special Resolution and to vote against the Special Resolution at the General Meeting.

ACTION REQUIRED BY SHAREHOLDERS IN TERMS OF THE CONSOLIDATION

1. DEMATERIALISED SHAREHOLDERS

You must not do anything as your account at your CSDP or broker will be automatically updated.

2. CERTIFICATED SHAREHOLDERS

2.1 Subject to the passing and the registration of the special resolution necessary for the Consolidation, it is necessary to recall share certificates from Certificated Shareholders in order to replace them with certificates reflecting the Consolidation.

2.2 To facilitate the timeous receipt of replacement share certificates, Certificated Shareholders who wish to anticipate the implementation of the Consolidation and who do not wish to deal in their existing Shares prior to the Consolidation, are requested to surrender your certificates, under cover of the Form of Surrender *(blue)*, to Computershare, at the address set out in that form, prior to the record date of the Consolidation. Should you elect to do so you will not be able to deal in your existing Shares prior to the Consolidation.

2.3 Share certificates so received will be held in trust by Computershare pending the Consolidation becoming unconditional. In the event that the Consolidation does not become unconditional, Computershare will, within five business days thereafter, return the certificates, by registered post, at your risk.

2.4 The results of the General Meeting will be announced on SENS on Tuesday, 18 October 2016. Should the Consolidation be approved and implemented, Certificated Shareholders who have not already surrendered their share certificates will be required to do so under cover of the Form of Surrender *(blue)*, which should be retained for that purpose as no further Form of Surrender will be circulated to Certificated Shareholders.

2.5 In order for replacement share certificates to be posted on Monday, 19 December 2016, your certificates, under cover of the Form of Surrender *(blue)*, must be received by no later than 12:00 on Thursday, 15 December 2016. Share certificates received after this time will have replacement certificates posted within five business days of receipt, by registered post, at your risk.

SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 6 of this Circular apply *mutatis mutandis* to this section.

	Date 2016
Record date to be eligible to receive this Circular and the Notice of the General Meeting forming part thereof	Friday, 2 September
Publication of declaration announcement on SENS	Friday, 16 September
Circular, incorporating Notice of General Meeting, Form of Proxy (yellow) and Form of Surrender *(blue)*, posted to Afdawn Shareholders	Friday, 16 September
Last day to trade in order to be eligible to vote at the General Meeting	Tuesday, 4 October
Record date to be eligible to vote at the General Meeting	Friday, 7 October
Last day to lodge Forms of Proxy *(yellow)* in respect of the General Meeting at 09h00	Friday, 14 October
Last day and time for Shareholders to give notice in terms of section 164 of the Companies Act to Afdawn objecting to the Special Resolution approving the Transactions by 09h00 on	Tuesday, 18 October
General Meeting of Afdawn Shareholders held at 09h00 in the boardroom, at African Dawn Capital Limited, 202 Waterfront Terraces, Waterfront Road, Bellville, 7530	Tuesday, 18 October
Results of the General Meeting released on SENS	Tuesday, 18 October
Special Resolution Number 2 submitted to the CIPC	Wednesday, 19 October
If the Transactions are approved by Shareholders:	
Last date on which Shareholders who voted against Special Resolution Number 1 may require the Company to seek court approval in terms of section 115(3)(a) but only if Special Resolution was opposed by at least 15% of the voting rights exercised thereon	Tuesday, 25 October
Last date on which Shareholders who voted against Special Resolution Number 1 can make application to the court in terms of section 115(3)(b) of the Companies Act	Tuesday, 1 November
Last date for Afdawn to send objecting Shareholders notices of the adoption of the Special Resolution approving the Transactions, in terms of section 164 of the Companies Act	Tuesday, 1 November
If Shareholders do not exercise their rights in terms of section 115(3)(a) and 115(3)(b) of the Companies Act:	
Finalisation announcement in respect of the Transactions released on SENS	Wednesday, 2 November
Special Resolution Number 2 registered by the CIPC by no later than	Friday, 25 November
Publication of finalisation announcement on SENS	Friday, 25 November
Last day to trade in existing Shares on the JSE prior to the Consolidation	Monday, 12 December
Trading in Consolidated Shares under the new ISIN ZAE000223194 commences	Tuesday, 13 December
Announcement regarding allocation payments for fractions of Shares released on SENS	Wednesday, 14 December
Record date for the Consolidation at the close of business	Thursday, 15 December
Dematerialised Shareholders will have their accounts at their CSDP or broker updated and receive fraction allocation payments	Monday, 19 December
Date of issue of new replacement share certificates, provided that the old share certificates have been lodged by 12:00 on Thursday, 15 December 2016, on or about (share certificates received after this time will be posted within 5 business days of receipt)	Monday, 19 December

Notes:

1. The above dates and times are subject to change. Any material changes will be released on SENS.
2. All times quoted in this Circular are local times in South Africa.
3. If the General Meeting is adjourned or postponed, Forms of Proxy *(yellow)* submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting unless the contrary is stated on such Forms of Proxy.
4. In respect of the Consolidation, shareholdings may not be dematerialised or rematerialised after Monday, 12 December 2016.
5. Shares in the consolidated form may be dematerialised or rematerialised from Monday, 19 December 2016.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless the context indicates a contrary intention, a word or an expression which denotes any gender includes the other genders, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa* and the following words and expressions bear the meanings assigned to them below:

"Afdawn" or "the Company"	African Dawn Capital Limited (registration number 1998/020520/06), a limited liability public company duly incorporated in the Republic of South Africa;
"Afdawn Group"	the Company and its Subsidiaries;
"Almika"	Almika Investments 81 Proprietary Limited (registration number 2009/00375/07), a limited liability private company duly incorporated in the Republic of South Africa and a wholly-owned subsidiary of Afdawn;
"Black Hawk"	Black Hawk Business Solutions Proprietary Limited (registration number 2012/182971/07), a limited liability private company duly incorporated in the Republic of South Africa;
"Black Hawk Security Contract	means the month to month security contract concluded between Candlestick and Black Hawk;
"Blue Dot"	Blue Dot Properties 1198 Close Corporation (in the process of liquidation) (registration number 1999/023895/23), a close corporation duly incorporated in the Republic of South Africa;
"Board" or "Directors"	the board of directors of Afdawn;
"Broker"	a "stockbroker" as defined in the Financial Markets Act;
"Candlestick"	Candlestick Park Investments Proprietary Limited (registration number 2000/018304/07), a limited liability private company duly incorporated in the Republic of South Africa on 7 August 2000 and a wholly-owned subsidiary of Afdawn;
"Candlestick Agreement"	means the sale of rental enterprise agreement entered into between Candlestick and SJJMC dated 8 April 2016, as amended on or about 22 July 2016;
"Candlestick Property"	means Portion 214 of the Farm Lyttleton 381, Registration Division IR, Gauteng Province, measuring 2,1413 hectares and held by Candlestick under Deed of Transfer number T55132/2010;
"Candlestick Settlement Agreement"	means the settlement agreement entered into between Candlestick, Blue Dot, Nedbank, PTF2 and PTF3, as made an order of court on 30 March 2016;
"Candlestick Transaction"	means the disposal of the Rental Enterprise by Candlestick as detailed in paragraph 2.2 of the Circular and as contemplated in the Candlestick Agreement;
"Cents"	South African cents, in the official currency of South Africa;
"Certificated Share"	a Share that has not been Dematerialised, title to which is evidenced by a share certificate or other Document of Title;
"Certificated Shareholder"	a Shareholder who holds its Afdawn Shares as Certificated Shares;
"CIPC"	the Companies and Intellectual Property Commission established pursuant to section 185 of the Companies Act;
"Circular"	this circular to Shareholders, dated 16 September 2016, together with the annexures hereto, and including the Notice of General Meeting, the Form of Proxy (*yellow*) and the Form of Surrender *(blue)* in relation to the General Meeting;
"Common Monetary Area"	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
"Companies Act"	the South African Companies Act, No. 71 of 2008, as amended from time to time;
"Companies Regulations"	the regulations published by the Minister of Trade and Industry in terms of section 223 of the Companies Act, and which include regulations relating to the functioning of the Takeover Regulation Panel;
"Conditions Precedent"	the conditions precedent that must be fulfilled or waived in order for the Elite Transaction and the Candlestick Transaction to be implemented as set out in paragraphs 2.1.4 and 2.2.4 of the Circular;
"Consolidation"	the consolidation of the authorised and issued share capital of the Company on a 40 to 1 basis as detailed in paragraph 4 of this Circular;
"CSDP"	a Central Securities Depository Participant, accepted as a participant in terms of the Financial Markets Act, with whom a Shareholder holds a Dematerialised Share account;
"Custody Agreement"	a custody agreement between a person and a CSDP or Broker, regulating their relationship in respect of Dematerialised Shares held on the uncertificated securities register administered by a CSDP or Broker on behalf of that person;
"Dematerialise" or "Dematerialisation"	the process by which Certificated Shares are converted into an electronic format as Dematerialised Shares and recorded in the uncertificated securities register administered by a CSDP;
"Dematerialised Share"	a Share that has been dematerialised or has been issued in dematerialised form, and is held on the uncertificated securities register administered by a CSDP;
"Dematerialised Shareholder"	a Shareholder who holds its Afdawn Shares as Dematerialised Shares;

"Documents of Title"	share certificates, certified transfer deeds, balance receipts or any other documents of title to shares acceptable to the board;
"Dzothe"	Dzothe Finance Solutions Proprietary Limited (registration number 2013/015674/07), a limited liability private company duly incorporated in the Republic of South Africa and a wholly-owned subsidiary of Dzothe Investments, the directors of which are PH Marias, TA Mmethi, PM Langa, BL Masetlha, NN Makaula and ZP Zatu;
"Dzothe Investments"	Dzothe Investments Proprietary Limited (registration number 2012/059328/07), a limited liability private company duly incorporated in the Republic of South Africa, the shareholders of which are Thabang High Impact Fund Proprietary Limited and Zonkizizwe Investments Proprietary Limited and the directors of which are PH Marias, MMTB Msimang, TA Mmethi, PM Langa, D Moopeloa, BL Masetlha and HJ Brits;;
"Elite"	Elite Group Proprietary Limited (registration number 1998/006045/07), a limited liability private company duly incorporated in the Republic of South Africa on 27 March 1998 and a wholly-owned subsidiary of Afdawn;
"Elite Agreement"	means the sale of shares and claims agreement entered into between Afdawn, Dzothe, Elite, PTF1 and PTF2 dated 27 June 2016;
"Elite Transaction"	means the disposal by Afdawn of its 100% interest in Elite, PTF1 and PTF2 as detailed in paragraph 2.1 of the Circular and as contemplated in the Elite Agreement;
"Exchange Control Regulations"	the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the South African Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
"Excluded Claims"	collectively, all claims of whatsoever nature and however arising which PTF2 may have against Almika and Candlestick;
"Financial Markets Act"	the Financial Markets Act, No. 19 of 2012, as amended from time to time;
"Form of Surrender"	the form of surrender *(blue)* for use by Certificated Shareholders in order for such Shareholders to exchange their existing Documents of Title for new Documents of Title reflecting the Consolidation;
"General Meeting"	the general meeting of Shareholders to be held at 09h00 on Tuesday, 18 October 2016 in the boardroom at African Dawn Capital Limited, 202 Waterfront Terraces, Waterfront Road, Bellville, 7530 to consider and, if deemed fit, approve the Elite Transaction, the Candlestick Transaction and the Consolidation;
"GLA"	means the gross lettable area, being the total area of a property that can be rented to a tenant;
"IFRS"	International Financial Reporting Standards;
"Independent Board"	means the independent board of Afdawn being HH Hickey, V Lessing and SM Roper;
"Independent Expert"	BDO Corporate Finance Proprietary Limited (registration number 1983/002903/07), a private company duly incorporated in the Republic of South Africa;
"Independent Reporting Accountants"	Grant Thornton Cape Inc, a partnership established under the laws of South Africa;
"Independent Property Valuer'"	Pierre Rynners Valuers, a professional valuer (registration number 3626) registered in terms of section 20(2)(a) of the Property Valuers Profession Act, No. 47 of 2000;
"JSE"	the exchange, licensed under the Financial Markets Act, operated by JSE Limited (registration number 2005/022939/06), a public company incorporated under the laws of South Africa;
"JSE Listings Requirements"	the Listings Requirements of the JSE in force as at the Last Practicable Date;
"Knife Capital"	Knife Capital Proprietary Limited (registration number 2009/020346/07), a private company duly incorporated in the Republic of South Africa and a wholly-owned subsidiary of Afdawn;
"Knife Capital Acquisition"	means the acquisition by Afdawn of 100% of the share capital of Knife Capital details of which appear in paragraph 6.8 and **Annexure 17** of the Circular;
"Knife Capital Settlement Agreement"	means the settlement agreement entered into between Afdawn and Knife Capital regulating the settlement of outstanding liabilities by Afdawn following the Knife Capital Acquisition as announced on SENS on 1 July 2015;
"Last Practicable Date"	the last practicable date prior to the finalisation of this Circular, being 12 August 2016;
"Makalu Capital"	Makalu Capital Proprietary Limited (registration number 2012/008221/07), a private company duly incorporated in the Republic of South Africa;
"Memorandum of Incorporation"	the Memorandum of Incorporation of Afdawn;
"National Housing Finance Corporation"	National Housing Finance Corporation SOC Limited, a state-owned company;
"Nedbank"	Nedbank Limited (registration number 1966/010630/06), a limited liability public company duly incorporated in the Republic of South Africa;
"Notice of General Meeting"	the notice of general meeting forming part of this Circular;
"Ordinary Resolutions"	the ordinary resolutions which will be tabled at the General Meeting and in terms whereof Shareholders will, subject to the passing thereof, authorise the implementation of the Elite Transaction and the Candlestick Transaction as is required in terms of Companies Act;

"PSG Capital"	PSG Capital Proprietary Limited (registration number 2006/015817/07), a private company duly incorporated in the Republic of South Africa;
"PTF1"	African Dawn Property Transfer Finance 1 Proprietary Limited (registration number 1998/024852/07), a private company duly incorporated in the Republic of South Africa on 10 December 1998 and a wholly-owned subsidiary of Afdawn;
"PTF2"	African Dawn Property Transfer Finance 2 Proprietary Limited (registration number1998/024406/07), a private company duly incorporated in the Republic of South Africa on 7 December 1998 and a wholly-owned subsidiary of Afdawn;
"PTF3"	African Dawn Property Transfer Finance 3 Proprietary Limited (registration number 1998/024174/07), a private company duly incorporated in the Republic of South Africa; ;
"Rand" or "R"	South African Rand, the official currency of South Africa;
"Register"	the Company's securities register, including all uncertificated securities registers;
"Rental Enterprise"	means the rental enterprise conducted by Candlestick as a going concern on the Candlestick Property and which is the subject of the Candlestick Transaction as detailed in paragraph 2.2.1.3 of the Circular;
"Sale Claims"	collectively, all claims of whatsoever nature and however arising which Afdawn may have against Elite, PTF1 and PTF2;
"Sale Shares"	collectively, 100% of the issued share capital of Elite, 100% of the issued share capital of PTF1 and 100% of the issued share capital of PTF2 held by Afdawn;
"Sandown"	Sandown Capital Proprietary Limited, (registration number 2000/013674/07), a private company duly incorporated in the Republic of South Africa;
"SENS"	the Stock Exchange News Service of the JSE;
"SJJMC"	SJJMC Property Proprietary Limited (registration number 2011/123016/07), a limited liability private company duly incorporated in the Republic of South Africa, the majority of shareholders (collectively holding 90% of the issued shares) of which are The Melkbos Trust, The M&G Family Trust and The Atlantic View Trust and the directors of which are ME Van Embden, JE Van Embden, S Seeff and R Zekry;
"South Africa"	the Republic of South Africa;
"Special Resolutions"	the special resolutions which will be tabled at the General Meeting and in terms whereof Shareholders will, subject to the passing thereof, authorise the implementation of the Transactions, the Consolidation and the amendment of the Company's Memorandum of Incorporation, as is required in terms of the JSE Listings Requirements and the Companies Act;
"Subsidiary"	a subsidiary as defined in the Companies Act;
"Transfer Secretaries" or "Computershare"	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated under the company laws of South Africa;
"Shareholders" or "Afdawn Shareholders"	registered holders of Afdawn Shares;
"Shares" or "Afdawn Shares"	ordinary shares with a par value of 1 cent each (pre-consolidation) in the authorised and issued share capital of Afdawn and ordinary shares with a par value of 40 cents each (post consolidation) in the authorised and issued share capital of Afdawn;
"Strate"	Strate Proprietary Limited (registration number 1998/022242/07), a private company duly incorporated in the Republic of South Africa, a central securities depository licensed in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system provided to the JSE;
"Takeover Panel"	the Takeover Regulation Panel established in terms of section 196 of the Companies Act;
"Transactions"	collectively, the Elite Transaction and the Candlestick Transaction;
"Vaalmac"	VaalMac Investments Proprietary Limited (registration number 1996/008486/07), a private company duly incorporated in the Republic of South Africa; and
"VAT"	value-added tax in terms of the Value-added Tax Act, No. 89 of 1991.

AFRICAN DAWN CAPITAL LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1998/020520/05)
Share code: ADW ISIN Number: ZAE000060703
("**Afdawn**" or "**the Company**")

Directors of Afdawn

Executive:
WJ Groenewald (CEO and acting Chairman)
G Hope (CFO)

Non-executive:
HH Hickey *
V Lessing *
SM Roper *

** Independent*

CIRCULAR TO SHAREHOLDERS

1 INTRODUCTION AND PURPOSE OF THE CIRCULAR

1.1 Background

1.1.1 Afdawn was founded in 1998 with an initial focus on the micro finance business. During 2013, the Company changed its vision to become an active investment holding company in order to acquire shareholdings in entrepreneurial businesses.

1.1.2 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.

1.1.3 Shareholders are further advised of the proposed Consolidation of the Company's ordinary share capital on a 40 to 1 basis, from an authorised share capital of 5 000 000 000 ordinary shares of 1 cent each to 125 000 000 ordinary shares of 40 cents each and an issued share capital of 877 002 273 ordinary shares of 1 cent each to approximately 21 925 056 ordinary shares of 40 cents each.

1.2 Categorisation of the Transactions

1.2.1 The Elite Transaction and the Candlestick Transaction both constitute Category 1 transactions in terms of the JSE Listings Requirements which require Shareholder approval.

1.2.2 Although the Transactions are independent and not inter-conditional, in terms of section 112 of the Companies Act, the Transactions may be deemed to be a disposal by Afdawn of all or the greater part of its assets or undertaking and, accordingly, may constitute an "affected transaction" as defined in section 117(1)(c) of the Companies Act.To the extent that the Transactions are deemed to be an "affected transaction", the Transactions are regulated by the Companies Act, the Companies Regulations and the Takeover Panel and therefore require Shareholder approval by way of a Special Resolution.

1.3 Shareholders' appraisal rights

1.3.1 Shareholders who wish to exercise their rights in terms of section 164 of the Companies Act, in relation to the Transactions, are referred to **Annexure 14** of this Circular. Shareholders who wish to exercise their rights in terms hereof are required, before the Special Resolution to approve the Transactions is voted on at the General Meeting, to give notice to the Company in writing objecting to the Special Resolution and to vote against the Special Resolution at the General Meeting.

1.4 Purpose of this Circular

1.4.1 The purpose of this Circular is to:

1.4.1.1 provide Shareholders with the Independent Expert's fair and reasonable opinion in respect of the Transactions, prepared in terms of section 112 of the Companies Act, read with Regulation 90 of the Companies Regulations, to enable Shareholders to make an informed decision as to how they wish to vote in respect of Special Resolution Number 1, as set out in the Notice of General Meeting enclosed with this Circular;

1.4.1.2 advise Shareholders of the Independent Board's opinion of the Transactions, as supported by the Independent Expert's fair and reasonable opinion;

1.4.1.3 provide Shareholders with the requisite information in accordance with the JSE Listings Requirements in regard to the Transactions and the proposed Consolidation to enable Shareholders to make an informed decision as to how they wish to vote in respect of the Ordinary Resolutions and the Special Resolutions set out in the Notice of the General Meeting enclosed with this Circular; and

1.4.1.4 convene the General Meeting of Shareholders in terms of the Notice of General Meeting attached to and forming part of this Circular, to consider and if deemed fit, approve the Ordinary Resolutions and Special Resolutions in accordance with the JSE Listings Requirements and the Companies Act.

2 DETAILS OF THE TRANSACTIONS

2.1 THE ELITE TRANSACTION

2.1.1 Overview

2.1.1.1 Elite, PTF1 and PTF2 are currently wholly-owned subsidiaries of Afdawn. In terms of the Elite Transaction, Afdawn will sell and cede the Sale Shares and the Sale Claims to Dzothe resulting in a disposal by Afdawn of its 100% interest in Elite, PTF1 and PTF2. Neither Afdawn, nor its subsidiaries or any of the Directors have any beneficial interest, either direct or indirect, in Dzothe, Dzothe Investments or its shareholders.

2.1.1.2 The sale of the Sale Shares and the cession of the Sale Claims to Dzothe shall occur as one indivisible transaction upon payment by Dzothe of the purchase consideration as set out in paragraph 2.1.6 of the Circular.

2.1.1.3 In terms of the Elite Transaction, PTF2 will sell and cede the Excluded Claims to Afdawn for a consideration amount of R10 900 000, which amount will be set off against the claims that Afdawn has against PTF2.

2.1.2 Business of Elite, PTF1 and PTF2

Elite is a credit provider company in South Africa, which has been in operation for over 20 years, with offices in Gauteng, North-West Province, Free State and Kwa-Zulu Natal.

The established business units of Elite consist of micro and personnel finance, through 12 front-offices and pay-roll loans, through its call-center, and collections in support of its loan book. In addition, Elite runs a collection department which deals with recoveries, tracing, collections and all related legal work.

PTF1 and PTF2 have as their main businesses, the investment in movable and immovable property as well as an interest in the financial services industry.

2.1.3 Rationale for the Elite Transaction

Dzothe is a black owned and controlled company. Accordingly, the Elite Transaction will contribute to the establishment of a new black empowered financial services business, with Elite's technology forming the basis of its lending platform. Dzothe will invest in entities that provide lending products to retail consumers, short-term insurance broking services, specialise finance and investment funding for entrepreneurs. The Elite Transaction allows Afdawn to exit its investment in Elite, PTF1 and PTF2 in furtherance of Afdawn's vision to become an active investment holding company.

The proceeds of the Elite Transaction will be used to reduce liabilities, fund ongoing commitments and for potential investments by the Company.

2.1.4 Conditions Precedent

The Elite Transaction is conditional upon the fulfilment of the Condition Precedent that all approvals required to implement the Elite Transaction in terms of the JSE Listings Requirements and the Companies Act are obtained by no later than 2 November 2016.

2.1.5 Effective date of the Elite Transaction

The effective date of the Elite Transaction shall be the fifth business day following the date upon which the Condition Precedent set out in paragraph 2.1.4 above, is fulfilled ("**Effective Date**").

2.1.6 Purchase Consideration

2.1.6.1 The purchase consideration payable by Dzothe in respect of the Elite Transaction amounts to R20 000 000 ("**Elite Purchase Consideration**"), which Elite Purchase Consideration has been/will be paid by Dzothe as follows –

2.1.6.1.1 a non-refundable deposit in the amount of R2 000 000 was paid to Afdawn on 11 July 2016;

2.1.6.1.2 an amount of R10 000 000 shall be paid to Afdawn on the Effective Date; and

2.1.6.1.3 the balance of R8 000 000 shall remain outstanding in the form of a vendor loan ("**Vendor Loan**") and paid in terms of paragraph 2.1.6.2 below.

2.1.6.2 In terms of the Elite Agreement, the Vendor Loan will be subject to the following terms and conditions –

2.1.6.2.1 the capital amount shall be R8 000 000;

2.1.6.2.2 the Vendor Loan shall bear interest at 15% per annum, nominal annual compounded monthly, which interest shall be calculated monthly and payable monthly in arrears from the Effective Date; and

2.1.6.2.3 the capital amount and the outstanding interest shall be repaid by no later than the 12-month anniversary of the Effective Date to Afdawn.

2.1.6.3 The Elite Purchase Consideration shall be apportioned –

2.1.6.3.1 in respect of the Sale Claims, the face value thereof as at the Effective Date; and

2.1.6.3.2 in respect of the Sale Shares, the balance of the Elite Purchase Consideration,

provided that if the face value of the Sale Claims exceeds the Elite Purchase Consideration, then the Elite Purchase Consideration shall be apportioned as to R1000 for the Sale Shares and the balance for the purchase of the Sale Claims.

2.1.7 **Other significant terms of the Elite Transaction**

The parties to the Elite Transaction have provided warranties to each other that are appropriate for a transaction of this nature.

2.2 THE CANDLESTICK TRANSACTION

2.2.1 **Overview**

2.2.1.1 Candlestick is currently a wholly-owned subsidiary of Afdawn. In terms of the Candlestick Transaction, Candlestick wishes to sell and SJJMC wishes to purchase the Rental Enterprise. Neither Afdawn, nor its subsidiaries or any of the Directors have any beneficial interest, either direct or indirect, in SJJMC or its shareholders.

2.2.1.2 The Rental Enterprise is conducted as a going concern on the Candlestick Property and consists of a residential housing complex with residential units which are rented out to tenants on an annual lease basis.

2.2.1.3 The Rental Enterprise includes the following:

2.2.1.3.1 the Candlestick Property and the building(s) thereon;

2.2.1.3.2 all right, title and interest of Candlestick in and to the underlying existing lease agreements related to the Candlestick Property;

2.2.1.3.3 all right, title and interest of Candlestick in and to the Black Hawk Security Contract;

2.2.1.3.4 all fixed assets which form part of the Rental Enterprise; and

2.2.1.3.5 all other assets necessary to conduct the Rental Enterprise.

2.2.1.4 For the avoidance of doubt, following the implementation of the Candlestick Transaction, Afdawn will retain Candlestick, but will dispose of the Rental Enterprise operated by Candlestick on the Candlestick Property.

2.2.2 **Business of Candlestick**

Candlestick operates the Rental Enterprise on the Candlestick Property as set out in paragraph 2.2.1.2 above.

2.2.3 **Rationale for the Candlestick Transaction**

The Rental Enterprise has been identified as a non-core asset by the Board of Directors. The Candlestick Transaction is in line with the strategy of the Company to dispose of certain non-core assets in furtherance of its vision to become an active investment holding company. The net proceeds of the Candlestick Transaction will be used to reduce liabilities, fund other ongoing commitments and for potential investments by the Company.

2.2.4 **Conditions Precedent**

The Candlestick Transaction is conditional on the fulfilment of the Condition Precedent that all approvals required to implement the Candlestick Transaction in terms of the JSE Listings Requirements and the Companies Act are obtained by no later than 10 November 2016.

2.2.5 **Effective date of the Candlestick Transaction**

The effective date of the Candlestick Transaction shall be the first business day following the date upon which the Condition Precedent, as set out in paragraph 2.2.4 above, is fulfilled ("**Candlestick Effective Date**").

2.2.6 **Purchase consideration**

2.2.6.1 In terms of the Candlestick Agreement, the purchase consideration payable by SJJMC to Candlestick in respect of the Rental Enterprise shall be an amount of R32 500 000 ("**Candlestick Purchase Consideration**"), inclusive of VAT at a rate of 0%.

2.2.6.2 The Candlestick Purchase Consideration has been/shall be paid by SJJMC as follows:

2.2.6.2.1 SJJMC paid a non-refundable deposit in the amount of R1 000 000 into the trust account of Candlestick's attorneys to be held in trust in an interest-bearing account until the earlier of the effective date or a breach of the Candlestick Agreement; and

2.2.6.2.2 the balance of the Candlestick Purchase Consideration shall be paid against transfer of the Candlestick Property into the name of SJJMC.

2.2.6.3 The balance of the Candlestick Purchase Consideration will be secured by SJJMC by delivering to Candlestick, by no later than 30 November 2016, an irrevocable and unconditional bank guarantee issued in favour of Candlestick for the payment of the balance of the Candlestick Purchase Consideration, being an amount of R31 500 000.

2.2.6.4 Should the Condition Precedent set out in paragraph 2.2.4 remain unfulfilled or should the Candlestick Transaction not be finalised within the required time as a result of any non-performance, non-compliance or any other breach by Candlestick, the deposit set out in paragraph 2.2.6.2.1 above including interest accrued thereon, will be refunded to SJJMC.

2.2.7 **Other significant terms of the Candlestick Transaction**

2.2.7.1 The transfer date of the Candlestick Transaction shall be the date of registration of the Candlestick Property into the name of SJJMC, which shall be as soon as reasonable and practicable after the Candlestick Effective Date ("**Transfer Date**").

2.2.7.2 SJJMC shall prepare an adjustment account in respect of the Rental Enterprise as soon as possible: but not later than one month after the Transfer Date, which account shall reflect:

2.2.7.2.1 as credits to Candlestick –

2.2.7.2.1.1 all rates, insurance premiums and other expenses prepaid by Candlestick for any period after and including the Transfer Date, the benefit of which will be enjoyed by SJJMC by virtue of its possession of the Rental Enterprise; and

2.2.7.2.1.2 an amount equal to the total amount (if any) held on behalf of Candlestick in respect of deposits for electricity, water and like charges;

2.2.7.2.2 as debits to Candlestick –

2.2.7.2.2.1 an amount equal to all insurance premiums, licenses, rates and other expenses payable by Candlestick in respect of any period prior to the Transfer Date; and

2.2.7.2.2.2 the amount of any rentals and other amounts, including deposits in terms of the lease agreements, paid by the tenants prior to the Transfer Date in respect of any period on or after the Transfer Date.

2.2.7.2.3 The amount payable by Candlestick to SJJMC, if a net balance arises pursuant to the preparation of the adjustment account, or by SJJMC to Candlestick if a credit balance arises pursuant to the preparation of the adjustment account, as the case may be, shall be paid within three business days of receipt of the adjustment account by SJJMC.

2.2.7.2.4 In the event of a dispute or difference between Candlestick and SJJMC with regard to the contents of the adjustment account, the said dispute or difference shall be referred to the auditor of Candlestick, acting as experts and not as arbitrators, whose decision shall be final and binding on both parties and whose costs shall be paid by the party against whom the determination of the dispute is made.

2.2.7.3 The parties to the Candlestick Transaction have provided warranties to each other that are appropriate for a transaction of this nature.

2.2.8 **Candlestick Settlement Agreement and use of proceeds**

2.2.8.1 The Candlestick Property, which forms part of the Rental Enterprise that is the subject of the Candlestick Transaction, was transferred to Candlestick in August 2010 in the settlement of amounts owing to PTF2 and PTF3 by Blue Dot ("**the Transfe**r").

2.2.8.2 The Transfer was subsequently disputed by the liquidators of Blue Dot, who made application to the high court seeking relief to set aside the Transfer.

2.2.8.3 In an attempt to settle the dispute, the Candlestick Settlement Agreement was concluded.

2.2.8.4 In terms of the Candlestick Settlement Agreement, the proceeds received by Candlestick from the sale of the Candlestick Property will be divided and paid as follows:

2.2.8.4.1 Nedbank will be paid as a first charge the amount outstanding on the mortgage bond registered over the Candlestick Property, as at the Transfer Date;

2.2.8.4.2 the balance of the proceeds after deduction of the Nedbank mortgage bond ("**Nett Proceeds**") will be distributed as follows:

2.2.8.4.2.1 30% of the Nett Proceeds will be paid to Blue Dot (not part of the Afdawn Group);

2.2.8.4.2.2 35% of the Nett Proceeds will be paid to PTF2 (a wholly-owned subsidiary of Afdawn) in full and final settlement of its loan claim against Candlestick; and

2.2.8.4.2.3 35% of the Nett Proceeds will be paid to PTF3 (not part of the Afdawn Group) in full and final settlement of its loan claim against Candlestick.

2.2.8.5 Based on the terms of the Candlestick Settlement Agreement, the Company expects to receive proceeds of R8 700 000 as a result of the Candlestick Transaction.

2.2.9 **The Candlestick Property**

2.2.9.1 The particulars of the Candlestick Property, which forms part of the Rental Enterprise that is the subject of the Candlestick Transaction, are set out below:

Property name and location	Sector	Anticipated Purchase Consideration (R) (2)	GLA (m^2) (3)	Weighted Average rental per m^2 for the GLA (R/m^2) (3)	Market Value attributed by Independent Property Valuer (1)
Green Oaks Farm Lyttleton 381 JR Portion 214	Residential	32 500 000	N/A	N/A	32 000 000(2)

Notes:

(1) The Property has been valued by the Independent Property Valuer who has attributed an aggregate market value of R32 000 000 to the Candlestick Property, as at 29 May 2016.

(2) The anticipated Purchase Consideration for the Candlestick Property is R500 000 more than the valuation included in the Independent Property Valuer's report as a result of the debtors' book that has been taken over and the further possibility to increase occupation rates. The Company takes note of the difference between the Purchase Consideration and the valuation, however, as such amount is negligible, Afdawn will not be adjusting the valuation accordingly.

(3) GLA is not applicable to the Candlestick Property as a result of the property being residential in nature. In the case of residential units, a monthly rental per unit is used and not a rate per m^2.

2.2.9.2 Details regarding the Candlestick Property, as at the anticipated effective date, are set out below:

Purchase Yield Attributable to Shareholders	Weighted Average Gross Rental (per month)	Weighted Average Lease Duration (months)	Vacancy % by Units
10%	R421 000	12	13%

2.2.9.3 A summary valuation report by the Independent Property Valuer appears in **Annexure 12** of the Circular.

2.3 **INDEPENDENT BOARD'S RESPONSIBILITY STATEMENT, OPINION AND RECOMMENDATION REGARDING THE TRANSACTIONS**

The Independent Board accepts responsibility for the information contained in this Circular, confirms that to the best of its knowledge and belief, the information contained in this Circular is true, and confirm that the Circular does not omit anything likely which could affect the importance of such information.

As far as the Independent Board is aware, there are no unquantifiable factors that need to be disclosed or taken into account in forming its opinion. The Independent Board has considered the terms and conditions of the Transactions, and, after due consideration of the fair and reasonable opinion of the Independent Expert, is of the opinion that the Transactions are fair and reasonable to Afdawn Shareholders. Accordingly, and with due consideration to all material information relevant to the Transactions, the Independent Board recommends that Shareholders vote in favour of the Special Resolution authorising the implementation of the Transactions at the General Meeting.

3 **FINANCIAL INFORMATION**

3.1 **Historical financial information**

3.1.1 **Elite**

3.1.1.1 The historical financial information of Elite for the financial years ended 29 February 2016 and 28 February 2015 are presented in **Annexure 1** and are the responsibility of the Directors. Copies of the full financial statements for those periods will be available for inspection in terms of paragraph 13 below.

3.1.1.2 The Independent Reporting Accountant's report on the historical financial information of Elite for the financial years ended 29 February 2016 and 28 February 2015 is presented in **Annexure 2**.

3.1.2 **PTF1**

3.1.2.1 The historical financial information of PTF1 for the financial years ended 29 February 2016 and 28 February 2015 are presented in **Annexure 3** and are the responsibility of the Directors. Copies of the full financial statements for those periods will be available for inspection in terms of paragraph 13 below.

3.1.2.2 The Independent Reporting Accountant's report on the historical financial information of PTF1 for the financial years ended 29 February 2016 and 28 February 2015 is presented in **Annexure 4**.

3.1.3 **PTF2**

3.1.3.1 The historical financial information of PTF2 for the financial years ended 29 February 2016 and 28 February 2015 are presented in **Annexure 5** and are the responsibility of the Directors. Copies of the full financial statements for those periods will be available for inspection in terms of paragraph 13 below.

3.1.3.2 The Independent Reporting Accountant's report on the historical financial information of PTF2 for the financial years ended 29 February 2016 and 28 February 2015 is presented in **Annexure 6**.

3.1.4 **Candlestick**

3.1.4.1 The historical financial information of Candlestick for the financial years ended 29 February 2016 and 28 February 2015 are presented in **Annexure 7** and are the responsibility of the Directors. Copies of the full financial statements for those periods will be available for inspection in terms of paragraph 13 below.

3.1.4.2 The Independent Reporting Accountant's report on the historical financial information of Candlestick for the financial years ended 29 February 2016 and 28 February 2015 is presented in **Annexure 8**.

3.1.5 **Afdawn**

The historical financial information of Afdawn for the financial years ended 29 February 2016, 28 February 2015 and 28 February 2014 are presented in **Annexure 9** and are the responsibility of the Directors. Copies of the full financial statements for those periods, as required by the Companies Act, will be available for inspection in terms of paragraph 13 below.

3.2 ***Pro forma* financial effects of the Transactions on Afdawn**

The consolidated *pro forma* financial effects of the Transactions, as set out below, are the responsibility of the Directors. The consolidated *pro forma* financial effects are presented in a manner consistent with the basis on which the historical financial information has been prepared and in terms of the Company's accounting policies. The *pro forma* financial effects have been presented for illustrative purposes only and, because of their nature, may not give a fair reflection of the Company's financial position post the implementation of the Transactions.

The consolidated *pro forma* financial effects set out below should be read in conjunction with the consolidated *pro forma* statement of financial position as set out in **Annexure 10**, together with the assumptions upon which the financial effects are based, as indicated in the notes thereto in **Annexure 10**. The Independent Reporting Accountant's report on the consolidated *pro forma* financial information is presented in **Annexure 11** to this Circular.

The table below sets out the *pro forma* financial effects of the Transactions on the Company, based on the audited financial results for the year ended 29 February 2016 and on the assumption that –

– for calculating the earnings per share and headline earnings per share, the Transactions were effected on 1 March 2015; and

– for calculating the net asset value per share and net tangible asset value per share, the Transactions were effected on 29 February 2016.

	Results before the Transactions[1]	**Results after the Elite Transaction & before the Candlestick Transaction** [(2) (3) (4) (5) (7)]	**Change (%)**	***Pro forma* results after the Transactions** [(8) (9) (10) (11) (12)]	**Change (%)**
Basic earnings per share (Cents)	(0.79)	(0.32)	59.5%	(0.01)	96.9%
Headline earnings per share (Cents)	(0.79)	(0.32)	59.5%	(0.01)	96.9%
Net asset value per share (Cents)	2.57	2.69	4.7%	2.63	(2.2%)
Net tangible asset value per share (Cents)	1.06	1.28	20.8%	1.21	(5.5%)
Shares in issue throughout the period (excluding treasury shares) ('000)	877 002	877 002	–	877 002	–

Notes and assumptions:

(1) The figures included in the "Results before the Transactions" column, have been extracted, without adjustment, from the audited consolidated financial statements of Afdawn for the year ended 29 February 2016.

(2) In terms of the Elite Transaction, Afdawn will sell and cede 100% of the issued share capital of Elite, 100% of the issued share capital of PTF1 and 100% of the issued share capital of PTF2, to Dzothe for a purchase consideration of R20 million, of which R12 million is payable in cash and R8 million will remain outstanding in the form of a vendor loan. Accordingly, Afdawn accounts for a profit on the Elite Transaction of R3.4 million.

(3) In terms of the Elite Transaction, Afdawn will also sell and cede the sale claims in Elite, PTF1 and PTF2 to Dzothe, which as at 29 February 2016 amount to loans receivable of R10.05 million and loans payable of R59.99 million.

(4) The increase in trade payables represents the expected transaction costs of R415 000 for the Elite Transaction.

(5) The reduction in finance costs incurred of R1.6 million was determined using the actual interest incurred by Elite on the borrowings during the financial year ended 29 February 2016.

(6) Taxation rates assumed is 28%.

(7) The increase in operating expenses represents the expected transaction costs for the Candlestick Transaction and the write-off of debtors outstanding. The Candlestick Transaction will also create a reversal of deferred tax of R137 000 due to the write off of the transfer of the doubtful debts provision (as part of the transaction) and the net proceeds from the Candlestick Transaction are assumed to reverse the finance costs incurred by R863 000, based on the actual interest rate payable of 9.5% per annum by the Company.

(8) In terms of the Candlestick Transaction, Candlestick, a wholly-owned subsidiary of Afdawn, will dispose of the Rental Enterprise for R32.5 million, inclusive of VAT at a rate of 0%. As at 29 February 2016, the Rental Enterprise consists of property, plant and equipment amounting to R16.5 million, trade and other payables amounting to R284 000, cash deposits of R300 000, and long-term borrowings of R7.6 million. These figures have been extracted from the historical financial information presented in **Annexure 7**.

(9) The increase in trade payables represents the expected transaction costs of R165 000 for the Candlestick Transaction.

(10) In terms of the Candlestick Settlement Agreement, the proceeds received by Candlestick from the Candlestick Transaction will be divided and paid as follows:

a Nedbank will be paid as a first charge the amount outstanding on the mortgage bond registered over the Candlestick Property, as at the Transfer Date;

b the balance of the proceeds after deduction of the Nedbank mortgage bond ("Nett Proceeds") will be distributed as follows:

c 30% of the Nett Proceeds will be paid to Blue Dot;

d 35% of the Nett Proceeds will be paid to PTF2 in full and final settlement of its loan claim against Candlestick; and

e 35% of the Nett Proceeds will be paid to PTF3 in full and final settlement of its loan claim against Candlestick.

Accordingly, based on the terms of the Candlestick Settlement Agreement, Afdawn expects to receive proceeds of R8.9 million as a result of the Candlestick Transaction.

(11) All adjustments are expected to have a continuing effect on the income statement.

(12) The Consolidation will take place following the implementation of the Transactions and will not have any financial impact on the Company.

4 CONSOLIDATION

4.1 Introduction

It is proposed that, subject to the passing of the requisite special resolution at the General Meeting and the filing of the special resolution with the CIPC, Afdawn will consolidate its share capital on a 40 to 1 basis. A table of entitlement has been included as **Annexure 15** to this Circular.

4.2 Condition precedent

The implementation of the Consolidation is subject to the fulfilment of the condition precedent that the special resolution relating to the Consolidation contained in the Notice of General Meeting attached to and forming part of this Circular is duly passed and that the special resolution is filed with the CIPC.

4.3 Rationale for the Consolidation

The Consolidation is being proposed for the following reasons:

4.3.1 Afdawn Shares currently trade with an approximate 25% bid/offer spread which results in the share price being extremely volatile;

4.3.2 the Consolidation will allow Afdawn Shares to trade at a price that does not result in volatile changes to its share price;

4.3.3 a stable share price is required in order for Afdawn to be able to raise additional capital and to use scrip to fund future acquisitions.

4.4 **Share capital before the Consolidation**

The total share capital of Afdawn as at the date of the Circular, is set out below:

	R'000
Authorised:	
5 000 000 000 ordinary shares of 1 cent each	50 000
Issued:	
877 002 273 ordinary shares of 1 cent each	8 803
Share premium	305 140
Total share capital	313 943

4.5 **Share capital after the Consolidation**

The authorised and issued share capital of Afdawn, after the Consolidation, is set out below:

	R'000
Authorised:	
125 000 000 ordinary shares of 40 cents each	50 000
Issued:	
21 925 056 ordinary shares of 40 cents each	8 803
Share premium	305 140
Total share capital	313 943

4.6 **Details of the Consolidation**

Subject to the approval and implementation of the Consolidation:

4.6.1 fractions of consolidated shares will not be issued. In the case of fractional entitlements, all allocations of Shares will be rounded down to the nearest whole number resulting in allocations of whole shares together with a cash payment for the fraction to be paid out to Shareholders;

4.6.2 the Consolidation will be effective on Tuesday, 13 December 2016;

4.6.3 the cash value of allocation payments for fractions of Shares will be calculated on Tuesday, 13 December 2016 and announced on SENS on Wednesday, 14 December 2016;

4.6.4 theoretically, the Consolidation will increase Afdawn's market price, earnings and net asset value per Share by the consolidation factor of 40. On the Last Practicable Date, Afdawn's closing share price on the JSE was 3 cents per Share. Consequently, Afdawn's theoretical closing share price after the Consolidation should be R1,20 per Share. Accordingly, as a consequence of the Consolidation, Afdawn's theoretical aggregate market capitalisation should not change.

4.7 **Listing on the JSE**

Subject to the fulfilment of the condition precedent set out in paragraph 4.2 above, the JSE will amend the listing of Afdawn's share capital to make provision for the Consolidation of 40 existing shares into 1 consolidated share, with effect from Tuesday, 13 December 2016 under the new ISIN ZAE000223194.

4.8 **Last day to trade and record date**

The record date for purposes of determining those Shareholders whose Shares will be subject to the Consolidation is Thursday, 15 December 2016. The last date to trade in Afdawn Shares on the JSE in order to be recorded as a Shareholder by Thursday, 15 December 2016, is Monday, 12 December 2016.

4.9 **Procedure to be followed by Certificated Shareholders for the Consolidation**

4.9.1 Subject to the passing and the registration of the special resolution necessary for the Consolidation, it is necessary to recall share certificates from Certificated Shareholders in order to replace them with certificates reflecting the Consolidation.

4.9.2 To facilitate the timeous receipt by Certificated Shareholders of replacement share certificates, Certificated Shareholders who wish to anticipate the implementation of the Consolidation and who do not wish to deal in their existing Shares prior to the Consolidation, are requested to surrender their certificates, under cover of the Form of Surrender *(blue)*, to Computershare, at the address set out in that form, prior to the record date of the Consolidation.

4.9.3 Share certificates so received will be held in trust by Computershare pending the Consolidation becoming unconditional. In the event that the Consolidation does not become unconditional, Computershare will, within five business days thereafter, return the certificates to the Certificated Shareholders concerned, by registered post, at the risk of such Shareholders.

4.9.4 The results of the General Meeting will be announced on SENS on Tuesday, 18 October 2016. Should the Consolidation be approved and implemented, Shareholders who have not already surrendered their share certificates will be required to do so under cover of the attached Form of Surrender *(blue)*, which should be retained for that purpose as no further Form of Surrender will be circulated to Shareholders. Additional copies may be requested from Computershare at the address set out in the "*Corporate Information"* section.

4.10 **Exchange Control Regulations**

4.10.1 In the case of Certificated Shareholders whose registered addresses in the Company's share register in South Africa are outside the Common Monetary Area, or where the relevant certificates are restrictively endorsed in terms of the South African Exchange Control Regulations, the following will apply:

4.10.1.1 Non-residents who are emigrants from the Common Monetary Area –

The replacement share certificate reflecting the Consolidation will be restrictively endorsed in terms of the South African Exchange Control Regulations and will be sent to the Shareholders' authorised dealer in foreign exchange in South Africa controlling their blocked assets.

4.10.1.2 All other non-residents

The replacement share certificate reflecting the Consolidation will be restrictively endorsed "non-resident" in terms of the South African Exchange Control Regulations.

4.11 **Procedure to be followed by Dematerialised Shareholders for the Consolidation**

Dematerialised Shareholders must not do anything as their accounts at their CSDP or broker will be automatically updated.

4.12 **Amendment of the Memorandum of Incorporation**

4.12.1 Subject to Shareholders approving the Consolidation, as described in this paragraph 4 of the Circular, Afdawn's existing Memorandum of Incorporation will consequently have to be amended to reflect the relevant changes to the Company's share capital structure.

4.12.2 Shareholders will accordingly be requested to approve Special Resolution Number 3, as set out in the Notice of General Meeting, to amend the Memorandum of Incorporation of Afdawn.

5 DIRECTORS

5.1 **Directors' service contracts**

Each of the executive Directors have concluded service contracts with terms and conditions that are appropriate for such appointments, which are available for inspection in terms of paragraph 13 below.

5.2 **Directors' interests**

5.2.1 As at 29 February 2016, the Directors of the Company (and their associates), including Directors who have resigned during the last 18 months, held direct and indirect beneficial interest in the Company, as set out below.

	Beneficial interest (ordinary shares)			
Director	**Direct**	**Indirect**	**Total**	**% Held**
WJ Groenewald	158 100	46 044 387	46 202 487	5.3
G Hope	2 350 000	–	2 350 000	0.1
JK Van Zyl [(1)]	33 333 333	–	33 333 333	3.8
EA Van Heerden [(1)]	33 333 333	–	33 333 333	3.8
A Böhmert [(1)]	35 833 333	–	35 833 333	4.1
Total	105 008 099	46 044 387	151 052 486	17.1

Notes:

[(1)] JK van Zyl, EA van Heerden and A Böhmert resigned as Directors of the Company with effect from 27 January 2016.

5.2.2 There has been no change in interest of the Directors' in the issued ordinary share capital of Afdawn in the period from 29 February 2016 to the Last Practicable Date.

5.2.3 Save as set out in paragraph 5.2.4 below, the Knife Capital Acquisition as set out in paragraph 6.8 and **Annexure 17** of the Circular, and for being a Shareholder of Afdawn, no Director (including any person who may have resigned as a Director within the last 18 months) has any material beneficial interest, directly or indirectly, in any transactions that were:

5.2.3.1 effected by the Company during the current or immediately preceding financial year; or

5.2.3.2 during an earlier financial year and remain in any respect outstanding or unperformed.

5.2.4 Makalu Capital (controlled by WJ Groenewald) received a fee for services rendered to the Company in respect of the due diligence investigation of Knife Capital in the amount of R150 000.

5.2.5 Save for being a Shareholder of Afdawn, no Director or promotor of Afdawn has or had any material beneficial interest, directly or indirectly, in any existing property of Afdawn or property to be acquired by the Company.

5.2.6 No cash or securities have been paid and no benefit has been given to any promoter within the last three years save for underwriting fees in the amount of R80 000 paid to Vaalmac (controlled by JS van der Merwe) in terms of a rights offer undertaken in 2014.

5.3 **Directors' fees, remuneration and share options**

5.3.1 For the financial year ended 29 February 2016, no Director has received:

5.3.1.1 management, consulting or technical fees from the Afdawn Group nor any part of any other fees for such services rendered, directly or indirectly, including payments to management companies; or

5.3.1.2 any pension contribution, commission, gain or entered into profit-sharing arrangement with the Afdawn Group.

5.3.2 A breakdown of the remuneration and benefits paid or accrued to the Directors by the Afdawn Group during the year ended 29 February 2016, is set out below:

R'000	**Directors' remuneration/ fees**	**Performance bonuses**	**Directors' remuneration/ fees for services as directors' of subsidiaries[3]**	**Total**
Executive				
WJ Groenewald	1 264	–	–	1 264
EA van Heerden [1]	495	–	1 242	1 737
G Hope	168	–	–	168
JK van Zyl [1]	–	–	1 674	1 674
A Böhmert [1]	–	–	1 560	1 560
	1 927	**–**	**4 476**	**6 403**
Non-Executive				
HH Hickey	124	–	–	124
V Lessing	124	–	–	124
SM Roper	124	–	–	124
CM Bull [2]	35	–	–	35
	407	**–**	**–**	**407**

Notes:

[1] JK van Zyl, EA van Heerden and A Böhmert resigned as Directors of the Company with effect from 11 January 2016.

[2] CM Bull resigned as a Director of Afdawn with effect from 12 June 2015.

[3] EA van Heerden, JK van Zyl and A Böhmert received emoluments for their services as directors of Knife Capital.

5.3.3 The Company currently has no share incentive scheme in place.

6 OTHER RELATED MATTERS

6.1 **Prospects**

6.1.1 The Board formulated a new strategy and vision in 2013 to become an active investment holding company, acquiring shareholdings in entrepreneurial and innovation-driven companies with proven growth strategies. In line herewith and in order to achieve same, the Board has implemented or is in the process of implementing, the following steps –

6.1.1.1 the creation of further capabilities, which include deal sourcing and structuring capabilities, investee mentorship programmes, the setting up of an investment fund and co-investment alliances. To this end, the Company draws Shareholders' attention to the Knife Capital acquisition concluded in March 2014;

6.1.1.2 the disposal of non-core legacy assets and the conversion thereof into cash;

6.1.1.3 to disinvest from its exposure to the unsecured lending by way of the disposal of Elite; and

6.1.1.4 the sale of the Rental Enterprise and the Blue Dot Settlement. The Candlestick Transaction, concluded on 6 April 2016, will complete the process of the disposal of non-core legacy assets as referred to in paragraph 6.1.1.2 above.

6.1.2 The proceeds of the Transactions will be used to reduce liabilities (such as the longstanding SARS claim), fund ongoing commitments and for potential investments by the Company.

6.1.3 Following the conclusion of the disposal of the non-core legacy assets and the settlement of the 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 vison and strategy. Following the conclusion of the Transactions, Knife Capital and Grindstone Accelerator Proprietary Limited will be the only operating entities within the Afdawn Group.

6.2 **Material borrowings**

Details of material borrowings of Afdawn and its Subsidiaries are disclosed in **Annexure 16**.

6.3 **Material changes**

There have been no material changes in the financial or trading position of Afdawn and its Subsidiaries since its published audited financial results for the year ended 29 February 2016.

6.4 **Material contracts**

There have been no material contracts, other than the Elite Agreement, the Candlestick Agreement, the Candlestick Settlement Agreement and the Knife Capital Settlement Agreement entered into either verbally or in writing by Afdawn or its Subsidiaries, being restrictive funding arrangements and/or a contract entered into otherwise than in the ordinary course of the business carried on or proposed to be carried on by Afdawn and/or its Subsidiaries, within the two years preceding the Last Practicable Date, or concluded at any time, and which contain an obligation or settlement that is material to Afdawn and/or its Subsidiaries at the date of this Circular.

6.5 **Major shareholders**

6.5.1 As at the Last Practicable Date, the following Shareholders, to the best of the Directors' knowledge and belief, are beneficially interested, directly or indirectly, in 5% or more of the issued share capital of Afdawn:

Name of Shareholder	**Number of Shares held**	**Percentage of Shares in issue %**
Sandown Capital (Pty) Ltd [(1)]	79 700 000	9.09
Brown, NRO	65 000 000	7.41
Shock Proof Investment 20 (Pty) Ltd [(2)]	46 049 693	5.25

Notes:

[(1)] Sandown Capital (Pty) Limited is a wholly-owned subsidiary of Peregrine Holdings.

[(2)] Shock Proof Investment 20 (Pty) Ltd is an associate of WJ Groenewald.

6.5.2 There has been no change in the controlling Shareholder or trading objects of Afdawn in the five years prior to the Last Practicable Date, or in respect of any of its Subsidiaries, save for the change in control when Afdawn acquired such companies as Subsidiaries and the change in strategy and vision in 2013 to become an active investment holding company.

6.6 **General Meeting**

A General Meeting of Afdawn Shareholders will be held at 09h00 on Tuesday, 18 October 2016, in the boardroom at African Dawn Capital Limited, 202 Waterfront Terraces, Waterfront Road, Bellville,7530 to consider and, if deemed fit, to pass, with or without modification, the Resolutions set out in the Notice of General Meeting attached to this Circular.

6.7 **Acquisition of material assets**

No material assets have been acquired by the Afdawn Group during the last three years preceding the date of this Circular, save for the acquisition of Knife Capital in terms of the Knife Capital Acquisition.

6.8 **Vendors**

6.8.1 Details of the vendors in respect of the Knife Capital Acquisition, the purchase consideration including information regarding, *inter alia*, and to the extent applicable, the warranties received under the acquisition, are detailed in **Annexure 17** of the Circular.

6.8.2 The direct beneficial interest of the Directors (including Directors who have resigned during the last 18 months) in the Knife Capital Acquisition, are set out below. In terms of the Knife Capital Acquisition, 100 000 000 Afdawn Shares were issued at 10 cents per Share to the vendors to settle the acquisition price of R10 000 000.

	Number of Shares issued (beneficial interest)	**Value of Shares issued at 10c per Share (R'000)**
EA Van Heerden	33 333 334	334
JK van Zyl	33 333 333	333
A Böhmert	33 333 333	333

7 WORKING CAPITAL STATEMENT

The Directors are of the opinion that the working capital available to the Afdawn Group is sufficient for the Afdawn Group's present working capital requirements and will, post-implementation of the Transactions, be adequate for at least 12 months from the date of issue of this Circular. The conclusion of the Transactions is critical to the ongoing cash flow of the Afdawn Group.

8 EXPENSES

8.1 The estimated costs of preparing and distributing this Circular, holding the General Meeting and implementing the Transactions, including the fees payable to professional advisors, are approximately R1 240 000 including VAT, and compromise the following:

Expenses	R'000
Sponsor and Corporate Adviser – PSG Capital	350
Independent Reporting Accountant – Grant Thornton	144
Independent Property Valuer – Pierre Rynners Valuers	30
Independent Expert – BDO	100
Legal adviser fees – ENS	323
JSE documentation fees	63
Takeover Panel fees	85
Printing and postage costs	120
Transfer secretaries – Computershare Investor Services	15
Miscellaneous	10
Estimated total	**1 240**

8.2 Other than as set out above, the Afdawn Group has not incurred preliminary expenses in relation to the Transactions during the three years preceding this Circular.

9 DIRECTORS' RECOMMENDATION

9.1 The Directors of Afdawn have considered the terms and conditions of the Transactions and the proposed Consolidation and have considered the Resolutions. The Directors are of the opinion that the Transactions and the Consolidation are in the interest of Afdawn Shareholders.

9.2 The Directors of Afdawn recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

9.3 The Directors of Afdawn, in their personal capacities, intend to vote the Shares held by them in favour of the Resolutions to be proposed at the General Meeting.

10 LITIGATION STATEMENT

10.1 Save for as set out below, the Afdawn Group is not party to any other legal or arbitration proceedings, nor, as far as the Directors of the Afdawn Group are aware, are there any legal or arbitration proceedings pending or threatened against the Afdawn Group, which may have, or have had in the 12 months preceding the date of this Circular, a material effect on the Afdawn Group's financial position, other than those that arise in the normal course of business in recovering funds.

10.2 The Afdawn Group is party to the following legal or arbitration proceedings:

10.2.1 As stated in the 2010, 2011 and 2012 annual reports of Afdawn, Allegro Holdings Proprietary Limited ("**Allegro**"), a former subsidiary of the Company, was placed in curatorship in 2009 at which point Allegro owed the Company R3.8 million. To date, the Company has not received any claims from third parties in relation to Allegro and as the Company does not believe that there are any grounds for such claims, no provisions have been made for any such contingency.

