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

UNAUDITED CONSOLIDATED STATEMENTS FOR THE SIX MONTHS ENDED 31 AUGUST 2017

Consolidated Statements of Financial Position as at 31 August 2017

	31 August 2017 R'000 (Unaudited)	31 August 2016 R'000 (Unaudited)	28 February 2017 R'000 (Audited)
Assets			
Non-Current Assets			
Property, plant and equipment	524	791	605
Goodwill	3 855	8 076	4 679
Intangible assets	2 516	4 352	3 775
Deferred tax	700	335	697
	7 595	13 554	9 756
Current Assets			
Properties in possession	-	17 695	15 853
Trade and other receivables	26 723	32 022	31 193
Cash and cash equivalents	920	1 916	1 983
	27 643	51 633	49 029
Total Assets	35 238	65 187	58 785
Equity and Liabilities			
Equity			
Share capital and share premium	313 943	313 943	313 943
Accumulated loss	(307 768)	(298 433)	(303 630)
Non-controlling interest	20	-	-
	6 195	15 510	10 313
Liabilities			
Non-Current Liabilities			
Deferred tax	371	943	758
Borrowings	5 131	838	6 316
	5 502	1 781	7 074
Current Liabilities			
Current tax payable	16 291	15 902	16 280
Borrowings	4 207	16 002	9 475
Loans from directors	-	628	1 523
Operating lease liability	-	-	5
Trade and other payables	3 043	15 364	14 115
	23 541	47 896	41 398
Total Liabilities	29 043	49 677	48 472
Total Equity and Liabilities	35 238	65 187	58 785

Consolidated statement of Profit or Loss and other comprehensive Income for the six months ended 31 August 2017

	31 August 2017 R'000 (Unaudited)	31 August 2016 R'000 (Unaudited)	28 February 2017 R'000 (Audited)
Continuing operations			
Revenue	14 287	16 011	36 991
Cost of sales	(53)	(287)	(366)
Gross profit	14 234	15 724	36 625
Other income	35	313	1 387
Operating expenses	(15 861)	(21 298)	(44 880)
Operating loss	(1 592)	(5 261)	(6 868)
Investment income	4	12	84
Impairment of goodwill	(485)	-	(3 397)
Deemed interest expense	-	-	(585)
Impairment to properties in possession	-	-	(971)
Impairment to intangible assets	(1 596)	-	-
Reduction in liability to Nexus liquidator	-	-	2 162
Finance costs	(826)	(1 794)	(3 245)
Loss before taxation	(4 495)	(7 043)	(12 820)
Taxation	377	52	632
Loss for the year	(4 118)	(6 991)	(12 188)
Loss attributable to:			
Owners of the parent	(4 138)	(6 991)	(12 188)
Non-controlling interest	20	-	-
	(4 118)	(6 991)	(12 188)
Basic loss per share (c)	(16.3)^	(31.9)^	(55.6)^

Headline loss per share (c)	(16.3)^	(31.9)^	(40.1)^

^ Based on a restated loss and headline loss per share considering the share consolidation which occurred on a 40 to 1 basis, implemented on Monday, 5 December 2016.

Consolidated Statements of Changes in Equity for the six months ended 31 August 2017

	Share Capital	Share Premium	Retained Earnings	Ordinary Shareholders Equity	Non controlling interest	Total Equity
	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 28 February 2016	8 803	305 140	(291 442)	22 501		22 501
Total comprehensive loss for the six months 31 Aug 2016	-	-	(6 991)	(6 991)		(6 991)
Balance at 31 August 2016	8 803	305 140	(298 433)	15 510		15 510
Total comprehensive (loss) for the six months Sep to Feb 2017	-	-	(5 197)	(5 197)		(5 197)
Balance at 28 February 2017	8 803	305 140	(303 630)	10 313		10 313
Total comprehensive loss for the six months 31 Aug 2017	-	-	(4 138)	(4 138)	20	(4 118)
Balance at 31 August 2017	8 803	305 140	(307 768)	6 175	20	6 195

