AFRICAN DAWN CAPITAL LIMITED

Annual Report | 2019

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Definitions in this annual report

Definitions used in this Annual Report

Knife Capital means Knife Capital Proprietary Limited

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

Elite means Elite Group Proprietary Limited

Elite Two means Elite Group Two Proprietary Limited

Grindstone means Grindstone Accelerator Proprietary Limited

Afdawn or the Company means African Dawn Capital Limited

Candlestick means Candlestick Park Investments Proprietary Limited

Nexus means Nexus Personnel Finance Proprietary Limited

YueDiligence means YueDiligence Proprietary Limited

SME Snapshot means SME Snapshot Proprietary Limited

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

Sandown Capital now means Peregrine Financial Services Holdings Limited

Arvesco means Arvesco 153 Proprietary Limited

Gowin means Gowin Capital Proprietary Limited

Our past

African Dawn Capital Limited (the "Company" or "Afdawn") was founded in 1998 as a micro finance business. Following its listing on the AltX in 2004, it grew into a niche finance provider specialising in micro finance and structured property finance. The Company wanted to reposition itself as a listed venture capital vehicle. Due to a long outstanding SARS liability that could not reach settlement on time and the failure of the Dzothe Transaction, this strategy was abandoned. All non-core assets were sold and eventually a SARS settlement was reached in December 2017.

Our journey during the past year

After the SARS settlement was concluded in December 2017 the key focus was to adhere to the repayment terms of the agreement otherwise the whole settlement was at risk. We could not attract enough external funding during this period and were dependent on director loans to ensure we don't breach the terms of the SARS settlement agreement. The settlement amount was settled in full by February 2019.

In August 2018 we were able to announce the terms of a Specific Issue of Shares for a cash consideration of R9,38million to Arvesco (the "Arvesco Transaction"). The Arvesco Transaction was approved by shareholders in early December 2018 and R5million of the proceeds was used to recapitalise Elite Group. The Arvesco Transaction will give the Group access to networks for funding, distribution channels and other future opportunities.

Where are we now

We have two operational entities, Elite Group, our lending platform, and Yue Diligence, who helps entrepreneurs to identify growth gaps to remedy to ensure a stable platform from which to launch growth.

The strategy is to leverage the lending platform of Elite through access to lower cost distribution channels other than a traditional branch network and to broaden the product range.

During this period, we had to tread carefully to ensure we cross this difficult hurdle to enable the Group to access the capital markets again.

Our key objective for the near term

- To reposition Elite to leverage its lending platform
- To roll out the YueDiligence platform to entrepreneurs, funders and consultants and other stakeholders to ensure a growing and sustainable SME market after further development work was done during the past year.

From the Chair

Dear fellow Shareholder,

We have reached the point where the focus can shift from investment readiness to creating a sustainable platform for growth. The SARS Settlement in December 2017 and the repayment of the settlement amount by February 2019 were key milestones for the Group. This enabled us to conclude the specific issue of 26 800 000 shares to Arvesco for a cash consideration of R9.38million in December 2018. The proceeds were used to reduce the Group's obligations and to recapitalise Elite Group by R5m. With the SARS liability removed we are now in a position to build a sustainable business and pursue growth opportunities.

Elite

Elite Group is one of the key pillars for our future strategy. We want to build Elite as a low-cost responsible credit provider that will have a positive effect on the lives of its customers. Elite's continuous focus to reduce cost per loan during the last few years and investment in our systems will enable it to leverage its lending platform through different lower cost distribution channels other than the traditional branch network.

Elite's primary focus is the one to six-month loan products via its branch network and the call centre operation. Elite has also broadened its product range to include purpose-based lending products through the call centre operation to the clients of merchants.

We value our relationship with our clients and are continuously looking for ways to improve their lives. We are looking to provide our clients with access to additional non-loan products in the future. We want to pass through cost benefits we achieve by scaling up our existing and new client base. Our conservative lending criteria and focus on smaller loans ensure our clients are not over-extended. Conservative lending practices ultimately influence the quality of the debtors' book.

Elite Group was negatively affected by the shortage of access to new funding. The changes in regulation and legislation also had a negative effect on margins and the legal collection process which became much longer. The recapitalisation of Elite and Afdawn will make it easier to access funding in the future.

Elite advanced R53,1million (2018- R63.2million) to its clients and received R67,4 million (2018 - R81.9million) from them. Operating expenses excluding interest and bad debt provision were further reduced by R1,29million to R15,39million, respectively.

Capital providers were not interested in funding Elite due to the uncertainty of the Afdawn SARS liability before the SARS settlement agreement was concluded in December 2017. Due the lack of additional funding and shortening the duration of the lending book the net trade receivables decreased from R15,8million to R10,9million.