10.2.2 The Company's auditors raised reportable irregularities during the audit for the year ended 28 February 2010 including irregularities in the affairs of the subsidiary Nexus Personnel Finance Proprietary Limited, irregularities in the completion and filing of income tax returns and the payment of income tax, misrepresentation of Afdawn's financial statements for the years ended February 2008 and 2009 and shares being issued for which payment had not been received. Subsequent to the irregularities being raised by the auditors, the Board mandated Romlab Consultants CC, a firm of specialist forensic accountants, to conduct a forensic investigation into the Afdawn Group. Issues identified during the forensic investigation were reported to the Financial Services Board, the South African Police Services and the JSE. Afdawn is co-operating with the relevant authorities in the ongoing investigations.

11 ADVISORS CONSENTS

The parties referred to in the "*Corporate Information*" section of this Circular have consented in writing to act in the capacities stated and to their names being stated in the Circular and, in the case of the Independent Reporting Accountants and Independent Expert, have consented to the references to their reports in the form and context in which they appear, and have not withdrawn their consents prior to the publication of the Circular.

12 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of Afdawn, whose names appear in the "*Corporate Information*" section of this Circular, collectively and individually accept full responsibility for the accuracy of the information given relating to the Afdawn Group 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 Circular contains all information required by law and the JSE Listings Requirements.

13 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection by Shareholders during normal business hours at the registered office of Afdawn and at the offices of PSG Capital (the details of which appear in the "*Corporate Information*" section of this Circular) from the date on which this Circular is issued until the date on which the General Meeting is held (both days inclusive):

13.1 the Memorandum of Incorporation of Afdawn and the memoranda of incorporation of its major Subsidiaries;

13.2 the audited annual financial statements of Elite, PTF1, PTF2 and Candlestick for the financial years ended 29 February 2016 and 28 February 2015;

13.3 the audited annual financial statements of Afdawn for the preceding three financial years (29 February 2016, 28 February 2015 and 28 February 2016), together with all notes, certificates and/or information required by the Companies Act;

13.4 the reports of the Independent Reporting Accountant on the historical financial information of Elite, PTF1, PTF2 and Candlestick referred to in paragraph 13.2 above;

13.5 the report of the Independent Reporting Accountant on the *pro forma* financial information of the Afdawn Group;

13.6 the report of the Independent Property Valuer on the Candlestick Property;

13.7 the fair and reasonable opinion of the Independent Expert;

13.8 the approval letter of the Takeover Panel;

13.9 the consent letters referred to in paragraph 11 of this Circular;

13.10 the Elite Agreement;

13.11 the Candlestick Agreement;

13.12 the Candlestick Settlement Agreement;

13.13 the Knife Capital Settlement Agreement;

13.14 the service contracts of the executive Directors; and

13.15 a signed copy of this Circular.

SIGNED AT BELLVILLE ON 16 SEPTEMBER 2016 ON BEHALF OF ALL THE DIRECTORS OF AFRICAN DAWN CAPITAL LIMITED IN TERMS OF POWERS OF ATTORNEY SIGNED BY SUCH DIRECTORS

WJ Groenewald
Chief Executive Officer

HISTORICAL FINANCIAL INFORMATION OF ELITE FOR THE FINANCIAL YEARS ENDED 29 FEBRUARY 2016 AND 28 FEBRUARY 2015

The historical financial information of Elite is the responsibility of the Directors of Afdawn.

Commentary

Key goals in turning around the business were to maintain revenue, reduce operating expenses, lower impairments and increase operating cash flows in order to repay funders. Another important goal was to make Elite Group investment ready in order to attract a funding partner. All these goals were achieved.

- Turnover of R24.2m was lower than the R25 million of the previous period, but operating costs were reduced from R26 million to R18 million and bad debt impairments reduced from R15 million to R3,2 million. This resulted in profit before tax of R1,6 million versus a loss before tax in the previous period of R18 million.
- Cash flow from operations increased to R6.3 million versus R1,2 million in the previous period. This made it possible for Elite to adhere to agreed repayment terms of funding facilities and reduce liabilities
- In line with our more conservative provisioning policy the debtor book provision increased from 35% to 37,5%. The debtors book was again evaluated by a third party to ensure the new provisioning policy resulted in an appropriate valuation of the debtors' book.
- The return to profitability and the strong cash flow generation enable Elite to attract third party interest.
- It very important for Elite to be able to grow its customer base and fund this growth.

STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2016

	Notes	2016 R	2015 R
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	636,252	654,554
Intangible assets	4	844,606	1,146,635
Investments in subsidiaries	5	100	100
		1,480,958	**1,801,289**
Current Assets			
Loans to group companies	6	18,269	135,348
Trade and other receivables	7	25,074,516	27,352,180
Other financial assets	8	312,145	724,050
Current tax receivable		509,550	397,311
Cash and cash equivalents	9	1,084,657	1,360,972
		26,999,137	**29,969,861**
Total Assets		**28,480,095**	**31,771,150**
EQUITY AND LIABILITIES			
Equity			
Share capital	10	6,821,914	6,821,914
Accumulated loss		(19,253,696)	(20,933,458)
		(12,431,782)	**(14,111,544)**
Liabilities			
Non-Current Liabilities			
Borrowings	11	1,488,297	5,872,654
Finance lease liabilities	12	–	59,854
		1,488,297	**5,932,508**
Current Liabilities			
Loans from group companies	6	22,736,831	21,877,816
Borrowings	11	13,931,619	14,655,673
Finance lease liabilities	12	19,253	121,723
Trade and other payables	13	2,735,877	3,294,974
		39,423,580	**39,950,186**
Total Liabilities		**40,911,877**	**45,882,694**
Total Equity and Liabilities		**28,480,095**	**31,771,150**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2016 R	2015 R
Revenue	15	24,289,296	25,039,574
Other income	16	1,735,596	2,418,073
Operating expenses		(22,377,237)	(41,576,720)
Operating profit (loss)	17	**3,647,655**	**(14,119,073)**
Investment income	18	479	1,151
Deemed interest expense and impairment of investment in subsidiary	19	(460,154)	(145,210)
(Loss)/profit from equity accounted investment		–	(2,259,181)
Finance costs	20	(1,570,907)	(2,393,713)
Profit (loss) before taxation		**1,617,073**	**(18,916,026)**
Taxation	21	62,689	–
Profit (loss) for the year		**1,679,762**	**(18,916,026)**
Other comprehensive income		–	–
Total comprehensive income (loss) for the year		**1,679,762**	**(18,916,026)**

STATEMENT OF CHANGES IN EQUITY

	Share capital R	Share premium R	Total share capital R	Accumulated profit/(loss) R	Total equity R
Opening balance 01 March 2013	**100,000**	**6,721,914**	**6,821,914**	**(2,017,432)**	**4,804,482**
Total comprehensive loss for the year	–	–	–	(18,916,026)	(18,916,026)
Balance at 01 March 2014	**100,000**	**6,721,914**	**6,821,914**	**(20,933,458)**	**(14,111,544)**
Total comprehensive profit for the year	–	–	–	1,679,762	1,679,762
Balance at 29 February 2016	**100,000**	**6,721,914**	**6,821,914**	**(19,253,696)**	**(12,431,782)**
Notes	10	10	10		

STATEMENT OF CASH FLOWS

	Notes	2016 R	2015 R
Cash flows from operating activities			
Cash generated by operations	23	6,321,798	261,973
Investment income		479	1,151
Finance costs		(1,570,907)	(2,393,713)
Tax paid	24	(49,550)	–
Net cash from operating activities		**4,701,820**	**(2,130,589)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(504,970)	(44,224)
Proceeds on sale of property, plant and equipment	3	328,414	20,895
Purchase of other intangible assets	4	(46,785)	–
Proceeds from loans from group companies		515,943	–
Net cash from investing activities		**292,602**	**(23,329)**
Cash flows from financing activities			
Proceeds from borrowings		–	(530,323)
Repayment of borrowings		(5,108,412)	–
Finance lease payments, refer to note 12		(177,535)	(121,910)
Finance costs on finance lease		15,211	21,732
Repayment of loans from group companies		–	(128,624)
Net cash from financing activities		**(5,270,736)**	**(759,125)**
Total cash movement for the year		**(276,314)**	**(2,913,043)**
Cash at the beginning of the year		1,360,972	4,274,015
Total cash at end of the year	9	**1,084,658**	**1,360,972**

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period except for restatements indicated in note .

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Elite Group Two Proprietary Limited ("Elite Two") – associate (2014) and subsidiary (2015)

In 2011, Elite entered into an agreement with Sandown Capital Proprietary Limited ("Sandown"). Sandown assisted Afdawn by introducing a R10 million facility to Elite to facilitate the growth of Elite through the special purpose vehicle (SPV), being Elite Two that was in line with, and benefitted, the business of Elite & Afdawn. Elite (with the assistance of Sandown) had set up Elite Two to make short term salary-deducted personal loans – this is the main business of Elite Two and was funded by Sandown (who earned interest) and managed by Elite (who earned management fees). Elite Two was 100% owned by Sandown. Elite and Sandown were each entitled to 50% of the profits assuming that the total bad debts were 3%. To the extent that bad debts exceeded 3%, Elite would forfeit an equal amount of its share of the profit. However, Elite was not exposed to any further losses.

In November 2014, Elite acquired all the shares in Elite Two from Sandown (refer note 5). This resulted in a reassessment of whether Elite had control of Elite Two prior to this date. A thorough assessment of the requirements in IFRS 10 – Consolidated Financial Statements, and SIC 12 – Consolidation – Special Purpose Entities, revealed that Elite did not control Elite Two prior to this date. Both Sandown and Elite were exposed, or had rights, to variable returns from their involvement with Elite Two. However, on balance, Sandown had more exposure than Elite and had the ability to affect those returns through its power over the investee. Sandown therefore consolidated Elite Two until November 2014.

Insurance revenue

Certain of the micro-finance debtors choose to purchase insurance from Elite and Elite Two. 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 bears the risk in such situations.

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

Although the company is 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 the recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

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 discounting.
- Debit loans that have no repayment terms are:
  - classified 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 expense being recognised subsequent to the initial discounting.
- 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 discounting

The following table summarises the impact of fair value adjustments, initial discounting and deemed interest income or expense:

Loan subject to deemed interest	Amount	Classification	Initial deemed interest recognised	Total deemed interest raised	Balance
2016					
Sandown Capital subsidiary acquisition loan	580,000	Liabilities at amortised cost	(75,764)	75,764	580,000
Sandown Capital interest free portion loan	3,332,808	Liabilities at amortised cost	(493,992)	493,992	3,332,808
Elite Two loan	18,269	Loans and receivables	(35,608)	35,608	18,269
	3,931,077		**(605,364)**	**605,364**	**3,931,077**

	Amount	Classification	Initial deemed interest recognised	Present value adjustment	Balance
2015					
Sandown Capital subsidiary acquisition loan	1,750,000	Liabilities at amortised cost	(75,764)	43,447	1,717,683
Sandown Capital interest free portion loan	3,332,808	Liabilities at amortised cost	(493,992)	66,155	2,904,971
Elite Two loan	(384,956)	Loan and receivables	–	35,608	(349,348)
	4,697,852		**(569,756)**	**145,210**	**4,273,306**

Impairment of trade and other receivables

The amount recognised in 2016 for the impairment of the trade and other receivables is R14,749,421 (2015: R15,600,984).

Refer to note 31 for further information on the specific estimates and assumptions used.

The estimation of allowances for impairments is inherently uncertain and depends on many factors. These factors include general economic conditions, structural changes within industries, changes in individual customer circumstances. There are also other external factors such as legal requirements, regulatory specifications and governmental policies that if changes can have a significant effect on the allowances.

Trade and other receivables are stated net of impairments. The impairments are either made on an individual receivable or on a collective receivable.

Impairment of collective receivables

Trade and other receivables are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition. The event would be the loss making event and would adversely affect the recoverability and reliability of the expected future cash flows. These events include, but are not limited to:

- Breach of contract: Which is considered to be default or delinquency in interest or principal payments, instalment which are past the due date affecting the reliability to measure future cash flows;
- Significant financial difficulty of borrower, directly communicated to Elite Group Proprietary Limited or probable that borrower will enter bankruptcy or financial re-organisation.
- Data indicating that there is a quantifiable decrease in the estimated future cash flow and recoverability of a grouping of assets, although not yet identified at individual asset. These include fraud at agent levels, adverse change of payment status of groups, local and national conditions relating to identifiable groups. Indication of decrease in value of security held, especially indicators that would adversely affect the value of properties held as security relating to property bridging finance.

The company formally assesses its collective receivable portfolio for impairment on a monthly basis based on formulated impairment formulas and judgement. The extent to which the current carrying value exceeds the estimated recoverable amount of advances is classified as impairment.

Impairments made on collective receivables

Due to the vast number and ever changing status of especially short term, unsecured receivables, the impairments are assessed on a collective grouping of receivables. The impairments were calculated, based on an approved impairment policy. The grouping of the receivables are made based on specific criteria of each receivable, these include: borrower creditability, ageing of last receipt, arrears amount, settlement agreement, status of process to be followed to pursue future cash flows, age of borrower, economical status, repayment instalment. The collective receivable balances are impaired by a percentage that was specifically awarded to the receivables within the collection. The percentage was developed with help of specialised external asset valuators and was based on extensive market knowledge, historical default and recovery rates, repayment trends and statistical techniques.

Impairment calculations contain both judgemental and non-judgemental inputs. The extent of judgement utilised in new products is greater than that for older products, given the limited historical experience available for the new products. Receivables older than 75 days become collectable under the legal process of recovery, these receivables fall within a new collection of receivables and approved impairment percentage applied.

Impairment testing

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Loan write-offs

The outstanding balances (net of amount owed and related impairment) of clients are continuously followed up and assessed for successful repayment. Credit managers have the mandate to write balances off once all avenues for collections have been explored and found to be unsuccessful.

Going concern judgement

The financial statements have been prepared on the basis that the company has the ability to continue as a going concern for a period of at least 12 months from the reporting date and also for a period of at least 12 months from the date of issue of the financial statements.

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**
The payment of the VAT liability (refer to note 13).	The directors have engaged with tax advisors to assist them in making a submission in terms of the VDP.	The submission has been made to SARS, it includes an offer to make periodic payments.
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 center on accommodating Elite's ability to repay the loan within a longer period. Sandown's continued support is based on the successful conclusion of the recapitalization of Elite referred to below. Since October 2014, Elite has repaid R4,8m of the original R15m Sandown loan.
Elite needs to be recapitalised.	Afdawn will convert a portion of its shareholders loan into equity in Elite. A third party will acquire 51% of the economic interest in Elite by providing R15m of permanent capital, a further R15m loan funding facility for 5 years and access to a client base. This will give Elite the ability to generate the required cash flow to fund operations, growth and other financial obligations	The shareholder's loan will be converted into equity on the settlement of the acquisition. An agreement has already been signed with a third party.

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.

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
IT equipment	Straight line	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

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 following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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

Item	Useful life
Micro finance software	5 years

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

1.4 Interests in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment.

The carrying amounts and fair value of these investments are reviewed annually and written down to profit and loss for impairment where considered necessary.

1.5 Investments in associates

Associates are those entities, including unincorporated entities, over which the group has the ability to exercise significant influence, but no control or joint control, through participation in the financial and operating policy decisions of the investment (that is neither a subsidiary nor an investment in a joint arrangement).

Significant influence

Significant influence is generally demonstrated by the company holding in excess of 20%, but not more than 50%, of the voting rights.

Date of and equity accounting

The profit or loss of the associate and assets and liabilities, including goodwill identified on acquisition, net of any accumulated impairment losses, are included in the company financial statements using the equity method of accounting from the date significant influence commences until the date significant influence ceases.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The companies investment in associates includes goodwill identified on acquisition.

The company's share of post-acquisition profit or loss is recognised in the income statement, and its share of post- acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the company's share of losses in an associate equals or exceeds its interest in the associate the company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Where an associate has a reporting period that is different from that of the company, the results of the associate are adjusted to reflect a reporting period consistent with the company reporting period.

Elimination and accounting policies

Profits and losses resulting from upstream and downstream transactions between the company and its associate are recognised in the company financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the company.

Changes in ownership

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Refer to policy note on impairments for further details on impairments.

1.6 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 company has the following financial instruments:

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

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.

Initial recognition

Financial instruments are recognised in the statement of financial position when the company becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the timeframe established by regulation or market convention ('regular way' purchases) are recognised at the trade date, which is the date on which the company commits to purchase the financial asset. The liability to pay for 'regular way' purchases of financial assets is recognised on the trade date, which is when the company becomes a party to the contractual provisions of the financial instrument.

Derecognition

Financial assets

The company derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when:

- The contractual rights to the cash flows arising from the financial asset have expired; or
- The company transfers the financial asset, including substantially all the risks and rewards of ownership of the asset or;
- It transfers the contractual rights to receive the cash flows from the financial asset; or
- It retains the contractual rights to receive the cash flows of the financial asset, but assumes a corresponding contractual obligation to pay the cash flows to one or more recipients, and consequently transfers substantially all the risks and benefits associated with the asset; or
- No future economic benefits are expected from their use.

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.

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 categories are explained further below: At fair value through profit or loss

This category has two sub-categories

- Financial instruments held for trading, and
- Those designated at fair value through profit or loss at inception.

A financial instrument is categorised as held for trading if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorised as held for trading unless they are designated as hedges.

The company has no financial instruments in this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the company intends to sell immediately or in the short term, which are categorised as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- Those that the company upon initial recognition designates as available-for-sale; or
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration

They arise when the company provides money, goods or services directly to a debtor with no intention of trading the advance. The following are classified as loans and receivable when they have fixed or determinable payments:

- Other financial assets
- Loans to group companies
- Trade receivables
- Cash and cash equivalents

Held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group has both the positive intent and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available-for-sale.

The group has no financial instruments in this category.

Available for sale

Available-for-sale financial assets are non-derivative financial assets that the group has designated as available for sale or are not classified as either loans and receivables, held-to-maturity investments or financial assets as at fair value through profit or loss.

The following are classified as available for sale when they have no fixed or determinable payments:

- Loans to group companies
- Trade receivables

Financial liabilities at amortised cost

All financial liabilities, other than those at fair value through profit or loss, are classified as in this category. The following are included in this category:

- Borrowings
- Loans from group companies
- Trade payables

Subsequent measurement

Subsequent to initial measurement, financial instruments are either measured at fair value or amortised cost, depending on their classification.

Financial liabilities at amortised cost

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

At fair value through profit or loss

Financial instruments at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.

Available for sale

Available for sale financial assets are measured at fair value, with fair value gains or losses recognised in other comprehensive income, unless the asset has been designated as a hedged item in a fair-value hedging relationship subject to hedge accounting.

Gains and losses arising from changes in fair value are recognised in other comprehensive income, until the asset is disposed of or it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Interest income is excluded from the fair value gains and losses which are recognised in other comprehensive income.

Held to maturity

Held-to-maturity financial assets are measured at amortised cost, using the effective-interest method, less any provisions for impairment with the interest income recognised in profit or loss.

Loans and receivables

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

The companies trade debtors are included in the loans and receivables category. These advances arise when the company provides money, goods or services directly to a debtor with no intention to trade the receivable. receivables originated by the company are generally in the form of service rendered.

Impairments

Available for sale financial assets

Available for sale financial assets are assessed for impairment if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but on or before the reporting date. An available-for sale financial asset is also considered to be impaired if a significant or prolonged decline in fair value of the instrument below its cost has occurred.

If there is an impairment, the cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is reclassified from other comprehensive income to profit or loss. If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed.

For available for sale equity investments impairment reversals are not recognised in profit loss and any subsequent increase in fair value is recognised in other comprehensive income.

Assets carried at amortised cost

The company assesses at each reporting date whether there is objective evidence that an asset or company of assets is impaired

The company 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 receivable level. A 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 company 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 is 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 receivable by receivable basis.

If the recoverable amount of the receivable 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. Receivables 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.

Impairment provisions raised during the year are charged to profit or loss.

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 company, as the company 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 companies's accounting policies are applied from the date of recognition.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement

Ordinary share capital and any financial instrument issued by the company is classified as equity when:

- Payment of cash, in the form of a dividend or redemption, is at the discretion of the company;
- The instrument does not provide for the exchange of financial instruments under conditions that are potentially unfavourable to the company
- Settlement in the company's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- The instrument represents a residual interest in the assets of the company after deducting all its liabilities.

Equity instruments are recorded at the proceeds received, net of direct issue costs.

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 31 on provisions); and
- The initial fair value less cumulative amortisation in accordance with IAS 18.

The company 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.

Transactions that affect equity

Share capital and share premium and transaction costs

Shares issued by the company are recorded at the value of the proceeds received less the external costs directly attributable to the issue of the shares. All transactions relating to the acquisition and sale or issue of shares in the company, together with their associated costs, are accounted for in equity.

1.7 Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current taxation

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

Deferred taxation

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.

Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

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.

The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred taxation is not recognised for the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries, associates and joint arrangements except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference is deferred tax not recognised.

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.

Deferred taxation assets and liabilities are not discounted.

1.8 Leases

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

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.

1.9 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Employee benefits

Short-term employee benefits

The company 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.

1.11 Revenue

Revenue comprises:

- Interest income
- Non-interest income(administration fees)
- Interest income (non-trading)
- Insurance 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 company 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.

The effective-interest method is a method of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the interest income over the relevant period. When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate and includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing financial instrument and its amount at maturity calculated on an effective-interest-rate basis.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Where the company 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 12 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.

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.

Insurance income

The company earns insurance income from certain micro-finance debtors – refer note 16. The insurance premiums are recognised in revenue they become due.

1.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. There were no costs determined as eligible for capitalisation.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 March 2016 or later periods.

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

Standard	Details of amendment	Annual periods beginning on or after
	A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition:	1 January 2018 *IFRS 9 (2014) supersedes any previous versions of IFRS 9, but earlier versions of IFRS 9 remain available for application if the relevant date of application is before 1 February 2015*
	– IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. – The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets. – IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. – IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.	
IFRS 11 Joint Arrangements	Amendments adding new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business which specify the appropriate accounting treatment for such acquisitions.	1 January 2016
	Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.	1 January 2016
IFRS 14 Regulatory Deferral Accounts	IFRS 14 permits first-time adopters to continue to recognise amounts related to its rate regulated activities in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that apply IFRS and do not recognise such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the Standard.	1 January 2016
IFRS 15 Revenue from Contracts from Customers	New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The new standard supersedes: (a) IAS 11 Construction Contracts; (b) IAS 18 Revenue; (c) IFRIC 13 Customer Loyalty Programmes; (d) IFRIC 15 Agreements for the Construction of Real Estate; (e) IFRIC 18 Transfers of Assets from Customers; and (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services.	1 January 2018

Standard	Details of amendment	Annual periods beginning on or after
IAS 1, Presentation of Financial Statements	Disclosure Initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.	1 January 2016
IAS 16 Property, Plant and Equipment	Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.	1 January 2016
	Amendment to IAS 16 and IAS 41 which defines bearer plants and includes bearer plants in the scope of IAS 16 Property, plant and equipment, rather than IAS 41 allowing such assets to be accounted for after initial recognition in accordance with IAS 16.	1 January 2016
IAS 38 Intangible Assets	Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset. Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.	1 January 2016 1 January 2016

3. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Furniture and fixtures	302,260	(271,510)	30,750	273,762	(260,552)	13,210
Motor vehicles	643,131	(341,941)	301,190	753,241	(464,327)	288,914
Office equipment	666,234	(404,859)	261,375	497,679	(312,369)	185,310
IT equipment	890,993	(848,056)	42,937	922,409	(755,289)	167,120
Total	**2,502,618**	**(1,866,366)**	**636,252**	**2,447,091**	**(1,792,537)**	**654,554**

Reconciliation of property, plant and equipment – 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	13,210	28,498	–	(10,958)	30,750
Motor vehicles	288,914	214,590	(119,772)	(82,542)	301,190
Office equipment	185,310	168,555	–	(92,490)	261,375
IT equipment	167,120	93,327	(104,399)	(113,110)	42,938
	654,554	**504,970**	**(224,171)**	**(299,100)**	**636,253**

Reconciliation of property, plant and equipment – 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	22,348	–	(9,450)	312	13,210
Motor vehicles	371,201	–	–	(82,287)	288,914
Office equipment	243,702	3,595	–	(61,987)	185,310
IT equipment	312,235	40,629	–	(185,744)	167,120
	949,486	**44,224**	**(9,450)**	**(329,706)**	**654,554**

Motor vehicles with a cost of R128,900 (2015: R423,600) are held as security, refer to note 12.

4. INTANGIBLE ASSETS

	2016			2015		
	Cost	Accumulated amortisation and impairment	Carrying amount	Cost	Accumulated amortisation and impairment	Carrying amount
Micro finance software	1,755,595	(910,989)	844,606	1,708,810	(562,175)	1,146,635

Reconciliation of intangible assets – 2016

	Opening balance	Additions	Amortisation	Total
Micro finance software	1,146,635	46,785	(348,814)	844,606

Reconciliation of intangible assets – 2015

	Opening balance	Amortisation	Impairment loss	Total
Micro finance software	1,488,397	(341,762)	-	1,146,635
Medical finance software	1,355,165	(203,275)	(1,151,890)	-
	2,843,562	**(545,037)**	**(1,151,890)**	**1,146,635**

Other information

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

Medical finance software with a cost of R1,355,165 in 2015 was under construction. It was brought into use in 2015 then impaired. Elite Group decided to exit the medical finance business.

5. INTEREST IN SUBSIDIARY

Name of company	Carrying amount 2016	Carrying amount 2015
Elite Group Two Proprietary Limited	100	100

Reconciliation of investment in subsidiary movement

	2016	**2015**
Purchase price	100	100
Present value of loan capitalised to investment refer to note 7	–	35,608
Impairment of investment	–	(35,608)
	100	**100**

6. LOANS TO (FROM) GROUP COMPANIES

Subsidiary		
Elite Two Proprietary Limited	18,269	384,956
The loan is unsecured, interest free and has daily transactions.		
Present value adjustment, refer to note 19	–	(35,608)
The loan has been discounted using a 9.25% interest rate over 1 year.		
	18,269	349,348
	–	(214,000)
Impairment of loan to subsidiary	**18,269**	**135,348**
Holding company		
African Dawn Capital Limited * The loan is unsecured, bears no interest and has no fixed terms of repayment.	(22,735,430)	(21,870,814)
Fellow subsidiaries		
African Dawn Wheels Proprietary Limited The loan is unsecured, bears no interest and is repaid monthly.	(1,401)	(7,000)

* The loan has been subordinated to the extent that the company's liabilities exceed its assets in favour of other creditors of the company for as long as the company's liabilities exceed its assets.

Current assets	18,269	135,348
Current liabilities	(22,736,831)	(24,387,735)
	(22,718,562)	**(24,252,387)**

7. TRADE AND OTHER RECEIVABLES

Trade receivables	39,372,117	42,014,789
Allowance for doubtful debts	(14,749,421)	(15,600,984)
Deposits	262,075	244,159
Prepayments	180,360	694,216
Other receivables	9,385	–
	25,074,516	**27,352,180**

Trade and other receivables pledged as security

Trade and other receivables were pledged as security for financial facilities from the National Housing Finance Corporation of R2,575,871 (2015: R3,795,753). Refer to note 11 for further details.

8. OTHER FINANCIAL ASSETS

Elite Cell Captive 00181	312,145	724,050
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.		
Current assets		
Elite Cell Captive 00181	312,145	724,050

The cash in Elite Cell Captive can only be accessed by submitting a claim to Guardrisk or by Elite Cell Captive declaring a dividend.

		2016 R	2015 R
9.	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents consist of:		
	Cash on hand	191,973	211,597
	Bank balances	892,684	1,149,375
		1,084,657	**1,360,972**
10.	**SHARE CAPITAL**		
	Authorised		
	500,000,000 Ordinary shares of R0.001 each	500,000	500,000
	Issued		
	Ordinary	100,000	100,000
	Share premium	6,721,914	6,721,914
		6,821,914	**6,821,914**
11.	**BORROWINGS**		
	Sandown Capital subsidiary acquisition loan (B) The loan bears interest at prime and is repayable in instalments of R80,000 and interest accrued per month.	580,000	1,717,683
	DD Breedt The loan is unsecured, interest free and was repaid with 1 month.	150,000	–
	National Housing Finance Corporation SOC Limited The facility is secured on the associated debtors, bears interest at prime + 5% and is repayable over 5 years from the borrowing date, refer to note 9. African Dawn Capital Limited has provided a guarantee on the loan facility. Elite has drawn down less than the amounts permitted in terms of the contract.	2,575,871	3,795,753
	Nexus liquidator The loan is unsecured, interest free and repayment is being negotiated with the liquidators.	2,481,237	2,509,921
	Sandown Capital loan (A) The convertible bond was not converted and new terms are as follows interest is charged at prime, currently 10.5% per annum and repayments of R700,000 plus interest per month in the short term. The loan is unsecured.	6,300,000	9,600,000
	Sandown Capital Interest free portion loan (A) (C) The loan bears interest at prime, currently 10.5% and is repayable in instalments of R700,000 starting in December 2016 while the accumulated interest is paid monthly. The loan is unsecured.	3,332,808	2,904,971
		15,419,916	**20,528,328**

(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 being 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 R0.14, interest levied at JIBAR on 3 month discount +600 basis points. The bond arose as part of the recapitalisation and rights issue in 2011.

(B) The loan was interest free 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 has been reversed in the current year. However the loan started attracting interest in December 2015 so the full deemed interest has been reversed.

(C) The loan was interest free 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 R428,837 that has been reversed in the current year.

Total present value adjustment recognised as a gain in 2015 was R569,756 (i.e. R75,764 + R493,992. Refer to note 16)

In 2016 interest began on all the loans to the balance of the deemed interest has been recognised in 2016 R460,154 (i.e. R32,317 + R427,837).

Total deemed interest expense recognised is R460,154 (2015:R109,602) refer to note 19.

		2016 R	2015 R
11.	**BORROWINGS (continued)**		
	Non-current liabilities	1,488,297	5,872,654
	Current liabilities		
		13,931,619	14,655,673
		15,419,916	**20,528,327**
12.	**FINANCE LEASE LIABILITIES**		
	Minimum lease payments due		
	– within one year	19,635	122,043
	– in second to fifth year inclusive	–	74,162
		19,635	196,205
	less: future finance charges	(382)	(14,628)
	Present value of minimum lease payments	**19,253**	**181,577**
	Non-current liabilities	–	59,854
	Current liabilities	19,253	121,723
		19,253	**181,577**

It is company policy to lease certain motor vehicles and equipment under finance leases.
The average lease term is 1 to 5 years and the average effective borrowing rate is 11% (2015: 10%)

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 company's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note to 3.

		2016	**2015**
	Lease payments		
	Total payment made	177,535	121,910
	Portion of payment that was interest	(15,211)	(21,732)
		162,324	**100,178**
13.	**TRADE AND OTHER PAYABLES**		
	Trade payables	491,783	618,169
	VAT	1,104,372	1,679,080
	Accrued leave pay	806,797	698,564
	Accrued expenses	332,925	299,161
		2,735,877	**3,294,974**
14.	**DEFERRED TAX**		
	Deferred tax liability		
	Temporary difference on intangible asset expenses	(236,490)	(313,071)
	Deferred tax asset		
	Temporary difference on leave pay accrual	225,903	195,598
	Tax losses available for set off against future taxable income	10,587	117,473
	Total deferred tax asset	**236,490**	**313,071**
	Deferred tax liability	(236,490)	(313,071)
	Deferred tax asset	236,490	313,071
	Total net deferred tax asset	**–**	**–**
15.	**REVENUE**		
	Non-interest income(administration fees)	875,007	1,717,909
	Interest income	23,378,984	22,375,058
	Insurance premiums	35,305	946,607
		24,289,296	**25,039,574**

		2016 R	2015 R
16.	**OTHER INCOME**		
	Profit and loss on sale of assets and liabilities	104,243	11,445
	Gain on present valuing adjustment - interest free borrowings refer to note 1.1	–	569,756
	Bad debt recoveries	738,446	1,836,872
	SARS interest reversal	892,907	–
		1,735,596	**2,418,073**
17.	**OPERATING PROFIT (LOSS)**		
	Operating profit (loss) for the year is stated after accounting for the following:		
	Operating lease charges		
	Premises		
	• Contractual amounts	2,241,887	3,571,674
	Equipment		
	• Contractual amounts	467,724	521,474
		2,709,611	**4,093,148**
	Loss on sale of property, plant and equipment	(104,243)	(11,445)
	Impairment of loan to subsidiary	–	214,000
	Present value adjustment to interest free borrowings	–	569,756
	Impairment of intangible assets	–	1,151,890
	Amortisation of intangible assets	348,813	545,037
	Depreciation of property, plant and equipment	299,100	329,705
	Employee costs	8,649,110	11,844,192
	Impairment of investment in subsidiary	–	35,608
	Deemed interest expense on interest free borrowings	460,154	109,602
	Impairment raised on trade debtors	1,316,875	10,845,633
18.	**INVESTMENT INCOME**		
	Interest revenue		
	Bank	479	1,151
19.	**DEEMED INTEREST EXPENSE AND IMPAIRMENT OF INVESTMENT IN SUBSIDIARY**		
	Impairment of investment in subsidiary loan, refer to note 5	–	(35,608)
	Deemed interest expense on interest free borrowings (refer to note 11)	(460,154)	(109,602)
		(460,154)	**(145,210)**
20.	**FINANCE COSTS**		
	Borrowings	1,555,696	1,830,833
	Finance leases	15,211	21,731
	Late payment of tax	–	541,149
		1,570,907	**2,393,713**
21.	**TAXATION**		
	Major components of the tax income		
	Current		
	Local income tax – recognised in current tax for prior periods	(62,689)	–
	Reconciliation of the tax expense		
	Reconciliation between accounting profit and tax expense.		
	Accounting (loss) profit	1,617,073	(18,916,026)
	Tax at the applicable tax rate of 28% (2015: 28%)	452,780	(5,296,487)
	Tax effect of adjustments on taxable income		
	Permanent difference SARS interest reversal	(250,014)	–
	Permanent difference deemed interest	128,843	–
	Permanent difference Elite Cell taxed separately	–	(165,194)
	Tax losses carried forward no deferred tax asset raised	(331,609)	5,461,681
	Prior year income tax assessment revised	(62,689)	–
		(62,689)	**–**

No provision has been made for 2016 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R 28,412,990 (2015: R 29,013,383).

		2016 R	2015 R
22.	**AUDITORS' REMUNERATION**		
	Fees	180,504	200,000
23.	**Cash generated from operations**		
	Profit/(loss) before taxation	1,617,073	(18,916,026)
	Adjustments for:		
	Depreciation	299,100	329,706
	Profit on disposal of property, plant and equipment	(104,243)	(11,445)
	Loss/(profit) from equity accounted investments	–	2,259,181
	Investment income	(479)	(1,151)
	Finance costs	1,570,907	2,393,713
	Deemed interest expense	460,154	109,602
	Impairment of intangible assets	–	1,151,890
	Impairment of group loans	–	214,000
	Amortisation of intangible assets	348,814	545,037
	Impairment of investment in subsidiary non cashflow	–	35,608
	(Reversal)/additional impairment raised on trade debtors	(851,563)	(3,161,367)
	Present value adjustment interest free borrowings	–	(569,756)
	Changes in working capital:		
	Trade and other receivableS	3,129,227	14,837,541
	Trade and other payables	(559,097)	215,300
	Insurance cell cash included in other financial assets	411,905	830,140
		6,321,798	**261,973**
24.	**TAX PAID**		
	Balance at beginning of the year	397,311	397,311
	Current tax for the year recognised in profit or loss	62,689	–
	Balance at end of the year	(509,550)	(397,311)
		(49,550)	**–**

25. CONTINGENCIES AND GUARANTEE

Litigation is in the process against debtors in Elite Group Two proprietary Limited relating to a 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.

In 2013, Elite guaranteed a portion of the debt that Elite Two owed Sandown. The total guarantee was for R15 million. However, at 28 February 2014, the amount owed by Elite Two to Sandown was R19,148,580. At the date that Elite obtained control of Elite Two, the guarantee fell away as part of the settlement agreement.

26. RELATED PARTIES

Relationships

Holding company	African Dawn Capital Limited
Subsidiary	Refer to note 5

Fellow Subsidiaries

African Dawn Property Transfer Finance 1 Proprietary Limited
African Dawn Property Transfer Finance 2 Proprietary Limited
African Dawn Debt Management Proprietary Limited
Nexus Personnel Finance Proprietary Limited
Bhenka Financial Services Proprietary Limited
African Dawn KwaZulu-Natal Proprietary Limited
African Dawn Social Education Proprietary Limited
African Dawn Wheels Proprietary Limited
African Dawn Wheels Operations Proprietary Limited
Elatiflash Proprietary Limited
ABC Cashplus (Randburg) Proprietary Limited
Candlestick Park Investments Proprietary Limited
Almika Investments 81 Proprietary Limited
African Dawn Property Transfer Finance 5 Proprietary Limited
Amalgum Investments 138 Proprietary Limited
Albistar Investments Proprietary Limited
Knife Capital Proprietary Limited
Grindstone Accelerator Proprietary Limited

	2016 R	2015 R
Related party balances		
Loan accounts – Owing (to)/by related parties		
African Dawn Capital Limited	(22,735,430)	(21,870,814)
Nexus Personnel Finance Proprietary Limited	–	(2,509,921)
African Dawn Wheels Proprietary Limited	(1,401)	(7,000)
Elite Group Two Proprietary Limited	18,269	–
Loans from directors		
DD Breedt	150,000	–
Related party transactions		
Interest paid to (received from) related parties		
African Dawn Capital Limited	227,269	–
Administration fees (received from)/paid to related parties		
Nexus Personnel Finance Proprietary Limited	(142,345)	(196,115)
African Dawn Wheels Proprietary Limited	(13,743)	(20,515)
Impairment of group loan		
Elite Group Two Proprietary Limited	–	(214,000)
Present value adjustment of group loan		
Elite Group Two Proprietary Limited	–	(35,608)

Key management includes only the directors and their remuneration is disclosed in note 27.

27. DIRECTORS' EMOLUMENTS

No emoluments were paid to the non-executive directors as listed in the directors report. No additional individuals were deemed to hold a prescribed office during the year other than those listed below.

Executive

	Emoluments	Total
2016		
Mr. DD Breedt	850,452	850,452
Mr. WJ Groenewald	–	–
Mr. EA Van Heerden	–	–
	850,452	**850,452**

	Emoluments	Expense allowance	Total
2015			
Dr. GE Stoop	1,256,926	169,000	1,425,926
Mr. DD Breedt	735,520	–	735,520
Mr. DA Turner	878,901	–	878,901
	2,871,347	**169,000**	**3,040,347**

* Life insurance policies paid for by Elite were ceded to the directors.

Some of the directors received emoluments from other companies in the group as follows: WJ Groenewald R1,264 million (2015: R1,727 million) and EA van Heerden R1,738 million (2015: R1,342 million).

	2016 R	2015 R
28. COMPARATIVE FIGURES		
Certain comparative figures have been reclassified. The effects of the reclassification are as follows:		
Statement of Financial Position		
Loans from group companies previously	–	24,387,735
Loans from group companies reclassified	–	21,877,816
Borrowings previously	–	12,145,753
Borrowings reclassified	–	14,655,673

29. GOING CONCERN

We draw attention to the fact that at 29 February 2016, the company had accumulated losses of R 19,253,696 (2015: 20,933,458) and that the company's total liabilities exceed its assets by R 12,431,782 (2015: R14,111,544) .

The 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. There are certain judgements that the directors made in order to determine if the company is a going concern.

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.

Uncertainty	Action	Status
The payment of the VAT liability (refer to note 13).	The directors have engaged with tax advisors to assist them in making a submission in terms of the VDP.	The submission has been made to SARS, it includes an offer to make periodic payments.
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 center on accommodating Elite's ability to repay the loan within a longer period. Sandown's continued support is based on the successful conclusion of the recapitalization of Elite referred to below. Since October 2014, Elite has repaid R4,8m of the original R15m Sandown loan.
Elite needs to be recapitalised.	Afdawn will convert a portion of its shareholders loan into equity in Elite. A third party will acquire 51% of the economic interest in Elite by providing R15m of permanent capital, a further R15m loan funding facility for 5 years and access to a client base. This will give Elite the ability to generate the required cash flow to fund operations, growth and other financial obligations.	The shareholder's loan will be converted into equity when the acquisition is completed. A settlement agreement has already been signed with a third party.

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.

30. EVENTS AFTER THE REPORTING PERIOD

A Section 200 application was made in June 2013 and was declined in May 2015 on the basis that Afdawn Group's financial position did not warrant a compromise. A new submission has subsequently been made to SARS with a view to reaching a settlement on this.

31. RISK MANAGEMENT

Significance of financial instruments

Definitions

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

- Credit risk – the risk that the company may not recover amounts it is owed (debit balances - receivables, bank, debit loans.)
- Liquidity risk – the risk that the company may not be able to pay an amount as it becomes due.
- Interest rate risk – three types - arises on interest-bearing financial instrument recognised in Statement of Financial Position
  - 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.
  - Not exposed to interest rate risk.
- 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 significant concentrations of risk.

Exposure

The company 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	No interest rate risk
Other financial assets	Yes	No	Yes	No	Yes – deemed interest only*
Loans to group companies	No	No	No	Yes	Yes
Trade and other receivables	Yes	No	Yes	No	No
Cash and cash equivalents	Yes	No	Yes	No	No
Borrowings	No	Yes	Yes	No	Yes – deemed interest only*
Finance lease liabilities	No	Yes	Yes	No	No
Loans from group companies	No	Yes	No	Yes	No
Trade payables	No	Yes	No	Yes	No
Other payables	No	Yes	No	Yes	No

* Balances are either interest free or interest earned/paid is less than market related rate. There is no interest rate risk from an operational perspective, however in terms of IFRS, these loans are discounted and deemed interest income/expense is recognised. This gives rise to fair value interest rate risk.

Management of credit risk, interest rate risk and liquidity risk

Analysis of the statement of financial position

No financial instruments are classified as held to maturity or at fair value through profit or loss. The statement of financial position ("SOFP") is analysed in the table below:

Company 2016	Loans & receivables	Available for sale	Liabilities at amortised cost	Not a financial instrument	Balance on SOFP
Property plant and equipment	–	–	–	636,254	636,254
Intangible assets	–	–	–	844,606	844,606
Investments in subsidiaries	–	–	–	100	100
Other financial assets	312,145	–	–	–	312,145
Loans to group companies	18,269	–	–	–	18,269
Trade and other receivables	25,074,516	–	–	–	25,074,516
Current tax receivable	–	–	–	509,550	509,550
Cash and Cash equivalents	1,084,657	–	–	–	1,084,657
Share Capital	–	–	–	(6,821,914)	(6,821,914)
Accumulated (profit)/loss	–	–	–	19,253,696	19,253,696
Borrowings	–	–	(15,419,916)	–	(15,419,916)
Finance lease liabilities	–	–	(19,253)	–	(19,253)
Loans from group companies	–	–	(22,736,831)	–	(22,736,831)
Trade and other payables	–	–	(1,631,507)	(1,104,372)	(2,735,879)
	26,489,587	**–**	**(39,807,507)**	**13,317,920**	**–**

Company 2015	Loans & receivables	Available for sale	Liabilities at amortised cost	Not a financial instrument	Balance on statement of financial position
Property, plant and equipment	–	–	–	654,554	654,554
Intangible assets	–	–	–	1,146,635	1,146,635
Investments in subsidiaries	–	–	–	100	100
Other financial assets	724,050	–	–	–	724,050
Loans to group companies	135,348	–	–	–	135,348
Trade receivables	27,352,180	–	–	–	27,352,180
Current tax receivable	–	–	–	397,311	397,311
Cash and cash equivalents	1,360,972	–	–	–	1,360,972
Share capital	–	–	–	(6,821,914)	(6,821,914)
Accumulated (profit)/loss	–	–	–	20,933,458	20,933,458
Borrowings	–	–	(20,528,326)	–	(20,528,326)
Finance lease liabilities	–	–	(181,577)	–	(181,577)
Loans from group companies	–	–	(21,877,816)	–	(21,877,816)
Trade and other payables	–	–	(1,615,895)	(1,679,080)	(3,294,975)
	29,572,550	**–**	**(44,203,614)**	**14,631,064**	**–**

The company has not:
- Applied hedge accounting,
- Designated any financial instruments as at fair value through profit or loss;
- Reclassified any financial instruments;
- Offset any financial instruments; or
- Derecognised any financial instruments other than when they have been written off because they are not recoverable.

Collateral

The following collateral (in the form of financial assets) is pledged for liabilities and contingent liabilities:

- Carrying amount
- Terms and conditions

The following collateral (i.e. financial and no-financial assets) is held and can be sold or repledged even if the owner does not default

- Fair Value of collateral held
- Fair value of collateral sold/repledged and whether the company has an obligation to return it
- Terms and conditions of use

The company has not taken possession of any collateral it holds in 2016 and 2015. Analysis of the statement of profit or loss and other comprehensive income ("SOCI")

No financial instruments are classified as held to maturity or at fair value through profit or loss. The SOCI is analysed in the table below:

Company 2016	**Loan & receivables**	**Available for sale**	**Liabilities at amortised cost**	**Not a financial instrument**	**Balance in SOCI**
Interest income – normal & deemed	20,709,948	–	–	–	20,709,948
Interest income on impaired financial assets	2,225,894	–	–	–	2,225,894
Interest expense normal and deemed	–	–	(2,031,061)	–	(2,031,061)
Impairments	1,316,875	–	–	–	1,316,875
	24,252,717	**–**	**(2,031,061)**	**–**	**22,221,656**

Company 2015	**Loans & receivables**		**Available for Liabilities at sale amortised cost**	**Not a financial instrument**	**Balance in SOCI**
Interest income – normal & deemed	14,735,646	–	–	–	14,735,646
Interest income – on impaired financial assets	7,639,412	–	–	–	7,639,412
Interest expense - normal & deemed	–	–	(1,852,564)	(541,149)	(2,393,713)
Impairments	3,161,367	–	–	(1,401,497)	1,759,869
	25,536,425	**–**	**(1,852,564)**	**(1,942,646)**	**21,741,214**

Quantitative and qualitative risk disclosures

Credit risk

Maximum exposure

- 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 company 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:

Collateral

The following collateral with a value of R2,010,383 (2015: 868,437) is held as security on the basis of personal sureties limited to the loan balance:

	2016		2015	
Figures in Rands	Carrying amount	Security held	Carrying amount	Security held
Trade receivables	1,141,946	2,010,383	868,437	868,437
	1,141,946	**2,010,383**	**868,437**	**868,437**

The fair value of collateral held as security is:
Financial assets that are past due: R- (2015: R-)

Financial assets that are impaired: R2,010,383 (2015: R868,437)

Financial assets that are neither past due nor impaired: R- (2015: R-)

Amount of impairment for each class of asset:

Figures in rand	**2016**	2015
Trade receivables	14,749,421	15,600,984

Trade receivables – impairment reconciliation

Opening balance as originally stated	15,600,984	18,762,351
Impairment raised	1,316,875	10,845,633
Bad debt written off against impairment	(2,168,438)	(14,007,000)
	14,749,421	**15,600,984**

Debtors provision non cashflow items made up as below:

Bad debts written off against provision	(2,168,438)	(14,007,000)
Additional provision raised	1,316,875	10,845,633
	(851,563)	**(3,161,367)**

Analysis of financial assets

Ageing of those financial assets that are neither past due nor impaired:

	Current	**30–60 days**	**60–90 days**	**90 days+**
2016				
Trade receivables	13,887,853	–	–	–
2015				
Trade receivables	10,445,467	–	–	–

Ageing of those financial assets that are passed due and impaired:

2016				
Trade receivables	10,721,776	1,428,780	731,564	12,602,045
2015				
Trade receivables	5,432,628	4,756,557	2,897,055	18,464,260

Ageing of those financial assets that are passed due and not impaired:

2015				
Trade and other receivables	18,822	–	–	–

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

	2016		2015	
Figures in Rands	Carrying amount	Credit quality	Carrying amount	Credit quality
Trade receivables	21,081,103	Medium	10,445,467	Medium
Cash and cash equivalents	1,084,657	*	1,360,972	*
	22,165,760	**–**	**11,806,439**	**–**

* The cash is deposited with South African banks with a minimum credit rating of "A-" (or equivalent).

Renegotiated loans

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

Figures in rands	**Carrying amount of re-negotiated loans 2016**	**Carrying amount of re- negotiated loans 2015**
Trade receivables	1,177,025	3,420,153

Liquidity risk

Maturity analysis based on contractual cash flows:

2016 Rands	**Not later than one month**	**1 month to 3 months**	**3 to 12 months**	**1 year to 3 years**	**More than 3 years**
Borrowings	–	2,147,813	8,923,734	2,799,922	–
Finance lease liabilities	–	9,914	9,914	–	–
Trade and other payables	491,785	637,297	800,000	–	–
	491,785	**2,795,024**	**9,733,648**	**2,799,922**	**–**

2015 Rands	**Not later than one month**	**1 month to 3 months**	**3 to 12 months**	**1 year to 3 years**	**More then 3 years**
Borrowings	–	1,622,938	7,376,166	10,855,595	–
Finance lease liabilities	–	30,511	91,532	74,865	–
Trade and other payables	620,488	–	2,674,487	–	–
	620,488	**1,653,449**	**10,142,185**	**10,930,460**	**–**

Interest rate risk

Interest rate sensitivity analysis

The sensitivity analyses below have 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 R139,564 (2014: R203,346). The company's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments

- The interest change is calculated against the average loan type and balance as at year end, interest on borrowings are calculated on all loan linked to prime assuming their balance was as indicated in the closing balance of the prior year;
- The assumptions are consist for current and prior year
- The effect on loans and receivables would have earned an additional R393,900 (2015: R273,522). The effect on liabilities at amortised cost is additional interest expense of R152,699 (2015: R133,958).

Fair value information for all financial instruments

Fair value hierarchy:

For financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included in level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

If no data is available for a fair value assessment no level is indicated.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF ELITE

The Board of Directors
African Dawn Capital Limited
202 Waterfront Terraces
Waterfront Road
Bellville
7530

6 September 2016

Dear Sirs,

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION INCLUDED IN THE CIRCULAR

Introduction

We have audited the historical financial information of Elite Group (Pty) Ltd ("**Elite**") in respect of the financial years ended 29 February 2016 and 28 February 2015 as set out in **Annexure 1** of the circular to be issued on or about 12 September 2016 ("**the circular**") in compliance with the JSE Limited ("**JSE**") Listings Requirements.

Directors' Responsibility for the Historical Financial Information

The directors are responsible for the preparation, contents and presentation of the circular and the fair presentation of the historical financial information in accordance with International Financial Reporting Standards. This responsibility includes: designing implementing and maintaining internal control relevant to the preparation and fair representation of financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the historical financial information of Elite for the financial year ended 29 February 2016 and the financial year ended 28 February 2015, included in the circular, based on our audit of the financial information for the financial years ended 29 February 2016 and 28 February 2015.

Scope of the audit

We conducted our audit of the historical financial information for the financial years ended 29 February 2016 and 28 February 2015 in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and report the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial information 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion

In our opinion, the historical financial information of Elite for the financial years ended 29 February 2016 and 28 February 2015 presents fairly, in all material respects, for the purposes of the circular, the financial position of Elite at those dates in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements.

Emphasis of matter

Without qualifying our opinion, we draw attention to Notes 1.1 and 29 to the financial information which indicate that the company had accumulated loses of R19,253,696 and the company's total liabilities exceed its total assets by R12,431,782. These conditions, along with other matters as set forth in notes 1.1 and 29, indicate the existence of material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

Consent

We consent to the inclusion of this report, which will form part of the circular to the shareholders of Afdawn in the form and context in which it appears.

Grant Thornton Johannesburg Partnership
Edward Dreyer
Partner
Practice number 903485E
Registered Auditor
Chartered Accountants (SA)
Wanderers Office Park
52 Corlett Drive
Illovo, 2196

HISTORICAL FINANCIAL INFORMATION OF PTF1 FOR THE FINANCIAL YEARS ENDED 29 FEBRUARY 2016 AND 28 FEBRUARY 2015

The historical financial information of PTF1 is the responsibility of the Directors of Afdawn.

Commentary

Revenue of R0.1 million was maintained. Operating expenses increased by R0.3million to R0.3 million due to the increase in bad debts written off. This resulted in a loss for the year of R0.2 million. The trade receivable was reduced by R0.3miliion to R2.8 million due to increase of bad debts.

STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2016

	Notes	2016 R	2015 R
ASSETS			
Current Assets			
Trade and other receivables	3	2,801,622	3,182,805
Cash and cash equivalents	4	5,441	7,312
		2,807,063	**3,190,117**
EQUITY AND LIABILITIES			
Equity			
Share capital	5	100	100
Accumulated loss		(4,255,683)	(4,079,765)
		(4,255,583)	**(4,079,665)**
Liabilities			
Current Liabilities			
Loans from group companies	6	7,062,646	7,262,646
Trade and other payables	7	–	7,136
		7,062,646	**7,269,782**
Total Equity and Liabilities		**2,807,063**	**3,190,117**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2016 R	2015 R
Revenue	8	160,791	164,609
Operating expenses		(336,709)	(11,229)
Operating (loss) profit	9	**(175,918)**	**153,380**
(Loss) profit before taxation		**(175,918)**	**153,380**
Taxation	10	–	(95,033)
(Loss) profit for the year		**(175,918)**	**58,347**
Other comprehensive income		–	–
Total comprehensive (loss) income for the year		**(175,918)**	**58,347**

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated loss	Total equity
	R	R	R
Balance at 01 March 2014	**100**	**(4,138,112)**	**(4,138,012)**
Profit for the year	–	58,347	58,347
Other comprehensive income	–	–	–
Total comprehensive income for the year	**–**	**58,347**	**58,347**
Balance at 01 March 2015	**100**	**(4,079,765)**	**(4,079,665)**
Loss for the year	–	(175,918)	(175,918)
Other comprehensive income	–	–	–
Total comprehensive loss for the year	**–**	**(175,918)**	**(175,918)**
Balance at 29 February 2016	**100**	**(4,255,683)**	**(4,255,583)**
Note	5		

STATEMENT OF CASH FLOWS

	Notes	2016 R	2015 R
Cash flows from operating activities			
Cash generated from operations	11	198,129	188,847
Interest income		–	–
Finance costs		–	–
Net cash from operating activities		**198,129**	**188,847**
Cash flows from investing activities			
Repayment of loans from group companies		(200,000)	(181,951)
Net cash from investing activities		**(200,000)**	**(181,951)**
Total cash movement for the year		**(1,871)**	**6,896**
Cash at the beginning of the year		7,312	416
Total cash at end of the year	4	**5,441**	**7,312**

ACCOUNTING POLICIES

1. Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis except where noted otherwise, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

Trade receivables, Held to maturity investments and Loans and receivables

The company assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a specific item basis taking into account the value of any security held.

1.2 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 company has the following financial instruments:

- Trade receivables
- Cash and cash equivalents
- Loans from group companies
- Trade payables

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.

Initial recognition

Financial instruments are recognised in the statement of financial position when the company becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the timeframe established by regulation or market convention (‘regular way’ purchases) are recognised at the trade date, which is the date on which the company commits to purchase the financial asset. The liability to pay for ‘regular way’ purchases of financial assets is recognised on the trade date, which is when the company becomes a party to the contractual provisions of the financial instrument.

Derecognition

Financial assets

The company derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when:

- The contractual rights to the cash flows arising from the financial asset have expired; or
- The company transfers the financial asset, including substantially all the risks and rewards of ownership of the asset or;
- It transfers the contractual rights to receive the cash flows from the financial asset; or
- It retains the contractual rights to receive the cash flows of the financial asset, but assumes a corresponding contractual obligation to pay the cash flows to one or more recipients, and consequently transfers substantially all the risks and benefits associated with the asset; or
- No future economic benefits are expected from their use.

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.

1.2 Financial instruments (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 categories are explained further below

At fair value through profit or loss

This category has two sub-categories

- Financial instruments held for trading, and
- Those designated at fair value through profit or loss at inception.

A financial instrument is categorised as held for trading if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorised as held for trading unless they are designated as hedges.

The company has no financial instruments in this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the company intends to sell immediately or in the short term, which are categorised as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- Those that the company upon initial recognition designates as available-for-sale; or
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration

They arise when the company provides money, goods or services directly to a debtor with no intention of trading the advance. The following are classified as loans and receivable when they have fixed or determinable payments:

- Trade receivables
- Cash and cash equivalents

Held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company has both the positive intent and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available-for-sale.

The company has no financial instruments in this category.

Available for sale

Available-for-sale financial assets are non-derivative financial assets that the company has designated as available for sale or are not classified as either loans and receivables, held-to-maturity investments or financial assets as at fair value through profit or loss. The company has no financial instruments in this category.

Financial liabilities at amortised cost

All financial liabilities, other than those at fair value through profit or loss, are classified as in this category. The following are included in this category:

- Loans from group companies
- Trade payables

Subsequent measurement

Subsequent to initial measurement, financial instruments are either measured at fair value or amortised cost, depending on their classification.

Financial liabilities at amortised cost

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

At fair value through profit or loss

Financial instrument at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.

Available for sale

Available for sale financial assets are measured at fair value, with fair value gains or losses recognised in other comprehensive income, unless the asset has been designated as a hedged item in a fair-value hedging relationship subject to hedge accounting.

Gains and losses arising from changes in fair value are recognised in other comprehensive income, until the asset is disposed of or it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Interest income is excluded from the fair value gains and losses which are recognised in other comprehensive income.

Held to maturity

Held-to-maturity financial assets are measured at amortised cost, using the effective-interest method, less any provisions for impairment with the interest income recognised in profit or loss.

Loans and receivables

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

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

Impairments

Available for sale financial assets

Available for sale financial assets are assessed for impairment if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but on or before the reporting date. An available-for sale financial asset is also considered to be impaired if a significant or prolonged decline in fair value of the instrument below its cost has occurred.

If there is an impairment, the cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is reclassified from other comprehensive income to profit or loss. If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed.

For available for sale equity investments impairment reversals are not recognised in profit loss and any subsequent increase in fair value is recognised in other comprehensive income.

Assets carried at amortised cost

The company assesses at each reporting date whether there is objective evidence that an asset or company of assets is impaired.