Consolidated Statements of Cash Flows for the six months ended 31 August 2017

	Note	Six months year ended 31 August 2017 R'000 (Unaudited)	Six months year ended 31 August 2016 R'000 (Unaudited)	Year ended 28 February 2017 R'000 (Audited)
Cash flows from operating activities				
Cash generated from operations	11	7 742	3 368	4 836
Interest income		4	12	84
Finance costs		(826)	(1 794)	(2 403)
Tax paid		-	764	322
Net cash from operating activities		6 920	2 350	2 839
Cash flows from investing activities				
Purchase of property, plant and equipment		(7)	(19)	(44)
Proceeds on disposal of property, plant and equipment		-	-	31
Purchase of intangible assets		-	(29)	(303)
Net cash from investing activities		(7)	(48)	(316)
Cash flows from financing activities				
Borrowings repaid		(6 453)	(3 513)	(4 562)
Finance lease payments		-	(19)	(19)
Repayment of directors' loans		(1 523)	141	1 036
Net cash from financing activities		(7 976)	(3 391)	(3 545)
Total cash movement for the year		(1 063)	(1 089)	(1 022)
Cash at the beginning of the year		1 983	3 005	3 005
Total cash at end of the year		920	1 916	1 983

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

Afdawn is domiciled in the Republic of South Africa. The unaudited consolidated interim financial statements for the six months ended 31 August 2017 comprise the results of the Company and its subsidiaries ("the Group") and the Group's interests in associates.

2. Basis of preparation

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

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

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

These consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 28 February 2017.

3. Approval

The consolidated interim financial statements were prepared by Dylan Kohler Professional Accountant (SA) and supervised by the chief financial officer, G Hope CA (SA). They were approved by the Board on 22 November 2017.

4. Significant accounting policies

The accounting policies adopted in the preparation of the consolidated interim financial information are consistent with those applied in the consolidated annual financial statements for the year ended 28 February 2017. For a full list of standards and interpretations, which have and have not been adopted, refer to the 28 February 2017 consolidated annual financial statements.

5. Significant judgements and accounting estimates

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

Except as described below, in preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation certainty were the same as those that applied in the consolidated financial statements for the year ended 28 February 2017 (refer to note 1.18 of the consolidated annual financial statements for the year ended 28 February 2017).

6. Significant transactions

The Elite Transaction was cancelled in May 2017 as Dzothe Investments was unable to remedy the breach to pay the R10m instalment as part of the Purchase Consideration. This had a significant effect on our ability to settle the SARS debt.

The proceeds of the Green Oaks Transaction was received in May 2017 and was used to settle various obligations of the Group.

An internal restructuring took place in the Group prior to the implementation of the Knife Disposal (refer to note 8):

- Knife Capital transfered its entire shareholding and claims in YueDiligence Proprietary Limited to Afdawn - this amounts to an internal restructuring prior to the implementation of the Knife Disposal;

- Knife Capital transfered 50% of the entire shareholding in Grindstone Accelerator Proprietary Limited ("Grindstone") to Afdawn - this amounts to an internal restructuring prior to the implementation of the Knife Disposal; and

- Knife Capital assigned all of its rights, title and interests in certain intellectual property ("IP") to Grindstone.

7. Business combinations

A new subsidiary was acquired in the six-month period to 31 August 2017 to assist with growth in the envisioned SME platform. Additionally agreements were entered into on 1 September 2017 as detailed in note 6 to restructure the group.

Acquisition of SME Snapshot (Pty) Ltd	R'000
Consideration at historical cost (The acquisition is being paid for with 18 new shares of R1 in an existing subsidiary)	-
Assets acquired - Intellectual property	340
Liabilities acquired - Loan account to owner transferred to Afdawn included in transaction	-
Identifiable liabilities	
Negative Goodwill on acquisition	(340)

There was no cash received or paid.

8. Events after the reporting period

Shareholders were advised on 24 August 2017 that Afdawn has entered into an agreement with Evitavonni International SA ("Purchaser")("Agreement"), in terms of which Afdawn will dispose of 100% of the issued share capital ("Sale Shares") of Knife Capital Proprietary Limited ("Knife Capital").