Some key features of the Elite results are:

- Revenue decreased by R3,8million to R13,19million due to lack of funding to grow the lending book
- Other income was R0,39million
- Provision for bad debts increased by R2,05million to R11,18million. This excludes write-offs.
- The further lowering of operating expenses by R2,09million to R9,75million was as results of
    - a decrease in employee cost by R0,37million
    - a decrease in operating lease charges by R0.15million
    - an increase in other costs by R0,54million
- Cash Used by operations was R0.29million
- Total liabilities were further reduced by R1,71million to improve the balance sheet.

From the Chair continued

YueDiligence

YueDiligence is an actionable, light-touch due diligence tool for investors, entrepreneurs, and service providers to assess SMEs for growth gaps to advance partnership & fundraising preparation. YueDiligence disposed of SME Snapshot during the year and foccussed on the further development of the platform. This is still a very young business and we believe it has huge potential to assist entrepreneurs to become investment-ready and get easier access to much needed funding. The focus was to ensure we have a good technology platform and make it more user friendly.

SARS

The SARS settlement agreement was concluded in December 2017 and has eliminated the uncertainty about the SARS liability for the Group. The whole R8.24million settlement amount was paid by the end of February 2019. This will be the first time since 2007 that the Group is clear of all SARS liabilities.

Arvesco Transaction

The Arvesco Transaction was a key milestone for the Group. Key risks were reduced, and the Group can now focus to build a sustainable business. Access to funding and new customer bases are some of the key benefits the Arvesco network brings to the Group.

Looking ahead

After years of just surviving, the Group can now start to look forward to positioning itself for growth. It will require lots of hard work to build the Group into a sustainable business.

Appreciation

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

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

J Slabbert
31 May 2019

Key Indicators

Profitability – Comprehensive Income	2019	2018 # Restated	2017	2016	2015
Revenue	13,335	17,409	21,318	36,490	39,881
Other Income	638	1,599	1,772	3,910	7,417
Total Income	13,973	19,008	23,090	40,400	47,298
Operational Expenses	21,674	31,031	29,477	42,836	65,508
Net loss - continued	(9,393)	(1,297)	(7,314)	(6,910)	(33,012)
Net loss - discontinued	-	(1,364)	(4,874)		
Basic loss per share - continued	(33,5)	(5,9)	(33,4)	(0,79)	(3,84)
Basic loss per share - discontinued	-	(6,2)	(22,2)		

Balances on Reporting Date – Financial Position	2019	2018	2017	2016	2015
Net recoverable debtors	15,387	22,851	31,193	35,981	39,835
Cash	2,388	429	1,983	3,005	15,397
Properties in possession	-	-	15,853	18,247	22,968
Total Assets	18,672	24,627	58,785	72,036	94,416
Long Term Loans	431	4,031	6,316	7,829	13,298
Total Liabilities	12,049	16,623	48,472	49,535	65,005
Net Asset Value	6,623	8,004	10,313	22,501	29,411
Net Asset Value per share	14	37	47	2.56	3.34
Share price trading at year - end	25	30	50	2	8
Market Capitalisation	12,181	6,578	10,963	17,540	70,422
Number of shares in issue	48,725	* 21925	* 21925	877002	880271
Number of branches	11	11	12	12	13
Number of Group Employees	55	59	72	75	78

The prior year figures have been reclassified. Refer to Note 35 of the annual financial statements.

* Share consolidation @ 1 share per 40 held

The Board

The Board composition at the financial year end

Mr. J Slabbert ("James")

Non-Executive Chairman

James was appoint on 6 December 2018. He has over 30 years experience in the Banking, Investments and Financial Services Industries, being involved in major businesses and various corporate transactions locally and Internationally.

Prior to founding Gowin Capital (the holding company of Arvesco), James held the following positions:

- Executive Director of Group Strategy at Absa.
- Managing Executive of Absa Corporate & Business Bank at Barclays Africa Group Limited.
- James was the Founder and Chief Executive Officer of First South Financial Services (Later Macquarie First South).
- Co-Head of Research for Southern Africa & Emerging Markets and Top-Rated Banks, Insurance and Financial Services.
- Analyst at Merrill Lynch, which later became Bank of America Merrill.

James is 56 years old.

Mr. WJ Groenewald ("Jacques")

Chief Executive Officer

Jacques was appointed as a non-executive director on 17 November 2011 and was subsequently appointed as the acting CEO on 24 February 2014, CEO on 28 March 2014 and acting chairman on 2 June 2014 to 6 December 2018. He holds a B Com (Hons) from the University of Stellenbosch. He was an investment professional in the asset management, investment banking and hedge funds industry with 18 years experience.
Jacques is 52 years old.