The company 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 company of assets is impaired includes observable data that comes to the attention of the company 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;

1.2 Financial instruments (continued)

- Indication that there is a measurable decrease in the estimated future cash flows from a company 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 company (e.g. an increased number of delayed payments); or
  - national or local economic conditions that correlate with defaults on the assets in the company 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 company).

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.

Impairment provisions raised during the year are charged to 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 company, as the company 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 company 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 companies accounting policies are applied from the date of recognition.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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. Deferred loan income reduces the outstanding.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Ordinary share capital and any financial instrument issued by the company is classified as equity when:

- Payment of cash, in the form of a dividend or redemption, is at the discretion of the company;
- The instrument does not provide for the exchange of financial instruments under conditions that are potentially unfavourable to the company;
- Settlement in the company's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- The instrument represents a residual interest in the assets of the company after deducting all its liabilities.

Equity instruments are recorded at the proceeds received, net of direct issue costs.

1.3 Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current taxation

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

Deferred taxation

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.

Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

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.

The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred taxation is not recognised for the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries, associates and joint arrangements except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the company the ability to control the reversal of the temporary difference is deferred tax not recognised.

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.

Deferred taxation assets and liabilities are not discounted.

1.4 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.5 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

1.6 Revenue

Revenue comprises:

- Interest 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 company 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.

The effective-interest method is a method of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the interest income over the relevant period. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate and includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing financial instrument and its amount at maturity calculated on an effective-interest-rate basis.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Where the company 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 12 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.

1.7 Borrowing costs

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowing in accordance with the groups accounting policy for borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendment to IAS 24: Related Party Disclosures: Annual improvements project	01 July 2014	The impact of the amendment is not material.
• Amendment to IFRS 13: Fair Value Measurement: Annual improvements project	01 July 2014	The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 March 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 9 Financial Instruments	01 January 2018	Unlikely there will be a material impact.
• IFRS 15 Revenue from Contracts with Customers	01 January 2018	Unlikely there will be a material impact.
• Amendments to IFRS 7: Financial Instruments: Disclosure: Annual Improvements Project	01 July 2016	Unlikely there will be a material impact.
• Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements	01 January 2016	Unlikely there will be a material impact.

		2016 R	2015 R
3.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	2,721,396	6,679,663
	Other receivables	80,226	80,226
	Provision for doubtful debts	–	(3,580,670)
	VAT	–	3,586
		2,801,622	**3,182,805**

Trade and other receivables are further analysed in the risk note 16.

4.	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents consist of:		
	Bank balances	5,441	7,312
5.	**SHARE CAPITAL**		
	Authorised		
	1000 Ordinary shares of R1 each or par value of	1,000	1,000
	Issued		
	Ordinary	100	100
6.	**LOANS FROM GROUP COMPANIES**		
	Holding company		
	African Dawn Capital Limited The loan is unsecured, interest free and is repayable on demand.	6,888,046	7,088,046
	Fellow subsidiaries		
	African Dawn Debt Management Proprietary Limited* The loan is unsecured, interest free and is repayable on demand.	102,600	102,600
	African Dawn Property Transfer Finance 2 Proprietary Limited* The loan is unsecured, interest free and is repayable on demand.	71,000	71,000
	African Dawn Wheels Proprietary Limited* The loan is unsecured, interest free and is repayable on demand.	1,000	1,000
		174,600	**174,600**

* The loans have been written off in the fellow subsidiaries book post balance sheet so no discounting has been applied.

		2016 R	2015 R
7.	**TRADE AND OTHER PAYABLES**		
	Trade payables	–	7,136
8.	**REVENUE**		
	Interest received (trading)	160,791	164,609
9.	**OPERATING (LOSS) PROFIT**		
	Operating (loss) profit for the year is stated after accounting for the previously stated disclosable items.		
10.	**TAXATION**		
	Major components of the tax expense		
	Current		
	Local income tax – recognised in current tax for prior periods	–	95,033
	Reconciliation of the tax expense		
	Reconciliation between accounting profit and tax expense.		
	Accounting (loss) profit	(175,918)	153,380
	Tax at the applicable tax rate of 28% (2015: 28%)	(49,257)	42,946
	Tax effect of adjustments on taxable income		
	Deferred tax not raised	49,257	(42,946)
	Prior period taxation recognised during the current period	–	95,033
		–	**95,033**

No provision has been made for 2016 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is (R2,561,298) (2015: R2,385,380).

		2016 R	2015 R
11.	**CASH (USED IN) GENERATED FROM OPERATIONS**		
	(Loss) profit before taxation	(175,918)	153,380
	Changes in working capital:		
	Trade and other receivables	381,183	46,866
	Trade and other payables	(7,136)	(11,399)
		198,129	**188,847**
12.	**TAX REFUNDED**		
	Balance at beginning of the year	–	95,033
	Current tax for the year recognised in profit or loss	–	(95,033)
		–	**–**

13. RELATED PARTIES

Relationships

Holding company	African Dawn Capital Limited
Members of key management	WJ Groenewald
	EA Van Heerden

Fellow Subsidiaries

African Dawn Property Transfer Finance 2 Proprietary Limited
African Dawn Debt Management Proprietary Limited
Nexus Personnel Finance Proprietary Limited
Bhenka Community Marketing Proprietary Limited
African Dawn KwaZulu-Natal Proprietary Limited
African Dawn Social Education Proprietary Limited
Elite Group Proprietary Limited
African Dawn Wheels Proprietary Limited
African Dawn Wheels Operations Proprietary Limited
Elatiflash Proprietary Limited
ABC Cashplus (Randburg) Proprietary Limited
Candlestick Park Investments Proprietary Limited
Almika Investments 81 Proprietary Limited
Nexus Personnel Finance 2 Proprietary Limited
African Dawn Property Transfer Finance 5 Proprietary Limited
Amalgum Investments 138 Proprietary Limited
Elite Group 1 Proprietary Limited
Albistar Investments Proprietary Limited
Knife Capital Proprietary Limited Grindstone Accelerator Proprietary Limited

	2016 R	2015 R
Related party balances		
Loan accounts – Owing to related parties		
African Dawn Capital Limited	(6,888,046)	(7,088,046)
African Dawn Property Transfer Finance 2 Proprietary Limited	(71,000)	(71,000)
African Dawn Debt Management Proprietary Limited	(102,600)	(102,600)
African Dawn Wheels Proprietary Limited	(1,000)	(1,000)

14. DIRECTORS' EMOLUMENTS

No emoluments were paid to the director or any individuals holding a prescribed office during the year.

15. GOING CONCERN

The directors have reviewed the budgets and cash flow forecasts for the next 12 months, as well as the current liquidity and solvency position of the company and do not believe that the company has adequate financial resources to continue in operation for the foreseeable future. The financial statements have accordingly not been prepared on the going concern basis.

We draw attention to the fact that at 29 February 2016, the company had accumulated losses of R4,255,683 (2015: R4,079,765) and that the company's total liabilities exceed its assets by R4,255,583 (2015: R4,079,665).

16. RISK MANAGEMENT

Significance of financial instruments

Definitions

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

- Credit risk – the risk that the company may not get recover amounts it is owed (debit balances – receivables, bank, debit loans.)
- Liquidity risk – the risk that the company may not be able to pay an amount as it becomes due.
- Interest rate risk – two types – arises on interest-bearing financial instrument recognised in Statement of Financial Position
  - 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.
  - Not exposed to interest rate risk.
- 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 risk

Exposure

The company 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	No interest rate risk
Trade receivables	Yes	No	No	No	No
Cash and cash equivalents	Yes	No	Yes	No	No
Loans from group companies	No	Yes	Yes	Yes*	Yes
Trade payables	No	Yes	Yes	Yes	Yes

* Balances are either interest free or interest earned/paid is less than market related rate. There is no interest rate risk from an operational perspective, however in terms of IFRS, these loans are discounted and deemed interest income/expense is recognised. This gives rise to fair value interest rate risk.

Analysis of the statement of financial position

No financial instruments are classified as held to maturity or at fair value through profit or loss. The statement of financial potion ("SOFP") is analysed in the table below:

Company 2016	Loans & receivables	Available for sale	Liabilities at amortised cost	Not a financial instrument	Balance on SOFP
Trade and other receivables	2,801,622	–	–	–	2,801,622
Cash and Cash equivalents	5,441	–	–	–	5,441
Share Capital	–	–	–	(100)	(100)
Accumulated (profit)/loss	–	–	–	4,255,683	4,255,683
Loans from group companies	–	–	(7,062,646)	–	(7,062,646)
	2,807,063	**–**	**(7,062,646)**	**4,255,583**	**–**

Company 2015	Loans & receivables	Available for sale	Liabilities at amortised cost	Not a financial instrument	Balance on statement of financial position
Trade receivables	3,179,219	–	–	3,586	3,182,805
Cash and cash equivalents	7,312	–	–	–	7,312
Share capital	–	–	–	(100)	(100)
Accumulated (profit)/loss	–	–	–	4,079,765	4,079,765
Loans from group companies	–	–	(7,262,646)	–	(7,262,646)
Trade and other payables	–	–	(7,136)	–	(7,136)
	3,186,531	**–**	**(7,269,782)**	**4,083,251**	**–**

The company has not:

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

Collateral

The following collateral (i.e. financial and no-financial assets) is held and can be sold or repledged even if the owner does not default

- Fair Value of collateral held
- Fair value of collateral sold/repledged and whether the company has an obligation to return it
- Terms and conditions of use

The company has not taken possession of any collateral it holds in 2016 and 2015.

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

No financial instruments are classified as held to maturity or at fair value through profit or loss. The SOCI is analysed in the table below:

Company 2016	Loan & receivables	Available for sale	Liabilities at amortised cost	Not a financial instrument	Balance in SOCI
Interest income – normal & deemed	153,655	–	–	–	153,655

Company 2015	Loans & receivables	Available for sale	Liabilities at amortised cost	Not a financial instrument	Balance in SOCI
Interest income – normal & deemed	159,208	–	–	–	159,208

Quantitative and qualitative risk disclosures

Credit risk

Maximum exposure

- 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 company 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 nil as no guarantees have been issued.

Collateral

The following collateral is held and can be sold or repledged even if the owner does not default.

	2016		2015	
Figures in Rands	**Carrying amount**	**Security held**	**Carrying amount**	**Security held**
Trade receivables	2,801,622	2,801,622	3,182,805	3,182,805
	–	–	–	–
	2,801,622	**2,801,622**	**3,182,805**	**3,182,805**

The fair value of collateral held as security is:

Financial assets that are neither past due nor impaired: R2,801,622 (2015: R3,182,805).

Amount of impairment for each class of asset:

Figures in Rand	2016	2015
Trade receivables	–	(3,580,670)

Trade receivables – impairment reconciliation

Opening balance	3,580,670	3,580,670
Provision utilised	(3,580,670)	–
	–	**3,580,670**

Analysis of financial assets that are either past due or impaired.

Ageing of those financial assets that are impaired:

2016 Rands	Current	30-60 days	60-90 days	90 days+
Trade receivables	–	–	–	2,721,396

2015 Rands	Current	30-60 days	60-90 days	90 days+
Trade receivables	–	–	–	6,679,663

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

Figures in Rands	2016 Carrying amount	Credit quality	2015 Carrying amount	Credit quality
Trade receivables	–		–	
Cash and cash equivalents	5,441	*	7,312	*

* All assets are held in cash using current bank accounts. The cash is deposited with South African banks with a minimum Moody's credit rating of "A-" (or equivalent).

Renegotiated loans

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

Figures in Rands	Carrying amount of re-negotiated loans 2016	Carrying amount of re-negotiated loans 2015
Trade receivables	2,801,622	3,182,805

Liquidity risk

Maturity analysis based on contractual cash flows:

2016 Rands	Not later than one month	1 month to 3 months	3 to 12 months	1 year to 3 years	More than 3 years
Loans from group companies	7,062,646	–	–	–	–

2015 Rands	Not later than one month	1 month to 3 months	3 to 12 months	1 year to 3 years	More than 3 years
Loans from group companies	7,262,646	–	–	–	–
Trade and other payables	7,136	–	–	–	–
	7,269,782	**–**	**–**	**–**	**–**

Interest rate risk

Interest rate sensitivity analysis

As there are no financial instruments subject to interest rate risk no sensitivity analysis has been prepared. The methodology for the sensitivity analysis includes:

- Disclose methods and assumptions used in preparing the sensitivity analysis;
- Changes from the previous period in the methods and assumptions used, and the reasons for such changes;
- Provide sensitivity analyses for the whole of the business, but provide different types of sensitivity analysis for different classes of financial instruments.

17. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF PTF1

The Board of Directors
African Dawn Capital Limited
202 Waterfront Terraces
Waterfront Road
Bellville
7530

6 September 2016

Dear Sirs,

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION INCLUDED IN THE CIRCULAR

Introduction

We have audited the historical financial information of African Dawn Property Transfer Finance 1 (Pty) Ltd ("**PTF1**") in respect of the years ended 29 February 2016 and 28 February 2015 as set out in **Annexure 3** of the circular to be issued on or about 12 September 2016 ("**the circular**") in compliance with the JSE Limited ("**JSE**") Listings Requirements.

Directors' Responsibility for the Historical Financial Information

The directors are responsible for the preparation, contents and presentation of the circular and the fair presentation of the historical financial information in accordance with International Financial Reporting Standards. This responsibility includes: designing implementing and maintaining internal control relevant to the preparation and fair representation of financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the historical financial information of PTF1 for the financial year ended 29 February 2016 and the financial year ended 28 February 2015, included in the circular, based on our audit of the financial information for the financial years ended 29 February 2016 and 28 February 2015.

Scope of the audit

We conducted our audit of the historical financial information for the financial years ended 29 February 2016 and 28 February 2015 in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and report the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial information 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion

In our opinion, the historical financial information of PTF1 for the financial years ended 29 February 2016 and 28 February 2015 presents fairly, in all material respects, for the purposes of the circular, the financial position of PTF1 at those dates in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements.

Emphasis of matter

Without qualifying our opinion, we draw attention to the Directors' report to the financial statements which indicates that the company incurred a net loss of R4 255 583 for the year ended 29 February 2016 and, as at that date, the company's total liabilities exceeded its total assets by R4 255 583. This indicates that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

Consent

We consent to the inclusion of this report, which will form part of the circular to the shareholders of Afdawn in the form and context in which it appears.

Grant Thornton Cape Inc.
Imtiaaz Hashim
Director
Practice number 970879-0000
Registered Auditors
Chartered Accountants (SA)
123 Hertzog Boulevard
Foreshore
Cape Town
8001

HISTORICAL FINANCIAL INFORMATION OF PTF2 FOR THE FINANCIAL YEARS ENDED 29 FEBRUARY 2016 AND 28 FEBRUARY 2015

The historical financial information of PTF2 is the responsibility of the Directors of Afdawn.

Commentary

Revenue for the year was R1.7million which included R1.3million of deemed interest reversal. Operating expenses increased to R2.7million from R1.8 million as a result of increased bad debt write off. Deemed interest was a cost of R0.3million versus R1.3million in the previous year. This resulted in a loss for the year of R1.3million.

STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2016

	Notes	2016 R	2015 R
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	–	881
Current Assets			
Loans to group companies	4	10,033,004	13,165,604
Trade and other receivables	5	5,373,639	5,313,961
Cash and cash equivalents	6	22,083	126,734
		15,428,726	**18,606,299**
Total Assets		**15,428,726**	**18,607,180**
EQUITY AND LIABILITIES			
Equity			
Share capital	7	100	100
Accumulated loss		(14,759,465)	13,441,806)
		(14,759,365)	**(13,441,706)**
Liabilities			
Current Liabilities			
Loans from group companies	4	30,188,091	32,013,470
Trade and other payables	8	–	35,416
		30,188,091	**32,048,886**
Total Equity and Liabilities		**15,428,726**	**18,607,180**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2016 R	2015 R
Revenue	9	1,711,538	383,270
Other income		176	–
Operating expenses		(2,692,767)	(1,764,889)
Operating (loss)	10	**(981,053)**	**(1,381,619)**
Investment income	11	6,730	1,337
Deemed interest expense	12	(343,336)	(1,341,947)
(Loss) for the year		**(1,317,659)**	**(2,722,229)**
Other comprehensive income		–	–
Total comprehensive (loss) for the year		**(1,317,659)**	**(2,722,229)**

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated loss	Total equity
	R	R	R
Balance at 01 March 2014	**100**	**(10,719,577)**	**(10,719,477)**
Loss for the year	–	(2,722,229)	(2,722,229)
Other comprehensive income	–	–	–
Total comprehensive loss for the year	**–**	**(2,722,229)**	**(2,722,229)**
Balance at 01 March 2015	**100**	**(13,441,806)**	**(13,441,706)**
Loss for the year	–	(1,317,659)	(1,317,659)
Other comprehensive income	–	–	–
Total comprehensive loss for the year	**–**	**(1,317,659)**	**(1,317,659)**
Balance at 29 February 2016	**100**	**(14,759,465)**	**(14,759,365)**
Note	7		

STATEMENT OF CASH FLOWS

	Notes	2016 R	2015 R
Cash flows from operating activities			
Cash generated from operations	14	1,618,445	286,184
Investment income		6,730	1,337
Net cash from operating activities		**1,625,175**	**287,521**
Cash flows from investing activities			
Repayment of loans from group companies		(3,167,426)	(464,083)
Proceeds from loans from group companies		1,437,600	290,000
Net cash from investing activities		**(1,729,826)**	**(174,083)**
Total cash movement for the year		**(104,651)**	**113,438**
Cash at the beginning of the year		126,734	13,296
Total cash at end of the year	6	**22,083**	**126,734**

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act 71 of 2008.The financial statements have been prepared on the historical cost basis except where noted otherwise, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

Trade receivables, Held to maturity investments and Loans and receivables

The company assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a specific item basis taking into account the value of any security held.

Estimation uncertainty

Impairment on trade and other receivables

The estimation of allowances for impairments is inherently uncertain and depends on many factors. These factors include general economic conditions, structural changes within industries, changes in individual customer circumstances. There are also other external factors such as legal requirements, regulatory specifications and governmental policies that if changes can have a significant effect on the allowances.

Trade and other receivables are stated net of impairments. The impairments are either made on an individual receivable or on a collective receivable.

Impairments made on individual receivables

Substantial receivables, especially relating to property bridging transactions are assessed on an individual basis. The impairments are calculated, based on an approved impairment policy. The impairments were made on judgements and formulated calculations. The impairments were made by taking the following into consideration for each receivable: credibility of borrower, security held, value of security, repayment history, sureties signed and agreed settlement terms. The individual receivable values are assessed to be at least the security value that can be realised within 3 month in an active market.

Impairment testing

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Loan write-offs

The outstanding balances (net of amount owed and related impairment) of clients are continuously followed up and assessed for successful repayment. Credit managers have the mandate to write balances off once all avenues for collections have been explored and found to be unsuccessful.

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 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 company has the following financial instruments:

- Loans to group companies
- Trade receivables
- Cash and cash equivalents
- Loans from group companies
- Trade payables

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.

Initial recognition

Financial instruments are recognised in the statement of financial position when the company becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the timeframe established by regulation or market convention ('regular way' purchases) are recognised at the trade date, which is the date on which the company commits to purchase the financial asset. The liability to pay for 'regular way' purchases of financial assets is recognised on the trade date, which is when the company becomes a party to the contractual provisions of the financial instrument.

Derecognition

Financial assets

The company derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when:

- The contractual rights to the cash flows arising from the financial asset have expired; or
- The company transfers the financial asset, including substantially all the risks and rewards of ownership of the asset or;
- It transfers the contractual rights to receive the cash flows from the financial asset; or
- It retains the contractual rights to receive the cash flows of the financial asset, but assumes a corresponding contractual obligation to pay the cash flows to one or more recipients, and consequently transfers substantially all the risks and benefits associated with the asset; or
- No future economic benefits are expected from their use.

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.

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 categories are explained further below:

At fair value through profit or loss

This category has two sub-categories

- Financial instruments held for trading, and
- Those designated at fair value through profit or loss at inception.

A financial instrument is categorised as held for trading if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorised as held for trading unless they are designated as hedges.

The company has no financial instruments in this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the company intends to sell immediately or in the short term, which are categorised as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- Those that the company upon initial recognition designates as available-for-sale; or
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration

They arise when the company provides money, goods or services directly to a debtor with no intention of trading the advance. The following are classified as loans and receivable when they have fixed or determinable payments:

- Other financial assets
- Loans to group companies
- Trade receivables
- Cash and cash equivalents

Held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company has both the positive intent and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available-for-sale.

The group has no financial instruments in this category.

Available for sale

Available-for-sale financial assets are non-derivative financial assets that the company has designated as available for sale or are not classified as either loans and receivables, held-to-maturity investments or financial assets as at fair value through profit or loss.

Financial liabilities at amortised cost

All financial liabilities, other than those at fair value through profit or loss, are classified as in this category. The following are included in this category:

- Loans from group companies
- Trade payables

Subsequent measurement

Subsequent to initial measurement, financial instruments are either measured at fair value or amortised cost, depending on their classification.

Financial liabilities at amortised cost

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

At fair value through profit or loss

Financial instrument at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.

Available for sale

Available for sale financial assets are measured at fair value, with fair value gains or losses recognised in other comprehensive income, unless the asset has been designated as a hedged item in a fair-value hedging relationship subject to hedge accounting.

Gains and losses arising from changes in fair value are recognised in other comprehensive income, until the asset is disposed of or it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Interest income is excluded from the fair value gains and losses which are recognised in other comprehensive income.

Held to maturity

Held-to-maturity financial assets are measured at amortised cost, using the effective-interest method, less any provisions for impairment with the interest income recognised in profit or loss.

Loans and receivables

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

The company's trade debtors are included in the loans and receivables category. These advances arise when the company provides money, goods or services directly to a debtor with no intention to trade the receivable. receivables originated by the company are generally in the form of service rendered.

Impairments

Available for sale financial assets

Available for sale financial assets are assessed for impairment if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but on or before the reporting date. An available-for sale financial asset is also considered to be impaired if a significant or prolonged decline in fair value of the instrument below its cost has occurred.

If there is an impairment, the cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is reclassified from other comprehensive income to profit or loss. If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed.

For available for sale equity investments impairment reversals are not recognised in profit loss and any subsequent increase in fair value is recognised in other comprehensive income.

Assets carried at amortised cost

The company assesses at each reporting date whether there is objective evidence that an asset or company of assets is impaired.

The company 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 receivable level. A 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 company 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 company, including:
  - adverse changes in the payment status of borrowers in the company (e.g. an increased number of delayed payments); or
  - national or local economic conditions that correlate with defaults on the assets in the company 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 company).

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 receivable by receivable basis.

If the recoverable amount of the receivable 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. Receivables 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.

Impairment provisions raised during the year are charged to 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 company, as the company 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 company 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 company's accounting policies are applied from the date of recognition.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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. Deferred loan income reduces the outstanding.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Ordinary share capital and any financial instrument issued by the company is classified as equity when:

- Payment of cash, in the form of a dividend or redemption, is at the discretion of the company;
- The instrument does not provide for the exchange of financial instruments under conditions that are potentially unfavourable to the company;
- Settlement in the company's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- The instrument represents a residual interest in the assets of the company after deducting all its liabilities.

Equity instruments are recorded at the proceeds received, net of direct issue costs.

1.4 Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current taxation

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

Deferred taxation

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.

Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

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.

The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred taxation is not recognised for the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries, associates and joint arrangements except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference is deferred tax not recognised.

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.

Deferred taxation assets and liabilities are not discounted.

1.5 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

1.6 Revenue

Revenue comprises:

- Interest income
- Non-interest income(administration fees)
- Investment 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 company 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.

The effective-interest method is a method of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the interest income over the relevant period. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate and includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing financial instrument and its amount at maturity calculated on an effective-interest-rate basis.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Where the company 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 12 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 company 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.

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.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IAS 24: Related Party Disclosures: Annual improvements project	01 July 2014	The impact of the amendment is not material.
• Amendment to IFRS 13: Fair Value Measurement: Annual improvements project	01 July 2014	The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 March 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 9 Financial Instruments	01 January 2018	Unlikely there will be a material impact.
• IFRS 15 Revenue from Contracts with Customers	01 January 2018	Unlikely there will be a material impact.
• Amendments to IFRS 7: Financial Instruments: Disclosure: Annual Improvements Project	01 July 2016	Unlikely there will be a material impact.
• Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements	01 January 2016	Unlikely there will be a material impact.

3. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Motor vehicles	28,500	(28,500)	–	28,500	(28,500)	–
IT equipment	7,817	(7,817)	–	7,817	(6,936)	881
Total	**36,317**	**(36,317)**	**–**	**36,317**	**(35,436)**	**881**

Reconciliation of property, plant and equipment – 2016

	Opening balance	Depreciation	Total
IT equipment	881	(881)	–

Reconciliation of property, plant and equipment – 2015

	Opening balance	Depreciation	Total
Motor vehicles	3,568	(3,568)	–
IT equipment	3,525	(2,644)	881
	7,093	**(6,212)**	**881**

		2016 R	2015 R
4.	**LOANS TO (FROM) GROUP COMPANIES**		
	Holding company		
	African Dawn Capital Limited The loan is unsecured, interest free and is repayable on demand.	(29,913,567)	(31,738,946)
	Fellow subsidiaries		
	Almika Properties 81 Proprietary Limited The loan is unsecured, interest free and is repayable on demand.	5,712,510	7,150,110
	Almika Properties 81 Proprietary Limited deemed interest adjustment# The loan is adjusted for deemed interest of 11.19% (2015: 10.19%) over a period of 1 year on the recoverable balance.	(30,891)	(306,103)
	African Dawn Wheels Proprietary Limited The loan is unsecured, interest free and is repayable on demand.	(10,000)	(10,000)
	African Dawn Debt Management Proprietary Limited The loan is unsecured, interest free and is repayable on demand.	(264,524)	(264,524)
	Candlestick Park Investments Proprietary Limited # The loan is unsecured, interest free and is repayable on demand.	12,483,261	12,483,261
	Candlestick Park Investments Proprietary Limited deemed interest adjustment The loan has been adjusted for deemed interest at 11.19% (2015: 10.19%) over a period of 1 year on the recoverable balance.	(312,345)	(1,035,844)
	African Dawn Property Transfer Finance 1 Proprietary Limited The loan is unsecured, interest free and is repayable on demand.	71,000	71,000
	Amalgum Investments 38 Proprietary Limited The loan is unsecured, interest free and is repayable on demand.	2,787	2,787
		17,651,798	18,090,687
	Impairment of loans to fellow subsidiaries	(7,893,317)	(5,199,607)
		9,758,481	**12,891,080**

The loans to fellow subsidiaries have been adjusted for deemed interest as they are expected to be repaid in a year.

		2016 R	2015 R
	Current assets	10,033,004	13,046,746
	Current liabilities	(30,188,091)	(32,013,470)
		(20,155,087)	**(18,966,724)**
5.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	5,126,119	43,257,303
	Provision for doubtful debts	–	(38,191,593)
	Other receivables	247,520	247,520
	VAT	–	731
		5,373,639	**5,313,961**
6.	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents consist of:		
	Bank balances	22,083	126,734
7.	**SHARE CAPITAL**		
	Authorised		
	1000 Ordinary shares of R1 each or par value of	1,000	1,000
	Issued		
	Ordinary	100	100

		2016 R	2015 R
8.	**TRADE AND OTHER PAYABLES**		
	Trade payables	–	35,416
9.	**REVENUE**		
	Interest received (trading)	1,711,538	383,270
10.	**OPERATING (LOSS)**		
	Operating (loss) for the year is stated after accounting for the following:		
	Deemed interest expense	343,336	1,341,947
	Depreciation on property, plant and equipment	881	6,212
11.	**INVESTMENT INCOME**		
	Interest revenue		
	Bank	6,730	1,337
12.	**DEEMED INTEREST EXPENSE**		
	Deemed interest on recoverable group loans	343,336	1,341,947
13.	**TAXATION**		
	Reconciliation of the tax expense		
	Reconciliation between accounting profit and tax expense.		
	Accounting (loss)	(1,317,659)	(2,722,229)
	Tax at the applicable tax rate of 28% (2015: 28%)	(368,945)	(762,224)
	Tax effect of adjustments on taxable income		
	Permanent difference deemed interest	(279,639)	375,745
	Permanent difference inter company provision	754,239	67,466
	Tax losses (utilised)/carried carried forward	(105,655)	319,013
		–	**–**

No provision has been made for 2016 tax as the company taxable income is less than the assessed loss brought forward. The estimated tax loss available for set off against future taxable income is R (44,197,310) (2015: R (44,574,650)).

		2016 R	2015 R
14.	**CASH GENERATED FROM OPERATIONS**		
	(Loss) before taxation	(1,317,659)	(2,722,229)
	Adjustments for:		
	Depreciation	881	6,212
	Investment income	(6,730)	(1,337)
	Deemed interest expense	343,336	1,341,947
	Non cash group loans impairment movement	2,693,710	240,950
	Changes in working capital:		
	Trade and other receivables	(59,677)	1,452,686
	Trade and other payables	(35,416)	(32,046)
		1,618,445	**286,183**

15. RELATED PARTIES

Relationships

Holding company	African Dawn Capital Limited
Members of key management	WJ Groenewald

Fellow Subsidiaries

African Dawn Property Transfer Finance 1 Proprietary Limited
African Dawn Debt Management Proprietary Limited
Nexus Personnel Finance Proprietary Limited
Bhenka Community Marketing Proprietary Limited
African Dawn Kwazulu Natal Proprietary Limited
African Dawn Social Education Proprietary Limited
Elite Group Proprietary Limited
African Dawn Wheels Proprietary Limited
African Dawn Wheels Operations Proprietary Limited
Elatiflash Proprietary Limited
ABC Cashplus (Randburg) Proprietary Limited
Candlestick Park Investments Proprietary Limited
Almika Investments 81 Proprietary Limited
Nexus Personnel Finance 2 Proprietary Limited
African Dawn Property Transfer Finance 5 Proprietary Limited
Amalgum Investments 138 Proprietary Limited
Elite Group 1 Proprietary Limited
Albistar Investments Proprietary Limited
Knife Capital Proprietary Limited
Grindstone Accelerator Proprietary Limited

	2016 R	2015 R
Related party balances		
Loan accounts – Owing (to) by related parties		
African Dawn Property Transfer Finance 1 Proprietary Limited	71,000	71,000
African Dawn Wheels Proprietary Limited	(10,000)	(10,000)
Candlestick Park Investments Proprietary Limited	12,170,916	11,447,417
Almika Properties 81 Proprietary Limited	5,681,619	6,844,007
African Dawn Capital Limited	(29,913,567)	(31,738,946)
Amalgum Investments 138 Proprietary Limited	2,787	2,787
African Dawn Debt Management Proprietary Limited	(264,524)	(264,524)

16. DIRECTORS' EMOLUMENTS

No emoluments were paid to the director or any individuals holding a prescribed office during the year.

17. GOING CONCERN

The director has reviewed the budgets and cash flow forecasts for the next 12 months, as well as the current liquidity and solvency position of the company and does not believe that the company has adequate financial resources to continue in operation for the foreseeable future. The financial statements have accordingly not been prepared on the going concern basis.

We draw attention to the fact that at 29 February 2016, the company had accumulated losses of R14,759,465 (2015: R 13,441,806) and that the company's total liabilities exceed its assets by R14,759,365 (2015: R 13,441,706).

18. RISK MANAGEMENT

Significance of financial instruments

Definitions

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

- Credit risk – the risk that the company may not recover amounts it is owed (debit balances - receivables, bank, debit loans.)
- Liquidity risk – the risk that the company may not be able to pay an amount as it becomes due.
- Interest rate risk – three types - arises on interest-bearing financial instrument recognised in Statement of Financial Position
  - 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.
  - Not exposed to interest rate risk.
- 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 risk.

Exposure

The company 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	No interest rate risk
Loans to group companies	Yes	No	No	Yes*	Yes* - deemed interest only
Trade receivables	Yes	No	Yes	No	No
Cash and cash equivalents	Yes	No	Yes	No	No
Loans from group companies	No	Yes	Yes	Yes*	Yes* - deemed interest only
Trade payables	No	Yes	Yes	Yes	Yes

* Balances are either interest free or interest earned/paid is less than market related rate. There is no interest rate risk from an operational perspective, however in terms of IFRS, these loans are discounted and deemed interest income/expense is recognised. This gives rise to fair value interest rate risk.

Analysis of the statement of financial position

No financial instruments are classified as held to maturity or at fair value through profit or loss. The statement of financial position ("SOFP") is analysed in the table below:

Company 2016	Loans & receivables	Available for sale	Liabilities at amortised cost	Not a financial instrument	Balance on SOFP
Loans to group companies	10,033,004	–	–	–	10,033,004
Trade and other receivables	5,373,639	–	–	–	5,373,639
Cash and Cash equivalents	22,083	–	–	–	22,083
Share Capital	–	–	–	(100)	(100)
Accumulated (profit)/loss	–	–	–	14,759,465	14,759,465
Loans from group companies	–	–	(30,188,091)	–	(30,188,091)
	15,428,726	**–**	**(30,188,091)**	**14,759,365**	**–**

Company 2015	Loans & receivables	Available for sale	Liabilities at amortised cost	Not a financial instrument	Balance on statement of financial position
Property, plant and equipment	–	–	–	881	881
Loans to group companies	13,165,604	–	–	–	13,165,604
Trade receivables	5,313,230	–	–	731	5,313,961
Cash and cash equivalents	126,734	–	–	–	126,734
Share capital	–	–	–	(100)	(100)
Accumulated (profit)/loss	–	–	–	13,441,806	13,441,806
Loans from group companies	–	–	(32,013,470)	–	(32,013,470)
Trade and other payables	–	–	(35,416)	–	(35,416)
	18,605,568	**–**	**(32,048,886)**	**13,443,318**	**–**

The company has not:

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

Collateral

No collateral is held on financial instruments during 2016 and 2015.

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

No financial instruments are classified as held to maturity or at fair value through profit or loss. The SOCI is analysed in the table below:

Company 2016	Loan & receivables	Available for sale	Liabilities at amortised cost	Not a financial instrument	Balance in SOCI
Interest income – normal & deemed	1,711,538	–	–	6,730	1,718,268
Interest expense normal and deemed	343,336	–	–	–	343,336
Impairments	2,693,710	–	–	–	2,693,710
	4,748,584	**–**	**–**	**6,730**	**4,755,314**

Company 2015	Loans & receivables	Available for sale	Liabilities at amortised cost	Not a financial instrument	Balance in SOCI
Interest income – normal & deemed	383,270	–	–	1,337	384,607
Interest expense – normal & deemed	1,341,947	–	–	–	1,341,947
Impairments	1,300,950	–	–	–	1,300,950
	3,026,167	**–**	**–**	**1,337**	**3,027,504**

Quantitative and qualitative risk disclosures

Credit risk

Maximum exposure

- 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 company 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 nil as no guarantees has been issued.

Collateral

Collateral in the form of cession and personal sureties are held on various trade debtors.

	2016		2015	
Figures in Rands	Carrying amount	Security held	Carrying amount	Security held
Trade receivables	5,106,119	5,106,119	4,621,201	4,621,201

The fair value of collateral held as security is: R 5,106,199 (2015: R4,621,201).

Financial assets that are neither past due nor impaired: R20,000 (2015: R4,501,201).

Amount of impairment for each class of asset:

Figures in rands	2016	2015
Trade receivables	–	38,191,593
Trade receivables – impairment reconciliation		
Opening balance	38,191,593	37,131,593
Plus additional impairment provisions	–	1,060,000
Less Provision utilised	(38,191,593)	–
	–	**38,191,593**

Analysis of financial assets that are either past due or impaired:

Ageing of those financial assets that are neither past due nor impaired:

	Current	**30 – 60 days**	**60 – 90 days**	**90 days+**
2016 Rands				
Trade receivables	20,000	–	–	–
	20,000	**–**	**–**	**–**
2015 Rands				
Trade receivables	3,907,407	120,000	–	1,038,304
	3,907,407	**120,000**	**–**	**1,038,304**

Ageing of those financial assets that are impaired:

2016 Rands				
Trade receivables	–	–	–	–
	–	**–**	**–**	**–**
2015 Rands				
Trade receivables	–	–	–	38,191,593
	–	**–**	**–**	**38,191,593**

Ageing of those financial assets that are past due but not impaired:

2016 Rands				
Trade receivables	–	–	–	5,106,119
	–	**–**	**–**	**5,106,119**
2015 Rands				
	–	**–**	**–**	**–**

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

	2016		2015	
Figures in Rands	Carrying amount	Credit quality	Carrying amount	Credit quality
Loans to group companies	10,033,004	High	13,165,604	High
Trade receivables	20,000	Medium	6,518,397	Medium
Cash and cash equivalents	22,083	*	126,734	*
	10,075,087	**–**	**19,810,735**	**–**

* The cash is deposited with South African banks with a minimum Standard & Poor's credit rating of "A-" (or equivalent)

Renegotiated loans

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

Figures in rands	**Carrying amount of re-negotiated loans 2016**	**Carrying amount of re-negotiated loans 2015**
Trade receivables	5,106,119	4,581,201

Liquidity risk

Maturity analysis based on contractual cash flows:

2016 Rands	Not later than one month	1 month to 3 months	3 to 12 months	1 year to 3 years	More than 3 years
Loans from group companies	–	–	30,188,091	–	–

2015 Rands	Not later than one month	1 month to 3 months	3 to 12 months	1 year to 3 years	More then 3 years
Loans from group companies	–	–	32,013,470	–	–
Trade and other payables	35,416	–	–	–	–
	35,416	**–**	**32,013,470**	**–**	**–**

Interest rate risk

Interest rate sensitivity analysis

The sensitivity analyses has not been shown as none of the financial instruments are subject to interest rate risk.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF PTF2

The Board of Directors
African Dawn Capital Limited
202 Waterfront Terraces
Waterfront Road
Bellville
7530

6 September 2016

Dear Sirs,

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION INCLUDED IN THE CIRCULAR

Introduction

We have audited the historical financial information of African Dawn Property Transfer Finance 2 (Pty) Ltd ("**PTF2**") in respect of the years ended 29 February 2016 and 28 February 2015 as set out in **Annexure 5** of the circular to be issued on or about 12 September 2016 ("**the circular**") in compliance with the JSE Limited ("**JSE**") Listings Requirements.

Directors' Responsibility for the Historical Financial Information

The directors are responsible for the preparation, contents and presentation of the circular and the fair presentation of the historical financial information in accordance with International Financial Reporting Standards. This responsibility includes: designing implementing and maintaining internal control relevant to the preparation and fair representation of financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the historical financial information of PTF2 for the financial year ended 29 February 2016 and for the financial year ended 28 February 2015, included in the circular, based on our audit of the financial information for the financial years ended 29 February 2016 and 28 February 2015.

Scope of the audit

We conducted our audit of the historical financial information for the financial years ended 29 February 2016 and 28 February 2015 in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and report the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial information 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion

In our opinion, the historical financial information of PTF2 for the financial years ended 29 February 2016 and 28 February 2015 presents fairly, in all material respects, for the purposes of the circular, the financial position of PTF2 at those dates in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements.

Emphasis of matter

Without qualifying our opinion, we draw attention to the Directors' report to the financial statements which indicates that the company incurred a net loss of R1 317 659 for the year ended 29 February 2016 and, as at that date, the company's total liabilities exceeded its total assets by R14 759 365. This indicates that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

Consent

We consent to the inclusion of this report, which will form part of the circular to the shareholders of Afdawn in the form and context in which it appears.

Grant Thornton Cape Inc.
Imtiaaz Hashim
Director
Practice number 970879-0000
Registered Auditors
Chartered Accountants (SA)
123 Hertzog Boulevard
Foreshore
Cape Town
8001

HISTORICAL FINANCIAL INFORMATION OF CANDLESTICK FOR THE FINANCIAL YEARS ENDED 29 FEBRUARY 2016 AND 28 FEBRUARY 2015

The historical financial information of Candlestick is the responsibility of the Directors of Afdawn.

Commentary

Revenue was maintained at R5.3 million for the period. Operating expenses increased by R0.5 million to R3.3 million as result of increased legal expenses relating to the Blue Dot settlement and increased bad debts. This resulted in a decrease in operating profit to R2.0 million. The Blue Dot Settlement and an anticipated reduced sales price of Green Oaks property resulted in a further R3.3 million reduction in fair value. The net effect was a loss for year of R2.5 million.

STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2016

	Note(s)	2016 R	2015 R
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	8,573	500
Deferred tax	5	137,048	–
		145,621	**500**
Current Assets			
Properties in possession	6	16,544,150	19,828,238
Trade and other receivables	7	284,299	360,128
Cash and cash equivalents	8	537,492	696,861
		17,365,941	**20,885,227**
Total Assets		**17,511,562**	**20,885,727**
EQUITY AND LIABILITIES			
Equity			
Share capital	9	100	100
Accumulated loss		(3,795,009)	(1,285,035)
		(3,794,909)	**(1,284,935)**
Liabilities			
Non-Current Liabilities			
Borrowings	10	6,340,325	7,644,965
Current Liabilities			
Loans from group companies	4	12,631,990	12,631,990
Borrowings	10	1,223,627	1,223,627
Current tax payable		504,353	159,762
Trade and other payables	11	606,176	510,318
		14,966,146	**14,525,697**
Total Liabilities		**21,306,471**	**22,170,662**
Total Equity and Liabilities		**17,511,562**	**20,885,727**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	2016 R	2015 R
Revenue		5,314,558	5,345,811
Other income	12	6,502	76,699
Operating expenses		(3,312,481)	(2,848,041)
Operating profit	13	**2,008,579**	**2,574,469**
Investment income	14	1,883	2,497
Impairment to properties in possession		(3,284,088)	(1,500,000)
Finance costs	15	(736,259)	(818,001)
(Loss) profit before taxation		**(2,009,885)**	**258,965**
Taxation	16	(500,089)	(497,764)
(Loss) profit for the year		**(2,509,974)**	**(238,799)**
Other comprehensive income		–	–
Total comprehensive (loss) income for the year		**(2,509,974)**	**(238,799)**

STATEMENT OF CHANGES IN EQUITY

	Share capital R	Accumulated loss R	Total equity R
Balance at 01 March 2014	**100**	**(1,046,236)**	**(1,046,136)**
Loss for the year	–	(238,799)	(238,799)
Other comprehensive income	–	–	–
Total comprehensive Loss for the year	**–**	**(238,799)**	**(238,799)**
Balance at 01 March 2015	**100**	**(1,285,035)**	**(1,284,935)**
Loss for the year	–	(2,509,974)	(2,509,974)
Other comprehensive income	–	–	–
Total comprehensive Loss for the year	**–**	**(2,509,974)**	**(2,509,974)**
Balance at 29 February 2016	**100**	**(3,795,009)**	**(3,794,909)**
Note(s)	9		

STATEMENT OF CASH FLOWS

	Note(s)	2016 R	2015 R
Cash flows from operating activities			
Cash generated from operations	17	2,182,736	2,567,970
Investment income		1,883	2,497
Finance costs		(736,259)	(818,001)
Tax paid	18	(292,547)	(517,452)
Net cash from operating activities		**1,155,813**	**1,235,014**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(10,542)	(500)
Repayment of loans from group companies		–	11,635
Net cash from investing activities		**(10,542)**	**11,135**
Cash flows from financing activities			
Repayment of borrowings		(1,304,640)	(1,205,062)
Net cash from financing activities		**(1,304,640)**	**(1,205,062)**
Total cash movement for the year		**(159,369)**	**41,087**
Cash at the beginning of the year		696,861	655,774
Total cash at end of the year	8	**537,492**	**696,861**

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Impairment testing

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

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including the economic environment, financial markets and the housing market. The method of judgement and methods used in the estimation of impairment have been set out in note 1.5.

Residual values and useful lives of property plant and equipment

The useful lives of property, plant and equipment are assessed annually based on the best available information at hand. The estimated useful life of an asset will be adjusted when it is evident that the asset will be utilised over a shorter/longer period.

The residual values of property, plant and equipment are assessed annually based on the best information available. The residual value of an asset is adjusted if any change in the asset's condition and value exists.

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

Item	Depreciation method	Average useful life
IT equipment	Straight line	3 Years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 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 company has the following financial instruments:

- Properties in possession
- Loans to group companies
- Trade receivables
- Cash and cash equivalents
- Borrowings
- Loans from group companies
- Loans from directors
- Trade payables

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.

Initial recognition

Financial instruments are recognised in the statement of financial position when the company becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the timeframe established by regulation or market convention ('regular way' purchases) are recognised at the trade date, which is the date on which the company commits to purchase the financial asset. The liability to pay for 'regular way' purchases of financial assets is recognised on the trade date, which is when the company becomes a party to the contractual provisions of the financial instrument.

Derecognition

Financial assets

The company derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when:

- The contractual rights to the cash flows arising from the financial asset have expired; or
- The company transfers the financial asset, including substantially all the risks and rewards of ownership of the asset or;
- It transfers the contractual rights to receive the cash flows from the financial asset; or
- It retains the contractual rights to receive the cash flows of the financial asset, but assumes a corresponding contractual obligation to pay the cash flows to one or more recipients, and consequently transfers substantially all the risks and benefits associated with the asset; or
- No future economic benefits are expected from their use.

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.

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 categories are explained further below:

At fair value through profit or loss

This category has two sub-categories

- Financial instruments held for trading, and
- Those designated at fair value through profit or loss at inception.

A financial instrument is categorised as held for trading if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorised as held for trading unless they are designated as hedges.

The company has no financial instruments in this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the company intends to sell immediately or in the short term, which are categorised as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- Those that the company upon initial recognition designates as available-for-sale; or
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration

They arise when the company provides money, goods or services directly to a debtor with no intention of trading the advance. The following are classified as loans and receivable when they have fixed or determinable payments:

- Properties in possession
- Loans to group companies
- Trade receivables
- Cash and cash equivalents

Held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group has both the positive intent and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available-for-sale.

The group has no financial instruments in this category.

Available for sale

Available-for-sale financial assets are non-derivative financial assets that the group has designated as available for sale or are not classified as either loans and receivables, held-to-maturity investments or financial assets as at fair value through profit or loss.

The following are classified as available for sale when they have no fixed or determinable payments:

- Loans to group companies
- Trade receivables

Financial liabilities at amortisedcost

All financial liabilities, other than those at fair value through profit or loss, are classified as in this category. The following are included in this category:

- Borrowings
- Loans from group companies
- Trade payables Subsequent measurement

Subsequent to initial measurement, financial instruments are either measured at fair value or amortised cost, depending on their classification.

Financial liabilities at amortised cost

Such liabilities are measured at amortised costs using the effective interest rate. At fair value through profit or loss

Financial instrument at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.

Available for sale

Available for sale financial assets are measured at fair value, with fair value gains or losses recognised in other comprehensive income, unless the asset has been designated as a hedged item in a fair-value hedging relationship subject to hedge accounting.

Gains and losses arising from changes in fair value are recognised in other comprehensive income, until the asset is disposed of or it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Interest income is excluded from the fair value gains and losses which are recognised in other comprehensive income.

Held to maturity

Held-to-maturity financial assets are measured at amortised cost, using the effective-interest method, less any provisions for impairment with the interest income recognised in profit or loss.

Loans and receivables

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

The companies trade debtors are included in the loans and receivables category. These advances arise when the company provides money, goods or services directly to a debtor with no intention to trade the receivable. Receivables originated by the company are generally in the form of service rendered.

Impairments

Available for sale financial assets

Available for sale financial assets are assessed for impairment if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but on or before the reporting date. An available-for sale financial asset is also considered to be impaired if a significant or prolonged decline in fair value of the instrument below its cost has occurred.

If there is an impairment, the cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is reclassified from other comprehensive income to profit or loss. If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed.

For available for sale equity investments impairment reversals are not recognised in profit or loss and any subsequent increase in fair value is recognised in other comprehensive income.

Assets carried at amortised cost

The company assesses at each reporting date whether there is objective evidence that an asset or company of assets is impaired

The company 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 receivable level. A 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 company 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 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 receivable by receivable basis.

If the recoverable amount of the receivable 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. Receivables 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.

Impairment provisions raised during the year are charged to profit or loss.

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 company, as the company 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 company's accounting policies are applied from the date of recognition.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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. Deferred loan income reduces the outstanding amount.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement

Ordinary share capital and any financial instrument issued by the company is classified as equity when:

- Payment of cash, in the form of a dividend or redemption, is at the discretion of the company;
- The instrument does not provide for the exchange of financial instruments under conditions that are potentially unfavourable to the company
- Settlement in the company's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- The instrument represents a residual interest in the assets of the company after deducting all its liabilities.

Equity instruments are recorded at the proceeds received, net of direct issue costs.

1.4 Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current taxation

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

Deferred taxation

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.

Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

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.

The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred taxation is not recognised for the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries, associates and joint arrangements except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference is deferred tax not recognised.

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.

Deferred taxation assets and liabilities are not discounted.

1.5 Leases

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

Operating leases – lessor

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

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

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

1.6 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.7 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.8 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 company. The corresponding loans are derecognised when the company 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.

1.9 Revenue

Revenue comprises:

- Rentals from properties in possession

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 company 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.

Rental income

The company earns rental income on 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.

1.10 Borrowing costs

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowing in accordance with the groups accounting policy for borrowing costs.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 March 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 9 Financial Instruments	01 January 2018	Impact being assessed
• IFRS 14 Regulatory Deferral Accounts	01 January 2016	Impact being assessed
• Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	01 January 2016	Impact being assessed
• Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	01 January 2016	Impact being assessed
• IFRS 15 Revenue from Contracts with Customers	01 January 2017	Impact being assessed

The amendment adjusts the option to proportionately restate accumulated depreciation when an item of property, plant and equipment is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated depreciation is then adjusted as the difference between the gross and net carrying amount.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The company expects to adopt the amendment for the first time in the 2016 financial statements.

The definition of a related party has been amended to include an entity, or any member of a group of which it is a part, which provides key management personnel services to the reporting entity or to the parent of the reporting entity ("management entity"). Disclosure is required of payments made to the management entity for these services but not of payments made by the management entity to its directors or employees.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The company expects to adopt the amendment for the first time in the 2016 financial statements.

The amendment adjusts the option to proportionately restate accumulated amortisation when an intangible asset is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated amortisation is then adjusted as the difference between the gross and net carrying amount.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The company expects to adopt the amendment for the first time in the 2016 financial statements.

The amendment to the scope exclusions removes reference to the formation of joint ventures. It now excludes from the scope, the formation of a joint arrangement in the financial statements of the joint arrangement itself.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The company expects to adopt the amendment for the first time in the 2016 financial statements.

The amendment clarifies that references to financial assets and financial liabilities in paragraphs 48–51 and 53–56 should be read as applying to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32 Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The company expects to adopt the amendment for the first time in the 2016 financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
IT equipment	11,042	(2,469)	8,573	500	–	500

Reconciliation of property, plant and equipment – 2016

	Opening balance	Additions	Depreciation	Total
IT equipment	500	10,542	(2,469)	8,573

Reconciliation of property, plant and equipment – 2015

	Opening balance	Additions	Total
IT equipment	–	500	500

	2016 R	2015 R
4. LOANS TO (FROM) GROUP COMPANIES		
Holding company		
African Dawn Capital Limited*		
The loan is unsecured, interest free and has no fixed terms of repayment.	(148,729)	(148,729)
Fellow subsidiaries		
African Dawn Property Transfer Finance 2 Proprietary Limited **		
The loan is unsecured, interest free and has no fixed terms of repayment.	(12,483,261)	(12,483,261)

* The loan is payable over 1 year but discounting has not been performed as the effect will be immaterial.

** The loan is repayable on the sale of the property in possession this is estimated to take place within 1 year.

5. DEFERRED TAX

Deferred tax asset

	2016 R	2015 R
Deferred tax on bad debt provision and leave pay accrual	137,048	–
Deferred tax asset	137,048	–

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

The deferred tax asset raised relate to the bad debt provision and leave pay accrual that will only be recognised for tax purposes on actually going bad and on payout respectively.

Unrecognised deferred tax asset

	2016 R	2015 R
Deductible temporary differences not recognised as deferred tax assets fair value adjustment	919,545	–

		2016 R	2015 R
6.	**PROPERTIES IN POSSESSION**		
	Greenoaks – Centurion, Gauteng	44,414,682	44,414,682
	Greenoaks – African Dawn Property Transfer Finance 3 Proprietary Limited share of property in possession	(16,173,640)	(16,173,640)
		28,241,042	28,241,042
	Impairments	(11,696,892)	(8,412,804)
		16,544,150	**19,828,238**

		2016 R	2015 R
6.1	**Reconciliation of movement**		
	Opening balance	44,414,682	44,414,682
	PTF3 share of Greenoaks	(16,173,640)	(16,173,640)
	Impairment	(11,696,892)	(8,412,804)
		16,544,150	**19,828,238**

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 R5,314,558 (2015: R5,345,811) 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 Africa 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.

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 Candlestick's share of the property (i.e. the 50% referred to above that is in substance Candlestick's share of the property).

Blue Dot has since been placed in liquidation and there is 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 have concluded and a settlement has been 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 R7,563,952 (2015: R8,868,592) (refer to note 10).

		2016 R	2015 R
7.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	883,270	656,583
	Provision for doubtful debts	(655,657)	(359,638)
	Other receivables	56,686	63,183
		284,299	**360,128**
8.	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents consist of:		
	Bank balances	537,492	696,861
9.	**SHARE CAPITAL**		
	Authorised		
	1000 Ordinary shares of R1 each	1,000	1,000
	Issued		
	Ordinary	100	100

		2016 R	2015 R
10.	**BORROWINGS**		
	Held at amortised cost		
	Nedbank mortgage bond	7,563,952	8,868,592
	The loan is secured over the property in possession (Note 5), bears interest at prime less 0.5% and is repayable in instalments of R172,932 per month		
	Non-current liabilities		
	At amortised cost	6,340,325	7,644,965
	Current liabilities		
	At amortised cost	1,223,627	1,223,627
		7,563,952	**8,868,592**
11.	**TRADE AND OTHER PAYABLES**		
	Trade payables	278,826	127,646
	Accrued leave pay	27,204	29,492
	Deposits received	300,146	353,180
		606,176	**510,318**
12.	**OTHER INCOME**		
	Recoveries	6,502	76,699
13.	**OPERATING PROFIT**		
	Operating profit for the year is stated after accounting for the following:		
	Depreciation on property, plant and equipment	2,469	–
	Employee costs	138,125	173,974
14.	**INVESTMENT INCOME**		
	Interest revenue		
	Bank	1,883	2,374
	Other interest	–	122
		1,883	**2,496**
15.	**FINANCE COSTS**		
	Non-current borrowings	736,259	818,001
16.	**TAXATION**		
	Major components of the tax expense		
	Current		
	Local income tax - current period	493,824	497,764
	Local income tax - recognised in current tax for prior periods	87,087	–
	Tax penalties and interest prior year	56,227	–
		637,138	**497,764**
	Deferred		
	Arising from bad debt provision and leave pay accrual	(137,048)	–
		500,090	**497,764**
	Reconciliation of the tax expense		
	Reconciliation between accounting profit and tax expense.		
	Accounting profit (loss)	(2,009,885)	258,965
	Tax at the applicable tax rate of 28% (2015: 28%)	(562,768)	72,510
	Tax effect of adjustments on taxable income		
	Temporary difference on leavepay	–	5,254
	Income tax penalties and prior year adjustment	143,313	–
	Fair Value adjustment deferred tax asset not raised	919,545	420,000
		500,090	**497,764**

		2016 R	2015 R
17.	**CASH GENERATED FROM OPERATIONS**		
	Profit (loss) before taxation	(2,009,885)	258,965
	Adjustments for:		
	Depreciation and amortisation	2,469	–
	Interest received – investment	(1,883)	(2,497)
	Finance costs	736,259	818,001
	Impairment to properties in possession	3,284,088	1,500,000
	Other non-cash items	2	–
	Changes in working capital:		
	Trade and other receivables	75,828	59,086
	Trade and other payables	95,858	(65,585)
		2,182,736	**2,567,970**
18.	**TAX PAID**		
	Balance at beginning of the year	(159,762)	(179,450)
	Current tax for the year recognised in profit or loss	(637,138)	(497,764)
	Balance at end of the year	504,353	159,762
		(292,547)	**(517,452)**

19. RELATED PARTIES

Relationships

Holding company	African Dawn Capital Limited
Members of key management	WJ Groenewald EA Van Heerden

Fellow Subsidiaries

African Dawn Property Transfer Finance 1 Proprietary Limited
African Dawn Property Transfer Finance 2 Proprietary Limited
African Dawn Debt Management Proprietary Limited
Nexus Personnel Finance Proprietary Limited
Bhenka Financial Services Proprietary Limited
African Dawn KwaZulu-Natal Proprietary Limited
African Dawn Social Education Proprietary Limited
Elite Group Proprietary Limited
African Dawn Wheels Proprietary Limited
African Dawn Wheels Operations Proprietary Limited
Elatiflash Proprietary Limited
ABC Cashplus (Randburg) Proprietary Limited
Almika Investments 81 Proprietary Limited
Nexus Personnel Finance 2 Proprietary Limited
African Dawn Property Transfer Finance 5 Proprietary Limited
Amalgum Investments 138 Proprietary Limited
Albistar Investments Proprietary Limited
Knife Capital Proprietary Limited
Grindstone Accelerator Proprietary Limited
Elite Group Two Proprietary Limited

Related party balances

	2016	2015
Loan accounts – Owing (to) by related parties		
African Dawn Capital Limited	(148,729)	(148,729)
African Dawn Property Transfer Finance 2 Proprietary Limited	(12,483,261)	(12,483,261)
Amounts included in Trade receivable (Trade Payable) regarding related parties		
African Dawn Capital Limited	(38,893)	–

20. DIRECTORS' EMOLUMENTS

No emoluments were paid to the directors or any individuals holding a prescribed office during the year.

Executive	
2016	
Emoluments	
WJ Groenewald	–
EA Van Heerden	–
	–

* The directors received emoluments from other companies in the group as follows: WJ Groenewald R1,264 million and EA Van Heerden R1,738 million.