The restructured Knife Disposal will become effective on 1 September 2017 ("Effective Date").

The total purchase consideration payable by the Purchaser for the Sale Shares is an amount of R3 625 000, was payable in cash on the Effective Date.

9. Impairment of trade and other receivables

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

Impairment	31 Aug 2017 R'000	31 Aug 2016 R'000	28 Feb 2017 R'000
Movement in impairment provision trade and other receivables	(195)	1 541	1 668

10. Segment report

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

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

31 Aug 2017

	Investment advisory and investment management R'000	Micro finance R'000	Rentals of properties in possession R'000	Other R'000	Total R'000
Revenue	2 210	9 643	1 176	1 258	14 287
Cost of sales	48	5	-	-	53
Other income	-	57	(22)	-	35
Investment income	2	-	2	-	4
Finance costs	-	594	169	63	826
Operating expenses	1 806	9 259	1 548	3 248	15 861
Goodwill and Intangibles	1 904	177	-	-	2 081
Impairment trade receivables	-	(3 195)		3 000	(195)
Bad debts written off	-	4 505	461	-	4 966
Loss before taxation	(1 546)	(335)	(561)	(2 053)	(4 495)
Taxation	-	4	(10)	383	377
Total comprehensive loss	(1 546)	(331)	(571)	(1 670)	(4 118)
Total assets	6 481	22 969	194	5 594	35 238
Total liabilities	250	10 792	432	17 569	29 043
Intangible assets	1 927	589	-	-	2 516
Goodwill	3 855	-	-	-	3 855
Property, plant and equipment	44	428	4	48	524

31 Aug 2016	Investment advisory and investment management R'000	Micro finance R'000	Rentals of properties in possession R'000	Other R'000	Total R'000
Revenue	2 362	11 619	2 449	(419)	16 011
Cost of sales	287	-	-	-	287
Other income	35	278	-	-	313
Investment income	10	-	1	1	12
Finance costs	-	833	365	596	1 794
Operating expenses	3 293	11 972	1 617	4 416	21 298
Impairment trade receivables	-	1 766	(225)	-	1 541
Bad debts written off	-	1 230	88	-	1 318
Profit/(loss) before taxation	(1 173)	(908)	468	(5 430)	(7 043)
Taxation	-	-	(131)	183	52
Total comprehensive profit/(loss)	(1 173)	(908)	337	(5 247)	(6 991)
Total assets	1 960	24 632	17 911	20 684	65 187
Total liabilities	1 226	37 759	21 369	(10 677)	49 677
Intangible assets	3 685	667	-	-	4 352
Goodwill	8 076	-	-	-	8 076
Property, plant and equipment	83	599	7	102	791

11. Cash generated from operations

	31 Aug 2017 R'000	31 Aug 2016 R'000	28 Feb 2017 R'000
Loss before taxation	(4 495)	(7 043)	(12 820)
Adjustments for:			
Depreciation	88	107	282
Loss on disposal of property, plant and equipment	-	-	5
Movement in operating lease liability	(5)	(28)	-
Investment income	(4)	(12)	(84)
Finance costs	826	1 794	2 403
Reduction in liability to Nexus liquidators	-	-	(2 162)
Operating lease movement	-	-	(23)
Non-cash finance costs (penalties and interest on income tax)	11	-	842
Amortisation intangible assets	1 596	832	1 683
Non-cash effect of equity accounted investment	(20)	-	-
Deemed interest expense	-	-	585
Impairment of properties in possession	-	-	971
Impairment of goodwill	485	-	3 397
Changes in working capital:			
Properties in possession	15 853	552	1 422
Trade and other receivables	4 470	3 959	4 204
Trade and other payables	(11 063)	2 895	3 819
Other financial assets	-	312	312
	7 742	3 368	4 836

12. Related parties

Related party relationships - other than as disclosed below, there have been no significant changes from the disclosures in the consolidated annual financial statements for the year ended 28 February 2017.