21. RISK MANAGEMENT

Significance of financial instruments

Definitions

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

- Credit risk – the risk that the company may not recover amounts it is owed (debit balances - receivables, bank, debit loans.)
- Liquidity risk – the risk that the company may not be able to pay an amount as it becomes due.
- Interest rate risk – three types - arises on interest-bearing financial instrument recognised in Statement of Financial Position
  - 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.
  - Not exposed to interest rate risk.
- 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 risk

Exposure

The company 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**	**No interest rate risk**
Trade receivables	Yes	No	Yes	No	No
Cash and cash equivalents	Yes	No	Yes	No	No
Borrowings	No	Yes	Yes	No	No
Loans from group companies	No	Yes	Yes	Yes*	Yes – deemed interest only*
Trade payables	No	Yes	Yes	Yes	Yes

* Balances are either interest free or interest earned/paid is less than market related rate. There is no interest rate risk from an operational perspective, however in terms of IFRS, these loans are discounted and deemed interest income/expense is recognised. This gives rise to fair value interest rate risk.

Analysis of the statement of financial position

There are no financial instruments classified as held to maturity or at fair value through profit or loss. The statement of financial position ("SOFP") is analysed in the table below:

Company 2016	Loans & receivables	Available for sale	Liabilities at amortised cost	Not a financial instrument	Balance on SOFP
Property plant and equipment	–	–	–	8,573	8,573
Deferred tax asset	–	–	–	137,048	137,048
Properties in possession	–	–	–	16,544,150	16,544,150
Trade and other receivables	284,299	–	–	–	284,299
Cash and Cash equivalents	537,492	–	–	–	537,492
Share Capital	–	–	–	(100)	(100)
Accumulated (profit)/loss	–	–	–	3,795,009	3,795,009
Borrowings	–	–	(7,563,952)	–	(7,563,952)
Loans from group companies	–	–	(12,631,990)	–	(12,631,990)
Current tax payable	–	–	–	(504,353)	(504,353)
Trade and other payables	–	–	(606,176)	–	(606,176)
	821,791	**–**	**(20,802,118)**	**19,980,327**	**–**

Company 2015	Loans & receivables	Available for sale	Liabilities at amortised cost	Not a financial instrument	Balance on statement of financial position
Property, plant and equipment	–	–	–	500	500
Properties in possession	–	–	–	19,828,238	19,828,238
Trade receivables	360,128	–	–	–	360,128
Cash and cash equivalents	696,861	–	–	–	696,861
Share capital	–	–	–	(100)	(100)
Accumulated (profit)/loss	–	–	–	1,285,035	1,285,035
Borrowings	–	–	(8,868,592)	–	(8,868,592)
Loans from group companies	–	–	(12,631,990)	–	(12,631,990)
Current tax payable	–	–	–	(159,792)	(159,762)
Trade and other payables	–	–	(510,318)	–	(510,318)
	1,056,989	–	**(22,010,900)**	**20,953,881**	**–**

The company has not: Applied hedge accounting,

- Designated any financial instruments as at fair value through profit or loss;
- Reclassified any financialinstruments;
- Offset any financial instruments; or
- Derecognised any financial instruments other than when they have been written off because they are not recoverable.

The company has not taken possession of any collateral it holds in 2016 and 2015.

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

No financial instruments are classified as held to maturity or at fair value through profit or loss. The SOCI is analysed in the table below:

Company 2016	Loan & receivables	Available for sale	Liabilities at amortised cost	Not a financial instrument	Balance in SOCI
Interest income – normal & deemed	1,883	–	–	–	1,883
Interest expense normal and deemed	–	–	(736,259)	–	(736,259)
	1,883	**–**	**(736,259)**	**–**	**(734,376)**
Company 2015					
Interest income – normal & deemed	2,497	–	–	–	2,497
Interest expense – normal & deemed	–	–	(818,001)	–	(818,001)
	2,497	**–**	**(818,001)**	**–**	**(815,504)**

Quantitative and qualitative risk disclosures

Credit risk

Maximum exposure

- 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 company 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 nil as no guarantees have been issued.

Collateral

The following collateral with a value of R300,146 (2015: R353,180) is held as security:

		2016		2015
Figures in Rands	Carrying amount	Security held	Carrying amount	Security held
Trade receivables	248,778	300,146	360,128	353,180
	–	–	–	–
	248,778	**300,146**	**360,128**	**353,180**

The fair value of collateral held as security is:
Financial assets that are past due: R–

Financial assets that are impaired: R–

Financial assets that are neither past due nor impaired: R300,146 (2015: R353,180)

Amount of impairment for each class of financial asset

Figures in Rand	**2016**	**2015**
Trade receivables	655,657	359,638

Trade receivables – impairment reconciliation

Opening balance	359,638	146,499
Plus additional impairment provisions	588,893	370,345
Less actual write off	(292,874)	(157,206)
	655,657	**359,638**

Analysis of financial assets

Ageing of those financial assets that are not past due and not impaired:

Rands	**Current**	**30 – 60 days**	**60 – 90 days**	**90 days+**
2016				
Trade receivables	25,806	–	–	–
2015 Rands				
Trade receivables	198,360	–	–	–

Ageing of those financial assets that are passed due and impaired:

2016 Rands				
Trade receivables	127,275	129,137	127,194	272,051
2015 Rands				
Trade receivables	75,400	74,848	76,613	132,777

Ageing of financial assets that are passed due but not impaired

2016				
Trade receivables	87,665	96,913	17,229	–
2015				
Trade receivables	–	88,715	9,869	–

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

Figures in Rands	2016 Carrying amount	Credit quality	2015 Carrying amount	Credit quality
Trade receivables	25,806	Medium	198,360	Medium
Cash and cash equivalents	537,492	*	696,861	*
	563,298	**–**	**895,221**	**–**

* The cash is deposited with South African banks with a minimum rating of "A-" (or equivalent).

Liquidity risk

Maturity analysis based on contractual cash flows:

Rands	**Not later than one month**	**1 month to 3 months**	**3 to 12 months**	**1 year to 3 years**	**More than 3 years**
2016					
Borrowings	172,932	518,796	1,556,388	6,225,552	1,037,599
Trade and other payables	243,305	300,146	–	–	–
	416,237	**818,942**	**1,556,388**	**6,225,552**	**1,037,599**
2015					
Borrowings	169,123	507,369	1,522,107	6,088,428	2,875,091
Trade and other payables	127,646	353,180	–	–	–
	296,769	**860,549**	**1,522,107**	**6,088,428**	**2,875,091**

Interest rate risk

Interest rate sensitivity analysis

The sensitivity analyses below have 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 company's profit for the period would change by R75,640 (2015: R58,836). The company's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

- As the only financial instrument subject to normal interest is borrowings which is linked to prime, a 100 basis point difference is used to calculate additional interest which would then be subject to income tax;
- No changes have been made in the method of calculation though prime has changed by .75 points and the capital balance has reduced.
- No other items would be affected by an interest rate change.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF CANDLESTICK

The Board of Directors

African Dawn Capital Limited
202 Waterfront Terraces
Waterfront Road
Bellville
7530

6 September 2016

Dear Sirs,

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION INCLUDED IN THE CIRCULAR

Introduction

We have audited the historical financial information of Candlestick Park Investments (Pty) Ltd ("**Candlestick**") in respect of the financial years ended 29 February 2016 and 28 February 2015 as set out in **Annexure 7** of the circular to be issued on or about 12 September 2016 ("**the circular**") in compliance with the JSE Limited ("**JSE**") Listings Requirements.

Directors' Responsibility for the Historical Financial Information

The directors are responsible for the preparation, contents and presentation of the circular and the fair presentation of the historical financial information in accordance with International Financial Reporting Standards. This responsibility includes: designing implementing and maintaining internal control relevant to the preparation and fair representation of financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the historical financial information of Candlestick for the financial year ended 29 February 2016 and the financial year ended 28 February 2015, included in the circular, based on our audit of the financial information for the financial years ended 29 February 2016 and 28 February 2015.

Scope of the audit

We conducted our audit of the historical financial information for the financial years ended 29 February 2016 and 28 February 2015 in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and report the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial information 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion

In our opinion, the historical financial information of Candlestick for the financial years ended 29 February 2016 and 28 February 2015 presents fairly, in all material respects, for the purposes of the circular, the financial position of Candlestick at those dates in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements.

Consent

We consent to the inclusion of this report, which will form part of the circular to the shareholders of Afdawn in the form and context in which it appears.

Grant Thornton Johannesburg Partnership
Edward Dreyer
Partner
Practice number 903485E
Registered Auditor
Chartered Accountants (SA)
Wanderers Office Park
52 Corlett Drive
Illovo, 2196

HISTORICAL FINANCIAL INFORMATION OF AFDAWN FOR THE FINANCIAL YEARS ENDED 29 FEBRUARY 2016, 28 FEBRUARY 2015 AND 28 FEBRUARY 2014

STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2016

2016		Group		Company	
		2016	2015	2016	2015
	Notes	R'000	R'000	R'000	R'000
Assets					
Non-Current Assets					
Property, plant and equipment	3	879	937	129	183
Goodwill	4	8,076	8,076	–	–
Intangible assets	5	5,155	6,479	–	–
Investments in subsidiaries	6	–	–	15,877	15,877
Deferred tax	8	381	–	–	–
		14,491	**15,492**	**16,006**	**16,060**
Current Assets					
Other financial assets	7	312	724	–	–
Properties in possession	9	18,247	22,968		–
Loans to group companies	10	–	–	26,723	26,896
Trade and other receivables	11	35,981	39,835	107	1,096
Current tax receivable	12	–	–	–	–
Cash and cash equivalents	13	3,005	15,397	788	10,608
		57,545	**78,924**	**27,618**	**38,600**
Total Assets		**72,036**	**94,416**	**43,624**	**54,660**
Equity and Liabilities					
Equity					
Share capital and share premium	14	313,943	313,943	313,943	313,943
Accumulated loss		(291,442)	(284,532)	(291,738)	(287,491)
		22,501	**29,411**	**22,205**	**26,452**
Liabilities					
Non-Current Liabilities					
Loans from directors	18	–	1,535	–	1,535
Deferred tax	8	1,125	1,365	–	–
Borrowings	15	7,829	13,298	–	–
Finance lease liabilities	16	–	60	–	–
		8,954	**16,258**	**–**	**1,535**
Current Liabilities					
Loans from group companies	10	–	–	6,929	6,932
Current tax payable	12	15,054	14,840	8,220	7,805
Borrowings	15	12,524	17,782	–	1,658
Finance lease liabilities	16	19	122	–	–
Loans from directors	18	487	3,777	487	3,777
Operating lease liability	19	28	23	28	23
Trade and other payables	20	12,469	11,729	5,755	6,478
Deferred income	21	–	474	–	–
		40,581	**48,747**	**21,419**	**26,673**
Total Liabilities		**49,535**	**65,005**	**21,419**	**28,208**
Total Equity and Liabilities		**72,036**	**94,416**	**43,624**	**54,660**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
		2016	2015	2016	2015
	Notes	R'000	R'000	R'000	R'000
Operations					
Revenue	22	37,329	40,149	811	52
Cost of sales		(839)	(268)	–	–
Gross profit		**36,490**	**39,881**	**811**	**52**
Other income	23	3,910	7,417	2,092	1,678
Operating expenses		(42,836)	(65,508)	(8,729)	(28,384)
Operating loss	24	**(2,436)**	**(18,210)**	**(5,826)**	**(26,654)**
Investment income	25	346	735	256	700
Impairment of investment in subsidiaries	6	–	–	–	(2,710)
Profit/(Loss) on fair value movement – contingent consideration liability	18	2,000	(2,000)	2,000	(2,000)
Impairment of investment in subsidiary Candlestick Park Investment Proprietary Limited		–	–	–	(5,279)
Deemed interest expense	26	(552)	(110)	(92)	–
Impairment to properties in possession	9	(3,284)	(1,500)	–	–
(Loss) from equity accounted investment		–	(2,259)	–	–
Finance costs	27	(3,018)	(8,633)	(585)	(3,609)
Loss before taxation		**(6,944)**	**(31,977)**	**(4,247)**	**(39,552)**
Taxation	28	34	(1,035)	–	–
Loss from Operations		**(6,910)**	**(33,012)**	**(4,247)**	**(39,552)**
Loss attributable to:					
Owners of the parent:					
Operations		(6,910)	(33,012)	(4,247)	(39,552)
		(6,910)	**(33,012)**	**(4,247)**	**(39,552)**
Earnings per share from operations					
Basic and diluted loss per share (c)	41	(0.79)	(3.84)	–	–

STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Total share capital R'000	Accumulated loss R'000	Total equity R'000
Group					
Balance at 01 March 2014	**5,074**	**279,560**	**284,634**	**(251,520)**	**33,114**
Total comprehensive loss for the year	**–**	**–**	**–**	**(33,012)**	**(33,012)**
Issue of shares	3,729	25,580	29,309	–	29,309
Total contributions by and distributions to owners of company recognised directly in equity	**3,729**	**25,580**	**29,309**	**(33,012)**	**29,411**
Balance at 28 February 2015	**8,803**	**305,140**	**313,943**	**(284,532)**	**29,411**
Total comprehensive loss for the year				**(6,910)**	**(6,910)**
Balance at 29 February 2016	**8,803**	**305,140**	**313,943**	**(291,442)**	**22,501**
Note(s)	14	14	14		
Company					
Balance at 01 March 2014	**5,074**	**279,560**	**284,634**	**(247,939)**	**36,695**
Total comprehensive loss for the year	**–**	**–**	**–**	**(39,552)**	**(39,552)**
Issue of shares	3,729	25,580	29,309	–	29,309
Total attributable to owners of company recognised directly in equity	**3,729**	**25,580**	**29,309**	**–**	**29,309**
Balance at 28 February 2015	**8,803**	**305,140**	**313,943**	**(287,491)**	**26,452**
Total comprehensive loss for the year				**(4,247)**	**(4,247)**
Balance at 29 February 2016	**8,803**	**305,140**	**313,943**	**(291,738)**	**22,205**
Note(s)	14	14	14		

STATEMENT OF CASH FLOWS

		Group		Company	
		2016	2015	2016	2015
	Notes	R'000	R'000	R'000	R'000
Cash flows from operating activities					
Cash generated by/(used in) operations	30	3,490	(2,280)	(7,769)	(9,062)
Interest income	25	346	735	256	700
Finance costs	27	(2,080)	(3,115)	–	(265)
Tax paid	31	(1,307)	(574)	–	–
Net cash from operating activities		**449**	**(5,234)**	**(7,513)**	**(8,627)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(570)	(346)	–	(208)
Proceeds on disposal of property, plant and equipment		248	56	3	27
Purchase of intangible assets	5	(346)	–	–	–
Business combinations	32	–	16	–	–
Sale of business	33	–	(396)	–	–
Proceeds from loans from group companies		–	–	173	664
Repayment of loans from group companies		–	–	(3)	(11)
Net cash from investing activities		**(668)**	**(670)**	**173**	**472**
Cash flows from financing activities					
Proceeds on share issue	14	–	20,309	–	20,309
Borrowings (repaid) / raised	15	(11,280)	(4,003)	(1,750)	(1,700)
Finance lease payments	16	(163)	(99)	–	–
Repayment of directors' loans acquired in business combinations (refer to note 32)		–	(21)	–	–
Repayment of directors' loans	18	(730)	(243)	(730)	(243)
Net cash from financing activities		**(12,173)**	**15,943**	**(2,480)**	**18,366**
Total cash movement for the year		**(12,392)**	**10,039**	**(9,820)**	**10,211**
Cash at the beginning of the year		15,397	5,358	10,608	397
Total cash at end of the year	13	**3,005**	**15,397**	**788**	**10,608**

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 1.19.

The consolidated financial statements for the year ended 29 February 2016 (including comparatives) were approved and authorised for issue by the board of directors on 31 May 2016. Amendments to the financial statements are not permitted after approval.

1.2 Changes in accounting policies and basis of preparation

New and revised standards that are effective for annual periods beginning on or after 1 March 2015

The Group has early adopted an amendment to IAS 27 – Separate Financial Statements, which permits entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group has elected to apply the equity method to account for investments in associates in the separate financial statements of the investor.

A number of new and revised standards are effective for annual periods beginning on or after 1 March 2015. Information on these new standards is presented below. None of these have an impact on the recognition and measurement of assets and liabilities within the Group. However, comparative information is provided for new disclosures where applicable and required in terms of the standards.

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (1 March 2015)
- Amendment to IAS 32 – Offsetting financial assets and financial liabilities (1 March 2014)
- Amendment to IAS 36 – Recoverable amount disclosures for non-financial assets (1 March 2014)
- Amendment to IAS 39 – Novation of derivatives and continuation of hedge accounting (1 March 2014)
- IFRIC 21 Levies (1 March 2014)

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are those entities, including unincorporated entities such as trusts and partnerships 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 is considered to have power over an entity when it has existing rights that give it the current ability to direct the relevant activities of the entity. The group is exposed, or has rights, to variable returns from its involvement with the entity when the investor's returns from its involvement have the potential to vary as a result of the entity's performance.

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.

In assessing whether the group has power over structured entities in which it has an interest, the group considers factors such as the purpose and design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

Dates

The group financial statements include the assets, liabilities and results of the company plus subsidiaries, including consolidated structured entities from the date control is established until the date that control ceases.

Where a subsidiary has a reporting period that is different from that of the group, the results of the subsidiary are adjusted to reflect a reporting period consistent with the group's reporting period. Where necessary, adjustments are made to the financial statements of subsidiaries to align any difference in accounting policies with those of the Group.

Elimination

Intragroup balances, transactions, income and expenses, and profits and losses are eliminated in preparation of the group financial statements. Unrealised losses are not eliminated to the extent that they provide objective evidence of impairment.

1.3 **Basis of consolidation (continued)**

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.

Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date that control is lost, with the change in the carrying amount being recognised in profit or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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 1.12.

At an intermediate parent level, consolidated financial statements are not prepared and investments in subsidiaries are therefore accounted for in terms of this policy.

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.

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.

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred plus the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any), this excess is recognised immediately in profit or loss as gain on bargain purchase.

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.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

1.4 **Goodwill (continued)**

Each CGU that contains goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs of disposal. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

Impairment losses that are recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. However, the carrying amount of these other assets may not be reduced below the highest of its fair value less costs to sell, its value in use and zero.

On disposal of a CGU the goodwill attributable to the CGU is included in the determination of the profit or loss on disposal.

1.5 **Investment in associate**

Associates

Associates are those entities, including unincorporated entities, over which the group has the ability to exercise significant influence, but no control or joint control, through participation in the financial and operating policy decisions of the investment (that is neither a subsidiary nor an investment in a joint arrangement).

Significant influence

Significant influence is generally demonstrated by the group holding in excess of 20%, but no more than 50%, of the voting rights.

Dates and equity accounting

The profit or loss of the associate and assets and liabilities, including goodwill identified on acquisition, net of any accumulated impairment losses, are included in the group financial statements using the equity method of accounting from the date significant influence commences until the date significant influence ceases.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Where an associate has a reporting period that is different from that of the group, the results of the associate are adjusted to reflect a reporting period consistent with the group's reporting period.

Elimination and accounting policies

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Changes in ownership

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Company – separate financial statements

Investments in associates are accounted for using the equity method in the company financial statements. The carrying amounts of these investments are reviewed annually and impaired when necessary by applying the policy described in policy 1.12.

1.6 **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.

1.6 **Leases (continued)**

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 1.15 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.

1.7 **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 recognise in profit or loss in the period in which they are incurred.

1.8 **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.

1.9 **Income taxes**

Tax expense

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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.

Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

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.

The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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.

Deferred taxation assets and liabilities are not discounted.

1.10 **Property, plant and equipment**

Property, plant and equipment

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

All other repairs and maintenance expenses are recognised in profit or loss when they are incurred.

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	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.

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 1.13.

Any gain or loss on disposals is determined by comparing the disposal proceeds with the carrying amount of the asset and is recognised in profit or loss.

1.11 **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 following criteria are met:

- it is technically feasible to complete the asset so that it will be available for use.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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.

1.12 **Impairment testing of goodwill, intangible assets, investments in associate 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.

1.12 **Impairment testing of goodwill, intangible assets, investments in associate and subsidiaries and property, plant and equipment (continued)**

Goodwill, intangible assets that have an indefinite useful life 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.

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.

1.13 **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.

1.14 **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.

1.15 **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.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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.

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.

1.15 **Revenue (continued)**

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.

1.16 **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 37.

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.

Initial recognition

Financial instruments are recognised in the statement of financial position when the group becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the timeframe established by regulation or market convention ('regular way' purchases) are recognised at the trade date, which is the date on which the group commits to purchase the financial asset. The liability to pay for 'regular way' purchases of financial assets is recognised on the trade date, which is when the group becomes a party to the contractual provisions of the financial instrument.

Derecognition

Financial assets

The group derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when:

- The contractual rights to the cash flows arising from the financial asset have expired; or
- The group transfers the financial asset, including substantially all the risks and rewards of ownership of the asset or;
- It transfers the contractual rights to receive the cash flows from the financial asset; or
- It retains the contractual rights to receive the cash flows of the financial asset, but assumes a corresponding contractual obligation to pay the cash flows to one or more recipients, and consequently transfers substantially all the risks and benefits associated with the asset; or
- No future economic benefits are expected from their use.

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.

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.

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 37.

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.

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.

1.16 **Financial instruments (continued)**

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.

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 instruments (continued)

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Ordinary share capital and any financial instrument issued by the company is classified as equity when:

- Payment of cash, in the form of a dividend or redemption, is at the discretion of the group;
- The instrument does not provide for the exchange of financial instruments under conditions that are potentially unfavourable to the group
- Settlement in the group's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- The instrument represents a residual interest in the assets of the group after deducting all its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

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 1.14 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.

Transactions that affect equity

Share capital and share premium and transaction costs

Shares issued by the group are recorded at the value of the proceeds received less the external costs directly attributable to the issue of the shares. All transactions relating to the acquisition and sale or issue of shares in the company, together with their associated costs, are accounted for in equity.

Treasury shares

Where the company or any other member of the group purchases the company's equity share capital, such shares are classified as treasury shares and the par value of these treasury shares is deducted from the share capital, whereas the remainder of the cost price is deducted from the share premium until the treasury shares are cancelled.

Where such shares are subsequently sold or reissued, any consideration received is included in equity.

Treasury shares are deducted from the issued and weighted average number of shares on consolidation. All dividends received on treasury shares are eliminated on consolidation. The company does not recognise any gains or losses through profit or loss when its own shares are repurchased.

1.17 **Segment reporting**

An operating segment is a component of an entity which engages in business activities from which it may earn revenues and incurs expenses, for which separate financial information is available and whose operating results are regularly reported internally and evaluated by the chief operating decision maker in deciding how to allocate resources and assessing its performance Segment reporting (continued)

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.

1.18 **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.

1.19 **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.

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.

1.19 **Significant judgements and sources of estimation uncertainty (continued)**

Uncertainty	Action	Status
Timing of the amount payable to SARS (refer to note 12).	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. The legal advisors are awaiting an appointment to finalise with SARS.
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 in a period of about 5 months' time, refer note 37.	A number of actions are being taken to mitigate the risk of this uncertainty materialising. These include: (a) Discussions are under way with various parties that could result in the sale or other realization of various assets (or portions thereof). In one instance the possible transaction would also generate additional income streams. (b) The company has a long-enduring and very constructive relationship with its funders. Experience has proved that these relationships can be relied on to support the continued existence of the group.	a) Some of these discussions are at an advanced stage and are considered to have a reasonably high probability of resulting in transactions. b) There is ongoing engagement with funders
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's continued support is based on the successful conclusion of the recapitalisation of Elite referred to below. Elite has repaid R4,8m of the original R15m Sandown loan.
Elite needs to be recapitalized.	A third party will acquire 51% of the economic interest in Elite by providing R15m of permanent capital, a further R15m loan funding facility for 5 years and access to a client base. Afdawn will convert a portion of its shareholders loan into equity in Elite. This will give Elite the ability to generate the required cash flow to fund operations, growth and other financial obligations.	The shareholder's loan will be converted into equity as a condition of the sale. A sale agreement has already been signed with a third party.

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.

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 and 32).

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 and 32).

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 notes 18 and 32).

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 32.

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 34).

Subsequent to year end, and as announced on SENS on the 1st July 2015, the vendors of Knife Capital released Afdawn Group from the second NAV liability, the share issues liability and the contingent liability relating to the additional remuneration. (Refer to notes 32 and 18).

Knife Capital Group acquisition – revision to terms (non-adjusting event refer note 32)

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 and 32).

1.19 **Significant judgements and sources of estimation uncertainty (continued)**

In addition, they have agreed to release Afdawn Group from any obligation to pay an amount relating to long-term incentives (Refer to note 32).

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 - associate (2014) and subsidiary (2015)

In 2011, Elite entered into an agreement with Sandown Capital Proprietary Limited ("Sandown"). Sandown assisted Elite by introducing a R10 m facility to Elite to facilitate the growth of Elite through the special purpose vehicle (SPV), being Elite Two, that was in line with, and benefitted, the business of Elite. Elite (with the assistance of Sandown) had set up Elite Two to make short term salary-deducted personal loans – this is the main business of Elite Two and was funded by Sandown (who earned interest) and managed by Elite (who earned management fees). Elite Two was 100% owned by Sandown. Elite and Sandown were each entitled to 50% of the profits assuming that the total bad debts were 3% or less. To the extent that the bad debts exceeded 3%, Elite would forfeit an equal amount of its share of the profit. However, Elite was not exposed to any further losses.

In November 2014, Elite acquired all the shares in Elite Two from Sandown (refer to note 37). A thorough assessment of the requirements in IFRS 10 – Consolidated Financial Statements, and SIC 12 – Consolidation – Special Purpose Entities, revealed that Elite did not control Elite Two prior to this date. Both Sandown and Elite were exposed, or had rights, to variable returns from their involvement with Elite Two. However, on balance, Sandown had more exposure than Elite and had the ability to affect those returns through its power over the investee. Sandown therefore consolidated Elite Two until November 2014.

With effect from November 2014, Elite Two has been consolidated by Elite.

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.

With respect to the legal claims no legal of R91,554 were incurred in relation to the collection of the debt to 29 February 2016. 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.

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

- Goodwill 2016 and 2015 - refer to note 4
- Intangible assets 2016 and 2015 - refer to note 5

Insurance revenue

Certain of the micro finance debtors choose to purchase insurance from Elite and Elite Two. 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 bears 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 is 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 1.13 for the accounting policy regarding the impairment of loans.

The amount recognised in 2015 for the impairment of Elite debtors was R1,3 million (2015:R10,8 million.)

Refer to note 44, 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. No impairment has been recognised. Refer to note 4 for further information about the estimates and assumptions used.

Goodwill impairment – Elite Two

The share capital of Elite Two was acquired at the same value as the Net Asset Value of Elite Two so no goodwill arose on the acquisition. Refer to note 32 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.

2016

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

2015

	Capital amount R'000	Classification	Initial present value adjustment R'000	Deemed interest (income)/ expense R'000
National Housing Finance Corporation ("NHFC") in note 15	1,750	Liability at amortised cost	91	–
Sandown Capital Elite Two loan (B) in note 15	1,750	Liability at amortised cost	76	(43)
Sandown Capital Interest portion of loan (C) in note 15	3,333	Liability at amortised cost	494	(66)
	6,833	-	**661**	**(109)**

The interest rates that have been applied in the discounting is an effective interest rate of 10.16%.

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 R- (2015: R5,518 million) were due.

R2,808 million of the amount relates to VAT and is recognised as an additional VAT liability in note 20 and 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 - R5,938 million (2015: R7,709 million (refer to note 20)
- Current tax – R15,054 million (2015: R14, 840 million (refer to note 12).

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 March 2015 or later periods.

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

Standard	Details of amendment	Annual periods beginning on or after
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Annual Improvements 2012 – 2014 Cycle: Amends IFRS 5 to clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of IFRS 5 does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29.	1 July 2016
IFRS 7 Financial Instruments: Disclosures	Annual Improvements 2012 – 2014 Cycle: The amendments provide additional guidance to help entities identify the circumstances under which a servicing contract is considered to be 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E - 42H of IFRS 7. Such circumstances commonly arise when, for example, the servicing fee is dependent on the amount or turning of the cash flows collected from the transferred financial asset or when a fixed fee is not paid in full due to non-performance of that asset.	1 July 2016
	Annual Improvements 2012 – 2014 Cycle: These amendments clarify that the additional disclosure required by the recent amendments to IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with IAS 34 Interim Financial Reporting when its inclusion would be necessary in order to meet the general principles of IAS 34	1 July 2016
IFRS 9 Financial Instruments	IFRS 9 'Financial Instruments (2014)' replaces IAS 39 'Financial Instruments: Recognition and Measurement'	1 January 2018
IFRS 10 Consolidated Financial statements Consolidated Financial Statements	Amendments to address an acknowledged inconsistency between the requirements in IFRS 10 'Consolidated Financial Statements' and those in IAS 28 (2011) 'Investments in Associates' in dealing with the sale or contribution of a subsidiary.	1 January 2016

Standard	Details of amendment	Annual periods beginning on or after
	Amendments confirming that the IFRS 10.4(a) consolidation exemption is also available to parent entities which are subsidiaries of investment entities where the investment entity measures its investments at fair value in terms of IFRS 10.31.	1 January 2016
	Amendments modifying IFRS 10.32 to state that the consolidation requirement only applies to subsidiaries who are not themselves investment entities and whose main purpose is to provide services which relate to the investment entity's investment activities.	1 January 2016
	Amendments providing relief to non-investment entity investors in associates or joint ventures that are investment entities by allowing the non-investment entity investor to retain, when applying the equity method, the fair value measurement applied by the investment entity associates or joint ventures to their interests in subsidiaries.	1 January 2016
IFRS 11 Joint arrangements Joint arrangements	Amendments to provide guidance on the accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business.	1 January 2016
IFRS 15 Revenue from Contracts with Customers	New guidance on recognition of revenue that requires recognition of revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.	1 January 2016
IFRS 16 Leases Leases	• IFRS 16 will require lessees to account for leases 'on-balance sheet' by recognising a 'right-of-use' asset and a lease liability. IFRS 16 also: – Changes the definition of a lease – Sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods – Provides exemptions for short-term leases and leases of low value assets – Changes the accounting for sale and leaseback arrangements – Largely retains IAS 17's approach to lessor accounting – Introduces new disclosure requirements.	1 January 2019
IAS 1 Presentation of Financial Statements	Amendments clarifying IAS 1's specified line items on the statement(s) of profit and loss and other comprehensive income and the statement of financial position can be disaggregated.	1 January 2016

Standard	Details of amendment	Annual periods beginning on or after
IAS 16 Property, Plant and Equipment	Additional requirements of how entities should present subtotals in the statement(s) of profit or loss and other comprehensive income and the statement of financial position.	1 January 2016
	Clarification that entities have flexibility as to the order in which they present their notes to the financial statements, but also emphasising the need to consider fundamental principles of comparability and understandability in determining the order.	1 January 2016
IAS 16 Property, Plant and Equipment	Amendments to prohibit the use of a revenue-based depreciation method for property, plant and equipment, as well as guidance in the application of the diminishing balance method for property, plant and equipment.	1 January 2016
	Amendments specifying that because the operation of bearer plants is similar in nature to manufacturing, they should be accounted for under IAS 16 rather than IAS 41. The produce growing on the bearer plants will continue to be within the scope of IAS 41.	1 January 2016
IAS 19 Employee Benefits	Annual Improvements 2012–2014 Cycle: IAS 19.83 requires that the currency and term of the corporate or government bonds used to determine the discount rate for post- employment benefit obligations must be consistent with the currency and estimated term of the obligations. The amendments clarify that the assessment of the depth of the corporate bond market shall be made at the currency-level rather than the country- level.	1 July 2016
IAS 27 Consolidated and Separate Financial Statements	Amendments to introducing a third option which allows entities to account for investments in subsidiaries, joint ventures and associates under the equity method in their separate financial statements	1 January 2016
IAS 28 Investments in Associates	Amendments to address an acknowledged inconsistency between the requirements in IFRS 10 'Consolidated Financial Statements' and those in IAS 28 (2011) 'Investments in Associates' in dealing with the sale or contribution of a subsidiary. In addition IAS 28 (2011) has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.	1 January 2016

Standard	Details of amendment	Annual periods beginning on or after
IAS 34 Interim Financial Reporting	Annual Improvements 2012–2014 Cycle: The amendments clarify the meaning of disclosure of information elsewhere in the interim financial report' and require the inclusion of a cross-reference from the interim financial statements to the location of this information. The amendments specify that this information must be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time, or the interim financial statements will be incomplete.	1 July 2016
IAS 38 Intangible Assets	Amendments present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate except in two limited circumstances, as well as provide guidance in the application of the diminishing balance method for intangible assets.	1 January 2016

3. PROPERTY, PLANT AND EQUIPMENT

Group	2016			2015		
	Cost	Accumulated depreciation and impairment	Carrying amount	Cost	Accumulated depreciation and impairment	Carrying amount
Furniture and fixtures	486	(351)	135	458	(312)	146
Motor vehicles	642	(342)	300	782	(493)	289
Office equipment	726	(464)	262	556	(369)	187
IT equipment	1,155	(1,000)	155	1,351	(1,080)	271
Leasehold improvements	55	(28)	27	55	(12)	43
Telephone equipment	7	(7)	–	7	(6)	1
Total	**3,071**	**(2,192)**	**879**	**3,209**	**(2,272)**	**937**

Company	2016			2015		
	Cost	Accumulated depreciation and impairment	Carrying amount	Cost	Accumulated depreciation and impairment	Carrying amount
Furniture and fixtures	110	(35)	75	110	(15)	95
Office equipment	45	(45)	–	45	(45)	–
IT equipment	54	(28)	26	61	(16)	45
Leasehold improvements	55	(27)	28	55	(12)	43
Total	**264**	**(135)**	**129**	**271**	**(88)**	**183**

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

	Opening balance	Additions	Additions through business combinations	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 – Group – 2015 R'000

	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	Closing balance
Furniture and fixtures	98	132	14	(77)	(21)	146
Motor vehicles	375	–	–	–	(86)	289
Office equipment	244	5	2	(2)	(62)	187
IT equipment	325	154	33	–	(241)	271
Leasehold improvements	–	55	–	–	(12)	43
Telephone equipment	–	–	3	–	(2)	1
	1,042	**346**	**52**	**(79)**	**(424)**	**937**

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**

Reconciliation of property, plant and equipment – Company – 2015 R'000

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	76	100	(67)	(14)	95
Office equipment	–	2	(2)	–	–
IT equipment	9	51	8	(24)	45
Leasehold improvements	–	55	–	(11)	43
	85	**208**	**(61)**	**(49)**	**183**

Motor vehicles with a cost of R128,900 (2015:R753,241) and a carrying amount of R41,600 (2015: R289,000) are held as security under the finance lease indicated in note 16.

4. GOODWILL

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

Reconciliation of goodwill – Group – 2015

	Opening balance	Impairment	Closing balance
Goodwill	8,076	–	8,076

Group		2015 R'000	
	Cost	Accumulated impairment	
Goodwill	8,076	–	8,076

Reconciliation of goodwill – Group – 2015

	Opening balance	Additions through business combinations	Closing balance
Goodwill	–	8,076	8,076

Goodwill impairment

Impairment test for goodwill

During 2015, goodwill of R8 076 000 arose on the acquisition of the Knife Capital Group (refer to note 32) and has been allocated to the cash-generating units (CGUs) as follows:

R'000	Opening	Additions	Disposals	Impairment	Closing
2016					
Knife Capital	7,133	–	–	–	7,133
Grindstone	943	–	–	–	943
	8,076	–	–	–	**8,076**
2015					
Knife Capital	–	7,133	–	–	7,133
Grindstone	–	943	–	–	943
	–	**8,076**	–	–	**8,076**

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%	20%
Compounded annual total operating costs increase %	2	10%	4%
Pre-taxation discount rate		26%	24%
Recoverable amount of the CGU (R'000)		10,964	3,693

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 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 these do not reflect any future restructurings or cost saving measures.

No impairment was necessary.

With regard to Knife Capital

- The recoverable amount calculated based on value in use exceeded the carrying amount by R3,831 million (2015: R4,886 million).
- An annual revenue growth rate of 7%, annual operating costs growth rate of 14% or a rise in discount rate to 29% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

With regard to Grindstone

- The recoverable amount calculated based on value in use exceeded the carrying amount by R2750 million (2015: 1,512 million).
- An annual revenue growth rate of 7%, annual operating costs growth rate of 11% or a rise in discount rate to 42% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

5. INTANGIBLE ASSETS

Group	2016 R'000			2015 R'000		
	Cost	Accumulated amortisation and impairment	Carrying amount	Cost	Accumulated amortisation and impairment	Carrying amount
Micro finance software	1,756	(911)	845	1,709	(562)	1,147
Medical finance software	–	–	–	1,355	(1,355)	–
Contractual customer contracts on acquisition of Knife Capital Group	6,543	(2,532)	4,011	6,543	(1,211)	5,332
Contractual customer contracts Yuedilligence	299	–	299	–	–	–
Total	**8,598**	**(3,443)**	**5,155**	**9,607**	**(3,128)**	**6,479**

Reconciliation of intangible assets – Group – 2016

	Opening balance	Additions through business combinations	Amortisation	Impairment	Closing balance
Micro finance software	1,147	47	(349)	–	845
Medical finance software	5,332	–	(1,321)	–	4,011
Contractual customer contracts Yuedilligence	–	299	–	–	299
	6,479	**346**	**(1,670)**	**–**	**5,155**

Reconciliation of intangible assets – Group – 2015

	Opening balance	Additions through business combinations	Amortisation	Impairment	Closing balance
Micro finance software	1,489	–	(342)	–	1,147
Medical finance software	1,355	–	(205)	(1,150)	–
Contractual customer contracts on acquisition of Knife Capital Group	–	6,543	(1,211)	–	5,332
	2,844	**6,543**	**(1,758)**	**(1,150)**	**6,479**

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.

Internally generated software

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

Medical finance software with a cost of R- (2015: R 1,355 million) was under construction. It was brought into use in 2015 and then impaired. Elite decided to exit the medical finance business with the result that the carrying amount of the medical finance software (R1,150 million) exceeded the recoverable amount of nil. An impairment loss of R1,150 million was therefore recognised in operating expenses.

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 2015 R'000**	**Remaining amortisation period**	**Carrying amount 2014 R'000**	**Remaining amortisation period**
Micro finance software	845	36 months	1,147	48 months
Branded education	499	13 months	960	25 months
GAP self-assessment and intervention tools	2,376	49 months	2,958	61 months
Fund management agreements	1,136	49 months	1,414	61 months
Yuedilligence	299	36 months	–	–
	5,155	**–**	**6,479**	**–**

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.

Company

Name of company		% voting power 2016	% voting power 2015	Nature	Carrying amount 2016 R'000	Carrying amount 2015 R'000
ABC Cashplus (Randburg) Proprietary Limited		100.00%	100.00%	Dormant	–	–
ABC Cashplus Financial Services Proprietary Limited		100.00%	100.00%	Dormant	–	–
African Dawn Debt Management Proprietary Limited		100.00%	100.00%	Dormant	–	–
African Dawn Kwazulu Natal Proprietary Limited		100.00%	100.00%	Dormant	–	–
African Dawn Property Transfer Finance 1 Proprietary Limited		100.00%	100.00%	Bridging finance	–	–
African Dawn Property Transfer Finance 2 Proprietary Limited		100.00%	100.00%	Bridging finance	–	–
African Dawn Property Transfer Finance 5 Proprietary Limited		–%		Dormant	–	–
African Dawn Social Education Proprietary Limited		100.00%		Dormant		
African Dawn Wheels Operations Proprietary Limited		100.00%	100.00%	Dormant	–	–
African Dawn Wheels Proprietary Limited		100.00%	100.00%	Vehicle finance	–	–
Albistar Investments Proprietary Limited		100.00%	100.00%	Dormant		
Almika Properties 81 Proprietary Limited		100.00%	100.00%	Property holding	–	–
Amalgum Investments 138 Proprietary Limited		100.00%	100.00%	Dormant	–	–
Bhenka Financial Services Proprietary Limited		100.00%	100.00%	Dormant	–	–
Candlestick Park Investments Proprietary Limited		100.00%	100.00%	Property holding	–	–
Elatiflash Proprietary Limited		100.00%	100.00%	Dormant	–	–
Elite Group 1 Proprietary Limited		–%	100.00%	Dormant	–	–
Elite Group Two Proprietary Limited *		100.00%	–%	Unsecured lending	–	–
Elite Group Cell No, 00181 Proprietary Limited		100.00%	100.00%	Life insurance	–	–
Elite Group Proprietary Limited		100.00%	100.00%	Unsecured lending	3,322	3,322
Grindstone Accelerator Proprietary Limited *		100.00%	100.00%	Consulting	–	–
Knife Capital Proprietary Limited		100.00%	100.00%	Venture capital	12,555	12,555
Nexus Personnel Finance 2 Proprietary Limited		–%	100.00%	Dormant	–	–
Nexus Personnel Finance Proprietary Limited	(A)	–%	100.00%	Unsecured lending	–	–
Yuedilligence Proprietary Limited		100.00%	–%	Consulting	–	–
					15,877	15,877

Investment reconciliation

	2016 R'000	2015 R'000
Carrying amount at the beginning of the year	15,877	8,601
Additional investment Knife Capital Group (refer to note 33)	–	12,555
Present value adjustments on loans (refer to note 10)	–	2,710
Impairment of investment in subsidiaries	–	(2,710)
Impairment of Investment in Candlestick Park Investments Proprietary Limited	–	(5,279)
	15,877	**8,601**

(A) Company went into liquidation in October 2014 and has been deconsolidated (refer to note 33).

* Company held indirectly.

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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 the impairment indicated above was recognised. 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 2016. It was impracticable to obtain financial statements as at 29 February 2016 because the company is controlled by companies with a March year end. No significant transactions took place between the reporting period of February 2016 and the year end of March 2016.

Subsidiaries for which control was lost during the year

The group lost control of Nexus Personnel Finance 2 Proprietary Limited and African Dawn Property Transfer Finance 5 Proprietary Limited on 24 January 2015. Both companies were dormant shelf companies that were deregistered by CIPC. In addition Nexus went into liquidation on the 18th October 2014, a gain has been included in other income (refer to note 23). For details on the deconsolidation refer to note 33.

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
7. OTHER FINANCIAL ASSETS				
Loans and receivables				
Elite Cell	312	724	–	–
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.				
Current assets				
Elite Cell	312	724	–	–

Elite Cell is as 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.

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
8. DEFERRED TAX ASSET/LIABILITY				
Deferred tax liability – intangible asset on acquisition of Knife Capital Group	(1,125)	(1,493)	–	–
Deferred tax assets	381	128	–	–
Net deferred tax liability	**(744)**	**(1,365)**	**–**	**–**
Reconciliation of deferred tax asset/liability				
At beginning of year	(1,365)	–	–	–
Business combination Knife Capital Group assessed loss (refer to note 33)	–	54	–	–
Assessed loss utilised during the year against current income tax	152	(54)	–	–
Deferred tax raised on acquisition of Knife Capital Group intangible assets. (Refer to note 5)	–	(1,833)	–	–
Deferred tax effect of amortisation of intangible asset raised on Knife Capital Group (refer to note 5)	370	340	–	–
Temporary difference trade debtors bad debt allowance	138	–	–	–
Temporary difference on leave pay accruals	(39)	51	–	–
Temporary difference on deferred income	–	77	–	–
	(744)	**(1,365)**	**–**	**–**

		Group		Company	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
9.	**PROPERTIES IN POSSESSION**				
	Almika Properties 81 Proprietary Limited, Benoni, Gauteng	5,312	6,749	–	–
	Greenoaks – Centurion, Gauteng	44,415	44,415	–	–
	Greenoaks – PTF3 share of property	(16,174)	(16,174)	–	–
		33,553	34,990	–	–
	Impairment	(15,306)	(12,022)	–	–
	Carrying amount	**18,247**	**22,968**	**–**	–
	Reconciliation of movement 2016	**Almika**	**Greenoaks**		
	Opening balance	6,749	44,415	–	–
	Sold	(1,437)	–	–	–
	PTF3 share of Greenoaks	–	(16,174)	–	–
	Impairment	(3,609)	(11,697)	–	–
		1,703	**16,544**	**–**	–
	Reconciliation of movement 2015	**Almika**	**Greenoaks**		
	Opening balance asset	7,029	44,415	–	–
	Sold	(280)	–	–	–
	PTF3 share of Greenoaks	–	(16,174)	–	–
	Impairment	(3,609)	(8,413)	–	–
		3,140	**19,828**	**–**	–

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 26 units have been transferred and payments of R1.8 million have been received by February 2016.

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 R5 314 558 (2015: R5 345 811) 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.

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 million and the amount outstanding at the reporting date was R7,5634 million (2015: R8,869 592 million) (refer to note 15).

10. LOANS TO/(FROM) GROUP COMPANIES

Subsidiaries

Company 2016 R'000	Loan balance	Loan impairment	Loan present value adjustment (Refer 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**

Subsidiaries

Company 2015 R'000	Loan balance	Loan impairment	Loan present value adjustment	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 *	31,739	(13,442)	(1,693)	16,604
Nexus Personnel Finance Proprietary Limited *	–	–	–	–
African Dawn Property Transfer Finance 1 Proprietary Limited *	7,088	(4,080)	(278)	2,730
African Dawn Wheels Proprietary Limited *	424	(424)	–	–
African Dawn Kwazulu Natal Proprietary Limited *	3,175	(3,175)	–	–
African Dawn Debt Management Proprietary Limited *	14,221	(14,221)	–	–
Candlestick Park Investments Proprietary Limited	149	(149)	–	–
Almika Properties 81 Proprietary Limited *	(15)	(15)	–	–
Elite Group Proprietary Limited *	21,870	(13,571)	(739)	7,560
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	(2)	–	–	(2)
	71,822	**(49,149)**	**(2,710)**	**19,963**

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Movement in impairment				
			2016	**2015**
Opening balance			49,149	50,894
Increase in impairment			1,500	16,474
Reversal of impairment			(1,309)	(271)
Reversal of Nexus loan impairment on liquidation			–	(17,948)
			49,340	**49,149**

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.

10. LOANS TO/(FROM) GROUP COMPANIES (CONTINUED)

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Current assets	–	–	26,723	26,896
Current liabilities	–	–	(6,929)	(6,932)
	–	**–**	**19,794**	**19,964**

Loans to group companies impaired

As of 29 February 2016, loans to group companies of R77,521 million (2015: R 78,753 million) were impaired and provided for. The amount of the impairment was R49,340 million as of 29 February 2016 (2015: R 47,528 million).

11. TRADE AND OTHER RECEIVABLES

	Group 2016	Group 2015	Company 2016	Company 2015
Trade receivables	53,865	101,924	–	–
Impairment allowance	(18,934)	(66,489)	–	–
Deposits	293	276	31	31
VAT	145	373	–	–
Other receivables	612	3,750	76	1,065
	35,981	**39,835**	**107**	**1,096**

Refer to note 37 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)

	Group 2016	Group 2015	Company 2016	Company 2015
Current tax receivable	–	–	–	–
Current tax payable	(15.054)	(14.840)	(8.220)	(7.805)
	(15,054)	**(14,840)**	**(8.220)**	**7.805)**

The current relationship with SARS is constructive and conducive to an amicable outcome. The legal advisors are awaiting an appointment to finalise with SARS.

A liability has been recognised in full for all interest and penalties that are payable to SARS. Refer to note 27 which includes R0,938 million (2015: R2,710 million) relating to the interest and penalties.

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 additional interest and penalties of R0,938 million (2015: R2,710 million) were due.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Cash and cash equivalents consist of:				
Cash on hand	192	214	–	3
Bank balances	2,813	15,183	788	10,605
	3,005	**15,397**	**788**	**10,608**

14. SHARE CAPITAL AND SHARE PREMIUM

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Authorised				
5,000,000,000 Ordinary shares of 1c each	50,000	50,000	50,000	50,000

The total shares in issue as at 29 February 2016 amounted to 877,002,273 (2015: 880,270,597).

	Group 2016	Group 2015	Company 2016	Company 2015
Reconciliation of number of shares in issue				
Reported as at 01 March net of treasury shares	880,270	508,184	880,270	508,184
Issue of ordinary shares in rights offer	(3,268)	272,086	–	272,086
Issue of shares to Knife Capital Vendors	–	100,000	–	100,000
	877,002	**880,270**	**880,270**	**880,270**
Reconciliation of share values 'R000:				
Reported at beginning of period	313,943	284,634	313,943	284,634
Issue of ordinary shares in rights offer	–	21,767	–	21,767
Issue of shares to Knife Capital Vendors (refer to note 36)	–	9,000	–	9,000
Capitalisation of share issue costs	–	(1,458)	–	(1,458)
	313,943	**313,943**	**313,943**	**313,943**
Share premium	305,140	317,972	305,140	317,972
Treasury shares	–	(12,832)	–	(12,832)
Total share premium	305,140	305,140	305,140	305,140
Ordinary shares	8,803	8,803	8,803	8,803
	313,943	**313,943**	**313,943**	**313,943**

As part of the capital raising completed on 31 October 2011, two convertible bonds were issued which were convertible into ordinary share capital at the option of the holders after 3 years from the commencement date. The conversion option of the bond holders became due during the 2015 financial year and the bond holders decided not to convert the bonds into shares. Further details on the convertible bonds are disclosed in note 17.

During March 2014 a 1 for 1 rights offer of 222,086,442 shares were taken up at 8c per share, with a further 50,000,000 shares being issued to the underwriter of the share issue. At around the same time as the rights issue took place 100,000,000 shares at 9c per share were issued to the vendors of Knife Capital to purchase 100% of the share capital. Refer to note 32 for further details on the acquisition of Knife Capital Group.

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Proceeds from share issues				
Share issue	–	21,767	–	21,767
Share issue costs	–	(1,458)	–	(1,458)
	–	**20,309**	**–**	**20,309**

15. BORROWINGS

GROUP 2016 R'000	Loan Balance	Present Value adjustment (refer to notes 25 and 26)	Deemed Interest (refer to note 26)	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 11).	2,576	–	–	2,576
Sandown Capital Elite Two loan (B) -– The loan is unsecured, interest free 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 secured.	6,300	–	–	6,300
Sandown Capital Interest free portion loan (A) (C) – The loan bears interest at prime current 10.5% and is repayable in instalments of up to 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**

GROUP 2015 R'000	Loan Balance	Present Value adjustment (refer to notes 25 and 28)	Deemed Interest (refer to note 28)	Balance
National Housing Finance Corporation ("NHFC") Loan Guarantee (D) – The loan is unsecured, interest free and is to be repaid by 30 September 2015.	1,750	(92)	–	1,658
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 41).	3,796	–	–	3,796
Sandown Capital Elite Two loan (B) – The loan is unsecured, interest free and is repayable in instalments of Up to R150,000 per month.	1,750	(76)	44	1,717
Nexus liquidator – The loan arose when Nexus went into liquidation and the balance owed by Elite who was contracted to collect on the debtors book. The loan is unsecured, interest free and payment terms are being negotiated with the liquidator.	2,535	–	–	2,535
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.	9,600	–	–	9,600
Sandown Capital Interest free portion loan (A) (C) – The loan does not bear interest and is repayable in instalments of up to R700,000 starting in June 2016. The loan is unsecured.	3,333	(494)	66	2,905
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 R169,450 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 10).	8,869	–	–	8,869
	31,633	**(662)**	**110**	**31,080**

Company 2016 R'000	Loan balance	Present value adjustment (refer to note 26)	Deemed interest (refer to note 26	Balance
National Housing Finance Corporation ("NHFC") – Loan Guarantee (D) The loan is unsecured, interest free and is to be repaid by 30 September 2015	–	–	–	–
	–	**–**	**–**	**–**

	Group		Company	
	2016 R’000	2015 R’000	2016 R’000	2015 R’000
15. BORROWINGS (continued)				
Company **2015** **R’000**	**Loan Balance**	**Present Value adjustment**	**Deemed Interest**	**Balance**
National Housing Finance Corporation (“NHFC”) – Loan Guarantee (D) The loan is unsecured, interest free and is to be repaid by 30 September 2015	1,750	(92)	–	1,658
	1,750	**(92)**	**–**	**1,658**
Non-current liabilities				
At amortised cost	7,829	13,758	–	–
Present value and interest adjustments	–	(460)	–	–
	7,829	**13,298**	**–**	**–**
Current liabilities				
At amortised cost	12,524	17,874	–	1,750
Present value and interest adjustments	–	(92)	–	(92)
	12,524	**17,782**	**–**	**1,658**
	20,353	**31,080**	**–**	**1,658**

(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.

(D) The loan bore no interest and has therefore been present valued such that R91,582 deemed interest was recognised over the life of the loan. Nil of this has been recognised in 2015, leaving a balance of R91,582 to be recognised in 2016. In terms of the settlement agreement with the NHFC that was signed on 30 May 2011, Nexus (a wholly owned subsidiary of Afdawn) facility of R5 million became payable in October 2013. Nexus has ceded it debtors book as security for payment of the amount. NHFC demanded payment from Afdawn. Nexus was liquidated in October 2014 and NHFC instituted Arbitration proceedings against Afdawn for the payment of R5 million plus interest and costs in terms of the settlement agreement. In terms of the out-of-court settlement, Afdawn as guarantor is liable for payment of amount of R3,75 million payable as follows: R2 million was paid on 6 February 2015 and the balance was interest-free and was paid on the 30 September 2015.

Total present value adjustment recognised as a gain in 2015 was R661,338. Total deemed interest expense recognised in 2016 is R551 736 (2015: R109 602) (Refer to note 26) .

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
16. FINANCE LEASE LIABILITIES				
Minimum lease payments due				
– within one year	19	122	–	–
– in second to fifth year inclusive	–	74	–	–
	19	196	–	–
less: future finance charges	–	(14)	–	–
Present value of minimum lease payments	**19**	**182**	**–**	**–**
Non-current liabilities	–	60	–	–
Current liabilities	19	122	–	–
	19	**182**	**–**	**–**

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% (2015: 10%)

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. Refer to note 3.

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 for further details on the liability

		Group		Company	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
17.	**COMPOUND INSTRUMENTS (continued)**				
	Sandown Convertible Bond (refer to note 15)				
	Opening balance	–	12,486	–	–
	Capital drawn		–	–	–
	Interest on loan capitalized	–	886	–	–
	Loan renegotiated no longer convertible (refer to note 15)	–	(13.372)		
		–	**–**	**–**	**–**
	STRB Lewende Trust (Previously PCI convertible bond) (refer to note 15)				
	Opening balance	–	1,663	–	–
	Repaid portion acknowledged	–	(1,700)	–	–
	Interest raised	–	37	–	–
		–	–	**–**	**–**
18.	**LOANS FROM DIRECTORS**				
	EA Van Heerden	162	1,770	162	1,770
	JK Van Zyl	162	1,771	162	1,771
	A Bohmert	163	1,771	163	1,771
		487	**5,312**	**487**	**5,312**

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 1.19 and note 33 for further details.

Reconciliation	**2016**	**2015**
First NAV liability	1,217	1,460
(interest free payable at R60 833 per month with effect from November 2014) Repayments	(730)	(243)
Subtotal (A)	487	1,217
Second NAV liability (interest free and payable in June 2015) Repayments	2,095	2,095
Reversed per agreement reached with shareholders*	(2,095)	–
Share issue liability (to be settled immediately in a variable number of shares)	2,000	2,000
Reversed per agreement reached with shareholders*	(2,000)	–
	487	**5,312**

* 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 1.19 as well as notes 32 and 35.

(A) The outstanding balance of loans from directors on acquisition of Knife Capital is R486 667 (2015: R1 216 667).

		Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
	Non-current liabilities	–	(1,535)	–	(1,535)
	Current liabilities	(487)	(3,777)	(487)	(3,777)
		(487)	**(5,312)**	**(487)**	**(5,312)**
19.	**OPERATING LEASE LIABILITY**				
	Current liability	28	23	28	23
		28	**23**	**28**	**23**

		Group		Company	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
20.	**TRADE AND OTHER PAYABLES**				
	Trade payables	473	1,343	263	159
	VAT	5,938	7,709	4,677	5,595
	Accrued leave pay	1,055	1,020	100	108
	Accrued expenses	4,165	1,124	265	436
	Accrued audit fees	450	180	450	180
	Deposits received	388	353	–	–
		12,469	**11,729**	**5,755**	**6,478**

R5,781,412 (2015: 7,709,000) of the VAT liability is also the subset of the submission to SARS referred to in note 12.

		Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
21.	**DEFERRED INCOME**				
	Deferred income relates to service contracts entered into by Knife Capital which are paid in advance by customers and are only partially completed at year end.				
	Current liabilities	–	474	–	–
		–	**474**	**–**	**–**

		Group		Company	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
22.	**REVENUE**				
	Rendering of services	7,303	8,740	–	–
	Non-interest income (administration fees)	798	1,718	–	–
	Rental income (refer to note 10)	5,315	5,346	–	–
	Interest received	23,878	23,398	811	52
	Insurance revenue (refer to note 1.20)	35	947	–	–
		37,329	**40,149**	**811**	**52**
23.	**OTHER INCOME**				
	Profit on disposal of subsidiary (refer to note 33)	–	3,231	–	–
	Gain on present value adjustment of interest free borrowings (refer to note 17 and 26)	–	662	–	92
	Bad debts recovered on trade receivables	738	1,850	–	–
	Sundry income	1,077	232	(3)	232
	VAT recovery	–	77	–	–
	Fair value adjustment	2,095	–	2,095	38
	Penalty received on subsidiary sale cancellation	–	1,316	–	1,316
	Sundry other income	–	49	–	38
		3,910	**7,417**	**2,095**	**1,678**
24.	**OPERATING LOSS**				
	Operating loss for the year is stated after accounting for the following:				
	Operating lease charges				
	• Premises	2,608	3,828	–	–
	• Equipment	498	566	29	29
		3,106	**4,394**	**29**	**29**
	Loss on sale of property, plant and equipment	13	23	3	34
	Profit on disposal of subsidiary	–	3,231	–	–
	Impairment to properties in possession	3,284	1,500	–	–
	Legal fees	1,686	935	1,073	407
	Loss on call up of NHFC guarantee still due (refer to note 15)	–	1,750	–	1,750
	Loss on call up of NHFC guarantee paid during year (refer to note 15)	–	2,000	–	2,000
	Impairment on intangible assets	–	1,150	–	–
	Amortisation on intangible assets	1,671	1,758	–	–
	Depreciation on property, plant and equipment	394	424	54	49
	Employee costs	16,968	20,534	3,009	3,848
25.	**INVESTMENT INCOME**				
	Interest revenue				
	Cash and cash equivalents	346	735	256	700

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000

2016 Group borrowings	**Amount**	**Repayment**	**Deemed interest**	**Balance**
26. DEEMED INTEREST				
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 Company borrowings				
National Housing Finance Corporation ("NHFC") Loan Guarantee (D) in note 15	1,658	(1,750)	92	–
	1,658	**(1,750)**	**92**	**–**

2015 Group borrowings	**Amount**	**Present value adjustment**	**Deemed interest**	**Balance**
Sandown Capital interest free portion loan (A) in note 15	3,333	(494)	66	2,905
Sandown Capital Elite Two loan (B) in note 15	1,750	(76)	44	1,717
National Housing Finance Corporation ("NHFC") Loan Guarantee (D) in note 15	1,750	(92)	–	1,658
	6,833	**(662)**	**110**	**6,280**

2015 Company borrowings				
National Housing Finance Corporation ("NHFC") Loan Guarantee (D) in note 15	1,750	(92)	–	1,658
	1,750	**(92)**	**–**	**1,658**

27. FINANCE COSTS				
NHFCE interest	415	491	–	–
Interest on convertible bond	–	1,251	–	–
Interest paid RHLF	–	44	–	–
Finance leases	15	22	–	–
Bank	34	28	–	–
Sandown Capital borrowing	880	196	–	–
STRB convertible bond interest	–	265	–	265
Penalties and interest on income tax	938	5,518	585	3,344
Nedbank bond interest	736	818	–	–
	3,018	**8,633**	**585**	**3,609**

		Group		Company	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
28.	**TAXATION**				
	Major components of the tax expense (income)				
	Current				
	Local income tax – current period	442	1,353	–	–
	Local income tax – recognised in current tax for prior periods	140	95	–	–
		583	**1,448**	**–**	**–**
	Deferred				
	Temporary difference on Knife Capital assessed loss utilized	–	54	–	–
	Temporary difference on deferred income	54	(77)	–	–
	Temporary difference on bad debt provision	(136)	–		
	Temporary difference leave pay accrual	39	(51)	–	–
	Temporary difference on future assessed losses	(205)	–		
	Originating on amortisation of Knife Capital intangible assets	(369)	(339)	–	–
		(617)	**(413)**	**–**	**–**
		34	**1,035**	**–**	**–**
	Reconciliation of the tax expense				
	Reconciliation between accounting loss and tax expense.				
	Accounting loss	(6,944)	(31,977)	(4,249)	(39,552)
	Tax at the applicable tax rate of 28% (2015: 28%)	(1,944)	(8,954)	(1,190)	(11,075)
	Tax effect of adjustments on taxable income				
	Permanent difference interest and penalties SARS	317	1,281	73	936
	Permanent difference Nexus loan guarantee capital in nature	–	1,050	–	1,050
	Permanent difference donations not allowed	2	3	–	2
	Permanent difference fair value adjustment – Knife acquisition	(560)	560	(560)	560
	Permanent difference gain in disposal of subsidiary	–	(905)	–	–
	Permanent difference deemed interest	129	–	–	–
	Permanent difference fair value adjustment – investment in subs	–	–	–	1,478
	Permanent difference fair value adjustment – property in possession	920	420	–	–
	Deferred tax assets not raised	1,170	7,580	1,677	7,049
		34	**1,035**	**–**	**–**

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 152,383,520 (2015: R 126,808,226). The company estimated tax loss available for set off against future taxable income is R65,450,643(2015: R58,822,361).

29.	**AUDITORS' REMUNERATION**				
	Fees	1,721	861	1,660	596
	Tax and secretarial services	–	36	–	–
		1,721	**897**	**1,660**	**596**

		Group		Company	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
30.	**CASH USED IN OPERATIONS**				
	Loss before taxation	(6,944)	(31,977)	(4,247)	(39,552)
	Adjustments for:				
	Depreciation	394	424	54	49
	Loss on disposal of property, plant and equipment	(13)	23	(3)	34
	Loss on sale of non-current assets held for sale	–	–	–	–
	Movement in operating lease liability	5	(151)	5	(151)
	Gain on present value adjustments on interest free Borrowings	–	(661)	–	(92)
	Equity accounted income Elite Two	–	2,259	–	–
	Investment income	(346)	(735)	(256)	(700)
	Finance costs	2,080	3,115	–	265
	Fair value of contingent consideration refer to note 23	(2,095)	–	(2,095)	–
	Fair value of contingent consideration refer to note 18	(2,000)	2,000	(2,000)	2,000
	Impairment adjustment group loans	–	–	–	16,203
	Impairment of investment in subsidiary	–	–	–	2,710
	Non-cash finance costs (penalties and interest on income tax)	938	5,518	415	1,077
	Impairment of Candlestick Park Investment in Subsidiary	–	–	–	5,279
	Amortisation (refer to note 5)	1,670	1,758	–	–
	Deemed interest expense (refer to note 26)	552	110	92	–
	Profit on disposal of Nexus (Refer to note 33)	–	(3,231)	–	–
	Interest raised and paid on borrowings	–	–	–	37
	Impairment of properties in possession	3,283	1,500	–	–
	Bad debt write off	–	–	–	1,000
	Non-cash portion of NHFC guarantee	–	1,750	–	1,750
	Impairment of intangible asset	–	1,150	–	–
	Changes in working capital:				
	Properties in possession	1,439	280	–	–
	Trade and other receivables	3,853	14,798	989	55
	Trade and other payables	736	(1,514)	(723)	974
	Deferred income	(474)	474	–	–
	Other financial assets	412	830	–	–
		3,490	**(2,280)**	**(7,769)**	**(9,062)**
31.	**TAX PAID**				
	Balance at beginning of the year	(14,840)	(17,734)	(7,805)	(6,728)
	Current tax for the year recognised in profit or loss	(583)	(1,448)	–	–
	Adjustment in respect of business liquidated (refer to note 38)	–	6,497	–	–
	Business combination businesses acquired (refer to note 37)	–	(19)	–	–
	Adjustment in respect of penalties and interest	(938)	(2,710)	(415)	(1,077)
	Balance at end of the year	15,054	14,840	8,220	7,805
		(1,307)	**(574)**	**–**	**–**

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000

32. BUSINESS COMBINATIONS

Knife Capital Group

On 28 March 2014 the Group acquired 100% of the equity interest in Knife Capital Group which resulted in the Group obtaining control over Knife Capital Group. The terms were outlined in the circular issued on 13 December 2013. Knife Capital owns 100% of Grindstone. The Knife Capital Group operates in South Africa and it is principally involved in business development services and investment management. The reason for the acquisition is to realise the new vision for the Afdawn Group.

Goodwill of R 8,076,000 arose from the acquisition, (refer to note 4) and is attributable mainly to the synergies and economies of scale expected from combining the operations of the entities, as well as from other intangible assets, including brands, which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

	Group 2016	Group 2015	Company 2016	Company 2015
Acquisition of Knife Capital Group				
Purchase price calculation				
100 million shares issued on 28 March 2014 at a share price of 9c (A).	–	9,000	–	9,000
First NAV liability – additional payment of the difference between the 10c per share stipulated in the acquisition agreement and the NAV per share at 28 February 2014 (B).	–	1,460	–	1,460
Second NAV liability – top-up of the First NAV liability due to the Elite prior period error, which further reduced the Group NAV per share at 28 February 2014 (C).	–	2,095	–	2,095
Share issue liability – additional payment due because Afdawn Group did not raise capital of R50 million by 26 March 2015 (D).	–	2,000	–	2,000
Recognition of share issue liability in profit or loss as it relates to the subsequent fair value of the contingent consideration (D).	–	(2,000)	–	(2,000)
	–	**12,555**	**–**	**12,555**
Fair value of net assets acquired				
Property, plant and equipment (refer to note 3)	–	52	–	–
Intangible assets on contracts (refer to note 5)	–	6,543	–	–
Deferred tax asset (refer to note 9)	–	54	–	–
Trade and other receivables (E)	–	522	–	–
Cash and cash equivalents	–	26	–	–
Tax payable	–	(15)	–	–
Trade and other payables	–	(836)	–	–
Deferred tax liability (refer to note 9)	–	(1,833)	–	–
Bank overdraft	–	(13)	–	–
Directors' loans	–	(21)	–	–
	–	**4,479**	**–**	**–**
Goodwill recognised (refer to note 4)	–	8,076	–	–

The revenue included in the consolidated statement of comprehensive income since 26 March 2014 contributed by the Knife Capital Group was R8 891 000 and the profit that was contributed was R2 023 000. Had Knife Capital Group been consolidated from 1 March 2014, the consolidated statement of comprehensive income would show pro-forma revenue of R8 891 000 and profit of R2 023 000. The transactions between 1 March and 26 March 2014 were insignificant.

(A) The share price of 9 cents was determined based on the listed share price on 28 March 2014. Acquisition related costs of R550,000 has been recognised in profit or loss (refer to note 26). Acquisition costs of R80,000 relating to the issue of shares have been netted against the deemed proceeds.

(B) The first NAV liability was due for payment in March 2015 and was interest free. In November 2014, the terms were renegotiated and remained interest free but the amount is paid on a monthly basis over 24 months (R60 833 per month).

(C) The terms were the same as the first NAV liability. Subsequent to year end, and as announced on SENS on 1 July 2015, the vendors have released the Group from the obligation to settle this liability (refer to note 45).

(D) This amount related to contingent consideration in terms of which an additional amount would be payable if the Company did not raise capital of R50 million by 26 March 2015. The amount would be determined in accordance with a specific formula but was capped at R2 million. It was due to be settled in a variable number of shares in the short term. At the acquisition date, the fair value of the contingent consideration was nil. At year end, the fair value was R2 million and this amount was therefore recognised in profit or loss. Subsequent to year end, and as announced on SENS on 1 July 2015, the vendors have released the Group from the obligation to settle this liability (refer to note 45).

(E) The fair value of trade receivables is R522 305. The gross contractual amount for trade receivables due is R522 305, of which R522 305 is expected to be collectible.

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000

32. BUSINESS COMBINATIONS (continued)

Elite Two

In November 2014 the Group acquired 100% of the shares in Elite Two which resulted in the Group obtaining control over Elite Two. Prior to this the Group had significant influence over Elite Group Two Proprietary Limited and it was equity accounted (refer to the judgement disclosed in note 1.20 and to note 7). Elite Two is principally involved in the unsecured lending industry.

Elite Two was equity accounted in the previous period and was deemed to be disposed of in November 2014 at which point the fair value and carrying amount of the net assets were both nil. There was therefore no gain or loss on the step acquisition.

Fair value of net assets acquired				
Trade and other receivables (A)	–	714		
Cash and cash equivalents	–	3		
Current account Elite	–	(396)		
Current tax payable	–	(4)		
Trade and other payables	–	(317)		
Goodwill	**–**	**–**		

The revenue included in the consolidated statement of comprehensive income since 1 March 2014 contributed by Elite Two was R201 218 and the loss that was contributed was R678 880. Had Elite Two been consolidated from March 2014 to November 2014, the consolidated statement of comprehensive income would show pro-forma revenue of R1 732 710 and loss of R701 738. This excludes the equity accounted loss of R2 259 181 recognised by the Group from 1 March 2014 to October 2014.

(A) The fair value of trade receivables is R714 480. The gross contractual amount for trade receivables due is R1 659 995, and an existing provision of R539 478 has been netted off that resulting in a balance of R1 120 517 of which of R406 037 is expected to be uncollectible.

Cashflows

The cash flow related to Knife Capital Group and Elite Two acquisitions was R16,000 calculated as follows:

Cash effect of acquisitions				
Cash and cash equivalents Knife Capital Group	–	26		
Bank overdraft Knife Capital Group	–	(13)		
Cash and cash equivalents Elite Two	–	3		
	–	**16**		

33. LIQUIDATION OF NEXUS

Carrying amount of net assets disposed of				
Trade and other receivables gross	–	(43,309)		
Trade and other receivables impairment	–	38,181		
Tax liabilities (refer to note 31)	–	6,497		
Borrowings	–	5,000		
Cash	–	(396)		
Amount due from Elite	–	(2,742)		
Total net assets disposed	–	3,231		
Net assets on disposal	–	3,231		
Profit on disposal (refer to note 24)	–	(3,231)		
	–	**–**		

No consideration was received.

Cash outflow on liquidation				
Cash disposed of	–	(396)		

34. 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 (refer to note 7). 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.

35. RELATED PARTIES

Relationships

Subsidiaries	Refer to note 6
Subsidiaries loan accounts	Refer to note 11
Associates and equity accounted income from Elite Two	Refer to notes 17 and 7
Significant shareholder with borrowings	Sandown Capital Proprietary Limited refer to notes 17,19,28,29 and 39
Significant shareholder controlled by a director who resigned before the year end	Vaalmac Proprietary Limited
Company controlled by a director providing services to the Group	Makalu Capital Proprietary
Limited Directors' loans and subsequent change	Refer to notes 20, 37 and 39
Penalty paid by a company controlled by a subsidiary company director R1.316 million	Elite Group 1 Proprietary Limited (refer to notes 25 and 15)
Companies acquired	Refer to note 37
Liquidation of subsidiary	Refer to note 38
Executive and non-executive directors	Refer to directors' report
Key management	PJ Bezuidenhout DD Breedt GE Stoop (Resigned 11 August 2014) DA Turner (Resigned 11 August 2014)

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
35. RELATED PARTIES (continued)				
Related party balances				
Loan accounts – Owing (to) by related parties				
Elite owes Sandown Capital Proprietary Limited	(10,213)	(12,933)	–	–
Elite owes Elite Two included in group loans in 2015	–	–	–	–
Related party transactions				
Value of shares issued to directors on acquisition of Knife Capital @ 9c per share				
EA Van Heerden (A)	–	3,000	–	3,000
JK Van Zyl	–	3,000	–	3,000
A Bohmert (A)	–	3,000	–	3,000
Cash paid to directors on acquisition of Knife Capital				
EA Van Heerden (A)	243	81	243	81
JK Van Zyl	243	81	243	81
A Bohmert (A)	243	81	243	81
Outstanding loans to directors on acquisition of Knife Capital				
EA Van Heerden (A)	162	406	162	406
JK Van Zyl	162	406	162	406
A Bohmert (A)	162	406	162	406
Rent (received from) paid to related parties				
Afdawn	–	(303)	–	(303)
African Dawn Debt Management Proprietary Limited	–	–	–	–
Elite	–	149	–	149
Grindstone	–	54	–	54
Knife Capital	–	100	–	100
Administration fees (received from) paid to related parties				
African Dawn Wheels Proprietary Limited	–	–	–	–
Afdawn	–	–	–	–
Commission (received from) paid to related parties				
African Dawn Wheels Proprietary Limited	14	21	–	–
Elite	(156)	(217)	–	–
Nexus	142	196	–	–
Interest (received)/paid from related parties				
Afdawn	(227)	(31)	(31)	(31)
Elite	227	31	31	31
JS Van Der Merwe – indirect via Vaalmac Proprietary Limited				
50,000,00 shares issued as underwritter @ 8c per share	–	4,000	–	4,000
Underwritters fee paid cash	–	80	–	80
WJ Groenewald related party transaction				
Knife Capital Group due dilligence fee – via Makalu Capital Proprietary Limited	–	150	–	150
Compensation to key management including directors				
Compensation	7,253	9,552	–	–

(A) The directors indicated became directors of the Company after the acquisition of Knife Capital.

36. DIRECTORS' EMOLUMENTS

Executive 2016 R'000	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.

Executive 2015 R'000	Salary	Bonus	Directors' fees for services as directors' of subsidiaries	Total
WJ Groenewald	1,200	527	–	1,727
JK Van Zyl	–	–	1,345	1,345
JS Van der Merwe	30	–	–	30
EA Van Heerden	1,200	142	–	1,342
A Bohmert	–	–	1,347	1,347
	2,430	**669**	**2,692**	**5,761**

Non-executive 2016 R'000	Directors' fees	Total
HH Hickey	124	124
V Lessing	124	124
SM Roper	124	124
CM Bull	35	35
	407	**407**

2015 R'000	Directors' fees	Total
HH Hickey	120	120
V Lessing	120	120
SM Roper	100	100
CM Bull	40	40
	380	**380**

37. 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.
  - Not exposed to interest rate risk.
- 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	Fair value interest rate	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.

Management of risk

Cashflow is monitored very closley on a continuous basis.

Credit risk is very closley managed in accordance with the basis as disclosed in the accounting policy 1.17.

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 analysed in the table below:

37. RISK MANAGEMENT (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
Properties 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
Loans from directors non-current	–	–	–	–
Deferred tax	–	–	(744)	(744)
Borrowings non-current	–	(12,524)	–	(12,524)
Finance lease liabilities non-current	–	–	–	–
Current tax payable	–	–	(15,054)	(15,054)
Borrowings current	–	(7,829)	–	(7,829)
Finance lease liabilities current	–	(19)	–	(19)
Loans from directors current	–	(487)	–	(487)
Operating lease liability	–	–	(28)	(28)
Trade and other payables	–	(6,531)	(5,938)	(12,469)
Deferred income	–	–	–	–

Group 2015 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance statement of financial position
Property, plant and equipment	–	–	937	937
Goodwill	–	–	8,076	8,076
Intangible assets	–	–	6,479	6,479
Other financial assets current	724	–	–	724
Properties in possession	22,968	–	–	22,968
Trade and other receivables	39,462	–	373	39,835
Cash and cash equivalents	15,397	–	–	15,397
Share capital and share premium	–	–	(313,943)	(313,943)
Accumulated loss	–	–	284,532	284,532
Loans from directors non-current	–	(1,535)	–	(1,535)
Deferred tax	–	–	(1,365)	(1,365)
Borrowings non-current	–	(13,298)	–	(13,298)
Finance lease liabilities non-current	–	(60)	–	(60)
Current tax payable	–	–	(14,840)	(14,840)
Borrowings current	–	(17,782)	–	(17,782)
Finance lease liabilities current	–	(122)	–	(122)
Loans from directors current	–	(3,777)	–	(3,777)
Operating lease liability	–	–	(23)	(23)
Trade and other payables	–	(4,019)	(7,710)	(11,729)
Deferred income	–	–	(474)	(474)

37. RISK MANAGEMENT (continued)

Company 2016	Loans and receivables	Liabilities at amortised cost	Not financial instrument	Balance statement of financial position
Property, plant and equipment	–	–	129	129
Investment in subsidiaries	–	–	15,877	15,877
Loans to group companies current	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 income	–	–	291,738	291,738
Loans to directors non-current	–	–	–	–
Loans from group companies current	–	(6,929)	–	(6,929)
Current tax liability	–	–	(8,220)	(8,220)
Borrowings current	–	–	–	–
Loans from directors current	–	(487)	–	(487)
Operating lease liability	–	(28)	–	(28)
Trade and other payables	–	(1,078)	(4,677)	(5,755)

Company 2015	Loans and receivables	Liabilities at amortised cost	Not financial instrument	Balance statement of financial position
Property, plant and equipment	–	–	183	183
Investment in subsidiaries	–	–	15,877	15,877
Loans to group companies current	26,896	–	–	26,896
Trade and other receivables	1,096	–	–	1,096
Cash and cash equivalents	10,608	–	–	10,608
Share capital and share premium	–	–	(313,943)	(313,943)
Accumulated income	–	–	287,491	287,491
Loans to directors non-current	–	(1,535)	–	(1,535)
Loans from group companies current	–	(6,932)	–	(6,932)
Current tax liability	–	–	(7,805)	(7,805)
Borrowings current	–	(1,658)	–	(1,658)
Loans from directors current	–	(3,777)	–	(3,777)
Operating lease liability	–	–	(23)	(23)
Trade and other payables	–	(883)	(5,595)	(6,478)

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 2016 R'000	Carrying amount	Security held
Trade and other receivables for which collateral is held	6,199	5,971

Group 2015 R'000	Carrying amount	Security held
Trade and other receivables for which collateral is held	11,972	9,361

h. The Group has not taken possession of any collateral it holds in 2015 and 2014.

The Company does not hold any collateral against trade and other receivables.

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:

37. RISK MANAGEMENT (continued)

Group 2016 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance SOCI
Interest income – normal and deemed	22,3992	–	7	22,999
Interest income – on impaired financial assets	2,225	–	–	2,555
Interest expense normal and deemed	–	2,633	937	3,570
Impairment	1,906	–	–	1,906
Gains/losses	–	–	–	–

Group 2015 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance SOCI
Interest income – normal and deemed	16,514	92	2	16,607
Interest income – on impaired financial assets	7,639	–	–	7,639
Interest expense normal and deemed	–	3,131	3,932	7,063
Impairment	(2,307)	–	2,901	(595)
Gains/losses	–	–	–	–

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 expense normal and deemed	2,710	265	3,344	6,319
Impairment	17,058	–	–	17,058

Company 2015 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance SOCI
Interest income – normal and deemed	753	92	–	844
Interest expense normal and deemed	2,710	265	3,34	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 isthe carrying amount of the related financial assets. (I.e. net of any impairment losses recognised inaccordance with IAS 39).
- Placing deposits with banks – the maximum exposure to credit risk is the carrying amount of the relatedfinancial assets.
- Granting financial guarantees – the maximum exposure to credit risk is the maximum amount the group couldhave to pay if the guarantee is called on, which may be significantly greater than the amount recognised asa liability or contingent liability. The maximum exposure as a result of such contracts is disclosed in note 40.

Collateral

The following collateral is held as security:

	2016		2015	
Group R'000	Carrying amount	Security held	Carrying amount	Security held
Trade receivables for which collateral is held	6,199	5,971	11,972	9,361

The Company did not hold any collateral in 2015 or 2014.

37. **RISK MANAGEMENT (continued)**

Amount of impairment for each class of financial asset:

Group R'000	**Amount of impairment 2016**	**Amount of impairment 2015**
Trade receivables (refer to note 11)	18,934	66,489
Other financial assets (refer to note 7)	–	462
	18,934	**66,951**

Company R'000	**Amount of impairment 2016**	**Amount of impairment 2015**
Loans to group companies (refer to note 11 for reconciliation)	**49,340**	47,527

Trade and other receivables – impairment reconciliation

Group	**2016**	**2015**
Opening balance	66,489	102,313
Plus additional impairment provisions	1,906	12,999
Less actual write off	(49,055)	(10,140)
Elite 2 debtor impairmewnt/Nexus disposal	(406)	(38,683)
	18,934	**66,489**

The Company does not have a provision for impairment

Analysis of financial assets that are neither past due nor impaired

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

Group 2015 R'000	**Current**	**30–60 days**	**60–90 days**	**90+ days**
Trade receivables	15,926	381	39	1,423

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

Company 2015 R'000	**Current**	**30–60 days**	**60–90 days**	**90+ days**
Trade receivables	–	–	–	–

Ageing of those financial assets that are impaired:

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

Group 2015 R'000	**Current**	**30–60 days**	**60–90 days**	**90+ days**
Trade receivables	5,893	5,000,	2,974	70,117

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

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

Group 2015 R'000	**Current**	**30–60 days**	**60–90 days**	**90+ days**
Trade receivables	19	89	10	53

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

Company 2015 R'000	**Current**	**30–60 days**	**60–90 days**	**90+ days**
Trade receivables	–	–	–	–

37. **RISK MANAGEMENT (continued)**

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

Group R'000	2016 Carrying amount	2016 Credit quality	2015 Carry amount	2015 Credit quality
Other financial assets	312	High	724	High
Trade receivables	15,479	Medium	17,769	Medium
Cash and cash equivalents	3,005	High	15,397	High

Company R'000	2016 Carrying amount	2016 Credit quality	2015 Carry amount	2015 Credit quality
Cash and cash equivalents	788	High	10,608	High

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 2016**	**Carrying amount of renegotiated loans 2015**
Trade and other receivables	2,802	11,184

Company R'000	**Carrying amount of renegotiated loans 2016**	**Carrying amount of renegotiated loans 2016**
Other receivables	–	2,231

Liquidity risk

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**

Group 2015 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	169	2,130	10,648	16,944	2,875
Finance lease liabilities		30	91	75	–
Loans from directors	61	182	487	4,582	–
Trade and other payables	2,785	353	285	3,558	–
	2,727	**2,695**	**11,854**	**25,144**	**838**

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**	**–**

Company 2015 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	–	–	1,750	–	–
Loans from group companies	–	–	6,932	–	–
Loans from directors	61	182	487	4,582	–
Trade and other payables	774	–	3,559	–	–
	835	**182**	**12,728**	**4,582**	**–**

37. RISK MANAGEMENT (continued)

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 R190 368 (2015: R50 070) (company: Rnil (2015: Rnil). The group and company's sensitivity to interest rates has dereased 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 R393 900 (2015: R273 522). A 100 basis points increase would increase finance costs on borrowings linked to prime by an estimated R203 532 (2015: R223 452) (refer to note 15).

38. EVENTS AFTER THE REPORTING PERIOD

Non-adjusting events

Elite Disposal

On 4 December 2015, Afdawn and Dzothe Investments have entered into an agreement whereby Afdawn will convert a portion of its shareholder loan into equity of Elite and Dzothe Investments will acquire 51% of the economic interest of Elite and recapitalize Elite. This will give Elite the ability to generate the required cash flow to fund operations, growth and other financial obligations. African Dawn shareholders still need to approve this transaction.

Disposal of Rental Enterprise by Candlestick

On 8 April 2016 Candlestick has entered into a sale of rental enterprise agreement ("Green Oaks Transaction") with SJJM Property for a consideration for R32,500 million. Based on the settlement agreement signed on 23 December 2015 Afdawn expects to receive proceeds of R8,700 million on transfer date. Afdawn shareholders still need to approve the Green Oaks transaction.

39. 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 R2,642 million (2015: nil). 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).

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.

39. SEGMENT REPORT (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
2015					
Revenue external	8,891	25,241	5,346	671	40,149
Revenue internal	–	–	–	–	–
Cost of sales	268	–	–	–	268
Other income	–	2,406	77	4,934	7,417
Investment income	30	1	2	702	735
Finance costs	2	2,590	818	5,223	8,633
Operating expenses	5,836	42,249	2,848	14,575	65,508
Impairment trade and other receivables (refer to note 11)	–	11,400	370	1,229	12,999
Bad debts actually written off	–	14,007	157,	42,547	56,711
Fair value adjustments	–	–	–	2,000	2,000
Deemed interest expense	–	145	–	(35)	110
Equity accounted loss	–	2,259	–	–	2,259
Loss on sale of non-current assets	–	11	–	70	81
Loss on call up of NHFC guarantee (refer to note 15)	–	–	–	3,750	3,750
Depreciation and amortisation	33	875	–	1,274	2,182
Impairment of intangible assets	–	1,150	–	–	1,150
Profit/(loss) before taxation	2,804	(19,595)	259	(15,445)	(31,977)
Taxation	781	–	498	(244)	1,035
Other comprehensive income	–	–	–	–	–
Total comprehensive	2,023	(19,595)	(239)	(15,201)	(33,012)
Segment total assets	4,617	32,173	20,886	36,740	94,416
Segment total liabilities	2,377	46,557	22,171	(6,100)	65,005
Intangible assets acquired	–	–	–	6,543	6,543
Goodwill	–	–	–	8,076	8,076
Property, plant and equipment acquired	81	44	1	220	346

40. 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 29 February 2016 was R2.5 million (2015 R3.5 million). In terms of the guarantee Afdawn will assume responsibility for the loan if Elite defaults on the loan.

41. LOSS PER SHARE

Basic and diluted loss per share

Basic loss per share and diluted 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 16).

	2016	2015
Basic and diluted loss per share		
From continuing operations (c per share)	(0.79)	(3.84)
	(0.79)	**(3.84)**
Reconciliation of loss for the year to basic and diluted loss		
Loss from continuing operations	(6,910)	(33,012)
	(6,910)	**(33,012)**
Reconciliation of weighted average number of ordinary shares used for basic and diluted loss per share and headline and diluted headline loss per share		
Number of ordinary shares in issue	877,002	508,184
Adjusted for:		
Rights issue	–	259,110
Shares issued Knife Capital Group acquisition 28 March 2014	–	92,603
Weighted average number of shares used for loss and headline loss per share	**877,002**	**859,897**

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Headline loss and diluted headline loss per share				
Headline loss per share continued (c)	(0.79)	(4.08)	–	–
	(0.79)	**(4.08)**	**–**	**–**

	2016	
	Gross	**Net**
Loss from operations		(6,910)
Profit on disposal of property, plant and equipment	(13)	(9)
Headline loss from continuing and discontinued operations	–	(6,919)

	2015	
	Gross	**Net**
Loss from continuing operations		(33,012)
Loss on disposal of property, plant and equipment	23	17
Impairment of intangible asset	1,150	1,150
Profit on disposal of subsidiary	(3,231)	(3,231)
		(35,076)

42. RESTRICTIONS

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

2016 - Existing as at year end

<u>Sandown Capital Proprietary Limited</u>

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 R10,213 million (2015: R14,222 million) (refer to note 15 which deals with borrowings owed to Sandown).

<u>Elite Cell</u>

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 R0,312 million (2015: R0,724 million). Refer to note 7.

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2015

		Group			Company		
	Notes	2015 R'000	Restated 2014 R'000	Restated 2013 R'000	2015 R'000	2014 R'000	2013 R'000
Assets							
Non-Current Assets							
Property, plant and equipment	3	937	1,042	899	183	85	134
Goodwill	4	8,076	–	–	–	–	–
Intangible assets	5	6,479	2,844	1,792	–	–	–
Investments in subsidiaries	6	–	–	–	15,877	8,601	8,601
Investment in associate	7	–	2,259	787	–	–	–
Other financial assets	8	–	–	638	–	–	–
		15,492	**6,145**	**4,116**	**16,060**	**8,686**	**8,735**
Current Assets							
Other financial assets	8	724	1,554	300	–	–	–
Properties in possession	10	22,968	24,748	21,335	–	–	–
Loans to group companies	11	–	–	–	26,896	46,473	49,022
Trade and other receivables	12	39,835	58,525	75,885	1,096	2,151	2,697
Current tax receivable	13	–	95	95	–	–	–
Cash and cash equivalents	14	15,397	5,358	9,014	10,608	397	320
		78,924	**90,280**	**106,629**	**38,600**	**49,021**	**52,039**
Non-current assets held for sale and discontinued operations	15	–	–	4,129	–	–	–
Total Assets		**94,416**	**96,425**	**114,874**	**54,660**	**57,707**	**60,774**
Equity and Liabilities							
Equity							
Share capital and share premium	16	313,943	284,634	284,634	313,943	284,634	284,634
Accumulated loss		(284,532)	(251,520)	(227,707)	(287,491)	(247,939)	(244,108)
		29,411	**33,114**	**56,927**	**26,452**	**36,695**	**40,526**
Liabilities							
Non-Current Liabilities							
Loans from directors	20	1,535	–	–	1,535	–	–
Deferred tax	9	1,365	–	–	–	–	–
Borrowings	17	13,298	8,844	22,366	–	–	1,621
Finance lease liabilities	18	60	194	316	–	–	–
		16,258	**9,038**	**22,682**	**1,535**	**–**	**1,621**
Current Liabilities							
Loans from group companies	11	–	–	–	6,932	6,943	6,958
Current tax payable	13	14,840	17,829	18,365	7,805	6,728	6,728
Borrowings	17	17,782	26,902	7,292	1,658	1,663	–
Finance lease liabilities	18	122	87	77	–	–	–
Loans from directors	20	3,777	–	–	3,777	–	–
Operating lease liability	21	23	174	195	23	174	195
Trade and other payables	22	11,729	9,281	9,336	6,478	5,504	4,746
Deferred income	23	474	–	–	–	–	–
		48,747	**54,273**	**35,265**	**26,673**	**21,012**	**18,627**
Total Liabilities		**65,005**	**63,311**	**57,947**	**28,208**	**21,012**	**20,248**
Total Equity and Liabilities		**94,416**	**96,425**	**114,874**	**54,660**	**57,707**	**60,774**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
			Restated		
	Notes	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Continuing operations					
Revenue	24	40,149	35,736	52	361
Cost of sales		(268)	–	–	–
Gross profit		**39,881**	**35,736**	**52**	**361**
Other income	25	7,417	959	1,678	14
Operating expenses		(65,508)	(55,496)	(28,384)	(4,028)
Operating loss	26	**(18,210)**	**(18,801)**	**(26,654)**	**(3,653)**
Investment income	27	735	80	700	7
Impairment of investment in subsidiaries	6	–	–	(2,710)	–
Loss on fair value movement – contingent consideration liability	37	(2,000)		(2,000)	–
Impairment of investment in subsidiary	6	–		(5,279)	–
Deemed interest expense	28	(110)	–	–	–
Impairment to properties in possession		(1,500)	–	–	–
(Loss)/profit from equity accounted investment	7	(2,259)	1,472	–	–
Loss on non-current assets held for sale	15	–	(311)	–	–
Finance costs	29	(8,633)	(3,863)	(3,609)	(185)
Loss before taxation		**(31,977)**	**(21,423)**	**(39,552)**	**(3,831)**
Taxation	30	(1,035)	(407)	–	–
Loss from continuing operations Discontinued operations		**(33,012)**	**(21,830)**	**(39,552)**	**(3,831)**
Loss from discontinued operations	33	–	(1,983)	–	–
Loss for the year		**(33,012)**	**(23,813)**	**(39,552)**	**(3,831)**
Loss attributable to:					
Owners of the parent:					
Continuing operations		(33,012)	(21,830)	(39,552)	(3,831)
Discontinued operations		–	(1,983)	–	–
		(33,012)	**(23,813)**	**(39,552)**	**(3,831)**
From continuing and discontinued operations					
Basic and diluted loss per share (c)	48	(3.84)	(4.48)	–	–
From continuing operations					
Basic and diluted loss per share (c)	48	(3.84)	(4.11)	–	–
From discontinued operations					
Basic and diluted loss earnings per share (c)	48	–	(0.37)	–	–

STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Total share capital R'000	Accumulated loss R'000	Total equity R'000
Group					
Opening balance as previously reported	5,074	279,560	284,634	(221,383)	63,251
Adjustments					
Prior period errors	–	–	–	(6,324)	(6,324)
Balance at 01 March 2013 as restated	**5,074**	**279,560**	**284,634**	**(227,707)**	**56,927**
Total comprehensive loss for the year	**–**	**–**	**–**	**(23,813)**	**(23,813)**
Balance at 01 March 2014 as restated	**5,074**	**279,560**	**284,634**	**(251,520)**	**33,114**
Total comprehensive loss for the year	**–**	**–**	**–**	**(33,012)**	**(33,012)**
Issue of shares	3,729	25,580	29,309	–	–
Total contributions by and distributions to owners of company recognised directly in equity	**3,729**	**25,580**	**29,309**	**–**	**29,309**
Balance at 28 February 2015	**8,803**	**305,140**	**313,943**	**(284,532)**	**29,411**
Note(s)	16	16	16		
Company					
Balance at 01 March 2013	**5,074**	**279,560**	**284,634**	**(244,108)**	**40,526**
Total comprehensive loss for the year	**–**	**–**	**–**	**(3,831)**	**(3,831)**
Balance at 01 March 2014	**5,074**	**279,560**	**284,634**	**(247,939)**	**36,695**
Total comprehensive loss for the year	**–**	**–**	**–**	**(39,552)**	**(39,552)**
Issue of shares	3,729	25,580	29,309	–	29,309
Total attributable to owners of company recognised directly in equity	**3,729**	**25,580**	**29,309**	**–**	**29,309**
Balance at 28 February 2015	**8,803**	**305,140**	**313,943**	**(287,491)**	**26,452**
Notes	16	16	16		

The restatement of the financial statements is reconciled in notes 42 and 43.

STATEMENT OF CASH FLOWS

		Group		Company	
			Restated		
		2015	2014	2015	2014
	Notes	R'000	R'000	R'000	R'000
Cash flows from operating activities					
Cash used in operations	34	(2,280)	(1,125)	(9,062)	(5,167)
Interest income		735	80	700	7
Finance costs		(3,115)	(3,838)	(265)	(185)
Tax paid	35	(574)	(968)	–	–
Cash flows from discontinued operations	36	–	(1,983)	–	–
Net cash from operating activities		**(5,234)**	**(7,834)**	**(8,627)**	**(5,345)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(346)	(549)	(208)	–
Proceeds on disposal of property, plant and equipment		56	13	27	4
Purchase of intangible assets	5	–	(1,263)	–	–
Business combinations	37	16	–	–	–
Sale of business	38	(396)	–	–	–
Proceeds from loans from group companies		–	–	664	5,376
Repayment of loans from group companies		–	–	(11)	–
Net cash from investing activities		**(670)**	**(1,799)**	**472**	**5,380**
Cash flows from financing activities					
Proceeds on share issue	16	20,309	–	20,309	–
Borrowings (repaid) / raised		(4,003)	6,089	(1,700)	42
Finance lease payments		(99)	(112)	–	–
					–
Repayment of directors' loans acquired in business combinations (refer to note 37)		(21)	–	–	–
Repayment of directors' loans	20	(243)	–	(243)	
			–		
Net cash from financing activities		**15,943**	**5,977**	**18,366**	**42**
Total cash movement for the year		**10,039**	**(3,656)**	**10,211**	**77**
Cash at the beginning of the year		5,358	9,014	397	320
Total cash at end of the year	14	**15,397**	**5,358**	**10,608**	**397**

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.

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. Refer to notes 42 and 43 for details of material prior period errors and reclassifications respectively.

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 1.20.

The consolidated financial statements for the year ended 28 February 2015 (including comparatives) were approved and authorised for issue by the board of directors on 20 November 2015. Amendments to the financial statements are not permitted after approval.

1.2 Changes in accounting policies and basis of preparation

New and revised standards that are effective for annual periods beginning on or after 1 March 2014

The Group has early adopted an amendment to IAS 27 – Separate Financial Statements, which permits entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group has elected to apply the equity method to account for investments in associates in the separate financial statements of the investor.

A number of new and revised standards are effective for annual periods beginning on or after 1 March 2014. Information on these new standards is presented below. None of these have an impact on the recognition and measurement of assets and liabilities within the Group. However, comparative information is provided for new disclosures where applicable and required in terms of the standards.

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (1 March 2014)
- Amendment to IAS 32 – Offsetting financial assets and financial liabilities (1 March 2014)
- Amendment to IAS 36 – Recoverable amount disclosures for non-financial assets (1 March 2014)
- Amendment to IAS 39 – Novation of derivatives and continuation of hedge accounting (1 March 2014)
- IFRIC 21 Levies (1 March 2014)

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are those entities, including unincorporated entities such as trusts and partnerships 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 is considered to have power over an entity when it has existing rights that give it the current ability to direct the relevant activities of the entity. The Group is exposed, or has rights, to variable returns from its involvement with the entity when the investor's returns from its involvement have the potential to vary as a result of the entity's performance.

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.

In assessing whether the Group has power over structured entities in which it has an interest, the Group considers factors such as the purpose and design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

Dates

The Group financial statements include the assets, liabilities and results of the Company plus subsidiaries, including consolidated structured entities from the date control is established until the date that control ceases.

Where a subsidiary has a reporting period that is different from that of the Group, the results of the subsidiary are adjusted to reflect a reporting period consistent with the Group's reporting period. Where necessary, adjustments are made to the financial statements of subsidiaries to align any difference in accounting policies with those of the Group.

1. ACCOUNTING POLICIES (continued)

1.3 Basis of consolidation (continued)

Elimination

Intragroup balances, transactions, income and expenses, and profits and losses are eliminated in preparation of the Group financial statements. Unrealised losses are not eliminated to the extent that they provide objective evidence of impairment.

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.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date that control is lost, with the change in the carrying amount being recognised in profit or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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 1.13.

At an intermediate parent level, consolidated financial statements are not prepared and investments in subsidiaries are therefore accounted for in terms of this policy.

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.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised separately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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.

Acquisition method

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 – Business Combinations are recognised at their fair value at the date of acquisition, except for:

- Deferred taxation assets or liabilities, which are recognised and measured in accordance with IAS 12 – Income Taxes, and liabilities or assets related to employee benefit arrangements, which are recognised and measured in accordance with IAS 19 – Employee Benefits;
- Liabilities or equity instruments that relate to the replacement, by the Group, of an acquiree's share-based payment awards, which are measured in accordance with IFRS 2 – Share-based Payments; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 on-current Assets Held for Sale and Discontinued Operations, which are measured in accordance with that standard.

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. ACCOUNTING POLICIES (continued)

1.3 Basis of consolidation (continued)

Non-controlling interest

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Step acquisition

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

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.

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred plus the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any), this excess is recognised immediately in profit or loss as gain on bargain purchase.

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.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Each CGU that contains goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs of disposal. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

Impairment losses that are recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. However, the carrying amount of these other assets may not be reduced below the highest of its fair value less costs to sell, its value in use and zero.

On disposal of a subsidiary the goodwill attributable to the subsidiary is included in the determination of the profit or loss on disposal.

1.5 Investment in associate

Associates

Associates are those entities, including unincorporated entities, over which the Group has the ability to exercise significant influence, but no control or joint control, through participation in the financial and operating policy decisions of the investment (that is neither a subsidiary nor an investment in a joint arrangement).

Significant influence

Significant influence is generally demonstrated by the Group holding in excess of 20%, but no more than 50%, of the voting rights.

Dates and equity accounting

The profit or loss of the associate and assets and liabilities, including goodwill identified on acquisition, net of any accumulated impairment losses, are included in the Group financial statements using the equity method of accounting from the date significant influence commences until the date significant influence ceases.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding

adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Where an associate has a reporting period that is different from that of the Group, the results of the associate are adjusted to reflect a reporting period consistent with the Group's reporting period.

1. ACCOUNTING POLICIES (continued)

1.5 Investment in associate (continued)

Elimination and accounting policies

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Company – separate financial statements

Investments in associates are accounted for using the equity method in the Company financial statements. The carrying amounts of these investments are reviewed annually and impaired when necessary by applying the policy described in policy 1.13.

1.6 Non-current assets held for sales and discontinued operations

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale, if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, all assets and liabilities are remeasured in accordance with the Group's accounting policies.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

Gains or losses recognised on initial classification as held for sale and subsequent remeasurement are recognised in profit o r loss. The maximum gains that can be recognised are the cumulative impairment losses previously recognised in profit or loss. A disposal group continues to be consolidated while classified as held for sale. Income and expenses continue to be recognised in profit or loss.

Non-current assets (or disposal groups) are reclassified from held for sale to held for use if they no longer meet the held- for-sale criteria. On reclassification the non-current asset (or disposal group) is remeasured at the lower of its recoverable amount and the carrying amount that would have been recognised had the asset (or disposal group) never been classified as held for sale. Any gains or losses are recognised in profit or loss.

Discontinued operations

A discontinued operation is a clearly distinguishable component of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The profit or loss from discontinued operation is presented as a single amount in the statement of comprehensive income. The equivalent prior year amount of profit or loss is also restated. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale. For further analysis of the discontinued operation and disposal, refer to note 15.

1.7 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.

1. ACCOUNTING POLICIES (continued)

1.7 Leases (continued)

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 1.16 and 10). 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.

1.8 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 recognise in profit or loss in the period in which they are incurred.

1.9 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.

1.10 Income taxes

Tax expense

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 taxation

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.

Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

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.

The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred taxation is not recognised for the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries, associates and joint arrangements except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference is deferred tax recognised.

1. ACCOUNTING POLICIES (continued)

1.10 Income taxes (continued)

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.

Deferred taxation assets and liabilities are not discounted.

1.11 Property, plant and equipment

Property, plant and equipment

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

Items of property, plant, and equipment are capitalised when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. This recognition principle is applied to all property, plant, and equipment costs at the time they are incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. All other repairs and maintenance expenses are recognised in profit or loss when they are incurred.

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:

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.

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 1.13.

Any gain or loss on disposals is determined by comparing the disposal proceeds with the carrying amount of the asset and is recognised in profit or loss.

1.12 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 following criteria are met:

- it is technically feasible to complete the asset so that it will be available for use.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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.

1. ACCOUNTING POLICIES (continued)

1.12 Intangible assets (continued)

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
Medical 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.

1.13 Impairment testing of goodwill, intangible assets, investments in associate 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, intangible assets that have an indefinite useful life 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.

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.

1.14 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.

1. ACCOUNTING POLICIES (continued)

1.14 Provisions, contingent assets and liabilities (continued)

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.

1.15 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.

1.16 Revenue

Revenue comprises:

- Interest income;
- Non-interest income (administration fees);
- Income from the rendering of services;
- Insurance income;
- Sundry income (rentals 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.

The effective-interest method is a method of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the interest income over the relevant period. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate and includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing financial instrument and its amount at maturity calculated on an effective-interest-rate basis.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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.

1. ACCOUNTING POLICIES (continued)

1.16 Revenue (continued

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.

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.

When the transaction involves the rendering of services and the outcome can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured.

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 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.

1.17 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
- Properties in possession (refer to note 1.15)

All disclosures required by IFRS 7 can be found in note 44.

1. **ACCOUNTING POLICIES (continued)**

1.17 Financial instruments (contined)

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.

Initial recognition

Financial instruments are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the timeframe established by regulation or market convention ('regular way' purchases) are recognised at the trade date, which is the date on which the Group commits to purchase the financial asset. The liability to pay for 'regular way' purchases of financial assets is recognised on the trade date, which is when the Group becomes a party to the contractual provisions of the financial instrument.

Derecognition

Financial assets

The Group derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when:

- The contractual rights to the cash flows arising from the financial asset have expired; or
- The Group transfers the financial asset, including substantially all the risks and rewards of ownership of the asset or;
- It transfers the contractual rights to receive the cash flows from the financial asset; or
- It retains the contractual rights to receive the cash flows of the financial asset, but assumes a corresponding contractual obligation to pay the cash flows to one or more recipients, and consequently transfers substantially all the risks and benefits associated with the asset; or
- No future economic benefits are expected from their use.

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.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group intends to sell immediately or in the short term, which are categorised as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- Those that the Group upon initial recognition designates as available-for-sale; or
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the advance. The following are classified as loans and receivable when they have fixed or determinable payments or when payments have been estimated because the contractual repayment terms have not been agreed upon:

1. **ACCOUNTING POLICIES (continued)**

1.17 Financial instruments (contined)

- Other financial assets
- Properties in possession
- Loans to group companies
- Trade receivables
- Other receivables
- Cash and cash equivalents

Financial liabilities at amortised cost

All financial liabilities, other than those at fair value through profit or loss, are classified as in this category. The following are included in this category:

- Borrowings
- Loans from group companies
- Trade payables
- Other payables

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.

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 44.

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.

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.

1. ACCOUNTING POLICIES (continued)

1.17 Financial instruments (contined)

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.

Properties in possession

Properties in possession arise when a counterparty is unable to settle its obligations and the Group takes possession of collateral as full or part settlement of such amounts. In general, the Group seeks to dispose of such property and other assets that are not readily convertible into cash as soon as the market for the relevant asset permits.

Properties in possession are reported separately from loans and receivables so that users can differentiate them from ordinary loans and receivables.

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 that ownership is transferred. The property 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 or 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 or loss. Gains or losses on disposal of repossessed properties are reported in other operating income or operating expenditure.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Ordinary share capital and any financial instrument issued by the Company is classified as equity when:

- Payment of cash, in the form of a dividend or redemption, is at the discretion of the Group;
- The instrument does not provide for the exchange of financial instruments under conditions that are potentially unfavourable to the Group
- Settlement in the Group's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- The instrument represents a residual interest in the assets of the Group after deducting all its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

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 1.14 on provisions); and
- The initial fair value less cumulative amortisation in accordance with IAS 18.

1. ACCOUNTING POLICIES (continued)

1.17 Financial instruments (contined)

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.

Transactions that affect equity

Share capital and share premium and transaction costs

Shares issued by the Group are recorded at the value of the proceeds received less the external costs directly attributable to the issue of the shares. All transactions relating to the acquisition and sale or issue of shares in the Company, together with their associated costs, are accounted for in equity.

Treasury shares

Where the Company or any other member of the Group purchases the Company's equity share capital, such shares are classified as treasury shares and the par value of these treasury shares is deducted from the share capital, whereas the remainder of the cost price is deducted from the share premium until the treasury shares are cancelled.

Where such shares are subsequently sold or reissued, any consideration received is included in equity.

Treasury shares are deducted from the issued and weighted average number of shares on consolidation. All dividends received on treasury shares are eliminated on consolidation. The Company does not recognise any gains or losses through profit or loss when its own shares are repurchased.

1.18 Segment reporting

An operating segment is a component of an entity which engages in business activities from which it may earn revenues and incurs expenses, for which separate financial information is available and whose operating results are regularly reported internally and evaluated by the chief operating decision maker in deciding how to allocate resources and assessing its performance

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.

1.19 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.

1.20 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.

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

1. ACCOUNTING POLICIES (continued)

1.20 Significant judgements and sources of estimation uncertainty (continued)

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 (refer to note 13)	The directors have engaged with tax advisors to assist them in making a submission to SARS. The submission to SARS has sought to demonstrate that: (a) it is not in SARS' interest to demand payment in full in the short term as this will likely results in SARS not being able to recover the full, or a substantial portion of the debt, and (b) the prospect of payment in full of the tax liability will improve substantially over the next 12 months. In order to demonstrate good faith Afdawn has offered to make certain minimum payments pending resolution of the above application	The current relationship with SARS is constructive and conducive to an amicable outcome i.e. an outcome that achieves full payment of the tax liability over a reasonable period of time.
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 in a period of about 9 months' time, refer note 48.	A number of actions are being taken to mitigate the risk of this uncertainty materialising. These include: (a) Discussions are under way with various parties that could result in the sale or other realization of various assets (or portions thereof). In one instance the possible transaction would also generate additional income streams. (b) The Company has a long-enduring and very constructive relationship with its funders. Experience has proved that these relationships can be relied on to support the continued existence of the Group.	a) Some of these discussions are at an advanced stage and are considered to have a reasonably high probability of resulting in transactions. b) There is ongoing engagement with funders
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 within a longer period. Sandown's continued support is based on the successful conclusion of the recapitalisation of Elite referred to below. Since October 2014, Elite has repaid R4,1m of the original R15m Sandown loan.
Elite needs to be recapitalised.	Afdawn will convert a portion of its shareholders loan into equity in Elite. A third party will acquire 51% of the economic interest in Elite by providing R15m of permanent capital, a further R15m loan funding facility for 5 years and access to a client base. This will give Elite the ability to generate the required cash flow to fund operations, growth and other financial obligations.	The shareholder's loan will be converted into equity in Elite in November 2015.A heads of agreement has already been signed with a third party.

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.

1. ACCOUNTING POLICIES (continued)

1.20 Other significant management judgements (continued)

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 20 and 37).

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 20 and 37).

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 notes 42 and 43) 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 notes 20 and 37).

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.

1. ACCOUNTING POLICIES (continued)

1.20 Other significant management judgements (continued)

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 37.

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, these incentives had not been finalised and therefore the amount of the liability cannot be measured with sufficient reliability.

This has been disclosed as a contingent liability. (Refer to note 39).

Subsequent to year end, and as announced on SENS on the 1st July 2015, the vendors of Knife Capital released Afdawn Group from the second NAV liability, the share issues liability and the contingent liability relating to the additional remuneration. (Refer to notes 20, 37 and 45).

Knife Capital Group acquisition – revision to terms (non-adjusting event refer note 45)

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 20, 37 and 45). In addition, they have agreed to release Afdawn Group from any obligation to pay an amount relating to long-term incentives (Refer to note 45).

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. He subsequently agreed to remain in office until the finalization of the financial statements. As at 31 August 2015, Mr EA van Heerden became the chief executive officer of the Knife Capital Group. At the date the financial statements were issued, a new chief financial officer has not yet been appointed.

Elite Two – associate (2014) and subsidiary (2015)

In 2011, Elite entered into an agreement with Sandown Capital Proprietary Limited ("Sandown"). Sandown assisted Elite by introducing a R10 m facility to Elite to facilitate the growth of Elite through the special purpose vehicle (SPV), being Elite Two, that was in line with, and benefitted, the business of Elite. Elite (with the assistance of Sandown) had set up Elite Two to make short term salary-deducted personal loans – this is the main business of Elite Two and was funded by Sandown (who earned interest) and managed by Elite (who earned management fees). Elite Two was 100% owned by Sandown. Elite and Sandown were each entitled to 50% of the profits assuming that the total bad debts were 3% or less. To the extent that the bad debts exceeded 3%, Elite would forfeit an equal amount of its share of the profit. However, Elite was not exposed to any further losses.

In the years ended February 2012 and February 2013, Elite Two earned a profit of R249 067 and R1 325 426 respectively. No management fees or equity accounted earnings were recognised by Elite despite the fact that Elite was entitled to half of these amounts (being a cumulative amount of R787 247).

However, Elite had significant influence over Elite Two because it had the right to appoint two of the four directors, despite it holding no shares in Elite Two. In light of the fact that Elite had not previously accounted for any investment in an associate, no equity accounted earnings relating to Elite Two were recognised in 2012, 2013 and 2014. Instead, the cumulative management fee of R2 259 181 was recognised in 2014. This is therefore a material prior period error which has been retrospectively restated – refer to notes 42 and 43.

In the year ended February 2014, Elite previously recognised a cumulative management fee of R2 259 181. This has now been restated to reflect R787,247 in the 2013 financial year and R1,471,934 in the 2014 financial year.

In November 2014, Elite acquired all the shares in Elite Two from Sandown (refer to note 37). A thorough assessment of the requirements in IFRS 10 – Consolidated Financial Statements, and SIC 12 – Consolidation – Special Purpose Entities, revealed that Elite did not control Elite Two prior to this date. Both Sandown and Elite were exposed, or had rights, to variable returns from their involvement with Elite Two. However, on balance, Sandown had more exposure than Elite and had the ability to affect those returns through its power over the investee. Sandown therefore consolidated Elite Two until November 2014.

With effect from November 2014, Elite Two has been consolidated by Elite – refer to note 37 for information on the deemed disposal of the associate and the acquisition of the subsidiary.

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.

1. ACCOUNTING POLICIES (continued)

1.20 Other significant management judgements (continued)

With respect to the legal claims no legal fees were incurred to the reporting date. Subsequent to the reporting date fees of R91,554 were incurred in relation to the collection of the debt. 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.

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

- Goodwill (2015) – refer to note 4
- Intangible assets (2015) – refer to note 5
- Elite (2015 and 2014) – refer to note 15
- Elite Two (2015) – refer to note 7

Insurance revenue

Certain of the micro finance debtors choose to purchase insurance from Elite and Elite Two. 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 bears 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 is 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 1.13 for the accounting policy regarding the impairment of loans.

Subsequent to February 2015, a material prior period error relating to the 2014 and 2013 impairment of debtors in Elite was discovered. This resulted in an additional amount of R6,732,077 being recognised as an impairment for 2014 and R7,455,429 for 2013. As a result, the 2014 and 2013 financial statements have been restated (refer to note 42).

The amount recognised in 2015 for the impairment of Elite debtors was R10,845,633.

Refer to note 44, 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. No impairment has been recognised. Refer to note 4 for further information about the estimates and assumptions used.

Goodwill impairment – Elite Two

The share capital of Elite Two was acquired at the same value as the Net Asset Value of Elite Two so no goodwill arose on the acquisition. Refer to note 37 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.

1. ACCOUNTING POLICIES (continued)

1.20 Other significant management judgements (continued)

- 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.

	Capital amount	Classification	Initial present value adjustment R'000	Deemed interest (income)/ expense R'000
National Housing Finance Corporation ("NHFC") in note 17	1,750	Liability at amortised cost	91	–
Sandown Capital Elite Two loan (B) in note 17	1,750	Liability at amortised cost	76	(43)
Sandown Capital Interest portion of loan (C) in note 17	3,333	Liability at amortised cost	494	(66)
	6,833	**–**	**661**	**(109)**

The interest rates that have been applied in the discounting is an effective interest rate of 10.16%.

Estimation uncertainty related to Greenoaks

Refer to note 10

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 13), additional interest and penalties of R5,518 million were due.

R2,808 million of the relates to VAT and is recognised as an additional VAT liability in note 22 and R2,710 million of this relates to current income tax and is recognised as an additional current tax liability refer to note 13.

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 – R7,709 million (refer to note 22)
- Current tax – R14, 840 million (refer to note 13).

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 March 2015 or later periods.