Executive and non-executive directors	As per directors' report in the consolidated annual financial statements for the year ended 28 February 2017.
Other key management	DD Breedt
Significant shareholder with borrowings	Sandown Capital Proprietary Limited

	31 August 2017 R'000	31 August 2016 R'000
Related party transactions		
Interest paid to directors		
WJ Groenewald	7	19
G Hope	56	31
Related party balances		
Balance of directors loans relating to acquisition of Knife Capital		
EA van Heerden	-	41
JK van Zyl	-	41
A Bohmert	-	41
Balances of directors loans relating to short term cash advances @ 2% interest per month		
WJ Groenewald	-	18
G Hope	-	487
Loan accounts - Owing to related parties		
Elite owes Sandown Capital Proprietary Limited	(6 631)	(7 928)

13. Earnings / (loss) per share

Basic and diluted earnings / (loss) per share

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

	31 August 2017	31 August 2016
Basic loss per share		
Loss per share (c)	(18.9)	(31.9)^
Reconciliation of weighted average number of ordinary shares	'000	'000
Number of ordinary shares in issue	877 002	880 271
Adjusted for:		
Treasury shares cancelled	-	(3 269)
Share consolidation @ 1 share per 40 held	(855 077)	(855 077)
Weighted average number of shares used for loss and headline loss per share^^	21 925	21 925
Headline loss per share		
Headline loss per share (c)	(18.9)	(31.9)^
Headline earnings / reconciliation		
Loss for the period	(4 138)	(6 991)
Headline loss for the period	(4 138)	(6 991)

^ Restated loss and headline loss per share considering the share consolidation which occurred on a 40 to 1 basis, implemented on Monday, 5 December 2016.
^^ No shares in issue with a dilutionary impact, therefore no dilution impact on loss and headline loss per share.

14. Comments from The Board

REVIEW FOR THE PERIOD

The failure of the Elite Transaction in May 2017 had a major effect on the Group in various ways. The proceeds of the Elite disposal would have enabled Afdawn to make a settlement proposal to SARS and be able to pay this obligation without raising any further funds. A further negative effect on the strategy of making Afdawn a listed venture capital company and proceed with Knife Capital as the only operational assets.

Knife Capital was restructured and the fund management business was sold after reporting period. Yuediligence appointed a new CEO and SME Snapshot was acquired to establish an investment analytics platform.

Elite was negatively affected by lack of funding to grow advances. This was offset by a further reduction of operating expenses and a shortening of the duration of the debtors' book. Access to further funding is a key priority to Elite.

Head office costs were further reduced by the closure of head office in Durbanville and the key management waived a portion of their entitled salaries to the end of August 2017.

The successful conclusion of a settlement agreement with SARS is critical for the future of the Group. The Group will be unable to tap capital markets until this have been achieved.

DIRECTORATE

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

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

GOING CONCERN

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

Certain material uncertainties relating to events or conditions which may cast doubt upon the ability to continue as a going concern were outlined in note 1.18. of the Annual Financial Statements for the year ended 28 February 2017. The following actions were implemented to reduce these uncertainties:

- Concluding a successful SARS compromise is critical (please refer to SARS note below).
- Ability of Afdawn and all of its subsidiaries to meet ongoing commitments by reducing operating cost.
- Sandown agreed to lengthen the term of the Elite loan to April 2019 after the failure of the Elite transaction.
- The group also significantly reduced liabilities during the period.

SOUTH AFRICAN REVENUE SERVICES ("SARS")

A new Section 200 application was submitted in December 2016 which was changed after the failure of the Elite transaction.
A further revised application is still being considered by SARS. This is still the biggest risk in the group as both the going concern and any future investment and/or capital raising can only be undertaken, once we have received a final outcome from SARS.

A liability has been recognised in full for all interest and penalties that are payable to SARS as per updated SARS statements.
The liability originated in the years 2007 to 2010.

DIVIDENDS

No dividends have been declared for this interim period (August 2016: R0).

PROSPECTS

The Group will focus to growth the underlying operational assets of Elite, Yuediligence and Grindstone. A successful SARS settlement together with a successful future capital raising will be critical to the future success of the Group.

Registered office
202 Waterfront Terraces
Waterfront Road
Tygervalley Waterfront
7530
Tel: +27 (12) 914 5566

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

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

Date:
30th November 2017