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

Standard	Details of amendment	Annual periods beginning on or after
IFRS 2, Share-based Payment	Annual Improvements 2010–2012 Cycle: Amendments added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions.	1 July 2014
IFRS 3, Business Combinations	Annual Improvements 2010–2012 Cycle: Amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IFRS 9. Annual Improvements 2011–2013 Cycle: Amendments to the scope paragraph for the formation of a joint arrangement.	1 July 2014 1 July 2014
IFRS 5, Non-current assets Held for Sale and Discontinued Operations	Annual Improvements 2012-2014 Cycle: Amendments clarifying that a change in the manner of disposal of a non- current asset or disposal group held for sale is considered to be a continuation of the original plan of disposal, and accordingly, the date of classification as held for sale does not change.	1 January 2016
IFRS 7 Financial Instruments: Disclosures	Annual Improvements 2012-2014 Cycle: Amendment clarifying under what circumstances an entity will have continuing involvement in a transferred financial asset as a result of servicing contracts. Annual Improvements 2012-2014 Cycle: Amendment clarifying the applicability of previous amendments to IFRS 7 issued in December 2011 with regard to offsetting financial assets and financial liabilities in relation to interim financial statements prepare.	1 January 2016 1 January 2016
IFRS 8 Operating Segments	Annual Improvements 2010–2012 Cycle: Amendments to some disclosure requirements regarding the judgements made by management in applying the aggregation criteria, as well as those to certain reconciliations.	1 July 2014
IFRS 9 Financial Instruments	Annual Improvements 2010–2012 Cycle: Amendments to the measurement requirements for all contingent consideration assets and liabilities included under IFRS 9. A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition	1 July 2014 1 January 2018 *IFRS 9 (2014) supersedes any previous versions of IFRS 9, but earlier versions of IFRS 9 remain available for application if the relevant date of application is before 1 February 2015*

Standard	Details of amendment	Annual periods beginning on or after
	– IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.	–
	– The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets.	–
	– IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.	–
	IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.	–
IFRS 10 Consolidated Financial Statements	IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of 'Investment Entities' must account for investments in subsidiaries at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement.	1 January 2014
	Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.	1 January 2016
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2016

Standard	Details of amendment	Annual periods beginning on or after
IFRS 11 Joint Arrangements	Amendments adding new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business which specify the appropriate accounting treatment for such acquisitions.	1 January 2016
	Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.	1 January 2016
IFRS 12 Disclosure of Interests in Other Entities	New disclosures required for Investment Entities (as defined in IFRS 10).	1 January 2016
	– Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.	1 January 2014
IFRS 13 Fair Value Measurement	Annual Improvements 2010-2012 Cycle: Amendments to clarify the measurement requirements for those short-term receivables and payables	1 July 2014
	– Annual Improvements 2011–2013 Cycle: Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9.	1 July 2014
IFRS 15 Revenue from Contracts from Customers	New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The new standard supersedes: (a) IAS 11 Construction Contracts; (b) IAS 18 Revenue; (c) IFRIC 13 Customer Loyalty Programmes; (d) IFRIC 15 Agreements for the Construction of Real Estate; (e) IFRIC 18 Transfers of Assets from Customers; and (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services.	1 January 2018

Standard	Details of amendment	Annual periods beginning on or after
IAS 1, Presentation of Financial Statements	Disclosure Initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.	1 January 2016
IAS 16 Property, Plant and Equipment	Annual Improvements 2010-2012 Cycle: Amendments to the revaluation method – proportionate restatement of accumulated depreciation. Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets. – Amendment to IAS 16 and IAS 41 which defines bearer plants and includes bearer plants in the scope of IAS 16 Property, plant and equipment, rather than IAS 41 allowing such assets to be accounted for after initial recognition in accordance with IAS 16.	1 July 2014 1 January 2016 1 January 2016
IAS 19 Employee Benefits	Amendments to Defined Benefit Plans: Employee Contributions whereby the requirements in IAS 19 for contributions from employees or third parties that are linked to service have been amended. Annual Improvements 2012-2014 Cycle: Clarification of the requirements of to determine the discount rate in a regional market sharing the same currency (for example, the Eurozone).	1 July 2014 1 January 2016
IAS 24 Related Party Disclosures	Annual Improvements 2010-2012 Cycle: Amendments to the definitions and disclosure requirements for key management personnel.	1 July 2014
IAS 27 Consolidated and Separate Financial Statements	Requirement to account for interests held by 'Investment Entities' at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent. Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 January 2014 1 January 2016

Standard	Details of amendment	Annual periods beginning on or after
IAS 28 Investments in Associates and Joint Ventures	Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2016 1 January 2016
IAS 36 Impairment of Assets	Amendments to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	1 January 2014
IAS 38 Intangible Assets	Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation. Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset. Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.	1 July 2014 1 January 2016 1 January 2016
IAS 39 Financial Instruments: Recognition and Measurement	Amendments for novation of derivatives in regards to the continuation of hedge accounting.	1 January 2014
IAS 40 Investment Property	Annual Improvements 2011-2013 Cycle: Amendments to clarify the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.	1 July 2014

3. PROPERTY, PLANT AND EQUIPMENT

Group	2015			2014		
	Cost	Accumulated depreciation and impairment	Carrying amount	Cost	Accumulated depreciation and impairment	Carrying amount
Furniture and fixtures	458	(312)	146	882	(784)	98
Motor vehicles	782	(493)	289	782	(407)	375
Office equipment	556	(369)	187	568	(324)	244
IT equipment	1,351	(1,080)	271	1,357	(1,032)	325
Leasehold improvements	55	(12)	43	–	–	–
Telephone equipment	7	(6)	1	–	–	–
Total	**3,209**	**(2,272)**	**937**	**3,589**	**(2,547)**	**1,042**

Group	2013		
	Cost	Accumulated depreciation and impairment	Carrying amount
Furniture and fixtures	866	(770)	96
Motor vehicles	782	(310)	472
Office equipment	284	(247)	37
IT equipment	1,095	(801)	294
Leasehold improvements	–	–	–
Telephone equipment	–	–	–
Total	**3,027**	**(2,128)**	**899**

Company	2015			2014		
	Cost	Accumulated depreciation and impairment	Carrying amount	Cost	Accumulated depreciation and impairment	Carrying amount
Furniture and fixtures	110	(15)	95	605	(529)	76
Office equipment	45	(45)	–	62	(62)	–
IT equipment	61	(16)	45	228	(219)	9
Leasehold improvements	55	(12)	43	–	–	–
Total	**271**	**(88)**	**183**	**895**	**(810)**	**85**

Company	2013		
	Cost	Accumulated depreciation and impairment	Carrying amount
Furniture and fixtures	605	(52)	80
Office equipment	62	(57)	5
IT equipment	228	(179)	49
Leasehold improvements	–	–	–
Total	**895**	(761)	**134**

3. **PROPERTY, PLANT AND EQUIPMENT (continued)**

Reconciliation of property, plant and equipment – Group – 2015

	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	Closing balance
Furniture and fixtures	98	132	14	(77)	(21)	146
Motor vehicles	375	–	–	–	(86)	289
Office equipment	244	5	2	(2)	(62)	187
IT equipment	325	154	33	–	(241)	271
Leasehold improvements	–	55	–	–	(12)	43
Telephone equipment	–	–	3	–	(2)	1
	1,042	**346**	**52**	**(79)**	**(424)**	**937**

Reconciliation of property, plant and equipment – Group – 2014

	Opening Balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	96	16	–	(14)	98
Motor vehicles	472	–	–	(97)	375
Office equipment	37	272	(11)	(54)	244
IT equipment	294	261	(3)	(227)	325
	899	**549**	**(14)**	**(392)**	**1,042**

Reconciliation of property, plant and equipment – Group – 2013

	Opening balance	Additions	Disposals	Depreciation	Impairment reversal/(loss)	Closing balance
Furniture and fixtures	205	–	(30)	(100)	21	96
Motor vehicles	92	454	–	(74)	–	472
Office equipment	78	4	–	(45)	–	37
IT equipment	395	238	–	(208)	(131)	294
	770	**696**	**(30)**	**(427)**	**(110)**	**899**

Reconciliation of property, plant and equipment – Company – 2015

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	76	100	(67)	(14)	95
Office equipment	–	2	(2)	–	–
IT equipment	9	51	8	(24)	45
Leasehold improvements	–	55	–	(11)	43
	85	**208**	**(61)**	**(49)**	**183**

3. **PROPERTY, PLANT AND EQUIPMENT (continued)**

Reconciliation of property, plant and equipment – Company – 2014

	Opening balance	Disposals	Depreciation	Closing balance
Furniture and fixtures	80	–	(4)	76
Office equipment	5	–	(5)	–
IT equipment	49	(3)	(37)	9
	134	**(3)**	**(46)**	**85**

Reconciliation of property, plant and equipment – Company – 2013

	Opening balance	Additions	Disposals	Depreciation	Impairment Reversal / (loss)	Closing balance
Furniture and fixtures	147	–	(30)	(58)	21	80
Office equipment	13	–	–	(8)	–	5
IT equipment	134	67	–	(21)	(131)	49
	294	**67**	**(30)**	**(87)**	**(110)**	**134**

Property, plant and equipment encumbered as security

Motor vehicles with a cost of R753,241 (2014:R753,241) and a carrying amount of R289,000 (2014: R472,000) are held as security under the finance lease indicated in note 18.

4. **GOODWILL**

Group	2015		
	Cost	Accumulated impairment	Carrying amount
Goodwill	8,076	–	8,076

Reconciliation of goodwill – Group – 2015

	Opening balance	Additions through business combinations	Closing balance
Goodwill	–	8,076	8,076

Goodwill impairment

Impairment test for goodwill

During 2015, goodwill of R8 076 000 arose on the acquisition of the Knife Capital Group (refer to note 37) and has been allocated to the cash-generating units (CGUs) as follows:

	Opening	**Additions**	**Disposals**	**Impairment**	**Closing**
Knife Capital	–	7,133	–	–	7,133
Grindstone	–	943	–	–	943
	–	**8,076**	–	–	**8,076**

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:

4. GOODWILL (continued)

Assumptions	Note	Knife Capital	Grindstone
Compounded annual revenue increase %	1	14%	11%
Compounded annual total operating costs increase %	2	8%	7%
Pre-taxation discount rate		20%	20%
Recoverable amount of the CGU (R'000)		17,622	2,931

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 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 these do not reflect any future restructurings or cost saving measures.

No impairment was necessary.

With regard to Knife Capital

- The recoverable amount calculated based on value in use exceeded the carrying amount by R4 886 029.
- An annual revenue growth rate of 7%, annual operating costs growth rate of 14% or a rise in discount rate to 29% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

With regard to Grindstone

- The recoverable amount calculated based on value in use exceeded the carrying amount by R1 511 697.
- An annual revenue growth rate of 7%, annual operating costs growth rate of 11% or a rise in discount rate to 42% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

5. INTANGIBLE ASSETS

Group	2015			2014		
	Cost	Accumulated amortisation and impairment	Carrying amount	Cost	Accumulated amortisation and impairment	Carrying amount
Micro finance software	1,709	(562)	1,147	1,709	(220)	1,489
Medical finance software	1,355	(1,355)	–	1,355	–	1,355
Contractual customer contracts on acquisition of Knife Capital Group	6,543	(1,211)	5,332	–	–	–
Total	**9,607**	**(3,128)**	**6,479**	**3,064**	**(220)**	**2,844**

Group	2013		
	Cost	Accumulated amortisation and impairment	Carrying amount
Micro finance software	829	(10)	819
Medical finance software	973	–	973
Contractual customer contracts on acquisition of Knife Capital Group	–	–	–
Total	**1,802**	**(10)**	**1,792**

Reconciliation of intangible assets – Group – 2015

	Opening balance	Additions through business combinations	Amortisation	Impairment	Closing balance
Micro finance software	1,489	–	(342)	–	1,147
Medical finance software	1,355	–	(205)	(1,150)	–
Contractual customer contracts on acquisition of Knife Capital Group	–	6,543	(1,211)	–	5,332
	2,844	**6,543**	**(1,758)**	**(1,150)**	**6,479**

Reconciliation of intangible assets – Group – 2014

	Opening balance	Additions	Amortisation	Closing balance
Micro finance software	819	881	(211)	1,489
Medical finance software	973	382	–	1,355
	1,792	**1,263**	**(211)**	**2,844**

5. **INTANGIBLE ASSETS (continued)**

Reconciliation of intangible assets – Group – 2013

	Opening balance	Additions	Amortisation	Closing balance
Micro finance software	–	829	(10)	819
Medical finance software	–	973	–	973
	–	**1,802**	**(10)**	**1,792**

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.

Internally generated software

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

Medical finance software with a cost of R1,355,165 (2014: R1,355,165) was under construction. It was brought into use in the current year and then impaired. Elite decided to exit the medical finance business with the result that the carrying amount of the medical finance software (R1 150 000) exceeded the recoverable amount of nil. An impairment loss of R1 150 000 was therefore recognised in operating expenses.

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 2015 R'000**	**Remaining amortisation period**	**Carrying amount 2014 R'000**	**Remaining amortisation period**
Micro finance software	1,147	48 months	1,489	60 months
Medical finance software	–		1,355	Not in use as yet
Branded education	960	25 months	–	
GAP self-assessment and intervention tools	2,958	61 months	–	
Fund management agreements	1,414	61 months	–	
	6,479	**–**	**2,844**	**–**

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.

Company

Name of company		% voting power 2015	% voting power 2014	Nature	Carrying amount 2014 R'000	Carrying amount 2015 R'000
ABC Cashplus (Randburg) Proprietary Limited		100.00%	100.00%	Dormant	–	–
ABC Cashplus Financial Services Proprietary Limited		100.00%	100.00%	Dormant	–	–
African Dawn Debt Management Proprietary Limited		100.00%	100.00%	Dormant	–	–
African Dawn Kwazulu Natal Proprietary Limited		100.00%	100.00%	Dormant	–	–
African Dawn Property Transfer Finance 1 Proprietary Limited		100.00%	100.00%	Bridging finance	–	–
African Dawn Property Transfer Finance 2 Proprietary Limited		100.00%	100.00%	Bridging finance	–	–
African Dawn Property Transfer Finance 5 Proprietary Limited	(C)	–%		Dormant	–	–
African Dawn Social Education Proprietary Limited		100.00%		Dormant		
African Dawn Wheels Operations Proprietary Limited		100.00%	100.00%	Dormant	–	–
African Dawn Wheels Proprietary Limited		100.00%	100.00%	Vehicle finance	–	–
Albistar Investments Proprietary Limited		100.00%	100.00%	Dormant		
Almika Properties 81 Proprietary Limited		100.00%	100.00%	Property holding	–	–
Amalgum Investments 138 Proprietary Limited	(A)	100.00%	100.00%	Dormant	–	–
Bhenka Financial Services Proprietary Limited		100.00%	100.00%	Dormant	–	–
Candlestick Park Investments Proprietary Limited		100.00%	100.00%	Property holding	–	5,279
Elatiflash Proprietary Limited		100.00%	100.00%	Dormant	–	–
Elite Group 1 Proprietary Limited	(B)	–%	100.00%	Dormant	–	–
Elite Group Two Proprietary Limited *		100.00%	–%	Unsecured lending	–	–
Elite Group Cell No, 00181 Proprietary Limited		100.00%	100.00%	Life insurance	–	–
Elite Group Proprietary Limited		100.00%	100.00%	Unsecured lending	3,322	3,322
Grindstone Accelerator Proprietary Limited *		100.00%	100.00%	Consulting	–	–
Knife Capital Proprietary Limited		100.00%	100.00%	Venture capital	12,555	–
Nexus Personnel Finance 2 Proprietary Limited	(C)	–%	100.00%	Dormant	–	–
Nexus Personnel Finance Proprietary Limited	(D)	–%	100.00%	Unsecured lending	–	–
					15,877	8,601

Investment reconciliation

	2015 R'000	2014 R'000
Carrying amount at the beginning of the year	8,601	8,601
Additional investment Knife Capital Group (refer to note 37)	12,555	–
Present value adjustments on loans (refer to note 11)	2,710	–
Impairment of investment in subsidiaries	(2,710)	–
Impairment of Investment in Candlestick Park Investments Proprietary Limited	(5,279)	–
	15,877	**8,601**

6. INVESTMENTS IN SUBSIDIARIES (continued)

(A) Amalgum Investments 138 Proprietary Limited shares were transferred to Afdawn in 2013. The shares were previously held by African Dawn Property Transfer Finance 2 Proprietary Limited.

(B) Elite 1 Proprietary Limited, a dormant shelf company, was transferred to the previous management of Elite for nil consideration in order for them to make an offer to purchase Elite during 2014.

(C) Company was deregistered at CIPC by the reporting date.

(D) Company went into liquidation in October 2014 and has been deconsolidated (refer to note 38).

* Company held indirectly.

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 the impairment indicated above was recognised. 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. No impairments were deemed necessary in 2014.

Reporting period

The end of the reporting period of Elite Cell and Elite Two is 31 March 2015. It was impracticable to obtain financial statements as at 28 February 2015 because both companies were previously controlled by companies with a March year end. No significant transactions took place between the reporting period of February 2015 and the year end of March 2015.

Subsidiaries for which control was lost during the year

The Group lost control of Nexus Personnel Finance 2 Proprietary Limited and African Dawn Property Transfer Finance 5 Proprietary Limited on 24 January 2015. Both companies were dormant shelf companies that were deregistered by CIPC. In addition Nexus went into liquidation on the 18th October 2014, a gain has been included in other income (refer to note 25). For details on the deconsolidation refer to note 38.

7. INVESTMENT IN ASSOCIATE

Company

Name of company	2015 % Ownership Interest	2014 % ownership interest	2013 % ownership interest	2015 Carrying amount	2014 Carrying amount	2013 Carrying amount
Elite Two	100.00 %	– %	– %	–	2,259	787
The Company's principal place of business and incorporation – South Africa				–	–	–
				–	2,259	787

Elite Two prior to February 2015

In 2011, Elite entered into a management agreement with Sandown in respect of a company called Elite Two. The purpose of the agreement was to allow Elite to make use of a funding line, to earn a management fee, to share in the returns of Elite Two and therefore to continue to grow its business during the recapitalisation of the Afdawn Group.

The main terms of the agreement and subsequent events are as follows:

- Sandown lent Elite Two R10 million.
- Sandown owned 100% of Elite Two.
- Elite and Sandown could each appoint 2 of the 4 directors of Elite Two.
- Sandown financed Elite Two to a maximum of R10 million ("the Sandown capital loan").
- Elite managed Elite Two on behalf of Sandown and sourced potential clients to which it could provide short term personal loans.
- Elite earned a monthly management fee and shared the profits of Elite Two on a 50:50 basis with Sandown.
- Elite and Sandown shared the bad debts provided they were no more than the historical amount of 3% of the receivables book. To the extent that the provision increased, Elite would be liable but only to the
- extent of any cumulative profits earned to date.
- Sandown had the option (in August 2012) of selling 100% of the shares in Elite Two to Elite for a price
- based on the net asset value ("NAV") of Elite Two ("the selling price"). The Selling Price was to be settled by the issue of shares in Elite to Sandown. The issue price was 100 cents per Elite share, such that Sandown would acquire 30% of the issued share capital of Elite following the Elite Two acquisition and subject to the selling price not exceeding 49% of the market capitalisation of Afdawn Group on the date of exercise of the
- Sandown option.
- If the NAV of Elite Two was greater or lower than 30% of the combined NAV of Elite and Elite Two at the time of the exercising of the option referred to above, then Elite Two would be obliged to either distribute profits and/or assets to Sandown or to recapitalise Elite Two, so as to ensure that the NAV of Elite Two would be
- equal to 30% of the combined NAV of Elite Two and Elite.
- In the event that Sandown exercised the Sandown option, it would be obliged to provide a two year funding line of R20 million to Elite which could be drawn in tranches of a maximum of R1.5 million per month.

7. INVESTMENTS IN ASSOCIATE (continued)

- If Sandown advised Elite and/or Afdawn Group of its intention to exercise the option then Elite and/or Afdawn group would have had 30 days in which to acquire Elite Two for its then NAV.
- In the event that Sandown decided not to exercise its option then no new loans would be granted from 31 July 2013 by Elite Two and Elite would be retained to manage and collect the remaining loan book so as to repay the Sandown Capital Loan.
- Over time, the Sandown Loan was extended to a R20 million facility under similar terms with Elite providing a guarantee limited to the additional R10 million facility. .

The terms of the agreement gave Elite significant influence over Elite Two and it has therefore been equity accounted whereas previously a management fee was recognised. Refer to notes 42 and 43 for the prior period errors. Refer to note 1.20 for the significant judgement made in this regard.

At this point, Elite Two was profitable and therefore Elite had no exposure to any losses.

Elite Two is an unlisted company and there is no quoted market price available for its shares. There were no contingent liabilities relating to the Group’s interest in the associate.

Elite Two February 2015 financial year

At 31 October 2014, Elite Two had not yet repaid the Sandown capital loan of R10 million nor any interest thereon.

By this date, Sandown had lent Elite Two an additional loan. Interest on this loan had been paid as had a portion of the capital, leaving a balance of R4 150 000.

A further agreement was entered into during November 2014 in terms of which, Elite bought 100% of the Elite Two shares (refer to note 37) from Sandown on a voetstoots basis i.e. without Sandown giving any warranties or making any representations relating to the sale shares of Elite Two. Elite acknowledged that Sandown had not been involved in the day to day running or management of Elite Two (because this was done by Elite). The conversion rights into Afdawn shares and the guarantee provided by Elite fell away as part of the settlement deal.

Elite Two committed to repaying:

- The capital and interest on the R10 million bond; and
- A portion of the initial and additional loans made to Elite Two together with interest thereon.
- The total amount owed was R16 837 065.
- Certain debtors (to the value of R14 337 165) were ceded to Sandown as payment of this amount and a balance of R2 499 900 was still owed by Elite Two.
  - With regard to the R14 337 165, Elite or Elite Two will pursue claims against those debtors. This will be done in Sandown’s name and the costs of the legal proceedings will be shared by Elite and Sandown. (refer to note 39). If at least R10 million of this amount is collected, Elite will be paid a fee of 50% of the excess collected.
  - With regard to the R2 499 900, this amount plus R100 for the Elite Two shares is to be repaid in
  - monthly instalments between November 2014 and March 2016, by Elite. Provided the payment terms are complied with, no interest will be levied. As the interest rate is not market related the loan has been discounted. Refer to notes 28 and 17, “Sandown Capital Elite Two loan”.

In terms of the settlement agreement, Elite obtained control of Elite Two with effect from November 2014. It has therefore been equity accounted from March 2014 to November 2014 (during this period a loss of R2,259,181 was recognised). Subsequently Elite Two became a subsidiary and was consolidated thereafter.

SUMMARISED FINANCIAL INFORMATION OF ASSOCIATE

Summarised Statement of Profit or Loss and Other Comprehensive Income		Elite Two	
	2015 R’000	2014 R’000	2013 R’000
Revenue	1,531	7,844	2,605
Other income and expenses	(1,763)	(6,214)	(767)
(Loss) / profit before taxation	(232)	1,630	1,838
Taxation expense	–	(463)	(512)
(Loss)/profit	(232)	1,167	1,326
Total comprehensive (loss) / income	(232)	1,167	1,326

Summarised Statement of Financial Position		Elite Two	
	2015	2014	2013
Assets			
Non-current	–		–
Current	–	24,705	11,961
Total assets	–	24,705	11,961
Liabilities			
Non-current Current	–	19,149	10,386
Current Current	–	405	–
Total liabilities	**–**	**19,554**	**10,386**
Total net assets	–	5,151	1,575

7. INVESTMENTS IN ASSOCIATE (continued)

Additional information relating to net assets to equity accounted investments in associates	Elite Two		
	2015	2014	2013
Investment in associate at 50%	–	2,259	787
Management fee direct with Elite		316	
Carrying value of investment in associate	–	2,575	787
Investment at beginning of period	2,575	787	–
Equity accounted (loss)/profit	(2,259)	1,472	787
Management fee direct with Elite (paid)/raised	(316)	316	
Investment at end of period	–	2,575	787

The summarised information presented above reflects the financial statements of the associate after adjusting for differences in accounting policies between the Group and the associate.

The 2015 year relates to 1 March 2014 to November 2014 at which point Elite Two became a subsidiary. A loss of R2,259,181 was recognised by Elite for the period March 2014 to November 2014. Refer to note 37 for details of the acquisition.

Associate with different reporting date

The management accounts of Elite Two were used for the financial statements as at 28 February 2015 because the Company was previously a subsidiary of Sandown Capital Proprietary Limited which has a March year end. No significant transactions took place between the reporting period of February 2015 and the year end of March 2015.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
8. OTHER FINANCIAL ASSETS				
Loan to purchaser of Elite Rustenburg Mines Proprietary Limited	–	462	–	–
	–	462	–	–
Loan to purchaser of Elite Rustenburg Mines Proprietary Limited impairment	–	462	–	–
	–	(462)	–	–
	–	–	–	–
Loans and receivables				
Elite Cell	724	1,554	–	–
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.				
Current assets				
Elite Cell	724	1,554	–	–

Elite Cell and the loan due by the purchaser of Elite Rustenburg Mines Proprietary Limited are part of Elite. Elite was classified as a non-current asset held for sale in the 2014 year but has been restated into operations for comparative reasons in the current year. (Refer to notes 42 and 43).The cash in Elite Cell can only be accessed by submitting a claim to Guardrisk or by Elite Cell declaring a dividend.

Elite Rustenburg Mines Proprietary Limited was sold in the 2011 financial year for a total of R1 223 000 repayable at R25 000 per month. The outstanding balance is recoverable by way of a renegotiated settlement agreement, stipulating renegotiated repayment terms with additional security for Afdawn Group. The amount does not attract interest. The security on the receivable is an unsecured debtors book that is being collected by Elite and all collections are for the benefit of Elite. In 2014, an impairment of R462 000 was recognised because a cession on certain debtors that was used as security on the loan proved to be uncollectable.

		Group		Company	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
9.	**DEFERRED TAX**				
	Deferred tax liability				
	Deferred tax liability – intangible asset on acquisition of Knife Capital Group	(1,493)	–	–	–
	Deferred tax assets	128	–	–	–
	Net deferred tax liability	**(1,365)**	**–**	**–**	**–**
	Reconciliation of deferred tax asset/liability				
	At beginning of year	–	–	–	–
	Business combination Knife Capital Group assessed loss (refer to note 37)	54	–	–	–
	Assessed loss utilised during the year against current income tax	(54)	–	–	–
	Deferred tax raised on acquisition of Knife Capital Group intangible assets. (Refer to note 37)	(1,833)	–	–	–
	Deferred tax effect of amortisation of intangible asset raised on Knife Capital Group (refer to note 5)	340	–	–	–
	Temporary difference on leave pay accruals	51	–	–	–
	Temporary difference on deferred income	77	–	–	–
		(1,365)	**–**	**–**	**–**

		Group		Company	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
10.	**PROPERTIES IN POSSESSION**				
	Almika Properties 81 Proprietary Limited, Benoni, Gauteng	6,749	7,029	–	–
	Greenoaks – Centurion, Gauteng	44,415	44,415	–	–
	Greenoaks – PTF3 share of property	(16,174)	(16,174)	–	–
		34,990	35,270	–	–
	Impairment	(12,022)	(10,522)	–	–
	Carrying amount	**22,968**	**24,748**	**–**	–
	Reconciliation of movement 2015	**Almika**	**Greenoaks**		
	Opening balance	7,029	44,415	–	–
	Sold	(280)	–	–	–
	PTF3 share of Greenoaks	–	(16,174)	–	–
	Impairment	(3,609)	(8,413)	–	–
		3,140	**19,828**	**–**	–
	Reconciliation of movement 2014	**Almika**	**Greenoaks**		
	Opening balance asset	–	44,415	–	–
	Reclassification asset (refer to note 15)	7,029	–	–	–
	PTF3 share of Greenoaks	–	(16,174)	–	–
	Opening balance of impairment	–	(6,913)	–	–
	Reclassification impairment (refer to note 15)	(3,609)	–	–	–
		3,420	**21,328**	**–**	–

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.

Four units have been transferred and payments of R280 000 have been received by February 2015.

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 R5 345 811 (2014: R5 108 862) has been recognised (refer to note 24).

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 Africa 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.

10. **PROPERTIES IN POSSESSION (continued)**

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.

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 has since been placed in liquidation and there is 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 are currently under way in an attempt to settle the dispute between the parties in order to enable Candlestick to sell the property.

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 R8 868 592 (2014: R10 073 653) (refer to note 17).
- A possible claim relating to Blue Dot linked to the perfecting of the security that lead to the acquisition of Greenoaks from Blue Dot in August 2010. In an attempt to stop the transfer of Greenoaks to Candlestick, the claimant applied for the liquidation of Blue Dot Properties in December 2010. The Group does not believe that this meets the definition of a liability and due to the nature of the dispute, has not disclosed any further information because such disclosure would seriously prejudice the position of the Group (refer to notes 1.20 39).

11. **LOANS TO/(FROM) GROUP COMPANIES**

Subsidiaries

Company 2015 R'000	**Loan balance**	**Loan impairment**	**Loan present value adjustment (Refer 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 *	31,739	(13,442)	(1,693)	16,604
Nexus Personnel Finance Proprietary Limited *	–	–	–	–
African Dawn Property Transfer Finance 1 Proprietary Limited *	7,088	(4,080)	(278)	2,730
African Dawn Wheels Proprietary Limited *	424	(424)	–	–
African Dawn Kwazulu Natal Proprietary Limited *	3,175	(3,175)	–	–
African Dawn Debt Management Proprietary Limited *	14,221	(14,221)	–	–
Candlestick Park Investments Proprietary Limited	149	(149)	–	–
Almika Properties 81 Proprietary Limited *	15	(15)	–	–
Elite Group Proprietary Limited *	21,870	(13,571)	(739)	7,560
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	(2)	–	–	(2)
	71,822	**(49,149)**	**(2,710)**	**19,963**

Company 2014 R'000	**Loan balance**	**Loan impairment**	**Total**
African Dawn Social Education Proprietary Limited *	(65)	–	(65)
(65) Bhenka Financial Services Proprietary Limited *	(6,878)	–	(6,878)
African Dawn Property Transfer Finance 2 Proprietary Limited *	32,203	(10,720)	21,483
Nexus Personnel Finance Proprietary Limited *	17,948	(17,948)	–
African Dawn Property Transfer Finance 1 Proprietary Limited *	7,271	(4,138)	3,133
African Dawn Wheels Proprietary Limited *	494		(494)
African Dawn Kwazulu Natal Proprietary Limited *	3,170	(3,170)	–
African Dawn Debt Management Proprietary Limited *	14,566	(14,227)	339
Candlestick Park Investments Proprietary Limited	137	(137)	–
Almika Properties 81 Proprietary Limited*	12	(12)	–
Elite Group Proprietary Limited *	21,518	–	21,518
African Dawn Wheels Operations Proprietary Limited *	9	(9)	–
Amalgum Investments 138 Proprietary Limited *	7	(7)	–
Elatiflash Proprietary Limited *	11	(11)	–
Albistar Investments Proprietary Limited *	12	(12)	–
ABC Cashplus (Randburg) Proprietary Limited *	9	(9)	–
	90,424	**(50,894)**	**39,530**

		Group		Company	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000

11. LOANS TO/(FROM) GROUP COMPANIES (continued)

Movement in impairment

	2015	2014
Opening balance	50,894	53,735
Increase in impairment	16,474	14,509
Reversal of impairment	(271)	(17,350)
Reversal of Nexus loan impairment on liquidation	(17,948)	–
	49,149	**50,894**

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.

	Group 2015	Group 2014	Company 2015	Company 2014
Current assets	–	–	26,896	46,473
Current liabilities	–	–	(6,932)	(6,943)
	–	**–**	**19,964**	**39,530**

Loans to group companies impaired

As of 28 February 2015, loans to group companies of R78,753,022 (2014: R 97,367,338) were impaired and provided for. The amount of the impairment was R47,527,973 as of 28 February 2015 (2014: R 50,893,577).

12. TRADE AND OTHER RECEIVABLES

	Group 2015	Group 2014	Company 2015	Company 2014
Trade receivables (restated for 2014)	101,924	158,861	–	–
Impairment allowance (restated for 2014)	(66,489)	(102,313)	–	–
Deposits (restated for 2014)	276	291	31	–
VAT (restated for 2014)	373	473	–	–
Other receivables (restated for 2014)	3,750	1,213	1,065	2,151
	39,835	**58,525**	**1,096**	**2,151**

Trade and other receivables reconciliation – group 2014 R'000	**Trade receivables**	**Impairment allowance**	**Deposits**	**VAT**	**Other receivables**	**Total**
As previously reported	148,484	(130,122)	124	473	538	19,497
Elite reclassified from discontinued operations (refer to notes 42 & 43)	56,163	(4,575)	167	–	1,461	53,216
Elite prior period error (refer to notes 42 & 43)	–	(14,188)	–	–	–	(14,188)
Elite Two prior period error (refer to notes 42 & 43)	787	–	–	–	(787)	–
Rounding	(2)	1	–	–	1	–
Subtotal	205,432	(148,884)	291	473	1,213	58,525
Transfer of gross trade debtors and impairment thereof to other receivables. Write off as a bad debt. (refer to notes 42 & 43)	(46,571)	46,571	–	–	–	–
	158,861	**(102,313)**	**291**	**473**	**1,213**	**58,525**

Refer to note 44 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 17.

In 2014 trade receivables with regards to Nexus with a gross value of R44.5 million, impaired by R38,7 million, to a carrying amount of R5.8 million were ceded as security on borrowings related to the National Housing Fund Corporation as indicated in note 17.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
13. CURRENT TAX RECEIVABLE/(PAYABLE)				
Current tax receivable	–	95	–	–
Current tax payable	(14,840)	(17,829)	(7,805)	(6,728)
	(14,840)	**(17,734)**	**(7,805)**	**(6,728)**

A Section 200 application was made in June 2013 and was declined in May 2015 on the basis that Afdawn Group's financial position did not warrant a compromise. A new submission has subsequently been made to SARS with a view to reaching a settlement on this.

A liability has been recognised in full for all interest and penalties that are payable to SARS. Refer to note 29 which includes R2,710 000 (2014: R25 000) relating to the interest and penalties.

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 additional interest and penalties of R2.710 million were due.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
14. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Cash on hand	214	327	3	7
Bank balances	15,183	5,031	10,605	390
	15,397	**5,358**	**10,608**	**397**

15. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets held for sale

In 2013 the non-current assets held for sale of R4,128,829 consisted of:

- ERF 1593 – ERF 1599 Volksrust, Mpumulanga which was sold during 2014 for a loss of R311,141.
- Partially developed land at ERF149 Anzac, Extension 2, Benoni, Gauteng has been re-classified in 2014 as property in possession as no viable buyer had been found. The carrying amount is R3,140 million (2014: 3,420 million). Refer to note 10.

Discontinued operations

In 2014 in line with the new vision for the Group, management decided to discontinue the personal and short term financing division of the Group including Elite which includes, Elite Cell and Nexus. All these were classified as discontinued operations. The directors were in discussion with potential buyers for the acquisition of Elite and Elite Cell. The Company's assets and liabilities were reclassified as non-current assets held for sale. A contract for the sale of Elite Group was concluded in May 2014, but the buyers were in breach of the contract and the contract was cancelled, a penalty of R1,315,789 was received (refer to note 25). The discontinued operations and non-current assets held for sale have thus been reclassified into operations. Nexus went into liquidation on 18 October 2014 and has been deconsolidated from that date (refer to note 38). For details on the remaining discontinued operation refer to note 33.

The Elite impairment test was done as follows:

	Amount
Elite carrying amount in African Dawn Capital Ltd R'000	10,882

The recoverable amount Elite 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 five-year period. Cash flows beyond the five-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 Elite operates.

The key assumptions, long term growth rates and discount rates used in the value-in-use calculations are as follows:

Compounded annual revenue increase %	1	3% to 5%
Compounded annual total operating cost increase %	2	5%
WACC		17.37%
Recoverable amount of Elite R'000		12,334

1. Revenue increase is based on past performance and management's expectation of growth. Management expects growth of 3% for 3 years and 5% for 2 years.
2. Operating costs are the fixed costs of Elite which do not vary significantly with loans made.
Management forecasts these costs based on the current structure of the business, and adjusts for inflationary increases and these do not reflect any future restructurings or cost saving measures.

The recoverable amount calculated based on value in use exceeded the carrying amount by R1 452,000.

An annual revenue growth rate of 4,5%, annual operating costs growth rate of 5,5 % or a rise in WACC to 18,5% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

No impairment was necessary.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
16. SHARE CAPITAL AND SHARE PREMIUM				
Authorised				
5,000,000,000 Ordinary shares of 1c each	50,000	50,000	50,000	50,000

The total shares in issue as at 28 February 2015 amounted to 880,270,597 (2014: 508,184,155).

Reconciliation of number of shares in issue				
Reported as at 01 March net of treasury shares	508,184	508,184	508,184	508,184
Issue of ordinary shares in rights offer	272,086	–	272,086	–
Issue of shares to Knife Capital Vendors	100,000	–	100,000	–
	880,270	**508,184**	**880,270**	**508,184**

Reconciliation of share values 'R000:				
Reported at beginning of period	284,634	284,634	284,634	284,634
Issue of ordinary shares in rights offer	21,767	–	21,767	–
Issue of shares to Knife Capital Vendors (refer to note 37)	9,000	–	9,000	–
Capitalisation of share issue costs	(1,458)	–	(1,458)	–
	313,943	**284,634**	**313,943**	**284,634**

Share premium	317,972	292,392	317,972	292,392
Treasury shares	(12,832)	(12,832)	(12,832)	(12,832)
Total share premium	305,140	279,560	305,140	279,560
Ordinary shares	8,803	5,074	8,803	5,074
	313,943	**284,634**	**313,943**	**284,634**

As part of the capital raising completed on 31 October 2011, two convertible bonds were issued which were convertible into ordinary share capital at the option of the holders after 3 years from the commencement date. The conversion option of the bond holders became due during the current financial year and the bond holders decided not to convert the bonds into shares. Further details on the convertible bonds are disclosed in note 19.

During March 2014 a 1 for 1 rights offer of 222,086,442 shares were taken up at 8c per share, with a further 50,000,000 shares being issued to the underwriter of the share issue. At around the same time as the rights issue took place 100,000,000 shares at 9c per share were issued to the vendors of Knife Capital to purchase 100% of the share capital. Refer to note 37 for further details on the acquisition of Knife Capital Group. Refer to note 45 for details on the delisting of the treasury shares.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Proceeds from share issues				
Share issue	21,767	–	21,767	–
Share issue costs	(1,458)	–	(1,458)	–
	20,309	**–**	**20,309**	**–**

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

17. BORROWINGS

GROUP 2015 R'000	**Loan Balance**	**Present Value adjustment (refer to notes 25 and 28)**	**Deemed Interest (refer to note 28)**	**Balance**
National Housing Finance Corporation ("NHFC") Loan Guarantee (D) – The loan is unsecured, interest free and is to be repaid by 30 September 2015.	1,750	(92)	–	1,658
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 12).	3,796	–	–	3,796
Sandown Capital Elite Two loan (B) - The loan is unsecured, interest free and is repayable in instalments of Up to R150,000 per month.	1,750	(76)	44	1,717
Nexus liquidator – The loan arose when Nexus went into liquidation and the balance owed by Elite who was contracted to collect on the debtors book. The loan is unsecured, interest free and payment terms are being negotiated with the liquidator.	2,535	–	–	2,535
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.	9,600	–	–	9,600
Sandown Capital Interest free portion loan (A) (C) – The loan does not bear interest and is repayable in instalments of up to R700,000 starting in June 2016. The loan is unsecured.	3,333	(494)	66	2,905
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 R169,450 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 10).	8,869	–	–	8,869
	31,633	**(662)**	**110**	**31,080**

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

17. BORROWINGS (continued)

Group 2014 R'000	**Loan Balance**	**Present Value adjustment**	**Deemed Interest**	**Balance**
National Housing Finance Corporation ("NHFC") – Nexus went in to liquidation and has thus been deconsolidated. The loan is secured by a cession on the Nexus debtors. The loan originated as funding for incremental loans in 2004 raised as trade debtors. The loan is secured on the debtors book that the funds were used to fund and are secured to the extent of the loan against the same debtors (refer to note 12).	5,000	–	–	5,000
National Housing Finance Corporation ("NHFCE") – Elite entered into a separate facility agreement whereby the loan is secured by 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 12).	4,456	–	–	4,456
Sandown Capital Proprietary Limited # (A) – The conversion bond was renegotiated and the new terms are: the loan is unsecured, interest is charged at 9.25% per annum and linked to Standard Bank prime interest rate. Repayments are up to an amount of R700,000 plus interest per month in the short term.	12,486	–	–	12,486
Elite Two loan – The loan is unsecured, interest free and changes on a daily transactional basis.	2,067	–	–	2,067
Convertible Bond – Liability portion of compound instrument (STRB Lewende Trust) – The conversion period is 36 months from date of issue, conversion price R0.14, Interest levied at JIBAR on 3 month discount + 600 basis points. Refer to note 19 for further details. The bond has no further security beyond the issue of ordinary shares in Afdawn. The bond was settled for cash during the financial year.	1,663	–	–	1,663
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 R168,450 per month. The bond arose as part of a property in possession transaction. Refer to property in possession note 10 , Greenoaks. The monthly instalments are funded through the cash generated through operations at Greenoaks.	10,074	–	–	10,074
	35,746	**–**	**–**	**35,746**

Company 2015 R'000	**Loan balance**	**Present value adjustment (refer to notes 25 and 28)**	**Deemed interest**	**Balance**
National Housing Finance Corporation ("NHFC") – Loan Guarantee (D) The loan is unsecured, interest free and is to be repaid by 30 September 2015	1,750	(92)	–	1,658
	1,750	**(92)**	**–**	**1,658**

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
17. BORROWINGS (continued)				
Company **2014** **R'000**	**Loan Balance**	**Present Value adjustment**	**Deemed Interest**	**Balance**
Convertible Bond – Liability portion of compound instrument - STRB Lewende Trust – The conversion period is 36 months from date of issue, conversion price R0.14, Interest levied at JIBAR on 3 month discount + 600 basis points. Refer to note 19 for further details. The bond has no further security beyond the issue of ordinary shares in Afdawn. The bond was settled for cash during the 2015 financial year.	1,663	–	–	1,663
	1,663	**–**	**–**	**1,663**
Non-current liabilities				
At amortised cost	13,758	8,844	–	–
Present value and interest adjustments	(460)	–	–	–
	13,298	**8,844**	**–**	**–**
Current liabilities				
At amortised cost	17,874	26,902	1,750	1,663
- Present value and interest adjustments	(92)	–	(92)	–
	17,782	**26,902**	**1,658**	**1,663**
	31,080	**35,746**	**1,658**	**1,663**

(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 19 for further details.

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

(C) The loan bears no interest and has therefore been 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 R428,837 to be recognised in the future.

(D) The loan bears no interest and has therefore been present valued such that R91,582 deemed interest will be recognised over the life of the loan. Nil of this has been recognised in 2015, leaving a balance of R91,582 to be recognised in the future. In terms of the settlement agreement with the NHFC that was signed on 30 May 2011, Nexus (a wholly owned subsidiary of Afdawn) facility of R5 million became payable in October 2013. Nexus has ceded it debtors book as security for payment of the amount. NHFC demanded payment from Afdawn. Nexus was liquidated in October 2014 and NHFC instituted Arbitration proceedings against Afdawn for the payment of R5 million plus interest and costs in terms of the settlement agreement. In terms of the out-of-court settlement, Afdawn as guarantor is liable for payment of amount of R3,75 million payable as follows: R2 million was paid on 6 February 2015 and the balance is interest-free and due for payment on or before 30 September 2015.

Total present value adjustment recognised as a gain in 2015 is R661,338. Total deemed interest expense recognised in 2015 is R109,602 (Refer to note 28) .

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
18. FINANCE LEASE LIABILITIES				
Minimum lease payments due				
– within one year	122	122	–	–
– in second to fifth year inclusive	74	194	–	–
	196	316	–	–
less: future finance charges	(14)	(35)	–	–
Present value of minimum lease payments	**182**	**281**	**–**	**–**
Non-current liabilities	60	194	–	–
Current liabilities	122	87	–	–
	182	**281**	**–**	**–**

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 10% (2014: 10%)

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. Refer to note 3.

19. COMPOUND INSTRUMENTS

Convertible bond

During 2012 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 current financial year and neither Sandown nor PCI chose to convert to shares. The STRB Lewende Trust was paid cash 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 17 for further details on the liability.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
19. COMPOUND INSTRUMENTS (continued)				
Sandown Convertible Bond (refer to note 17)				
Opening balance	12,486	10,574	–	–
Capital drawn	–	–	–	–
Interest on loan capitalized	886	1,912	–	–
Loan renegotiated no longer convertible (refer to note 17)	(13.372)			
	–	**12,486**	**–**	**–**
STRB Lewende Trust (Previously PCI convertible bond) (refer to note 17)				
Opening balance	1,663	1,621	–	–
Repaid portion acknowledged	(1,700)	(143)	–	–
Interest raised	37	185	–	–
	–	**1,663**	**–**	**–**
20. LOANS FROM DIRECTORS				
EA Van Heerden	1,770	–	1,770	–
JK Van Zyl	1,771	–	1,771	–
A Bohmert	1,771	–	1,771	–
	5,312	**–**	**5,312**	**–**

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 1.20 and note 37 for further details.

Reconciliation	**2015**	**2014**
First NAV liability	1,460	–
(interest free payable at R60 833 per month with effect from November 2014) Repayments	(243)	–
Subtotal (A)	1,217	–
Second NAV liability (interest free and payable in June 2015) Repayments	2,095	–
Share issue liability (to be settled immediately in a variable number of shares)	2,000	–
	5,312	**–**

Subsequent to year end and, as announced on SENS on 1 July 2015, 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 1.20 as well as notes 37 and 45.

(A) The outstanding balance of loans from directors on acquisition of Knife Capital is R1.218 million.

Non-current liabilities	(1,535)	–	(1,535)	–
Current liabilities	(3,777)	–	(3,777)	–
	(5,312)	**–**	**(5,312)**	**–**
21. OPERATING LEASE LIABILITY				
Current liability	23	174	23	174
	23	**174**	**23**	**174**

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
22. TRADE AND OTHER PAYABLES				
Trade payables	1,343	1,705	159	792
VAT	7,709	5,049	5,595	3,712
Accrued leave pay	1,020	657	108	–
Accrued expenses	1,124	1,542	436	1,000
Accrued audit fees	180	–	180	–
Deposits received	353	328	–	–
	11,729	**9,281**	**6,478**	**5,504**

R6,109,000 of the VAT liability of the R7,709,000 is also the subset of the submission to SARS referred to in note 13.

23. DEFERRED INCOME

Deferred income relates to service contracts entered into by Knife Capital which are paid in advance by customers and are only partially completed at year end.

Current liabilities	474	–	–	–

		Group		Company	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
24.	**REVENUE**				
	Rendering of services	8,740	812	–	289
	Non-interest income (administration fees)	1,718	1,576	–	–
	Rental income (refer to note 10)	5,346	5,109	–	–
	Interest received	23,398	26,575	52	72
	Insurance revenue (refer to note 1.20)	947	1,664	–	–
		40,149	**35,736**	**52**	**361**
25.	**OTHER INCOME**				
	Profit on disposal of subsidiary (refer to note 38)	3,231	–	–	–
	Gain on present value adjustment of interest free borrowings (refer to note 17 and 28)	662	–	92	–
	Bad debts recovered on trade receivables	1,850	927	–	5
	Sundry income	232	12	232	9
	VAT recovery	77	20	–	–
	Sundry income	49	–	38	–
	Penalty received on subsidiary sale cancellation (refer to note 15)	1,316	–	1,316	–
		7,417	**959**	**1,678**	**14**
26.	**OPERATING LOSS**				
	Operating loss for the year is stated after accounting for the following:				
	Operating lease charges				
	• Premises	3,828	3,458	–	448
	• Equipment	566	746	29	68
		4,394	**4,204**	**29**	**516**
	Loss on sale of property, plant and equipment	23	1	34	1
	Profit on disposal of subsidiary	3,231	–	–	–
	Impairment to properties in possession	1,500	–	–	–
	Legal fees	935	656	407	48
	Loss on call up of NHFC guarantee still due (refer to note 17)	1,750	–	1,750	–
	Loss on call up of NHFC guarantee paid during year (refer to note 17)	2,000	–	2,000	–
	Impairment on intangible assets	1,150	–	–	–
	Amortisation on intangible assets	1,758	211	–	–
	Depreciation on property, plant and equipment	424	392	49	46
	Employee costs	20,534	17,607	3,848	4,744
27.	**INVESTMENT INCOME**				
	Interest revenue				
	Cash and cash equivalents	735	80	700	7

	2015 Group borrowings	**Amount**	**Present value adjustment**	**Deemed interest**	**Balance**
28.	**DEEMED INTEREST**				
	Sandown Capital interest free portion loan (A) in note 17	3,333	(494)	66	2,905
	Sandown Capital Elite Two loan (B) in note 17	1,750	(76)	44	1,717
	National Housing Finance Corporation ("NHFC") Loan Guarantee (D) in note 17	1,750	(92)	–	1,658
		6,833	**(662)**	**110**	**6,280**
	2015 Company borrowings				
	National Housing Finance Corporation ("NHFC") Loan Guarantee (D) in note 17	1,750	(92)	–	1,658
		1,750	**(92)**	**–**	**1,658**

For further details on the borrowings refer to note 17.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
29. FINANCE COSTS				
NHFCE interest	491	756	–	–
Interest on convertible bond	1,251	1,913	–	–
Interest paid RHLF	44	44	–	–
Finance leases	22	26	–	–
Bank	28	25	–	–
Sandown Capital borrowing	196	–	–	–
STRB convertible bond interest	265	185	265	185
Penalties and interest on income tax (refer to note 13)	5,518	25	3,344	–
Nedbank bond interest	818	889	–	–
	8,633	**3,863**	**3,609**	**185**

30. TAXATION

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Major components of the tax expense (income)				
Current				
Local income tax – current period	1,353	407	–	–
Local income tax – recognised in current tax for prior periods	95	–	–	–
	1,448	**407**	**–**	**–**
Deferred				
Temporary difference on Knife Capital assessed loss utilized	54	–	–	–
Temporary difference on deferred income	(77)	–	–	–
Temporary difference leave pay accrual	(51)	–	–	–
Originating on amortisation of Knife Capital intangible assets	(339)	–	–	–
	(413)	**–**	**–**	**–**
	1,035	**407**	**–**	**–**
Reconciliation of the tax expense				
Reconciliation between accounting loss and tax expense.				
Accounting loss	(31,977)	(21,423)	(39,552)	(3,831)
Tax at the applicable tax rate of 28% (2014: 28%)	(8,954)	(5,998)	(11,075)	(1,073)
Tax effect of adjustments on taxable income				
Non-deductible amount- interest and penalties SARS	1,281	–	936	–
Non-deductible amount – Nexus loan guarantee capital in nature	1,050		1,050	
Non-deductible amount – donations not allowed	3	8	2	
Non-deductible amount – fair value adjustment – Knife acquisition	560		560	
Non-taxable amount – gain on disposal of subsidiary	(905)			
Non-deductible amount – loss on non current asset held for sale		87		
Non-deductible amount – fair value adjustment – Property Peranent	420			
Non-deductible amount – fair value adjustment – investment in sub SCandlesubs			1,478	
Deferred tax assets not recognised	7580	6,310	7,048	1,073
	1,035	**407**	**–**	**–**

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 R126,808,226 (2014: R 149,649,356). The Company estimated tax loss available for set off against future taxable income is R58,822,361 (2014: R51,960,289).

31. AUDITORS' REMUNERATION

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Fees	861	735	596	349
Tax and secretarial services	36	–	–	–
	897	**735**	**596**	**349**

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
32. OPERATING LEASES				
There are no contingent rentals or sublease agreements. All the leases relate to premises in Gauteng and Kwazulu Natal including micro finance front offices.				
Future minimum operating lease payments are as follows:				
– Within one year	–	2,088	–	1,862

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
33. LOSS FROM DISCONTINUED OPERATIONS				
African Dawn Debt Management Proprietary Limited	–	(1,983)	–	–

African Dawn Debt Management
During the 2014 financial year African Dawn Debt Management failed to secure sufficient mandates to make the business viable so management took the decision to cease operations in the subsidiary. This was completed in September 2013.

The discontinued operation is summarised below:

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Discontinued operations statement of profit or loss and other comprehensive income				
Revenue	–	497	–	–
Employee costs	–	(2,122)	–	–
Other expenses	–	(358)	–	–
Loss before taxation	–	(1,983)	–	–
Taxation	–	–	–	–
Loss for the year	–	(1,983)	–	–

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
34. CASH USED IN OPERATIONS				
Loss before taxation	(31,977)	(21,423)	(39,552)	(3,831)
Adjustments for:				
Depreciation	424	392	49	46
Loss on disposal of property, plant and equipment	23	1	34	1
Loss on sale of non-current assets held for sale	–	311	–	–
Movement in operating lease liability	(151)	(21)	(151)	
Gain on present value adjustments on interest free borrowings	(661)	–	(92)	–
Equity accounted income Elite Two	2,259	(1,472)	–	–
Investment income	(735)	(80)	(700)	(7)
Finance costs	3,115	3,838	265	185
Fair value of contingent consideration	2,000	–	2,000	–
Impairment adjustment group loans	–	–	16,203	(2,842)
Impairment of investment in subsidiary	–	–	2,710	–
Non-cash finance costs (penalties and interest on income tax)	5,518	25	1,077	–
Impairment of Candlestick Park Investment in Subsidiary	–	–	5,279	–
Amortisation (refer to note 5)	1,758	211	–	–
Deemed interest expense (refer to note 28)	110	–	–	–
Profit on disposal of Nexus (Refer to note 38)	(3,231)	–	–	–
Interest raised and paid on borrowings	–	–	37	–
Impairment of properties in possession	1,500	–	–	–
Bad debt write off	–	–	1,000	–
Non-cash portion of NHFC guarantee	1,750	–	1,750	–
Impairment of intangible asset	1,150	–	–	–
Changes in working capital:				
Properties in possession	280	405	–	–
Trade and other receivables	14,798	17,359	55	546
Trade and other payables	(1,514)	(55)	974	737
Deferred income	474	–	–	–
Other financial assets	830	(616)	–	–
	(2,280)	**(1,125)**	**(9,062)**	**(5,167)**

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
35. TAX PAID				
Balance at beginning of the year	(17,734)	(18,270)	(6,728)	(6,728)
Current tax for the year recognised in profit or loss	(1,448)	(407)	–	–
Adjustment in respect of business liquidated (refer to note 38)	6,497	–	–	–
Business combination businesses acquired (refer to note 37)	(19)	–	–	–
Adjustment in respect of penalties and interest	(2,710)	(25)	(1,077)	–
Balance at end of the year	14,840	17,734	7,805	6,728
	(574)	**(968)**	**–**	**–**

36. CASH FLOWS FROM DISCONTINUED OPERATIONS

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
African Dawn Debt Management Proprietary Limited (refer to note 33).	–	(1,983)	–	–

37. BUSINESS COMBINATIONS

Knife Capital Group

On 28 March 2014 the Group acquired 100% of the equity interest in Knife Capital Group which resulted in the Group obtaining control over Knife Capital Group. The terms were outlined in the circular issued on 13 December 2013. Knife Capital owns 100% of Grindstone. The Knife Capital Group operates in South Africa and it is principally involved in business development services and investment management. The reason for the acquisition is to realise the new vision for the Afdawn Group.

Goodwill of R 8,076,000 arose from the acquisition, (refer to note 4) and is attributable mainly to the synergies and economies of scale expected from combining the operations of the entities, as well as from other intangible assets, including brands, which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Acquisition of Knife Capital Group				
Purchase price calculation	–	–	–	–
100 million shares issued on 28 March 2014 at a share price of 9c (A).	9,000	–	9,000	–
First NAV liability – additional payment of the difference between the 10c per share stipulated in the acquisition agreement and the NAV per share at 28 February 2014 (B).	1,460	–	1,460	–
Second NAV liability – top-up of the First NAV liability due to the Elite prior period error, which further reduced the Group NAV per share at 28 February 2014 (C).	2,095	–	2,095	–
Share issue liability – additional payment due because Afdawn Group did not raise capital of R50 million by 26 March 2015 (D).	2,000	–	2,000	–
Recognition of share issue liability in profit or loss as it relates to the subsequent fair value of the contingent consideration (D).	(2,000)	–	(2,000)	–
	12,555	**–**	**12,555**	**–**

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Fair value of net assets acquired				
Property, plant and equipment (refer to note 3)	52	–	–	–
Intangible assets on contracts (refer to note 5)	6,543	–	–	–
Deferred tax asset (refer to note 9)	54	–	–	–
Trade and other receivables (E)	522	–	–	–
Cash and cash equivalents	26	–	–	–
Tax payable	(15)	–	–	–
Trade and other payables	(836)	–	–	–
Deferred tax liability (refer to note 9)	(1,833)	–	–	–
Bank overdraft	(13)	–	–	–
Directors' loans	(21)	–	–	–
	4,479	**–**	**–**	**–**
Goodwill recognised (refer to note 4)	8,076	–	–	–

The revenue included in the consolidated statement of comprehensive income since 26 March 2014 contributed by the Knife Capital Group was R8 891 000 and the profit that was contributed was R2 023 000. Had Knife Capital Group been consolidated from 1 March 2014, the consolidated statement of comprehensive income would show pro-forma revenue of R8 891 000 and profit of R2 023 000. The transactions between 1 March and 26 March 2014 were insignificant.

(A) The share price of 9 cents was determined based on the listed share price on 28 March 2014. Acquisition related costs of R550,000 has been recognised in profit or loss (refer to note 26). Acquisition costs of R80,000 relating to the issue of shares have been netted against the deemed proceeds.

(B) The first NAV liability was due for payment in March 2015 and was interest free. In November 2014, the terms were renegotiated and remained interest free but the amount is paid on a monthly basis over 24 months (R60 833 per month).

	Group		Company	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000

37. BUSINESS COMBINATIONS (continued)

(C) The terms were the same as the first NAV liability. Subsequent to year end, and as announced on SENS on 1 July 2015, the vendors have released the Group from the obligation to settle this liability (refer to note 45).

(D) This amount related to contingent consideration in terms of which an additional amount would be payable if the Company did not raise capital of R50 million by 26 March 2015. The amount would be determined in accordance with a specific formula but was capped at R2 million. It was due to be settled in a variable number of shares in the short term. At the acquisition date, the fair value of the contingent consideration was nil. At year end, the fair value was R2 million and this amount was therefore recognised in profit or loss. Subsequent to year end, and as announced on SENS on 1 July 2015, the vendors have released the Group from the obligation to settle this liability (refer to note 45).

(E) The fair value of trade receivables is R522 305. The gross contractual amount for trade receivables due is R522 305, of which R522 305 is expected to be collectible.

Elite Two

In November 2014 the Group acquired 100% of the shares in Elite Two which resulted in the Group obtaining control over Elite Two. Prior to this the Group had significant influence over Elite Group Two Proprietary Limited and it was equity accounted (refer to the judgement disclosed in note 1.20 and to note 7). Elite Two is principally involved in the unsecured lending industry.

Elite Two was equity accounted in the previous period and was deemed to be disposed of in November 2014 at which point the fair value and carrying amount of the net assets were both nil. There was therefore no gain or loss on the step acquisition.

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Fair value of net assets acquired				
Trade and other receivables (A)	714	–	–	
Cash and cash equivalents	3	–	–	
Current account Elite	(396)	–	–	
Current tax payable	(4)	–	–	
Trade and other payables	(317)	–	–	
Goodwill	**–**	**–**	**–**	

The revenue included in the consolidated statement of comprehensive income since 1 March 2014 contributed by Elite Two was R201 218 and the loss that was contributed was R678 880. Had Elite Two been consolidated from March 2014 to November 2014, the consolidated statement of comprehensive income would show pro-forma revenue of R1 732 710 and loss of R701 738. This excludes the equity accounted loss of R2 259 181 recognised by the Group from 1 March 2014 to October 2014.

(A) The fair value of trade receivables is R714 480. The gross contractual amount for trade receivables due is R1 659 995, and an existing provision of R539 478 has been netted off that resulting in a balance of R1 120 517 of which of R406 037 is expected to be uncollectible.

Cashflows

The cash flow related to Knife Capital Group and Elite Two acquisitions was R16,000 calculated as follows:

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Cash effect of acquisitions				
Cash and cash equivalents Knife Capital Group	26	–	–	–
Bank overdraft Knife Capital Group	(13)	–	–	–
Cash and cash equivalents Elite Two	3	–	–	–
	16	**–**	**–**	**–**

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
38. LIQUIDATION OF NEXUS				
Carrying amount of net assets disposed of				
Trade and other receivables gross	(43,309)	–	–	–
Trade and other receivables impairment (refer to note 44)	38,181			
Tax liabilities (refer to note 35)	6,497	–	–	–
Borrowings	5,000	–	–	–
Cash	(396)	–	–	–
Amount due from Elite	(2,742)	–	–	–
Total net assets disposed	3,231	–	–	–
Net assets on disposal	3,231	–	–	–
Profit on disposal (refer to note 25)	(3,231)	–	–	–
	–	**–**	**–**	**–**

No consideration was received.

Cash outflow on liquidation				
Cash disposed of	(396)	–	–	–

39. 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.

Subsequent to year end, and 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 (refer to note 7). 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.

Greenoaks third party liability

There is a further possible claim relating to Greenoaks (refer to notes 1.20 and 10). In an attempt to stop the transfer of Greenoaks from Blue Dot to Candlestick, the claimant applied for the liquidation of Blue Dot Properties in December 2010. The Group does not believe that this meets the definition of a liability. However, due to the nature of the dispute, no further information has been disclosed because such disclosure would seriously prejudice the position of the Group.

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.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

40. RELATED PARTIES

Relationships

Subsidiaries	Refer to note 6
Subsidiaries loan accounts	Refer to note 11
Associates and equity accounted income from Elite Two	Refer to notes 17 and 7
Significant shareholder with borrowings	Sandown Capital Proprietary Limited refer to notes 17,19,28,29 and 39
Significant shareholder controlled by a director who resigned before the year end	Vaalmac Proprietary Limited
Company controlled by a director providing services to the Group	Makalu Capital Proprietary
Limited Directors' loans and subsequent change	Refer to notes 20, 37 and 39
Penalty paid by a company controlled by a subsidiary company director R1.316 million	Elite Group 1 Proprietary Limited (refer to notes 25 and 15)
Companies acquired	Refer to note 37
Liquidation of subsidiary	Refer to note 38
Executive and non-executive directors	Refer to directors' report
Key management	PJ Bezuidenhout
	DD Breedt
	GE Stoop (Resigned 11 August 2014)
	DA Turner (Resigned 11 August 2014)

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Related party balances				
Loan accounts – Owing (to) by related parties				
Elite owes Sandown Capital Proprietary Limited	(12,933)	(12,486)	–	–
Elite owes Elite Two included in group loans in 2015	–	(2,067)	–	–
Related party transactions				
Value of shares issued to directors on acquisition of Knife Capital @ 9c per share				
EA Van Heerden (A)	3,000	–	3,000	–
JK Van Zyl	3,000	–	3,000	–
A Bohmert (A)	3,000	–	3,000	–
Cash paid to directors on acquisition of Knife Capital				
EA Van Heerden (A)	81	–	81	–
JK Van Zyl	81	–	81	–
A Bohmert (A)	81	–	81	–
Outstanding loans to directors on acquisition of Knife Capital				
EA Van Heerden (A)	406	–	406	–
JK Van Zyl	406	–	406	–
A Bohmert (A)	406	–	406	–
Rent (received from) paid to related parties				
Afdawn	(303)	(1,541)	(303)	(1,541)
African Dawn Debt Management Proprietary Limited	–	245	–	245
Elite	149	1,296	149	1,296
Grindstone	54	–	54	–
Knife Capital	100	–	100	–
Administration fees (received from) paid to related parties				
African Dawn Wheels Proprietary Limited	–	(330)	–	(330)
Afdawn	–	330	–	330
Commission (received from) paid to related parties				
African Dawn Wheels Proprietary Limited	21	27	–	–

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
40. RELATED PARTIES (continued)				
Elite	(217)	(192)	–	–
Nexus	196	165	–	–
Interest (received)/paid from related parties				
Afdawn	(31)	–	(31)	–
Elite	31	–	31	–
JS Van Der Merwe – indirect via Vaalmac Proprietary Limited				
50,000,00 shares issued as underwritter @ 8c per share	4,000	–	4,000	–
Underwritters fee paid cash	80	–	80	–
WJ Groenewald related party transaction				
Knife Capital Group due dilligence fee – via Makalu Capital Proprietary Limited	150	–	150	–
Compensation to key management including directors				
Compensation	9,552	9,506	–	–

(A) The directors indicated became directors of the Company after the acquisition of Knife Capital.

41. DIRECTORS' EMOLUMENTS (R'000) EXECUTIVE

2015	Emoluments	Bonus	Directors' fees for services as directors' of subsidiaries	Total
WJ Groenewald	1,200	527	–	1,727
JK Van Zyl	–	–	1,345	1,345
EA Van Heerden	1,200	142	–	1,342
A Bohmert	–	–	1,347	1,347
	2,400	**669**	**2,692**	**5,761**

2014	Emoluments	Other benefits	Medical aid	Leave paid out	Total
TF Kruger	1,559	–	–	441	2,000
JS Van der Merwe	1,000	–	–	69	1,069
GE Stoop	1,166	392	47	–	1,605
	3,725	**392**	**47**	**510**	**4,674**

Non-executive 2015	Directors' fees	Total
HH Hickey	120	120
V Lessing	120	120
SM Roper	100	100
CM Bull	40	40
JS Van der Merwe	30	30
	410	**410**

2014	Directors' fees	Total
HH Hickey	150	150
WJ Groenewald	150	150
JK Van Zyl	90	90
V Lessing	80	80
WN Luhabe	40	40
L Taylor	60	60
CF Wiese	70	70
	640	**640**

42. CHANGES TO PRIOR YEAR AMOUNTS

Prior year amounts have been restated (as indicated in note 43) and as explained below:

Discontinued operations

Elite – reclassification from discontinued to continuing operations

In 2014, and in line with the new vision for the Group, management decided to discontinue the personal and short term financing division of the Elite group which included Elite and Elite Cell.

The directors were in discussion with potential buyers for the acquisition of Elite and Elite Cell. At that point these were therefore classified as discontinued operations and Elite, classified as non-current asset held for sale. A contract for the sale of Elite was concluded in May 2014, but thereafter the buyers were in breach of the contract and the contract was cancelled resulting in a penalty being paid to Afdawn Group for a breach of contract (refer to notes 15 and 25).

One of the requirements relating to the classification as a non-current asset held for sale in IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, is that the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. However, at 28 February 2015, this requirement was no longer met and therefore these operations are no longer classified as discontinued.

The results of Elite have therefore been reclassified from discontinued operations to continuing operations, for both the current (2015) and prior periods. The amounts for prior periods are described as having been re-presented.

At the date of the subsequent decision not to sell, the recoverable amount of the Elite group was assessed in accordance with IAS 36 – Impairment of Assets. This resulted in no impairment being recognised. Refer to note 15 .

Nexus – reclassification from discontinued to continuing operations

In line with the new vision for the Group as outlined above, Nexus was also classified as a discontinued operation in 2014. However, in 2015 Nexus has been classified as continuing and also reclassified to continuing operations for 2014. This is because Nexus is not a major line of business (given the fact that the business of the Elite group is the same). During 2015, Nexus went into liquidation (refer notes 25 and 38 that reflect a gain on disposal of R3 231 000).

Material prior period errors and other reclassifications

The prior year amounts have been restated for material prior period errors and additional items that have been reclassified as explained below:

Prior period errors

Reclassification within trade and other receivables (2014)

In the prior years, certain debtors that were classified as other receivables in the separate (i.e. company) financial statements of Afdawn were classified as trade receivables on consolidation. In the separate financial statements, the debtors were fully written off and therefore shown as nil. However, on consolidation the gross amount due and an impairment were separately disclosed.

These have been retrospectively reclassified on consolidation. There is no impact on the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity or the statement of cash flows because the debtors were fully impaired. The impact is included in the impairment as disclosed within note 12.

Elite trade receivables – doubtful debt impairment error (2014 and 2013)

A material prior period error relating to the additional impairment of loans in Elite was discovered during the year. Part of the credit management process within Elite involves managing debtors within one of three books:

- Current book – includes debtors that are paying within their credit terms as well as those that are up to 75 days overdue where after they are transferred to the collections book.
- Collections book – debtors remain in collections and will move through the ageing brackets with provisions recognised at varying percentages until they are 180 days overdue at which point they are fully written off unless:
  - The debtor was previously written off because it was sequestrated or deceased; or
  - The debtor was transferred to the legal book.
- Legal book – includes debtors transferred from the collections book when the debtors have the following legal status:
  - A debt pack has been signed that would lead to an emolument attachment order; or
  - The debtor is placed under administration; or
  - The debtor is placed under debt review.

Debtors are written off in the legal book once deceased, sequestrated or the emoluments attachment order has lapsed.

Elite has specific percentages that are used to calculate the provision based on the ageing of the debtors. These are outlined below:

- Current book – 0% progressing to 30% and then, if required, transferred to the collections book;
- Collections book – 45% progressing to 90% and then, if required, either written off or transferred to the legal book;
- Legal book – 30% progressing to 90% and then written off if required.

42. **CHANGES TO PRIOR YEAR AMOUNTS (continued)**

In certain circumstances, the debtors that had been moved from the current book to the collections book (or from the collections book to the legal book) were re-aged. For example, a debtor that was 75 days overdue in the current book would be transferred to the collections book with the same ageing as that in the current book being retained initially. However, when a promise to pay was received from the debtor, or the debtor was flagged as being traced or a debt management agreement was entered into with the debtor, the debtor was re-aged to current. The impact of this re- ageing meant that instead of a higher percentage being recognised as provision because the debtor fell into an older ageing bracket, a lower percentage was used because it appeared that the debtor was current. As a result, a material prior period error has occurred.

In order to determine the extent of the material prior period error, the Board appointed an independent third-party to assist with the re-ageing and calculation of the impairment in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

The board also initiated a thorough investigation to ascertain the full scope of the material prior period error. This investigation included a legal due diligence into the historic business operations of Elite. No other issues arose as a result of the due diligence.

The Company did not recognise any taxation during 2014 and 2013 and does not recognise deferred tax on assessed losses because it does not meet the requirements in IAS 12. As a result, the prior year adjustment has no impact on tax or deferred tax.

R3,547,000 was recognised as an impairment against non-current assets held for sale, however the impairment related to the trade receivables in Elite. The impairment error of R14,188,000 includes the impairment for the R3,547,000.

Elite Two error (2014) and (2013)

An assessment of the relationship between Elite and Elite Two revealed that Elite had significant influence over Elite Two from 2011 until it obtained control in November 2014. This is because Elite had the right to appoint two of the four directors despite it holding no shares in Elite Two. In light of the fact that Elite had not previously accounted for any investment in an associate, no equity accounted earnings relating to Elite Two were recognised in 2012, 2013 and 2014.

Instead, a cumulative management fee of R2,259,181 was recognised in 2014. This is therefore a material prior period error which has been retrospectively restated. This resulted in R787,247 being recognised as profit from equity account investment in 2013 and R 1,471,931 in 2014.

Elite Two became a subsidiary in November 2014 when 100% of the share capital was purchased from Sandown Capital Proprietary Limited in terms of a purchase agreement. The Company is now consolidated by Afdawn Group. Refer to note 37 for information on the deemed disposal of the associate and the acquisition of the subsidiary.

The Company did not recognise any taxation during 2014 and 2013 and does not recognise deferred tax on assessed losses because it does not meet the requirements in IAS 12. As a result, the prior year adjustment has no impact on tax or deferred tax.

Elite Cell error (2014)

A contract was entered into with Guardrisk insurance company to insure unsecured receivables via a closed cell captive. Elite is the owner of the cell captive and bears all the risk if the cell captive does not have sufficient reserves to settle claims.

The cell captive should have been included in the annual financial statements of Elite. Therefore a prior period error has occurred in Elite.

The Company did not recognise any taxation during 2014 and does not recognise deferred tax on assessed losses because it does not meet the requirements in IAS 12, as a result, the prior year adjustment has no impact on tax or deferred tax.

Non-cash items in the cash flow statement (2014)

Several non-cash items were not adjusted against the loss from operations to arrive at the cash generated from operations. These have subsequently been adjusted.

This prior year adjustment has no impact on tax or deferred tax.

Reclassification Elite Two

The loan between Elite and Elite Two was originally classified as other financial assets in 2013 but in 2014 was reclassified as a borrowing. To enhance comparability the amount of R4,192 has been reclassified as borrowings in 2013.

Reclassifications in the cashflow statement (2014)

In 2014 the cash flow statement disclosed cash movements in group loans in the investing activities section. However, the loans are of a financing nature and have therefore been reclassified to financing activities.

In 2014 the finance lease movement disclosed in financing activities did not exclude the interest paid which should have been classified in cash generated from operating activities. The interest paid has therefore been reclassified.

In 2014 depreciation and amortisation were correctly adjusted as a non-cash flow within one line. In order to permit reconciliation to the relevant notes, these have been split in 2015 and the comparative amounts restated.

The effects of the restatements affected most line items in the primary financial statements and are explained further in note 43.

The impact of the 2014 restatements on loss and loss per share as well headline loss and headline loss per share is as follows:

42. CHANGES TO PRIOR YEAR AMOUNTS (continued)

Loss per share continued operations 2014	Gross amount R'000	Tax effect R'000	EPS effect in cents per share
Loss as previously reported	(17,126)	–	(3.37)
Adjustments	–	–	–
Elite impairment error (A)	(6,733)	–	(1.27)
Elite Two error (A)	(787)	–	(0.15)
Impairment reclassification (B)	3,547	–	0.67
Reclassification of discontinued operation to continued	(731)	–	(0.14)
Elite Cell should be included in discontinued	17	–	–
Weighted average adjustment for rights issue 2015 (C)	–	–	0.15
	(21,830)	**–**	**(4.11)**

Loss per share discontinued operations 2014	Gross amount R'000	Tax effect R'000	EPS effect in cents per share
Loss as originally stated	(2,714)	–	(0.53)
Elite reclassified into operations (D)	348	–	0.07
Nexus reclassified into operations (D)	383	–	0.07
Weighted average adjustment for rights issue 2015 (C)	–	–	0.02
	(1,983)	**–**	**(0.37)**

Headline loss per share from continued operations 2014	Gross amount R'000	Tax effect R'000	HEPS effect in cents per share
Headline loss as previously reported	(13,268)	–	(2.61)
Adjustments		–	–
Elite impairment error (A)	(6,733)	–	(1.27)
Elite Two error (A)	(787)	–	(0.15)
Impairment reclassification (B)	3,547	–	0.67
Reclassification of discontinued operation to continued	(731)	–	(0.14)
Reversal of previous headline earnings adjustments:			
Impairment of non-current asset held for sale (B)	(3,547)	–	(0.67)
Non-current asset held for sale (E)	(311)	–	(0.06)
Elite impairment error (A)	(6,733)	–	(1.27)
Impairment reclassification to Elite error	3,546	–	0.66
Elite Two error (A)	(787)	–	(0.15)
Reclassification of discontinued operations to continued error	(731)	–	(0.14)
Weighted average adjustment for rights issue 2015 (C)	–	–	0.12
	(21,830)	**–**	**(4.11)**

Headline loss per share from discontinued operations 2014	Gross amount R'000	Tax effect R'000	HEPS effect in cents per share
As originally stated	(2,714)	–	(0.53)
Elite reclassified into operations (D)	348	–	0.07
Nexus reclassified into operations (D)	383	–	0.07
Weighted average adjustment for rights issue 2015 (C)	–	–	0.02
	(1,983)	**–**	**(0.37)**

(A) The prior period errors have no tax effect as the Company already has a tax loss and does not recognise the deferred tax assets on assessed losses.

(B) This relates to an additional impairment for trade receivables that were included as part of the disposal group classified as a non-current asset held for sale. It is therefore not an excluded remeasurement and does not have a tax effect.

(C) This relates to the rights issue that took place in the 2015 year – refer to note 48.

(D) The discontinued operations have no tax effects.

(E) This relates to a loss relating to property in possession (i.e. security repossessed when the debtors could not settle the amounts owed). Refer to note 15. It is therefore not an excluded remeasurement.

43. COMPARATIVE AMOUNTS

The effects of the restatements and reclassifications explained in note 42 affected most disclosure items indicated in the following tables:

Statement of Financial Position

2014	As originally stated	Elite reclassified	Elite debtors impairment error	Elite Two error	Elite Cell error	Impairment reclassified	Total
Property, plant and equipment	92	950	–	–	–	–	1,042
Intangible assets	–	2,844	–	–	–	–	2,844
Other financial assets – current	–	193	–	(193)	1,554	–	1,554
Tax receivable	95	–	–	–	–	–	95
Investment in associate	–	–	–	2,259	–	–	2,259
Trade and other receivables	19,497	53,216	(14,188)	–	–	–	58,525
Cash and cash equivalents	1,084	4,274	–	–	–	–	5,358
Non-current assets held for sale and assets of disposal groups	59,766	(61,759)	–	–	(1,554)	3,547	–
Accumulated loss	(241,223)	–	(13,844)	–	–	3,547	(251,520)
Borrowings – non-current	8,844	–	–	–	–	–	8,844
Finance lease liabilities non-current	–	194	–	–	–	–	194
Borrowings – current	7,893	16,943	–	2,066	–	–	26,902
Current tax payable	18,226	(53)	(344)	–	–	–	17,829
Finance lease obligation – current	–	87	–	–	–	–	87
Operating lease liability	174	–	–	–	–	–	174
Trade and other payables	6,198	3,083	–	–	–	–	9,281
Liabilities on disposal groups	20,535	(20,535)	–	–	–	–	–

Statement of Comprehensive Income

2014	As originally stated	Elite reclassified	Elite debtors impairment error	Elite Two error	Elite Cell error	Impairment reclassified	Total
Revenue	6,079	28,855	–	–	802	–	35,736
Gross profit	6,079	28,855	–	–	802	–	35,736
Other income	34	922	–	–	3	–	959
Operating expenses	(21,474)	(27,389)	(6,733)	(2,259)	(1,188)	3,547	(55,496)
Operating (loss)/profit	(15,361)	2,388	(6,733)	(2,259)	(383)	3,547	(18,801)
Investment income	77	3	–	–	–	–	80
Finance costs	(1,124)	(2,739)	–	–	–	–	(3,863)
Profit from equity accounted investment	–	–	–	1,472	–	–	1,472
Reversal of non-current assets held for sale Impairment	(311)	–	–	–	–	–	(311)
(Loss)/profit before tax	(16,719)	(348)	(6,733)	(787)	(383)	3,547	(21,423)
Taxation	(407)	–	–	–	–	–	(407)
(Loss) profit from continuing operations	(17,126)	(348)	(6,733)	(787)	(383)	3,547	(21,830)
(Loss)/profit from discontinued operations	(2,714)	348	–	–	383	–	(1,983)
(Loss)/profit for the year	(19,840)		(6,733)	(787)	–	3,547	(23,813)

43. COMPARATIVE AMOUNTS (continued)

Statement of changes in equity 2014

	As originally stated	Elite reclassified	Elite impairment error	Elite Two error	Impairment reclassified	Total
Accumulated (loss)/profit	(19,840)		(6,733)	(787)	3,547	(23,813)

Statement of Financial Position 2013

	As originally stated	Elite reclassified	Elite impairment error	Elite Two error	Nexus reclassified	Total
Investment in associate	–	–	–	787	–	787
Trade and other receivables	83,340	–	(7,455)	–	–	75,885
Total assets	121,542	–	(7,455)	787	–	114,874
Accumulated loss	(221,383)	–	(7,111)	787	–	(227,707)
Current tax payable	18,709	–	(344)	–	–	18,365
Total equity and liabilities	121,542	–	(7,455)	787	–	114,874

Statement of Comprehensive Income

2013	As originally stated	Elite Group reclassified	Nexus Reclassified	Elite impairment error	Elite Two Error	Total
Revenue	6,458	26,745	286	–	–	33,489
Cost of sales	142	(399)	–	–	–	(257)
Gross profit	6,600	26,346	286	–	–	33,232
Other income	570	1,095	–	–	–	1,665
Operating expenses	(10,655)	(22,753)	812	(7,455)	–	(40,051)
Operating (loss)/profit	(3,485)	4,688	1,098	(7,455)	–	(5,154)
Investment income	553	67	–	–	–	620
Finance costs	(1,175)	(1,111)	–	–	–	(2,286)
Profit from equity accounted Investment	–	–	–	–	787	787
(Loss)/profit before taxation	(4,107)	3,644	1,098	(7,455)	787	(6,033)
Taxation	(166)	(461)	–	344	–	(283)
(Loss)/profit from continuing Operations	(4,273)	3,183	1,098	(7,111)	787	(6,316)
Profit/(loss) from discontinued Operations	2,163	(3,183)	(1,098)	–	–	(2,118)
(Loss)/profit for the year	(2,110)	–	–	(7,111)	787	(8,434)

Statement of changes in equity 2013

	As originally stated	Elite Group reclassified	Elite impairment error	Elite Two error	Nexus Reclassified	Total
Accumulated loss	(221,383)	–	(7,111)	787	–	(227,707)

44. 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.
  - Not exposed to interest rate risk.
- 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	Fair value interest rate	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, theseloans are discounted and deemed interest income / expense is recognised. Therefore such loans give riseto fair value interest rate risk.

Management of risk

Cashflow is monitored very closley on a continuous basis.

Credit risk is very closley managed in accordance with the basis as disclosed in the accounting policy 1.17.

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 analysed in the table below:

44. **RISK MANAGEMENT (continued)**

Group 2015 R'000	**Loans and receivables**	**Liabilities at amortised cost**	**Not a financial instrument**	**Balance statement of financial position**
Property, plant and equipment	–	–	937	937
Goodwill	–	–	8,076	8,076
Intangible assets	–	–	6,479	6,479
Other financial assets current	724	–	–	724
Properties in possession	22,968	–	–	22,968
Trade and other receivables	39,462	–	373	39,835
Cash and cash equivalents	15,397	–	–	15,397
Share capital and share premium	–	–	(313,943)	(313,943)
Accumulated loss	–	–	284,532	284,532
Loans from directors non-current	–	(1,535)	–	(1,535)
Deferred tax	–	–	(1,365)	(1,365)
Borrowings non-current	–	(13,298)	–	(13,298)
Finance lease liabilities non-current	–	(60)	–	(60)
Current tax payable	–	–	(14,840)	(14,840)
Borrowings current	–	(17,782)	–	(17,782)
Finance lease liabilities current	–	(122)	–	(122)
Loans from directors current	–	(3,777)	–	(3,777)
Operating lease liability	–	–	(23)	(23)
Trade and other payables	–	(4,019)	(7,710)	(11,729)
Deferred income	–	–	(474)	(474)

Group 2014 R'000	**Loans and receivables**	**Liabilities at amortised cost**	**Not a financial instrument**	**Balance statement of financial position**
Property, plant and equipment	–	–	1,042	1,042
Intangible assets	–	–	2,844	2,844
Investments in associate	–	–	2,259	2,259
Other financial assets current	1,554	–	–	1,554
Property in possession	–	–	24,748	24,748
Trade and other receivables	58,052	–	473	58,525
Current tax receivable	–	–	95	95
Cash and cash equivalents	5,358	–	–	5,358
Share capital	–	–	(284,634)	(284,634)
Accumulated loss	–	–	251,520	251,520
Borrowings non-current	(8,844)	–	–	(8,844)
Finance lease liabilities non-current	(194)	–	–	(194)
Current tax payable	–	–	(17,829)	(17,829)
Borrowings current	–	(26,902)	–	(26,902)
Finance lease liabilities current	–	(87)	–	(87)
Operating lease liability	–	–	(174)	(174)
Trade and other payables	–	(4,232)	(5,049)	(9,281)

Company 2015 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance statement of financial position
Property, plant and equipment	–	–	183	183
Investment in subsidiaries	–	–	15,877	15,877
Loans to group companies current	26,896	–	–	26,896
Trade and other receivables	1,096	–	–	1,096
Cash and cash equivalents	10,608	–	–	10,608
Share capital and share premium	–	–	(313,943)	(313,943)
Accumulated income	–	–	287,491	287,491
Loans to directors non-current	–	(1,535)	–	(1,535)
Loans from group companies current	–	(6,932)	–	(6,932)
Current tax liability	–	–	(7,805)	(7,805)
Borrowings current	–	(1,658)	–	(1,658)
Loans from directors current	–	(3,777)	–	(3,777)
Operating lease liability	–	–	(23)	(23)
Trade and other payables	–	(883)	(5,595)	(6,478)

Company 2014 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance statement of financial position
Property, plant and equipment	–	–	85	85
Investments in subsidiaries	–	–	8,601	8,601
Loans to group companies current	46,473	–	–	46,473
Trade and receivables	2,151	–	–	2,151
Cash and cash equivalents	397	–	–	397
Share capital and share premium	–	–	(284,634)	(284,634)
Accumulated loss	–	–	247,939	247,939
Loans from group companies current	–	(6,943)	–	(6,943)
Current tax payable	–	(6,728)	–	(6,728)
Borrowings current	–	(1,663)	–	(1,663)
Operating lease liabilities	–	(174)	–	(174)
Trade and other payables	–	(1,792)	(3,712)	(5,504)

The Group has not:

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

Collateral

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

Group 2015 R'000	Carrying amount	Security held
Trade and other receivables for which collateral is held	11,972	9,361

Group 2014 R'000	Carrying amount	Security held
Trade and other receivables for which collateral is held	12,200	9,664

- The Group has not taken possession of any collateral it holds in 2015 and 2014. The Company does not hold any collateral against trade and other receivables.

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:

44. RISK MANAGEMENT (continued)

Group 2015 R'000	**Loans and receivables**	**Liabilities at amortised cost**	**Not a financial instrument**	**Balance SOCI**
Interest income – normal and deemed	16,514	92	2	16,607
Interest income – on impaired financial assets	7,639	–	–	7,639
Interest expense normal and deemed	–	3,131	3932	7,063
Impairment	(2,307)	–	2,902	(595)
Gains/losses	–	–	–	–

Group 2014 R'000	**Loans and receivables**	**Liabilities at amortised cost**	**Not a financial instrument**	**Balance SOCI**
Interest income – normal and deemed	22,865	7	68	22,942
Interest income – on impaired financial assets	4,523	–	–	4,523
Interest expense normal and deemed	–	3,813	14	3,827
Impairment	23,705	–	–	23,705

Company 2015 R'000	**Loans and receivables**	**Liabilities at amortised cost**	**Not a financial instrument**	**Balance SOCI**
Interest income – normal and deemed	753	92	–	844
Interest expense normal and deemed	2,710	265	3,344	6,319
Impairment	17,058	–	–	17,058

Company 2014 R'000	**Loans and receivables**	**Liabilities at amortised cost**	**Not a financial instrument**	**Balance SOCI**
Interest income – normal and deemed	72	–	7	79
Interest expense normal and deemed	–	185	–	185
Impairment	2,842	–	–	2,842

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 inaccordance with IAS 39).
- Placing deposits with banks – the maximum exposure to credit risk is the carrying amount of the relatedfinancial 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 asa liability or contingent liability. The maximum exposure as a result of such contracts is disclosed in note 47.

Collateral

The following collateral is held as security:

	2015		2014	
Group R'000	Carrying amount	Security held	Carrying amount	Security held
Trade receivables for which collateral is held	11,972	9,361	12,200	9,664

The Company did not hold any collateral in 2015 or 2014.

Amount of impairment for each class of financial asset:

Group R'000	Amount of impairment 2015	Amount of impairment 2014
Trade receivables (refer to note 12)	64,325	102,313
Other financial assets (refer to note 8)	462	462
	75,309	**113,297**

Company R'000	Amount of impairment 2015	Amount of impairment 2014
Loans to group companies (refer to note 11 for reconciliation)	47,527	50,894

Trade and other receivables – impairment reconciliation

Group	2015	2014
Opening balance	102,313	125,475
Transfer of gross trade debtors and impairment/reversal thereof to other receivables	–	(46,571)
Plus additional impairment provisions	12,999	11,781
Prior year error (refer to note 43)	–	14,187
Less actual write off	(10,140)	(2559)
Nexus disposal (refer to note 38)	(38,683)	–
	66,489	**102,313**

The Company does not have a provision for impairment

Analysis of financial assets that are neither past due nor impaired

Group 2015 R'000	Current	30–60 days	60–90 days	90+ days
Trade receivables	15,926	381	39	1,423

Group 2014 R'000	Current	30–60 days	60–90 days	90+ days
Trade receivables	15,771	759	49	7,323

Company 2015 R'000	Current	30–60 days	60–90 days	90+ days
Trade receivables	–	–	–	–

Company 2014 R'000	Current	30–60 days	60–90 days	90+ days
Trade receivables	–	–	–	–

Ageing of those financial assets that are impaired:

Group 2015 R'000	Current	30–60 days	60–90 days	90+ days
Trade receivables	5,893	5,000,	2,974	70,117

Group 2014 R'000	Current	30–60 days	60–90 days	90+ days
Trade receivables	14,202	3,824	2,589	106,252

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

Group 2015 R'000	Current	30–60 days	60–90 days	90+ days
Trade receivables	19	89	10	53
Other receivables	–	–	–	–

Group 2014 R'000	Current	30–60 days	60–90 days	90+ days
Trade receivables	7,984	65	7	35

Company 2015 R'000	Current	30–60 days	60–90 days	90 days +
Trade receivables	–	–	–	–

Company 2014 R'000	Current	30–60 days	60–90 days	90+ days
Trade receivables	–	–	–	–

44. RISK MANAGEMENT (continued)

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

	2015		2014	
Group R'000	Carrying amount	Credit quality	Carry amount	Credit quality
Other financial assets	724	High	1,554	High
Trade receivables	17,769	Medium	23,902	Medium
Cash and cash equivalents	15,397	High	5,358	High

	2015		2014	
Company R'000	Carrying amount	Credit quality	Carry amount	Credit quality
Cash and cash equivalents	10,608	High	397	High

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 2015**	**Carrying amount of renegotiated loans 2014**
Trade and other receivables	11,184	11,763

Company R'000	**Carrying amount of renegotiated loans 2015**	**Carrying amount of renegotiated loans 2014**
Other receivables	2,231	2,231

Liquidity risk

Group 2015 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	169	2,130	10,648	16,944	2,875
Finance lease liabilities		30	91	75	–
Loans from directors	61	182	487	4,582	–
Trade and other payables	2,785	353	285	3,558	–
	2,727	**2,695**	**11,854**	**25,144**	**838**

Group 2014 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	165	2,065	9,088	24,966	6,020
Finance lease liabilities	–	30	91	197	–
Trade and other payables	2,962	328	–	3,712	–
	3,134	**2,414**	**9,147**	**28,872**	**6,020**

Company 2015 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	–	–	1,750	–	–
Loans from group companies	–	–	6,932	–	–
Loans from directors	61	182	487	4,582	–
Trade and other payables	774	–	3,559	–	–
	835	**182**	**12,728**	**4,582**	**–**

Company 2014 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	–	79	1,829	–	–
Loans from group companies	–	–	6,943	–	–
Trade and other payables	1,793	–	3,712	–	–
	1,793	**79**	**12,484**	**–**	**–**

44. RISK MANAGEMENT (continued)

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 R50 070 (2014: R85 887) (company: Rnil (2014: R17 000). The Group and company's sensitivity to interest rates has dereased during the current period mainly due to the restructuring in variable rate debt instruments (refer to note 17).

A 100 basis points increase would increase revenue on unsecured lending by an estimated R273 522 (2014: R372 773). A 100 basis points increase would increase finance costs on borrowings linked to prime by an estimated R223 452 (2014: R286 886) (refer to note 17).

45. EVENTS AFTER THE REPORTING PERIOD

Non-adjusting events

SARS

Refer to note 13 and 22 for details of subsequent events relating to SARS. None of these events are adjusting events.

Delisting of treasury shares

On 1 December 2014, the board resolved to apply to the JSE Limited for the treasury shares (refer to note 16) to be de- listed. These shares were de-listed on 9 March 2015 and have therefore been disclosed as a non-adjusting event.

Knife Capital Group acquisition – revision of terms

Refer to note 1.20.

Elite recapitalisation

Afdawn will convert a portion of its shareholder loan into equity of Elite in November 2015. A Heads of Agreement has been signed with a third party who will acquire 51% of the economic interest of Elite by providing R15 000 000 of permanent capital, a further R15 000 000 of loan funding facility for 5 years and access to a client base. This will give Elite the ability to generate the required cash flow to fund operations, growth and other financial obligations.

46. 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 nil. 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:

- 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.

- 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).

- 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.

- 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.

46. SEGMENT REPORT (continued)

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 external	8,891	25,241	5,346	671	40,149
Revenue internal	–	–	–	–	–
Cost of sales	268	–	–	–	268
Other income	–	2,406	77	4,934	7,417
Investment income	30	1	2	702	735
Finance costs	2	2,590	818	5,223	8,633
Operating expenses	5,836	42,249	2,848	14,575	65,508
Impairment trade and other receivables (refer to note 12)	–	11,400	370	1,229	12,999
Bad debts actually written off	–	14,007	157	42,547	56,711
Fair value adjustments	–	–	–	2,000	2,000
Deemed interest expense	–	145	–	(35)	110
Equity accounted loss	–	2,259	–	–	2,259
Loss on sale of non-current assets	–	11	–	70	81
Loss on call up of NHFC guarantee (refer to note 26)	–	–	–	3,750	3,750
Depreciation and amortisation	33	875	–	1,274	2,182
Impairment of intangible assets	–	1,150	–	–	1,150
Profit/(loss) before taxation	2,804	(19,595)	259	(15,445)	(31,977)
Taxation	781	–	498	(244)	1,035
Discontinued operations	–	–	–	–	–
Other comprehensive income	–	–	–	–	–
Total comprehensive profit/(loss)	2,023	(19,595)	(239)	(15,201)	(33,012)
	–	–	–	–	–
Segment total assets	4,617	32,173	20,886	36,740	94,416
Segment total liabilities	2,377	46,557	22,171	(6,100)	65,005
Intangible assets acquired	–	–	–	6,543	6,543
Goodwill	–	–	–	8,076	8,076
Property, plant and equipment acquired	81	44	1	220	346
2014					
Revenue external	–	28,856	5,109	1,771	35,736
Other income	–	922	20	17	959
Investment income	–	2	2	76	80
Finance costs	–	2,739	889	235	3,863
Operating expenses	–	36,398	2,866	16,232	55,496
Impairment trade and other receivables (refer to note 12)	–	16,916	247	8,804	25,967
Bad debts actually written off	–	922	121	340	1,383
Equity accounted profit	–	1,472	–	–	1,472
Loss on sale of non-current assets held for sale	–	–	–	311	311
Depreciation and amortisation	–	548	–	55	603
(Loss)/profit before taxation	–	(7,885)	1,375	(14,913)	(21,423)
Taxation	–	–	406	1	407
Discontinued operations	–	–	–	1,966	1,966
Total comprehensive profit/(loss)	–	(7,885)	969	(16,880)	(23,796)
Segment total assets	–	51,307	22,403	22,715	96,425
Segment total liabilities	–	46,502	23,449	(6,640)	63,311
Property, plant and equipment acquired	–	549	–	–	549
Intangible assets acquired	–	1,262	–	–	1,262

47. 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 2015 was R3.5 million (2014 R4.5 million). In terms of the guarantee Afdawn will assume responsibility for the loan if Elite defaults on the loan.

48. LOSS PER SHARE

Basic and diluted loss per share

Basic loss per share and diluted 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 16).

	2015	2014		
Basic and diluted loss per share				
From continuing operations (c per share)	(3.84)	(4.11)	–	–
From discontinued operations (c per share)	–	(0.37)	–	–
	(3.84)	**(4.48)**	**–**	**–**
Reconciliation of loss for the year to basic and diluted loss				
Loss from continuing operations	(33,012)	(21,830)	–	–
Loss from discontinued operations	–	(1,983)	–	–
	(33,012)	**(23,813)**	**–**	**–**
Reconciliation of weighted average number of ordinary shares used for basic and diluted loss per share and headline and diluted headline loss per share				
Number of ordinary shares in issue	508,184	508,184	–	–
Adjusted for:				
Rights issue	259,110	22,797	–	–
Shares issued Knife Capital Group acquisition 28 March 2014	92,603	–	–	–
Weighted average number of shares used for loss and headline loss per share	**859,897**	**530,981**	**–**	**–**

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Headline loss and diluted headline loss per share				
Headline loss per share continued (c)	(4.08)	(4.11)	–	–
Headline loss per share – discontinued (c)	–	(0.37)	–	–
	(4.08)	**(4.48)**	**–**	**–**

	2015	
	Gross	**Net**
Loss from continuing operations		(33 012)
Loss from discontinued operations		0
Total loss for the year		(33 012)
Loss on disposal of property, plant and equipment	23	17
Impairment of intangible asset	1 150	1 150
Profit on disposal of subsidiary	(3 231)	(3 231)
Headline loss from continuing and discontinued operations	–	(35,076)

		2014	
	Note	**Gross**	**Net**
Loss from continuing operations			(21 830)
Loss from discontinued operations	A		(1 983)
Total loss for the year			(23 813)
Loss on disposal of property, plant and equipment		1 000	720
Impairment of intangible asset		0	0
Profit on disposal of subsidiary		0	0
Headline loss from continuing and discontinued operations			(23 813)

A – this relates to the trading loss for the year and is therefore not adjusted in calculating headline loss

The effect of prior year errors on earnings and headline earnings per share is indicated in note 42.

49. RESTRICTIONS

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

2015 – 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 R14 222 000 (refer to note 17 which deals with borrowings owed to Sandown). There was no such restriction in 2014.

Candlestick

The Greenoaks property cannot be sold until such time as the dispute with the liquidator of Blue Dot Properties 1198 CC is resolved. The carrying amount is R19 828 000 (2014: R21 328 238). Refer to note 10.

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 R724 000 (2014: R1 554 000). Refer to note 8.

2014 – Existing as at year end

Elite Cell

The cash in Elite Cell can only be accessed if a claim is submitted to Guardrisk or if Elite Cell Captive declares a dividend. The carrying amount is R1 554 000. Refer to note 8.

PRO FORMA FINANCIAL INFORMATION OF AFDAWN

The *pro forma* consolidated statement of financial position of Afdawn at 29 February 2016 and the *pro forma* consolidated financial results of Afdawn for the year ended 29 February 2016 are set out below. The *pro forma* financial information has been prepared for illustrative purposes only to provide information on how the Transactions might have impacted on the financial position, changes in equity and results of operations of Afdawn. Due to its nature, the *pro forma* financial information may not fairly present Afdawn's financial position, changes in equity, results of operations or cash flows after the implementation of the Transactions. The *pro forma* financial information is presented in a manner that is consistent with the accounting policies of Afdawn.

The *pro forma* financial information set out below, having been prepared in accordance with the South African Institute of Chartered Accountants' Guide on *Pro Forma* Financial Information, should be read in conjunction with the report of the Independent Reporting Accountants, which is included as **Annexure 11** to this Circular.

The directors of Afdawn are responsible for the preparation of the *pro forma* financial information. The *pro forma* consolidated statement of financial position of Afdawn has been prepared on the assumption that the Transactions were effected on 29 February 2016, while the *pro forma* consolidated income statement and the *pro forma* consolidated statement of comprehensive income have been prepared on the assumption that the Transactions were effected on 1 March 2015.

***PRO FORMA* CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 29 FEBRUARY 2016**

	Afdawn[1]	Disposal of Elite[2]	Disposal of PTF1[3]	Disposal of PTF2[4]	Elite transaction *pro forma* adjust-ments[5, 6]	*Pro forma's* after the Elite Transaction and before the Candlestick Transaction	Candlestick Transaction *pro forma* adjust-ments[7,8,9]	Share consoli-dation[10]	***Pro forma's* after the Trans-actions**
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	**R'000**
ASSETS									
Non-current assets									
Property, plant and equipment	879	(636)	–	–	–	243	–	–	243
Goodwill	8 076	–	–	–	–	8 076	–	–	8 076
Deferred tax	381	–	–	–	–	381	(137)	–	244
Intangible assets	5 155	(845)	–	–	–	4 310	–	–	4 310
Investments in subsidiaries	–	–	–	–	–	–	–	–	–
Current assets								–	
Properties in possession	18 247	–	–	–	–	18 247	(16 544)	–	1 703
Loans to group companies	–	(18)	–	(10 033)	10 051	–	–	–	–
Loans receivable	–	–	–	–	8 000	8 000	–	–	8 000
Trade and other receivables	35 981	(25 075)	(2 802)	(5 374)	–	2 731	(284)	–	2 447
Other financial assets	312	(312)	–	–	–	(0)	–	–	(0)
Cash and cash equivalents	3 005	(1 085)	(5)	(22)	12 000	13 893	8 680	–	22 573
								–	
Total assets	**72 036**	**(27 970)**	**(2 807)**	**(15 429)**	**30 051**	**55 881**	**(8 285)**	–	**47 596**

	Afdawn[1] R'000	Disposal of Elite[2] R'000	Disposal of PTF1[3] R'000	Disposal of PTF2[4] R'000	Elite transaction *pro forma* adjust-ments[5, 6] R'000	*Pro forma's* after the Elite Transaction and before the Candlestick Transaction R'000	Candlestick Transaction *pro forma* adjust-ments[7,8,9] R'000	Share consoli-dation[10] R'000	***Pro forma's* after the Trans-actions R'000**
EQUITY AND LIABILITIES									
Equity attributable to owners of the parent									
Share capital	313 943	(6 822)	–	–	6 822	313 943	–	–	313 943
Accumulated loss	(291 442)	19 254	4 256	14 759	(37 174)	(290 347)	(557)	–	(290 904)
Total equity	**22 501**	**12 432**	**4 256**	**14 760**	**(30 352)**	**23 597**	**(557)**	–	**23 039**
Non-current liabilities									
Borrowings	7 829	(1 488)	–	–	–	6 340	(6 340)	–	0
Deferred Tax	1 125	–	–	–	–	1 125	–	–	1 125
Current liabilities									
Loans from group companies	–	(22 737)	(7 063)	(30 188)	59 988	–	–	–	–
Borrowings	12 524	(11 300)	–	–	–	1 224	(1 224)	–	–
Finance lease liabilities	19	(19)	–	–	–	–	–	–	–
Current tax payable	15 054	510	–	–	–	15 564	–	–	15 564
Operating lease	28	–	–	–	–	28	–	–	28
Trade and other payables	12 469	(5 367)	–	–	415	7 517	(164)	–	7 353
Loans to directors	487	–	–	–	–	487	–	–	487
Total liabilities	**49 535**	**(40 402)**	**(7 063)**	**(30 188)**	**60 403**	**32 285**	**(7 728)**	–	**24 557**
Total equity and liabilities	**72 036**	**(27 970)**	**(2 807)**	**(15 429)**	**30 051**	**55 881**	**(8 285)**	–	**47 596**
Number of shares in issue ('000)	877 002					877 002		(855,077)	21,925
Net asset value per share (cents)	2.57					2.69			105.08
Net tangible asset value per share (cents)	1.06					1.28			47.19

Notes and assumptions:

1 Extracted, without adjustment, from the audited consolidated financial statements of Afdawn for the year ended 29 February 2016.

2 The results of Elite were deconsolidated from Afdawn on a line-by-line basis and extracted, without adjustment, from the audited financial statements of Elite for the year ended 29 February 2016, as set out in **Annexure 1** to this Circular. The reporting accountants report is set out in **Annexure 2**.

3 The results of PTF1 were deconsolidated from Afdawn on a line-by-line basis and extracted, without adjustment, from the audited financial statements of PTF1 for the year ended 29 February 2016, as set out in **Annexure 3** to this Circular. The reporting accountants report is set out in **Annexure 4**.

4 The results of PTF2 were deconsolidated from Afdawn on a line-by-line basis and extracted, without adjustment, from the audited financial statements of PTF2 for the year ended 29 February 2016, as set out in **Annexure 5** to this Circular. The reporting accountants report is set out in **Annexure 6**.

5 In terms of the Elite Transaction, Afdawn will sell and cede 100% of the issued share capital of Elite, 100% of the issued share capital of PTF1 and 100% of the issued share capital of PTF2 to Dzothe for a purchase consideration of R20 million, of which R12 million is payable in cash and R8 million will remain outstanding in the form of a vendor loan. In terms of the Elite Transaction, Afdawn will also sell and cede the sale claims in Elite, PTF1 and PTF2 to Dzothe, which as at 29 February 2016 amount to loans receivable of R10.05 million and loans payable of R59.99 million.

6 The increase in trade payables represents the expected transaction costs of R415 000 for the Elite Transaction.

7 In terms of the Candlestick Transaction, Candlestick a wholly-owned subsidiary of Afdawn, will dispose of its Rental Enterprise for R32.5 million, inclusive of VAT at a rate of 0%. As at 29 February 2016, the Candlestick rental enterprise consists of property, plant and equipment amounting to R16.5 million, trade and other payables amounting to R284 000, cash deposits of R300 000, and long-term borrowings of R7.6 million, as extracted, without adjustment, from the audited financial statements of Candlestick for the year ended 29 February 2016, as set out in **Annexure 7** to this Circular. The reporting accountants report is set out in **Annexure 8**.

8 The increase in trade payables represents the expected transaction costs of R165 000 for the Candlestick Transaction.

9 In terms of the Candlestick Settlement Agreement, the proceeds received by Candlestick from the Candlestick Transaction will be divided and paid as follows:

a. Nedbank will be paid as a first charge the amount outstanding on the mortgage bond registered over the Candlestick Property, as at the Transfer Date;
b. the balance of the proceeds after deduction of the Nedbank mortgage bond ("Nett Proceeds") will be distributed as follows:
c. 30% of the Nett Proceeds will be paid to Blue Dot;
d. 35% of the Nett Proceeds will be paid to PTF2 in full and final settlement of its loan claim against Candlestick; and
e. 35% of the Nett Proceeds will be paid to PTF3 in full and final settlement of its loan claim against Candlestick.

Accordingly, based on the terms of the Candlestick Settlement Agreement, Afdawn expects to receive proceeds of R8.9 million as a result of the Candlestick Transaction.

10 The effect of the share consolidation does not have any financial impact on the Company.

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 FEBRUARY 2016

	Afdawn[1] R'000	Disposal of Elite[2] R'000	Disposal of PTF1[3] R'000	Disposal of PTF2[4] R'000	Elite transaction *pro forma* adjust-ments [5, 6, 7, 8, ,9] R'000	*Pro forma*'s after the Elite Transaction and before the Candlestick Transaction R'000 [9]	Candlestick Transaction *pro forma* adjust-ments[10, 11] R'000	Share consoli-dation[13] R'000	***Pro forma's* after the Trans-actions R'000**
Revenue	37 329	(24 289)	(161)	(1 712)	–	11 167	(5 315)	–	5 853
Cost of Sales	(839)	–	–	–	–	(839)	–	–	(839)
Other income	3 910	(1 736)	–	(0)	–	2 174	(7)	–	2 168
Operating expenses	(42 836)	22 377	337	2 693	(415)	(17 845)	2 893	–	(14 952)
Operating profit	**(2 436)**	**(3 648)**	**176**	**981**	**(415)**	**(5 342)**	**(2 428)**	**–**	**(7 770)**
Investment income	346	–	–	(7)	–	339	(2)	–	337
Profit/(Loss) on fair value movement – contingent consideration liability	2 000	–	–	–	3 403	5 403	–	–	5 403
Impairment to properties in possession	(3 284)	–	–	–	–	(3 284)	3 284	–	0
Deemed interest expense and impairment of investment in subsidiary	(552)	460	–	343	–	251	–	–	251
Finance costs	(3 018)	1 571	–	–	1 675	228	1 589	–	1 817
(Loss)/profit before taxation	**(6 944)**	**(1 617)**	**176**	**1 318**	**4 662**	**(2 405)**	**2 443**	–	**39**
Taxation	34	(63)	–	–	(353)	(381)	242	–	(140)
(Loss)/profit for the year	**(6 910)**	**(1 679)**	**176**	**1 318**	**4 310**	**(2 786)**	**2 685**	**–**	**(101)**
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive (loss)/income for the year	**(6 910)**	**(1 679)**	**176**	**1 318**	**4 310**	**(2 786)**	**2 685**	**–**	**(101)**
Headline earnings reconciliation									
(Loss)/profit for the year	(6 910)					(2 786)		–	(101)
Profit on disposal of property, plant and equipment	(9)					(9)		–	(9)
Profit on disposal of subsidiary						(3 403)		–	
Headline (loss)/earnings	**(6 919)**	**–**	**–**	**–**	**–**	**(6 198)**	**–**	**–**	**(110)**
Weighted average number of ordinary shares in issue ('000)	877 002					877 002		(855 077)	21 925
Basic (loss)/earnings per share (cents)	(0.79)					(0.32)			(0.40)
Headline (loss)/earnings per share (cents)	(0.79)					(0.71)			(0.40)

Notes and assumptions:

1 Extracted, without adjustment, from the audited consolidated financial statements of Afdawn for the year ended 29 February 2016.
2 The results of Elite were deconsolidated from Afdawn on a line-by-line basis and extracted, without adjustment, from the audited financial statements of Elite for the year ended 29 February 2016, as set out in **Annexure 1** to this Circular. The reporting accountants report is set out in **Annexure 2**.
3 The results of PTF1 were deconsolidated from Afdawn on a line-by-line basis and extracted, without adjustment, from the audited financial statements of PTF1 for the year ended 29 February 2016, as set out in **Annexure 3** to this Circular. The reporting accountants report is set out in **Annexure 4**.
4 The results of PTF2 were deconsolidated from Afdawn on a line-by-line basis and extracted, without adjustment, from the audited financial statements of PTF2 for the year ended 29 February 2016, as set out in **Annexure 5** to this Circular. The reporting accountants report is set out in **Annexure 6**.
5 In terms of the Elite Transaction, Afdawn will sell and cede 100% of the issued share capital of Elite, 100% of the issued share capital of PTF1 and 100% of the issued share capital of PTF2 to Dzothe for a purchase consideration of R20 million, of which R12 million is payable in cash and R8 million will remain outstanding in the form of a vendor loan. Accordingly, Afdawn accounts for a profit on the Elite Transaction of R3.4 million.
6 The increase in operating expenses represents the expected transaction costs of R415 000 for the Elite Transaction.
7 The reduction in finance costs incurred of R1.6 million was determined using the actual interest incurred by Elite on the borrowings during the financial year ended 29 February 2016.
8 Taxation rates assumed is 28%.
9 The amount of R3 403 000 relates to the profit on sale of the Elite Transaction. An additional amount of R2 000 000 relates to a fair value adjustment in Afdawn.
10 Extracted from the audited financial statements of Candlestick for the year ended 29 February 2016, as set out in **Annexure 7** to this Circular. The reporting accountants report is set out in **Annexure 8**.
11 The increase in operating expenses represents the expected transaction costs for the Candlestick Transaction and the write-off of debtors outstanding. The Candlestick Transaction will also create a reversal of deferred tax of R137 000 due to the write off of the transfer of the doubtful debts provision (as part of the transaction) and the net proceeds from the transaction are assumed to reduce the finance costs incurred by R863 000, based on the actual interest rate payable of 9.5% per annum by the Company.
12 All adjustments are expected to have a continuing effect on the income statement.
13 The effect of the Share Consolidation does not have any financial impact on the Company.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION OF AFDAWN

The Board of Directors
African Dawn Capital Limited
202 Waterfront Terraces
Waterfront Road
Bellville
7530

6 September 2016

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE PRO FORMA FINANCIAL INFORMATION OF THE ELITE AND CANDLESTICK TRANSACTIONS

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of the Elite and Candlestick transactions, collectively ("**the Transactions**") by the directors. The *pro forma* financial information, as set out in **Annexure 10** of the circular to be issued by African Dawn Capital Limited ("**Afdawn**" or "**the Company**") on or about 12 September 2016 ("**the circular**"), consists of the *pro forma* statement of financial position, the *pro forma* statement of comprehensive income and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Listings Requirements.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the corporate actions or events, described in **Annexure 10**, on the Company's financial position as at 29 February 2016, and the Company's financial performance for the period then ended, as if the transactions had taken place at 29 February 2016 for purposes of the *pro forma* statement of financial position and at 1 March 2015 for purposes of the *pro forma* statement of comprehensive income. As part of this process, information about the company's financial position has been extracted by the directors from the Company's financial statements for the year ended 29 February 2016.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in **Annexure 10** of the circular.

Our Independence and quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Profession Accountants* issued by the international Ethics Standards Board for Accountants, which is founded on fundamental principle of integrity, objectively, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3420: *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate actions or events in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in **Annexure 10** of the circular.

Consent

This report on the *pro forma* financial information is included solely for the information of the Afdawn shareholders. We consent to the inclusion of our report on the *pro forma* financial information, and the references thereto, in the form and context in which they appear in the circular.

Grant Thornton Johannesburg
Ian Vorster
Director
Practice number 903485E
Registered Auditors
Chartered Accountants (SA)
Wanderers Office Park
52 Corlett Drive
Illovo, 2196

INDEPENDENT PROPERTY VALUER'S SUMMARY VALUATION REPORT ON THE CANDLESTICK PROPERTY

African Dawn Capital Limited
202 Waterfront Terraces
Waterfront Road
Bellville
7530

The Directors

6 September 2016

Dear Sirs,

INDEPENDENT PROPERTY VALUER'S SUMMARY VALUATION REPORT ON PORTION 214 OF THE FARM LYTTELTON 381 JR, CENTURION, GAUTENG.

1. INTRODUCTION

This summary valuation report has been prepared in accordance with Section 13.22 for inclusion in the shareholders circular of African Dawn Capital ("African Dawn"), as required in terms of the general provisions of Section 13: Property Companies of the Listing Requirements of the JSE Limited ("**Section 13**").

A formal written Valuation Report has been compiled for the property and such report has been issued to the nominated representatives of African Dawn and is available for inspection at the registered office of African Dawn.

In accordance with your instruction dated the 13th of April 2016, we confirm that we have visited and carried out an inspection of the property listed above ("valuation report") during May 2016 (Section 13.23 (a) (iii)) and have received all necessary details required to perform an independent valuation in order to provide you with our opinion of the Market Value for the property as at the 22nd of May 2016 (Section 13.23 (c)).

The valuation of the property has been carried out by the nominated property valuer, Pierre Rynners Valuers ("PRV, and the valuation process has been overseen by Pierre Rynners, Registered Professional Valuer (No. 3626).

Employees of PRV having relevant valuation qualifications have inspected the property and careful consideration has been given to all matters pertaining to the requirements of Section 13 for the purposes of these valuations.

The formal Valuation Report submitted for the property include commentary on the nature of the property, locality, tenancy, risk profile, earning capability and exposure to future expenses and property risk.

The formal Report has further addressed the estimated income capability and expenditure for the property taking into account contractual income at the date of valuation and also expenditure estimates based on current recorded information. Actual amounts were applied where made available and plausible assumptions were made for such expenditure items that were either not confirmed or made available.

The value thus determined for the subject property indicates our opinion of the Market Value thereof at the date of valuation.

2. BASIS OF VALUATION

The basis of valuation for the property is Market Value.

Market value (Section 13.23 (d) is defined by the Royal Institution of Chartered Surveyors, The South African Institute of Valuers and the International Valuations Standards Committee as:

"The estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had acted knowledgeably, prudently and without compulsion."

3. VALUATION METHODOLOGY

The subject property is situated in a residential node within the greater Centurion area. The design and use has been and still remains purely of a residential nature.

It has been brought to our attention that the development will remain a letting portfolio with no intention to sell off individual units and it therefore stands to reason that the capitalisation of net income method should prove to be the most appropriate method of valuation for determining the market value of the property.

4. VALUATION ASSUMPTIONS

We have taken into account what present rental income is as per rent roll. It is however a function of the valuer to apply himself to determine what realistic market rentals should be.

Furthermore, rental should also be allocated to the vacant units, vacancy provision will be addressed by applying a mandatory 4% vacancy provision in the capitalization model. The mandatory vacancy provision of 4% also includes potential vacancy during renovations and or upgrades of individual units, if one considers that 4% represents ±15 days. Note that this implies a 15-day vacancy or loss of income over the entire complex for the rest of its income producing live span, this is more than sufficient provision in our opinion.

Only after considering all the market related data, will the valuer factor in the current rental income, be it lower or higher than market and in so doing calculate a deferred value for any such portion above or below market. The PV of such calculation will then be taking into consideration by adding or subtracting to the capitalized value established by applying market related data.

In the case of the subject property, we are of the opinion that the difference in rental income for actual occupied units is negligible at ±7%, and as such we will reflect what is considered to be more market related monthly rental for the units.

Our estimates of current market rentals are based on our research of the latest available market letting transactions in the areas where the property is situated. The capitalization model assumes market related rental increase, no more or less than market would dictate for the future of the complex.

The assumptions regarding vacancy allowances and void periods for income lost due to the letting or re-letting of units within the greater development have been made with reference to vacancy statistics published by recognized organizations as well as discussions with property managers and any negotiations that are currently underway with prospective tenants.

5. INSPECTIONS, AREAS AND DIMENSIONS

The subject property was initially inspected in November of 2014. At the time of said inspection all improvements were measured on site, and diagrams of layout for purposes of identification was included in such report. The most recent re inspection revealed that nothing has changed in terms of size and accommodation makeup and as such all previous areas and accommodation has been applied in the most recent valuation report.

6. SOURCES OF INFORMATION

(a) Source of information and verification

Information on the portfolio with regards to rental income, has been provided to us by the current owners and their managing agents in the form of a basic rent roll. We have relied on this information provided as being correct and complete and there being no undisclosed matters which would affect the valuation.

We have further compared certain expenditures given to us to market norms of similar properties and the historic expenditure levels of the property itself. Historical contractual expenditures and municipal services are compared to the past performance of the properties in order to assess potential expenditure going forward.

(b) Full disclosure

The valuations been prepared on the basis that full disclosures of all information and factors that may affect the valuations have been made to us. Furthermore, we have to the best of our ability researched the market for comparable rental information.

(c) Location

The subject property is located in the greater Tshwane Municipal are, in the former Centurion Municipal precinct in Gauteng, South Africa.

(d) Leases

Sub section 13.23(ix) provides that the summary of the valuation report to be included in the prospectus or circular must include a “high level summary of the actual tenant’s leases or sub leases”.

With regard to the subject property, we have been provided with rent-roll and a standard lease agreement. Standard lease agreement refers to a generic lease agreement document used by the land lord.

It is our opinion that such lease agreements conform to the norm with regards to short term residential lease agreements.

SAID lease agreements address the following:

- Monthly rental amount
- Duration of lease.
- Annual escalation
- Deposit payable to Lessor, which the Lessor may apply, in whole or part, in meeting any amounts owed to the Lessor, after termination of the lease.
- Additional parking rental over and above the single bay designated to the unit. Such rental be agreed upon in the standard lease agreement.
- Validity of the lease shall not be affected by the transfer of the Premises from the Lessor pursuant sale thereof.

(e) Intra -group lease terms

Given the information as per the prevailing rent-roll it does not appear that any intra-group or related party leases are in effect. Saying this however we cannot confirm this with total certainty as we are not privy to the whole of the company structures and employers profile. We have therefore taken it in good faith that that no intra-group or related party leases exists. Management has confirmed that no intra-group leases exist.

(f) Expenses

In estimating the applicable property expenses, we have relied on actual expenses sourced from local authority etc. In the case where no allowances were made or confirmation of actual costs were given we made plausible assumptions and adjustments given our experience with regards to valuation of similar properties in recent times.

(g) Mortgage bonds, loans, etc.

The subject property is subject to a mortgage bond in favor of Nedbank in the amount of R 14 000 000 (B34016/2010) registered in the name of Candlestick Park Investments Pty Ltd.

Although the valuer has taken note of the registered bond, which does not imply that it is the amount owing to the mortgager, such registered bond amount was not taken into account in determining the value of the property.

Note however certain allowances and deductions were made so as to provide for necessary refurbishment and costs relating to a section 38 establishment. The costs of the latter were based on initial costs submitted in 2014, escalated by CPI.

(h) Calculation of areas

We have taken great care in measuring and calculating sizes as accurately as possible as no building plans or sectional title plans were available. If, however the landlord/owner should disagree with the sizes as reflected in our report; such sizes must be verified by means of professional architect's drawings/plans. If indeed the sizes material to the valuation report is found to be different and all parties agree that architect's sizes are correct, the valuer reserves the right to amend this report accordingly.

The valuation of the property has been based on information obtained from the local authorities, from a physical inspection as well as detailed research on property sales and lettings within the areas in which the properties are situated.

Where appropriate, we have satisfied ourselves that the information on which we have based our valuations is accurate.

7. MATERIAL CONTRAVENTION OF STATUTORY REQUIREMENTS

The subject property forms part of the Tshwane Town Planning Scheme 2008.

We have gone to the trouble to get the most recent zoning confirmation from local authority, so as to make sure that the zoning or conditions thereof might not have changed since the date of previous valuation.

All documents with regards to prevailing zoning appears to indicate that nothing has changed and that the property presently still only enjoy basic Agricultural zoning.

Previous investigation revealed that the Centurion Town Planning Department confirmed an application for township development was filed, and a general plan was approved in 2002. The subject property would have been proclaimed as Die Hoewes Ext 147.

Further discussion with local authority revealed the following:

- Town planning department confirmed that the township application had lapsed and no extension of time was granted.
- The 101 certificate (confirmation that all the pre-proclamation conditions have been complied with) could not be issued in any event owing to the fact that none of the pre-proclamation conditions were complied with, or no such proof have been submitted to the COT.
- The building department confirmed that no approved building plans for the subject property exists.
- No SDP could be found.

Given all of the above, it is fair to state that all buildings currently constructed over the property could be considered as being illegal.

Taking all of the above mentioned into account, the subject property will have to go through the whole process of township establishment which is costly and could take up to 12 months or even longer to be approved. This will be taken into consideration when calculating a value for the subject property. In addition to the township establishment related issues, it has also come to our attention that the larger property might be impacted by poor geological soil conditions as is common for the area.

We were furnished with a cost breakdown which should have enabled the property owner to register the property as section 38.

For the purpose of this report and to establish a value as the property presently exists, the costing as previously submitted was taken into considerations once again with a slight upward adjustment given the time since date of previous report.

8. BRIEF DESCRIPTION

The subject property as it presently exists comprises a freehold stand, please note that this statement refers to the larger farm portion, no sectional title register has been opened for the individual units and larger complex.

We cannot verify with any degree of certainty the exact age of the improvements, safe to say it is in the order of 10 years.

The property comprises a residential development, offering 15 distinct structures, comprising the original dwelling with detached outbuilding, 12 residential blocks and a guard house. In addition to this, the development is improved with steel carports, paved driving areas, and brick perimeter wall.

The 12 residential blocks comprise of 8 three storey buildings and 4 two storey buildings, housing 32 three bedroom units and 44 two bedroom units. These improvements comprise face brick elevations under a tiled roof. Fittings and finishes employed throughout the unit are considered to be of an average quality. The original "farm house" comprises a single storey dwelling with plastered and painted elevations, offering a practical layout coupled with fittings and finishes considered to be bordering on being dated. This home offers three bedrooms with two bathrooms, kitchen and open plan lounge and dining area. On the date of inspection improvements were found to be in a general sound state of repair, however would require some maintenance and repair both to the interior of the units as well as the exterior of the buildings.

Given the location of improvements on site one could potentially argue that some land exists for future additions. However, as this complex or development has been in existence for around 10 years with no further additions being done and taking the poor geological conditions in the greater Centurion into account, it is unlikely that any further development of the site would take place. The property is not currently in the course of development or held for development.

9. OPTIONS OR BENEFIT/DETRIMENT OF CONTRACTUAL ARRANGEMENTS

To our knowledge there are no contractual arrangements on the property that may have a major benefit or are detrimental to the fundamental value base of the properties.

We reserve the right to amend our valuation should any findings alter or bring the validity of the lease/s into question. To the best of our knowledge there are no options in favor of any parties for any purchase of the property.

10. TREATMENT OF VACANCY (13.23(f)(i)

For the purpose of the valuation we have considered and applied what is considered as market related rental income to those units vacant at the time, assuming that demand for units are such that the units would not remain vacant for longer than normal. Mandatory vacancy allowance would address vacancy due to tenant turnover.

11. ALTERNATIVE USE FOR A PROPERTY

We have valued the properties in accordance with their existing use which represents their market value. Thus, alternative use values have not been reported for the property.

12. RENTALS USED IN VALUATION

Save for considered assumptions being made with regard to vacant space and the renewal of leases, we confirm that the current rental income being achieved in the properties do not materially differ from the estimated future rental income. The market related rentals have been determined by comparing similar residential units in comparable areas to those offered by the subject property. The market rentals have also been compared with rentals listed in various published benchmarking indices.

13. OTHER COMMENTS

Our valuations exclude any amounts of Value-Added Tax, transfer duty, or securities transfer duty.

14. GENERAL PRINCIPLES OF VALUATIONS AND REPORTS

We list below the general Caveats and principles upon which valuations and reports undertaken by PRV are normally prepared and confirm that such principles shall apply in respect of the properties forming the subject of this valuation exercise, unless specifically mentioned otherwise:

I/We declare that I/We have inspected the above property, internally and externally.

I/We are not related within the third degree of consanguinity of affinity to any person having such an interest.

I/we emphasize that we have not carried out a structural survey of the improvements, nor have we examined them for signs of timber infestation or any other hidden defects, and accordingly, cannot be held responsible for possible defects.

This valuation may not be used for any other purpose than that for which it was intended, without the prior written consent of the valuer.

Title to the property is assumed to be good and marketable unless otherwise stated.

The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy. If any plans and/or illustrative material have been used in this report, it is only to assist the reader in visualizing the property.

It is assumed that the provision for potential soil problems is sufficiently provided for in the costing as submitted by the client. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

It is assumed that all applicable zoning and use regulations and restrictions not complied with can be re applied for successfully and that the application for township establishment and section 38 certification will be approved without any undue delay and extraordinary cost. More than that allowed for in this report.

It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespassing unless noted in this report.

Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the valuer, and in any event only with proper written qualification and only in its entirety.

The valuer herein by reason of this valuation is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.

Neither all nor part of the contents of this report (especially conclusions as the value, the identity of the valuer, or the firm with which the valuer is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the valuer.

Neither the whole nor any part of this valuation report or certificate or any reference thereto may be included in any published document, circular or statement, or published in any way without the valuer's written approval of the form and context in which it may appear.

The publication shall deem to include references in company accounts and/or directors reports or any other company statement or circular.

The valuation is prepared on the basis that full disclosure of all information and facts which may affect the valuation, has been made to the valuer and no liability or responsibility will be accepted whatsoever for the valuation unless such full disclosure has been made.

This valuation is solely for the use of the party to whom it is addressed in accordance with the instructions. Reliance on it by any third party cannot be regarded as reasonable and no responsibility to any third party is or will be accepted for the whole or any part of the valuation.

The valuer has no personal interest in the property.

In the unlikely event of the client incurring any losses due to negligence of the valuers, valuers in training and assistants, the aggregate amount of the damages recoverable against the valuer shall not exceed the fee for providing the service.

Any calculations relating to improvement sizes and total anticipated replacement costs have been based on measurements as taken on site on the date of inspection.

In the case that the subject property is improved, it must be borne in mind that we have taken great care in measuring and calculating sizes as accurately as possible as no building plans or sectional title plans were available. If, however the landlord/owner should disagree with the sizes as reflected in our report; such sizes must be verified by means of professional architect's drawings/plans. If indeed the sizes material to the valuation report is found to be different and all parties agree that architect's sizes are correct, the valuer reserves the right to amend this report accordingly.

The valuation has been undertaken to determine the current market value of the subject property, so as to establish market value on effective date of valuation.

15. VALUERS FOR THIS JSE SECTION 13 LISTING PROJECT

The valuation of the subject property has been carried out by the nominated property valuer, Pierre Rynners Valuers. ("PRV"). The valuation process has been overseen by Pierre Rynners, Registered Professional Valuer No 3626.

Employees of PRV having relevant qualifications have inspected the property and careful consideration has been given to all matters pertaining to the requirements for the purposes of the valuations.

16. AGGREGATE MARKET VALUE OF THE SCHEDULED PROPERTIES

We are of the opinion that the aggregate Market Value of the income producing property, as at the 29th of May 2016 is R32 000 000 **(Thirty Two Million Rand),** excluding VAT.

We confirm that to the best of our knowledge and belief there have been no material changes between the date of the valuation and the last practicable date in any circumstances relating to the properties, which would affect the valuation thereof. (Section13.23(a)(xii))

Yours faithfully,

for and on behalf of Pierre Rynners Valuers
Pierre Rynners
Head of Valuations

Professional Valuer (3626)
(Registered without restriction in terms of the Property Valuers Profession Act No. 47 of 2000)
20 Islington Crescent
Midstream Estate
Ekurhuleni
1629

INDEPENDENT EXPERT'S FAIR AND REASONABLE OPINION

The Directors
African Dawn Capital Limited
202 Waterfront Terraces
Waterfront Road
Bellville, 7530

6 September 2016

Dear Sirs

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO AFRICAN DAWN CAPITAL LIMITED REGARDING THE DISPOSAL OF MICRO FINANCE AND RENTAL ENTERPRISE UNDERTAKINGS

INTRODUCTION

BDO Corporate Finance Proprietary Limited ("**BDO Corporate Finance**") has been appointed by the board of directors ("**Board**") of African Dawn Capital Limited ("**Afdawn**" or the "**Company**"), as required in terms of Regulation 90 of the Companies Regulations, 2011 ("**Companies Regulations**") (as read with section 117(c)(i) and section 112) of the Companies Act (No.71 of 2008), as amended (the "**Companies Act**"), in respect of the proposed disposal of:

- 100% of the issued shares in Elite Group Proprietary Limited ("**Elite**"), African Dawn Property Transfer Finance 1 Proprietary Limited ("**PTF1**") and Property Transfer Finance 2 Proprietary Limited ("**PTF2**") (the "**Elite Transaction**"); and
- The rental enterprise business conducted by Candlestick Park Investments Proprietary Limited ("**Candlestick**") which comprises:
  - Portion 214 of the Farm Lyttleton 381, Registration Division IR, Gauteng Province, measuring 2,1413 hectares and held by Candlestick under Deed of Transfer number T55132/2010 (the "**Candlestick Property**");
  - All right, title and interest of Candlestick in and to the underlying existing lease agreements related to the Candlestick Property;
  - All fixed assets which form part of the rental enterprise conducted by Candlestick; and
  - All other assets necessary to conduct the rental enterprise conducted by Candlestick (the "**Rental Enterprise**") ("**Candlestick Transaction**")

  collectively the ("**Disposal Transactions**").

The Elite Transaction

In terms of the Elite Transaction, the purchase consideration payable amounts to R20 million (the "**Elite Purchase Consideration**") and will be secured and paid to Afdawn as follows:

- A non-refundable deposit in the amount of R2 million, which was already paid on 11 July 2016;
- An amount of R10 million shall be paid to Afdawn on the effective date of the Elite Transaction (the "**Effective Date**"); and
- The balance of R8 million to remain outstanding in the form of a vendor loan ("**Vendor Loan**"), which shall bear interest at a rate of 15% per annum, compounded monthly and payable monthly in arears payable by no later than twelve months after the Effective Date of the Elite Transaction in terms of the sale of shares and claims agreement concluded (the "**Elite Agreement**").

The Candlestick Transaction

In terms of the Candlestick Transaction, the purchase consideration payable in respect of the Rental Enterprise amounts to R32.5 million (the "**Candlestick Consideration**") and will be paid in cash, provided that the terms and conditions as per the agreement entered into between Candlestick, Blue Dot Properties 1198 Close Corporation ("**Blue Dot**"), Nedbank Limited ("**Nedbank**"), PTF2 and African Dawn Property Transfer Finance 3 Proprietary Limited ("**PTF3**") as made an order of court on 30 March 2016 (the "**Candlestick Settlement Agreement**") are met.

In terms of the Candlestick Settlement Agreement, the Candlestick Consideration will be divided and paid as follows:

- Nedbank will be paid as a first charge the amount outstanding on the mortgage bond registered over the Candlestick Property, as at the transfer date of the underlying property;
- the balance of the proceeds after deduction of the Nedbank mortgage bond ("**Net Proceeds**") will be distributed as follows:
  - 30% of the Net Proceeds will be paid to Blue Dot;
  - 35% of the Net Proceeds will be paid to PTF2 in full and final settlement of its loan claim against Candlestick; and
  - 35% of the Net Proceeds will be paid to PTF3 in full and final settlement of its loan claim against Candlestick.

Based on the terms of the Candlestick Settlement Agreement, the Company expects to receive proceeds of R8.7 million as a result of the Candlestick Transaction, through its wholly owned subsidiary PTF2 (the "**Net Candlestick Consideration**").

The Disposal Transactions result in the disposal of all or the greater part of the assets of Afdawn.

Full details of the Disposal Transactions are contained in the circular to Afdawn Shareholders ("the Circular") to be dated on or about 12 September 2016, which will include a copy of this letter.

The material interests of the directors of Afdawn and the effect of the transaction on those interests and persons are set out in sections 5 and 3 of the Circular respectively.

Copies of sections 115 and 164 of the of the Companies Act are set out in **Annexure 14** of the Circular.

INDEPENDENT EXPERT REPORT REQUIRED

The Disposal Transactions constitute an affected transaction as defined in section 117(1)(c)(i) of the Companies Act, which is subject to the provisions of the Companies Regulations. In terms of Regulation 90 (as read with section 114(2) and section 114(3) of the Companies Act), the directors of Afdawn are required to obtain appropriate external advice as to how the Disposal Transactions affect all holders of securities in Afdawn and, which shall deal with all matters set out in section 112(4) and 114(3) of the Companies Act (the "**Opinion**").

BDO Corporate Finance has been appointed as the independent expert by the independent non-executive directors ("**Independent Board**") required in terms of section 114 of the Companies Act, in respect of the Disposal Transactions.

SECTION 114(3) REQUIREMENTS

As required in terms of section 114(3) of the Companies Act, this report deals with the following:

a. state all prescribed information relevant to the value of the securities affected by the proposed arrangement;

b. identify every type and class of holders of the Company's securities affected by the proposed arrangement;

c. describe the material effects that the proposed arrangement will have on the rights and interests of the persons mentioned in paragraph (b);

d. evaluate any material adverse effects of the proposed arrangement against-

   i. the compensation that any of those persons will receive in terms of that arrangement; and

   ii. any reasonably probable beneficial and significant effect of that arrangement on the business and prospects of the Company;

e. state any material interest of any director of the Company or trustee for security holders;

f. state the effect of the proposed arrangement on the interest and person contemplated in paragraph (e); and

g. include a copy of sections 115 and 164.

RESPONSIBILITY

Compliance with the Companies Act is the responsibility of the directors. Our responsibility is to report on the terms of the Disposal Transactions.

EXPLANATION AS TO HOW THE TERMS "FAIR" AND "REASONABLE" APPLY IN THE CONTEXT OF THE DISPOSAL TRANSACTIONS

The assessment of the "fairness" of a transaction is primarily based on quantitative considerations. A transaction will generally be considered fair if the benefits received, as a result of a corporate action, are equal to or greater than the value surrendered by a company.

The Elite Transaction may be said to be fair if the Elite Consideration exceeds or is equal to the attributable value to Elite, PTF1 and PTF2 prior to the Elite Transaction or unfair if the Elite Consideration is less than the attributable value of Elite, PTF1 and PTD2 prior to the Candlestick Transaction.

The Candlestick Transaction may be said to be fair if the Net Candlestick Consideration exceeds or is equal to the attributable value of the Rental Enterprise prior to the Candlestick Transaction or unfair if the net Candlestick Consideration is less than the attributable value of the Rental Enterprise prior to the Candlestick Transaction.

An assessment of reasonableness is generally based on factors other than quantitative considerations.

DETAILS AND SOURCES OF INFORMATION

In arriving at our opinion we have relied upon the following principal sources of information:

- The terms and conditions of the Candlestick Transaction entered into between Candlestick and SJJMC Proprietary Limited ("**SJJMC**") dated 8 April 2016, as amended on or about 22 July 2016 (the "**Candlestick Agreement**");
- The terms and conditions of Candlestick Settlement Agreement;
- The terms and conditions of the Elite Transaction entered into between Afdawn, Dzothe Finance Solutions Proprietary Limited ("**Dzothe**"), Elite, PTF1 and PTF2 dated 27 June 2016;
- Audited annual financial statements of PTF1, PTF2, Elite and Candlestick for the years ended 28 February 2015 and 29 February 2016;
- Forecast Model in respect of Elite for the financial years ending February 2017 to 2020;
- Audited consolidated annual financial statements of Afdawn for the year ended 28 February 2015 and 29 February 2016;
- Independent property valuers' report on the fair market value of the farm Lyttelton 381 JR Portion 214 ("**Green Oaks**") as at 20 May 2016 prepared by Pierre Rynners, Professional Valuer of Pierre Rynners property valuers ("**Pierre Ryners**"), whom we have satisfied ourselves is an independent external registered professional valuer in terms of the Property Valuers Profession Act, No. 47 of 2000 (the "**Green Oaks Valuation**");
- Discussions with Afdawn directors and management and their advisors regarding the rationale for the Disposal Transactions;
- Discussions with Afdawn directors and management regarding the financial information of the Candlestick Rental Enterprise, Elite, PTF1 and PTF2;
- Discussions with Afdawn directors and management on prevailing market, economic, legal and other conditions which may affect underlying value; and
- Publicly available information relating to Afdawn and the sector in which it operates.

The information above was secured from:

- Directors and management of Afdawn and their advisers; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing the Company.

PROCEDURES

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the fairness and reasonableness of the Disposal Transactions:

- Reviewed the terms and conditions of the Candlestick Transaction as contained in the Candlestick Agreement and the Candlestick Settlement Agreement;
- Reviewed the terms and conditions of the Elite Transaction as contained in the Elite Agreement;
- Reviewed the financial and other information related to Afdawn, Elite, Candlestick, PTF1 and PTF2 as detailed above;
- Held discussions with directors of Afdawn and their advisors and considered such other matters as we consider necessary, including assessing the prevailing economic and market conditions and trends;
- Reviewed the Green Oaks Valuation and considered the valuation methodology and assumptions applied. Based on our review of the Green Oaks Valuation we are satisfied that the valuation approach adopted are consistent with standard valuation practice and the valuation assumptions are consistent with market parameters. Consequently, we are satisfied with the valuation and are placing reliance on the valuation;
- Reviewed the terms and conditions of the Nedbank facility outstanding in respect of Green Oaks;
- Performed a computation of the Net Candlestick Consideration;
- Reviewed the valuation of Elite Model and performed a sensitivity analysis on key assumptions included in the Elite Valuation. The valuation methodologies employed in respect of Elite included the discounted cash flow methodology;
- Compiled a schedule of the net asset values ("NAV") of Elite, PTF1 and PTF2 and made an adjustment to the trade and other receivables receivable by providing for a collection fee for the receivables;
- Assessed the long-term potential of Afdawn;
- Evaluated the relative risks associated with Afdawn and the industry in which it operates;
- Reviewed certain publicly available information relating to Afdawn which we deemed to be relevant;
- Where relevant, representations made by management and/or directors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which Afdawn operates, and to analyse external factors that could influence Afdawn; and
- Held discussions with the directors and management of Afdawn and their advisors as to the long-term strategy and the rationale for the Disposal Transaction and considered such other matters as we considered necessary, including assessing the prevailing economic and market conditions and trends in the sector in which the Company operates.

ASSUMPTIONS

We arrived at our opinion based on the following assumptions:

- That all agreements that are to be entered into in terms of the Disposal Transactions will be legally enforceable;
- That the Disposal Transactions will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisers of Afdawn; and
- That reliance can be placed on the financial information of Afdawn, the Rental Enterprise, Elite, PTF1 and PTF2.

APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Conducting analytical reviews on the historical financial results and financial information, such as key ratio and trend analyses; and
- Determining the extent to which representations from management were confirmed by documentary evidence as well as our understanding of Afdawn and the economic environment in which the Company operates.

LIMITING CONDITIONS

This opinion is provided to the directors in connection with and for the purposes of the Disposal Transaction. The opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of Afdawn shareholders.

Individual shareholders' decisions regarding the Disposal Transaction may be influenced by such shareholders' particular circumstances and accordingly individual shareholders should consult an independent adviser if in any doubt as to the merits or otherwise of the Disposal Transaction.

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of Afdawn relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Afdawn will correspond to those projected. We have however compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management.

We have also assumed that the Disposal Transaction will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisers of Afdawn and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

INDEPENDENCE, COMPETENCE AND FEES

We confirm that neither we nor any related person with us have a direct or indirect interest in Afdawn, Elite, Candlestick, the Rental Enterprise, PTF1, PTF2 and the Disposal Transactions nor any relationship as contemplated in section 114(2)(b) of the Companies Act, and specifically declare, as required by Regulation 90(6)(i) and Regulation 90(3)(a) of the Companies Regulations, that we are independent in relation to the Disposal Transaction and will reasonably be perceived to be independent taking into account other existing relationships and appointments. We also confirm that we have the necessary competence to provide the Opinion on the Disposal Transactions and meet the criteria set out in section 114(2)(a) of the Companies Act.

Furthermore, we confirm that our professional fees of R100,000 (excluding VAT) are payable in cash and are not contingent upon the success of the Disposal Transactions.

VALUATION APPROACH

BDO Corporate Finance performed a valuation of the Rental Enterprise, Elite, PTF1 and PTF2 to determine whether the Disposal Transactions are fair to Afdawn shareholders.

Elite, PTF1 and PTF2

The valuation was performed taking cognisance of risk and other market and industry factors affecting the business. Additionally, sensitivity analyses were performed considering key value drivers.

The discounted cash flow methodology was employed in respect of Elite.

The valuation methodologies employed in respect of PTF1 and PTF2 included a review of the NAV of the companies and assessing the fair values of assets and liabilities the companies.

Key internal value drivers to the discounted cash flow valuation included the discount rate and forecast free cash flows.

External value drivers, including; growth in the South African economy, general market conditions and demand for micro-lending and personal financing were also considered in assessing the forecast cash flows and risk profile of Elite, PTF1 and PTF2.

The Rental Enterprise

The valuation of the Rental Enterprise was performed by applying the market approach based on the Green Oaks Valuation and the determination of the carrying value of the settlement amount of the Nedbank mortgage bond underlying Green Oaks and by applying the distribution formula in order to arrive at the Net Candlestick Consideration.

VALUATION RESULTS

In undertaking the valuation exercise above, we determined a fair value of R20 million and a fair value for the Rental Enterprise of R8.7 million.

The valuation above is provided solely in respect of this Opinion and should not be used for any other purposes.

REASONABLENESS OF THE DISPOSAL TRANSACTIONS

We have assessed the terms of the Disposal Transactions with reference to normal market-related practice. We have found no indication that the Disposal Transactions will have any material adverse effect on the Company and have identified no Disposal Transactions parameters which could be considered unreasonable to the Company.

OPINION

BDO Corporate Finance has considered the terms and conditions of the Disposal Transactions and, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Disposal Transactions, based on quantitative considerations, are fair to the Company.

Based on qualitative factors, we are of the opinion that the terms and conditions of the Disposal Transaction are reasonable from the perspective of the Company.

Our opinion is necessarily based upon the information available to us up to 6 September 2016, including in respect of the financial information as well as other conditions and circumstances existing and disclosed to us. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Disposal Transaction have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

CONSENT

We consent to the inclusion of this letter and the reference to our opinion in the Circular to be issued to the shareholders of DAWN in the form and context in which it appears.

Yours faithfully

N Lazanakis
Director

BDO Corporate Finance Proprietary Limited
22 Wellington Road
Parktown
2193

SECTION 115 AND SECTION 164 OF THE COMPANIES ACT: SHAREHOLDERS' APPRAISAL RIGHTS

"Section 115: Required approval for transactions contemplated in Part A

(1) Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:

(a) the disposal, amalgamation or merger, or scheme of arrangement:

(i) has been approved in terms of this section; or

(ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and

(b) to the extent that Parts B and C of this Chapter and the Takeover Regulations, apply to a company that proposes to:

(i) dispose of all or the greater part of its assets or undertaking;

(ii) amalgamate or merge with another company; or

(iii) implement a scheme of arrangement,

the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119 (4)(b), or exempted the transaction in terms of section 119(6).

(2) A proposed transaction contemplated in subsection (1) must be approved:

(a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the Company's Memorandum of Incorporation, as contemplated in section 64(2); and

(b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the Company's holding company if any, if:

(i) the holding company is a company or an external company;

(ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and

(iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and

(c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).

(3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:

(a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the Company to seek court approval; or

(b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).

(4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:

(a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or

(b) required to be voted in support of a resolution, or actually voted in support of the resolution.

(4A) In subsection (4), 'act in concert' has the meaning set out in section 117(1)(b).

(5) If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the Company must either:

(a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or

(b) treat the resolution as a nullity.

(6) On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:

(a) is acting in good faith;

(b) appears prepared and able to sustain the proceedings; and

(c) has alleged facts which, if proved, would support an order in terms of subsection (7).

(7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:

(a) the resolution is manifestly unfair to any class of holders of the Company's securities; or

(b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Companies Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.

(8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:

(a) notified the Company in advance of the intention to oppose a special resolution contemplated in this section; and

(b) was present at the meeting and voted against that special resolution.

(9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:

(a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;

(b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;

(c) the transfer of shares from one person to another;

(d) the dissolution, without winding-up, of a company, as contemplated in the transaction;

(e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or

(f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.

SECTION 164: DISSENTING SHAREHOLDERS APPRAISAL RIGHTS

(1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.

(2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to:

(a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or

(b) enter into a transaction contemplated in section 112, 113, or 114,

that notice must include a statement informing shareholders of their rights under this section.

(3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the Company a written notice objecting to the resolution.

(4) Within 10 business days after a company has adopted a resolution contemplated in this section, the Company must send a notice that the resolution has been adopted to each shareholder who:

(a) gave the Company a written notice of objection in terms of subsection (3); and

(b) has neither:

(i) withdrawn that notice; or

(ii) voted in support of the resolution.

(5) A shareholder may demand that the Company pay the shareholder the fair value for all of the shares of the Company held by that person if:

(a) the shareholder:

(i) sent the Company a notice of objection, subject to subsection (6); and

(ii) in the case of an amendment to the Company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;

(b) the Company has adopted the resolution contemplated in subsection (2); and

(c) the shareholder:

(i) voted against that resolution; and

(ii) has complied with all of the procedural requirements of this section.

(6) The requirement of subsection (5)(a)(i) does not apply if the Company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.

(7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the Company within:

(a) 20 business days after receiving a notice under subsection (4); or

(b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.

(8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:

(a) the shareholder's name and address;

(b) the number and class of shares in respect of which the shareholder seeks payment; and

(c) a demand for payment of the fair value of those shares.

(9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:

(a) the shareholder withdraws that demand before the Company makes an offer under subsection (11), or allows an offer made by the Company to lapse, as contemplated in subsection (12)(b);

(b) the Company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or

(c) the Company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.

(10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.

(11) Within five business days after the later of:

(a) the day on which the action approved by the resolution is effective;

(b) the last day for the receipt of demands in terms of subsection (7)(a); or

(c) the day the Company received a demand as contemplated in subsection (7)(b), if applicable, the Company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the Company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.

(12) Every offer made under subsection (11):

(a) in respect of shares of the same class or series must be on the same terms; and

(b) lapses if it has not been accepted within 30 business days after it was made.

(13) If a shareholder accepts an offer made under subsection (12):

(a) the shareholder must either in the case of:

(i) shares evidenced by certificates, tender the relevant share certificates to the company or the Company's transfer agent; or

(ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the Company or the Company's transfer agent; and

(b) the Company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:

(i) tendered the share certificates; or

(ii) directed the transfer to the Company of uncertificated shares.

(14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order

requiring the Company to pay the shareholder the fair value so determined, if the Company has:

(a) failed to make an offer under subsection (11); or

(b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.

(15) On an application to the court under subsection (14):

(a) all dissenting shareholders who have not accepted an offer from the Company as at the date of the application must be joined as parties and are bound by the decision of the court;

(b) the Company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and

(c) the court:

(i) may determine whether any other person is a dissenting shareholder who should be joined as a party;

(ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);

(iii) in its discretion may:

(aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or

(bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;

(iv) may make an appropriate order of costs, having regard to any offer made by the Company, and the final determination of the fair value by the court; and

(v) must make an order requiring:

(aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and

(bb) the Company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the Company fulfils its obligations under this section.

(15A) At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the Company in terms of subsection (11), in which case:

(a) that shareholder must comply with the requirements of subsection 13(a); and

(b) the Company must comply with the requirements of subsection 13(b).

(16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the Company adopted the resolution that gave rise to a shareholder's rights under this section.

(17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the Company being unable to pays its debts as they fall due and payable for the ensuing 12 months:

(a) the Company may apply to a court for an order varying the Company's obligations in terms of the relevant subsection; and

(b) the court may make an order that:

(i) is just and equitable, having regard to the financial circumstances of the Company; and

(ii) ensures that the person to whom the Company owes money in terms of this section is paid at the earliest possible date compatible with the Company satisfying its other financial obligations as they fall due and payable.

(18) If the resolution that gave rise to a shareholder's rights under this section authorised the Company to amalgamate or merge with one or more other companies, such that the Company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section Are obligations of the successor to that company resulting from the amalgamation or merger.

(19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the Company, or an acquisition of its shares by the Company within the meaning of section 48, and therefore are not subject to:

(a) the provisions of that section; or

(b) the application by the Company of the solvency and liquidity test set out in section 4.

(20) Except to the extent:

(a) expressly provided in this section; or

(b) that the Panel rules otherwise in a particular case,

a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person."

TABLE OF ENTITLEMENT

In the case of fractional entitlements, all allocations of Shares will be rounded down to the nearest whole number resulting in allocations of whole shares together with a cash payment for the fraction to be paid out to Shareholders. The table of entitlement of Afdawn Shareholders, based on the consolidation ratio of 40 shares to one Afdawn Share held on the record date, is set out below:

Number of Shares held	Number of Shares entitled to	Number of Shares held	Number of Shares entitled to	Number of Shares held	Number of Shares entitled to
1	-	42	1	83	2
2	-	43	1	84	2
3	-	44	1	85	2
4	-	45	1	86	2
5	-	46	1	87	2
6	-	47	1	88	2
7	-	48	1	89	2
8	-	49	1	90	2
9	-	50	1	91	2
10	-	51	1	92	2
11	-	52	1	93	2
12	-	53	1	94	2
13	-	54	1	95	2
14	-	55	1	96	2
15	-	56	1	97	2
16	-	57	1	98	2
17	-	58	1	99	2
18	-	59	1	100	2
19	-	60	1	125	3
20	-	61	1	150	3
21	-	62	1	175	4
22	-	63	1	200	5
23	-	64	1	500	12
24	-	65	1	1 000	25
25	-	66	1	5 000	125
26	-	67	1	10 000	250
27	-	68	1	20 000	500
28	-	69	1	50 000	1 250
29	-	70	1	100 000	2 500
30	-	71	1	200 000	5 000
31	-	72	1	300 000	7 500
32	-	73	1	400 000	10 000
33	-	74	1	500 000	12 500
34	-	75	1	1 000 000	25 000
35	-	76	1	2 000 000	50 000
36	-	77	1	3 000 000	75 000
37	-	78	1	4 000 000	100 000
38	-	79	1	5 000 000	125 000
39	-	80	2	10 000 000	250 000
40	1	81	2	50 000 000	1 250 000
41	1	82	2	100 000 000	2 500 000
				500 000 000	12 500 000

MATERIAL BORROWINGS OF THE AFDAWN GROUP

Details of the material loans made to the Afdawn Group, are set out below:

GROUP 2016 R'000	Loan Balance	Balance
Elite		
National Housing Finance Corporation ("NHFCE") – The loan facility 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. Elite has drawn down less than the amounts permitted in terms of the contract.	2 576	2 576
Sandown Capital Elite Two loan – 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
DD Breedt – The loan is unsecured, interest free and was repaid within a month.	150	150
Nexus liquidator – The loan is unsecured, interest free and repayment is being negotiated with the liquidators.	2 481	2 481
Sandown Capital loan – The convertible bond was not converted and new terms are as follows: interest is charged at prime, currently 10.5% 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 – The loan bears interest at prime current 10.5% and is repayable in instalments of up to R700,000 starting in December 2016 while the accumulated interest is paid monthly. The loan is unsecured.	3 333	3 333
Afdawn (holding company) loan– The loan is unsecured, interest free and has no fixed terms of repayment. The loan has been subordinated to the extent that the company's liabilities exceed its assets in favour of other creditors of the company for as long as the company's liabilities exceed its assets.	22 735	22 735
African Dawn Wheels Proprietary Limited (fellow subsidiary) loan – The loan is unsecured, interest free and is repayable on demand.	1	1
Candlestick		
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 the Candlestick Property.	7 564	7 564
Afdawn (holding company) loan– The loan is unsecured, interest free and has no fixed terms of repayment. The loan is repayable over 1 year but discounting has not been performed as the effect will be immaterial.	149	149
PTF2 (fellow subsidiary) loan– The loan is unsecured, interest free and has no fixed terms of repayment. The loan is repayable upon the sale of the Candlestick Property.	12 483	12 483
PTF1		
Afdawn (holding company) loan – The loan is unsecured, interest free and is repayable on demand.	6 888	6 888
African Dawn Debt Management Proprietary Limited (fellow subsidiary) loan – The loan is unsecured, interest free and is repayable on demand.	103	103
PTF2 (fellow subsidiary) loan – The loan is unsecured, interest free and is repayable on demand.	71	71
African Dawn Wheels Proprietary Limited (fellow subsidiary) loan – The loan is unsecured, interest free and is repayable on demand.	1	1

GROUP 2016 R'000	Loan Balance	Balance
PTF2		
Afdawn (holding company) loan – The loan is unsecured, interest free and is repayable on demand.	29 913	29 913
African Dawn Wheels Proprietary Limited (fellow subsidiary) loan – The loan is unsecured, interest free and is repayable on demand.	10	10
African Dawn Debt Management Proprietary Limited (fellow subsidiary) loan – The loan is unsecured, interest free and is repayable on demand.	265	265
AFDAWN		
African Dawn Social Education Proprietary Limited loan – The loan is unsecured, interest free and is repayable on demand.	57	57
Bhenka Financial Services Proprietary Limited loan – The loan is unsecured, interest free and is repayable on demand.	6 872	6 872

VENDORS

Details of the vendors in respect of the Knife Capital Acquisition are set out below:

<table>
<tr><td>Name of vendor</td><td colspan="2">Collectively –
1. EA van Heerden;
2. JK van Zyl; and
3. A Böhmert</td></tr>
<tr><td rowspan="3">Address of vendor</td><td>1. EA van Heerden</td><td>5A Farview Close
Milnerton Ridge
7441</td></tr>
<tr><td>2. JK van Zyl</td><td>7 Abbotsleigh Road
Rondebosch
7700</td></tr>
<tr><td>3. A Böhmert</td><td>7 Nutwood Avenue
Somerset West
7130</td></tr>
<tr><td>Asset acquired from vendor</td><td colspan="2">100% of the issued share capital of Knife Capital was acquired from the vendor in the following proportions –
1. 33.4% from EA van Heerden;
2. 33.3% from JK van Zyl; and
3. 33.3% from A Böhmert</td></tr>
<tr><td>Date asset originally acquired by the vendor</td><td colspan="2">21 October 2009</td></tr>
<tr><td>Price paid to the vendor including transaction costs plus deferred and contingent considerations</td><td colspan="2">R10 000 000, paid through the issue of shares in Afdawn to each vendor pro rata to their shareholding in Knife Capital, at an issue price equal to 10 cents per Afdawn share.

If the net asset value of the Afdawn shares is less than 10 cents per share as per the audited financial statements at 28 February 2014, then the difference shall be paid in cash to each vendor on or before 1 March 2015.

The purchase price is further amendable in the event of any claims being received within three years of the effective date, which claims will be the liability of Knife Capital.</td></tr>
<tr><td>Effective date of acquisition of the asset</td><td colspan="2">28 March 2014</td></tr>
<tr><td>Were book debts guaranteed by the vendor?</td><td colspan="2">No</td></tr>
<tr><td>Were normal warranties provided by the vendor?</td><td colspan="2">Yes</td></tr>
<tr><td>Were restraints imposed on the vendor under the acquisition?</td><td colspan="2">No</td></tr>
<tr><td>Did the acquisition involve any liability for accrued taxation?</td><td colspan="2">No</td></tr>
<tr><td rowspan="6">A reconciliation showing the difference between the amounts paid for the securities in Knife Capital and the proportionate value of the net assets attributable to such securities</td><td>Purchase price calculation</td><td>R’000</td></tr>
<tr><td>100 million shares issued on 28 March 2014 at a share price of 9c.</td><td>9000</td></tr>
<tr><td>First NAV liability - additional payment of the difference between the 10c per share stipulated in the acquisition agreement and the NAV per share at 28 February 2014.</td><td>1460</td></tr>
<tr><td>Second NAV liability - top-up of the First NAV liability due to the Elite prior period error, which further reduced the Group NAV per share at 28 February 2014.</td><td>2095</td></tr>
<tr><td>Share issue liability - additional payment due because Afdawn Group did not raise capital of R50 million by 26 March 2015.</td><td>2000</td></tr>
<tr><td>Recognition of share issue liability in profit or loss as it relates to the subsequent fair value of the contingent consideration.</td><td>(2000)</td></tr>
<tr><td></td><td>Total Purchase Consideration</td><td>12555</td></tr>
<tr><td></td><td>Net asset attributable to Knife Capital</td><td>(4 479)</td></tr>
<tr><td></td><td>Goodwill</td><td>8 076</td></tr>
</table>

AFRICAN DAWN CAPITAL LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1998/020520/05)
Share code: ADW ISIN Number: ZAE000060703
("**Afdawn**" or "**the Company**")

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Afdawn Shareholders will be held at 09h00 on Tuesday, 18 October 2016, in the boardroom, at African Dawn Capital Limited, 202 Waterfront Terraces, Waterfront Road, Bellville,7530.

Purpose

The purpose of the General Meeting is to consider and, if deemed fit, to approve, with or without modification, the resolutions set out in this Notice of General Meeting.

Notes:

– *The definitions and interpretations commencing on page 6 of the circular to which this Notice of General Meeting is attached ("**the Circular**"), apply mutatis mutandis to this notice and to the resolutions set out below.*

– *For a special resolution to be approved by Shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution.*

– *For an ordinary resolution to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution.*

– *The date on which Shareholders must have been recorded as such in the Register for purposes of being entitled to receive this notice is Friday, 2 September 2016.*

– *The record date for purposes of determining those Shareholders whose Shares will be subject to the Consolidation is Thursday, 15 December 2016. The last date to trade in existing Afdawn Shares on the JSE in order to be recorded as a Shareholder by Thursday, 15 December 2016, is Monday, 12 December 2016.*

– *The cash value of allocation payments for fractions of Shares will be calculated on Tuesday, 13 December 2016 and announced on SENS on Wednesday, 14 December 2016.*

SPECIAL RESOLUTION NUMBER 1 – APPROVAL OF THE TRANSACTIONS TO THE EXTENT REQUIRED UNDER SECTIONS 112 AND 115 OF THE COMPANIES ACT

"RESOLVED AS A SPECIAL RESOLUTION, in terms of sections 112 and 115(2)(a) and (b) of the Companies Act, that the disposals by the Company, as more fully described and contemplated by the Elite Transaction and Candlestick Transaction as set out in the Circular, be and is hereby approved by Afdawn Shareholders and that the Company be and is hereby authorised to implement the Transactions."

Reason and effect of special resolution number 1:

The reason for special resolution number 1 is that the Transactions may collectively be regarded as a disposal of the greater part of the assets or undertaking of the Company in terms of section 112 of the Companies Act and therefore may require the approval of Shareholders by way of a special resolution.

The effect of Special Resolution Number 1, if passed, is that the Company will have the necessary authority in terms of the Companies Act to implement the Transactions.

ORDINARY RESOLUTION NUMBER 1 – AUTHORITY TO IMPLEMENT THE ELITE TRANSACTION

"RESOLVED AS AN ORDINARY RESOLUTION, in terms of the JSE Listings Requirements, that the Company be and is hereby authorised to implement the Elite Transaction which constitutes a Category 1 transaction for the purposes of the JSE Listings Requirements."

Reason and effect of ordinary resolution number 1:

The reason for ordinary resolution number 1 is that the Elite Transaction is classified as Category 1 transaction for the purposes of the JSE Listings Requirements and the Company is therefore required to obtain the approval of the Shareholders to implement the Elite Transaction in accordance with the provisions of the JSE Listings Requirements.

The effect of ordinary resolution number 1, if approved by the requisite majority of Shareholders, will be that the Company will have obtained the approval of the Shareholders to implement the Elite Transaction as required in terms of the JSE Listings Requirements.

ORDINARY RESOLUTION NUMBER 2 – AUTHORITY TO IMPLEMENT THE CANDLESTICK TRANSACTION

"RESOLVED AS AN ORDINARY RESOLUTION, in terms of the JSE Listings Requirements, that the Company be and is hereby authorised to implement the Candlestick Transaction which constitutes a Category 1 transaction for the purposes of the JSE Listings Requirements."

Reason and effect of ordinary resolution number 2:

The reason for ordinary resolution number 2 is that the Candlestick Transaction is classified as Category 1 transaction for the purposes of the JSE Listings Requirements and the Company is therefore required to obtain the approval of the Shareholders to implement the Candlestick Transaction in accordance with the provisions of the JSE Listings Requirements.

The effect of ordinary resolution number 2, if approved by the requisite majority of Shareholders, will be that the Company will have obtained the approval of the Shareholders to implement the Candlestick Transaction as required in terms of the JSE Listings Requirements.

SPECIAL RESOLUTION NUMBER 2 – CONSOLIDATION OF SHARES

"RESOLVED AS A SPECIAL RESOLUTION, in terms of the JSE's Listings Requirements, that the Company's authorised share capital be consolidated from 5 000 000 000 ordinary shares of 1 cent each to 125 000 000 ordinary shares of 40 cents each and the Company's issued share capital be consolidated from 877 002 273 ordinary shares of 1 cent each to approximately 21 925 056 ordinary shares of 40 cents each."

Reason for and effect of special resolution Number 2

The reason for special resolution number 2 is to consolidate the existing authorised and issued ordinary share capital of the Company on a 40 to 1 basis. The effect of special resolution number 2 will be that the Company's authorised share capital of 5 000 000 000 ordinary shares of 1 cent each will be Consolidated into 125 000 000 ordinary shares of 40 cents each and correspondingly that the issued share capital of the Company comprising 877 002 273 ordinary shares of 1 cent each will be consolidated into approximately 21 925 056 ordinary shares of 40 cents each.

SPECIAL RESOLUTION NUMBER 3 – AMENDMENT OF MEMORANDUM OF INCORPORATION

"RESOLVED AS A SPECIAL RESOLUTION, in terms of section 16(1)(c) and section 16(5)(b) of the Companies Act and with effect from the date of filing of the required notice of amendment with Companies and Intellectual Property Commission, that the existing Memorandum of Incorporation of the Company be and is hereby amended by

– deleting the existing clause 7.1 of the Memorandum of Incorporation in its entirety and replacing it with the following new clause 7.1:

  "7.1 The authorised share capital of the Company is R50 000 000 (fifty million rand) divided into 125 000 000 (one hundred and twenty five million) ordinary shares with a par value of 40 cents each."

– deleting the existing clause 8.3 of the Memorandum of Incorporation in its entirety and replacing it with the following new clause 8.3:

  "*8.3 Any allocation of Securities, whether as a result of a consolidation or otherwise, will be rounded down to the nearest whole number and the Company will make a cash payment in accordance with the JSE Listings Requirements in respect of such fractional entitlement. Notwithstanding the aforesaid, should the JSE require that fractions arising under any such action be dealt with in any other manner, the Company may apply such other principle in respect of the fractions in question."*

Reason for and effect of special resolution Number 3

The reason for special resolution number 3 is to obtain the prior approval of Shareholders to amend the Memorandum of Incorporation to reflect the relevant changes to the Company's share capital structure following the Consolidation and to align the provisions dealing with the treatment of share fractions with the new requirements prescribed under the JSE Listings Requirements.

VOTING AND PROXIES

The date on which Shareholders must be recorded in the Register for purposes of being entitled to receive this Notice of General Meeting is Friday, 2 September 2016.

The date on which Shareholders must be recorded in the Register for purposes of being entitled to attend and vote at the General Meeting, is Friday, 7 October 2016. The last day to trade in order to be entitled to attend and vote at the General Meeting, is Tuesday, 4 October 2016.

Section 63(1) of the Companies Act requires that meeting participants provide satisfactory identification. Accordingly, meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the General Meeting and must accordingly bring a copy of their identity document, passport or drivers' license to the General Meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the Transfer Secretaries for guidance.

A Shareholder entitled to attend, speak and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a Shareholder of the Company. For the convenience of Certificated Shareholders and Dematerialised Shareholders with "own-name" registration, a Form of Proxy (*yellow*) is attached hereto. Completion of a form of proxy will not preclude such Shareholder from attending and voting (in preference to that Shareholder's proxy) at the General Meeting.

Duly completed Forms of Proxy and the authority (if any) under which it is signed must reach the Transfer Secretaries of the Company at the address given below by not later than 09h00 on Friday, 14 October 2016.

Dematerialised Shareholders without "own-name" registration who wish to attend the General Meeting in person should request their CSDP or Broker to provide them with the necessary letter of representation in terms of their Custody Agreement with their CSDP or Broker. Dematerialised Shareholders without "own-name" registration who do not wish to attend but wish to be represented at the General Meeting must advise their CSDP or Broker of their voting instructions. Dematerialised Shareholders without "own-name" registration should contact their CSDP or Broker with regard to the cut-off time for their voting instructions.

APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS

In terms of section 164 of the Companies Act, at any time before the Special Resolution authorising the implementation of the Transactions, as set out in this notice, is voted on, a dissenting Shareholder may give the Company a written notice objecting thereto. Within 10 (ten) Business Days after the Company has adopted such Special Resolution, the Company must send a notice that such Special Resolution has been adopted to each Afdawn Shareholder who:

– gave the Company a written notice of objection as contemplated above;

– has not withdrawn that notice; and

– has voted against such Special Resolution.

A Shareholder may, within 20 (twenty) Business Days after receiving the Company's aforementioned notice of the adoption of the Special Resolution to which the Afdawn Shareholder has objected, demand that the Company pay the Shareholder the fair value for all of the Afdawn Shares of the Company held by that person if:

– the Shareholder has sent the Company a notice of objection;

– the Company has adopted the Special Resolution to which the Shareholder has objected; and

– the Shareholder voted against the Special Resolution to which the Afdawn Shareholder has objected and has complied with all of the procedural requirements of section 164 of the Companies Act.

Shareholders who wish to exercise their rights in terms of section 164 of the Companies Act, in relation to the Transactions, are referred to **Annexure 14** of the Circular. Shareholders who wish to exercise their rights in terms hereof are required, before the Special Resolution to approve the Transactions is voted on at the General Meeting, to give notice to the Company in writing objecting to the Special Resolution and to vote against the Special Resolution at the General Meeting.

SIGNED AT BELLVILLE ON 16 SEPTEMBER 2016 ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY

By order of the board

WJ Groenewald
Chief Executive Officer

Registered Office
202 Waterfront Terraces
Waterfront Road
Bellville, 7530
(PO Box 5405, Tygervalley, 7536)

Transfer secretaries
Computershare Investor Services (Pty) Ltd
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

AFRICAN DAWN CAPITAL LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1998/020520/05)
Share code: ADW ISIN Number: ZAE000060703
("**Afdawn**" or "**the Company**")

FORM OF PROXY

ONLY FOR USE BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH "OWN-NAME" REGISTRATION

For use by Shareholders at the General Meeting of Afdawn Shareholders to be held at 09h00 on Tuesday, 18 October 2016, in the boardroom at African Dawn Capital Limited, 202 Waterfront Terraces, Waterfront Road, Bellville,7530 or any adjourned or postponed meeting.

*The definitions and interpretation commencing on page 6 of the circular to which this form of proxy is attached (**"the Circular"**) apply mutatis mutandis to this form of proxy.*

If you are a Dematerialised Shareholder without "own-name" registration you must not complete this Form of Proxy but must instruct your CSDP or Broker as to how you wish to vote. This must be done in terms of the Custody Agreement between you and your CSDP or Broker.

I/We (Please PRINT names in full)____

of (address) ____

being the holder(s) of ____________________ Certificated Shares or Dematerialised Shares with "own-name" registration

do hereby appoint (see notes 1 and 2):

1. ________________________ of ________________________ or failing him/her,

2. ________________________ of ________________________ or failing him/her,

3. the Chairman of the General Meeting

as my/our proxy to attend, speak and vote for me/us at the General Meeting (or any adjournment thereof) for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the Shares registered in my/our name(s), in accordance with the following instruction (see notes):

	For*	Against*	Abstain*
Special Resolution Number 1 Approval of the Transactions in terms of the Companies Act			
Ordinary Resolution Number 1 Authority to implement the Elite Transaction			
Ordinary Resolution Number 2 Authority to implement the Candlestick Transaction			
Special Resolution Number 2 Consolidation of Shares			
Special Resolution Number 3 Amendment of the Memorandum of Incorporation			

* One vote per Share held by Shareholders. Shareholders must insert the relevant number of votes they wish to vote in the appropriate box provided or insert "X" should they wish to vote all shares.

Signed at: ____________________ On ____________________ 2016

Signature ____

Capacity of signatory (where applicable) ________________________

Note: Authority of signatory to be attached – see notes 8 and 9. ____________________

Telephone number ____________________ Cell phone number ____________________

Email Address ____

Assisted by me (where applicable) ____

Full name ____

Capacity ____

Signature ____

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- *A Shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a Shareholder) as a proxy to participate in, and speak and vote at, a Shareholders' meeting on behalf of such Shareholder.*
- *A Shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the Shareholder.*
- *A proxy may delegate his authority to act on behalf of a Shareholder to another person, subject to any restriction set out in the instrument appointing such proxy.*
- *Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant Shareholder chooses to act directly and in person in the exercise of any of such Shareholder's rights as a Shareholder.*
- *Any appointment by a Shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise.*
- *If an appointment of a proxy is revocable, a Shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company.*
- *A proxy appointed by a Shareholder is entitled to exercise, or abstain from exercising, any voting right of such Shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise.*
- *If the instrument appointing a proxy or proxies has been delivered by a Shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a Shareholder must be delivered by such company to:*
  - *the relevant Shareholder; or*
  - *the proxy or proxies, if the relevant Shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.*

Notes:

1. Each Shareholder is entitled to appoint 1 (one) (or more) proxies (none of whom need be a Shareholder of the Company) to attend, speak and vote in place of that Shareholder at the General Meeting.
2. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space/s provided with or without deleting "the Chairman of the General Meeting" but the Shareholder must initial any such deletion. The person whose name stands first on the form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate box provided or an "X" should the shareholder want all votes to be exercised. Failure to comply with the above will be deemed to authorise and direct the chairman of the General Meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions, or any other proxy to vote or abstain from voting at the General Meeting as he/she deems fit, in respect of all the Shareholder's votes exercisable at the meeting.
4. Completed forms of proxy and the authority (if any) under which they are signed must be lodged with or posted to the Transfer Secretaries, Computershare Investor Services Proprietary Limited at Ground Floor, 70 Marshall Street, Johannesburg, 2001 or PO Box 61051, Marshalltown, 2107, to be received by them by no later than 48 hours before the commencement of the General Meeting (or any adjournment of the General Meeting), excluding Saturdays, Sundays and official public holidays.
5. The completion and lodging of this form of proxy will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.
6. The chairman of the General Meeting may accept or reject any form of proxy not completed and/or received in accordance with these notes or with the memorandum of incorporation of the Company.
7. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by the Company or the Transfer Secretaries.
9. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has been registered by the Company or the Transfer Secretaries or waived by the chairman of the General Meeting.
10. Where Shares are held jointly, all joint holders are required to sign this form of proxy.
11. A minor Shareholder 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 or the Transfer Secretaries.
12. Dematerialised Shareholders who do not own Shares in "own-name" dematerialised form and who wish to attend the General Meeting, or to vote by way of proxy, must contact their CSDP or Broker who will furnish them with the necessary letter of representation to attend the General Meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the Shareholder and his/her CSDP or Broker.
13. This form of proxy shall be valid at any resumption of an adjourned meeting to which it relates although this form of proxy shall not be used at the resumption of an adjourned meeting if it could not have been used at the General Meeting from which it was adjourned for any reason other than it was not lodged timeously for the meeting from which the adjournment took place. This form of proxy shall in addition to the authority conferred by the Companies Act except insofar as it provides otherwise, be deemed to confer the power generally to act at the General Meeting in question, subject to any specific direction contained in this form of proxy as to the manner of voting.
14. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given, provided that no notification in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Transfer Secretaries before the commencement of the meeting or adjourned meeting at which the proxy is used.
15. Any proxy appointed pursuant to this form of proxy may not delegate her or his authority to act on behalf of the relevant Shareholder.
16. In terms of section 58 of the Companies Act, unless revoked, an appointment of a proxy pursuant to this form of proxy remains valid only until the end of the General Meeting or any adjournment of the General Meeting.

AFRICAN DAWN CAPITAL LIMITED

AFRICAN DAWN CAPITAL LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1998/020520/05)
Share code: ADW ISIN Number: ZAE000060703
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FORM OF SURRENDER

FOR USE BY CERTIFICATED SHAREHOLDERS ONLY

Please read the instructions overleaf. Non-compliance with these instructions may result in the rejection of this form. If you are in any doubt as to how to complete this form, please consult your stockbroker, banker, attorneys, accountant or other professional advisor.

Note: A separate form is required for each shareholder.

To: **AFRICAN DAWN CAPITAL LIMITED**
c/o Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

TO BE COMPLETED BY AFDAWN CERTIFICATED SHAREHOLDERS

I/We hereby surrender and enclose the Afdawn ordinary share certificate(s) listed below:

Certificate number(s)	Number of Afdawn Shares covered by each certificate
Total	

I/We irrevocably and in *rem suam* authorise you to produce the signature of such documents that may be necessary to complete the replacement of the Afdawn Shares with Shares under the new consolidated share capital.

I/We hereby instruct you to forward the replacement share certificate/s to me/us by registered post, at my/our own risk, to the address overleaf and confirm that, where no address is specified, the share certificate/s will be forwarded to my/our address recorded in the share register of Afdawn.

My/Our signature(s) on the Form of Surrender constitutes my/our execution of this instruction.

Signed at: ______________________________ on ______________________________ 2016

Signature of Shareholder ______________________________

Assisted by me (where applicable) ______________________________

Name (please print in BLOCK letters) ______________________________

Capacity (please print in BLOCK letters) ______________________________

The shareholder must complete the following information: (please print in BLOCK letters)

Surname or Name of corporate body ______________________________

First name/s (in full, if applicable) ______________________________

Title (Mr, Mrs, Miss, Ms, etc.) ______________________________

Postal address (preferably PO Box address) ______________________________

Postal code ______________________________

Telephone number ______________________________ Cellphone number ______________________________

Email address ______________________________

INSTRUCTIONS

1. A receipt will not be issued for this form of surrender, or the documents lodged with it. Lodging agents who require special transaction receipts are requested to prepare such receipts and submit them for stamping with the other documents lodged.
2. A shareholder married in community of property or a minor must ensure this form of surrender is also signed by his/her spouse or parent or guardian, as the case may be.
3. Where Afdawn ordinary shares are jointly held, this form must be signed by joint holders.
4. If this form is signed under power of attorney, such power of attorney must be produced, unless it has already been registered with the transfer office of Afdawn.
5. If this form is signed on behalf of a company, close corporation, pension or provident fund, it must be accompanied by a certified copy of the resolution authorising the signature, unless it has already been registered with the transfer office of Afdawn.