Mr. G Hope ("Graham")

Chief Financial Officer

Graham is a Chartered Accountant. Graham has 20 years of experience in trading banking and private equity investments.
Graham is 57 years old.

Ms. HH Hickey ("Hester")

Independent Non-Executive Director

Hester was appointed as a non-executive director on 21 February 2011. She is a Chartered Accountant and consults to various companies specialising in risk and governance. She also performs the Board evaluation processes for the Institute of Directors of Southern Africa. She is currently non-executive director and audit committee Chair for, Pan African Resources Plc and she is a non-executive director of Northam Platinum Limited. She is the Chairman of the Barloworld Risk Committee and a non- executive director and member of the audit committee. She is a past Chairman of the South African Institute of Chartered Accountants and has worked in senior positions for a number of listed companies and serves on several audit committees. Hester lectured auditing at the University of the Witwatersrand and was a member of the King II task team.
Hester is 65 years old.

Ms. V. Lessing ("Vanya")

Lead Independent Non - Executive Director

Vanya was appointed on 29 May 2013. She has a Public Relations Diploma - Damelin and a Travel & Tourism Management - Postgraduate Diploma - Buckinghamshire Chilterns University College. Vanya is the CEO of the Sure Travel Group, responsible for managing the interests of shareholders, licensees and suppliers. She is the former CEO of ASATA (Association of Southern African Travel Agents). During her tenure there (2001 - 2005), she led the travel industry through change and a series of sensitive negotiations, resulting in a new industry business model. Vanya has extensive experience in collaboration and interaction with SMEs, expediting turnaround strategies. Her strong negotiating skills brings 'on the ground' expertise to the Board. Vanya is also a Board member of Sure Holdings (Pty) Ltd, ASATA and Worldwide Independent Travel Network.
Vanya is 64 years old.

The Board *continued*

Mr. SM Roper ("Stephen")

Independent Non-Executive Director

Stephen was appointed on 22 April 2014. He holds an Hons BCompt, PG Dip Tax Law, PG Dip Financial Policy, and is a Chartered Accountant with 28 years' experience. He has extensive experience in investments having served in the research team of one of South Africa's largest fund managers. During this time he had responsibility for investment research of industrial companies in South Africa. He has also served on the private equity investment committee of that fund manager and has corporate finance and business turnaround experience. He currently practices in the area of strategic management.
Stephen is 60 years old.

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

Company Secretary

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

Changes in office

James Slabbert was appointed as non-executive Chairman of the Board on 6 December 2018.

Resignations

None

The Staff

The current year saw a small decrease in our workforce from 59 to 55. Afdawn strives to uplift and enable individuals of all backgrounds and are proud to report:

	2019	2018	2017	2016	2015	2014
Women (as % of total workforce)	69%	68%	65%	65%	71%	65%
Women of colour (as % of total women employed)	47%	44%	41%	57%	49%	54%
Total people of colour (as % of total workforce)	55%	53%	51%	51%	41%	46%

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

Remuneration

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

AfDawn itself is considered an Exempt Micro Enterprise under section 4 of the Revised Code of Good Practice given that the Company's turnover is less than R 10 million and therefore it is deemed to have a B-BEE Status of Level 4 and a B-BEE recognition level of 100%.

	Male		Female		
	African	White	African	White	Total
Executive	0	3	0	0	3
Senior management	0	4	0	0	4
Middle management	0	1	0	0	1
Junior management	1	2	4	6	13
Skilled	0	3	0	2	5
Semi-skilled	3	0	15	4	22
Unskilled	0	0	7	0	7
Total permanent	4	13	26	12	55
Temporary employees	0	0	0	0	0
Total employees	4	13	26	12	55
	17		38		55

Corporate Governance

1. The Board

Purpose:

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

Director	Office	Designation
Mr. J Slabbert	Chairman	Non-executive
Mr. WJ Groenewald	Chief Executive Officer (CEO)	Executive
Ms. V Lessing		Lead independent non-executive
Ms. HH Hickey	Chair Audit and Risk Committee	Independent non-executive
Mr. SM Roper		Independent non-executive
Mr. G Hope	Chief Financial Officer (CFO)	Executive

Composition:

The board of directors of the Company ('the Board") comprised the following directors at the financial year end:

Mr. J Slabbert (Chairman)
Mr. WJ Groenewald (CEO);
Mr. G Hope (CFO)
Ms. HH Hickey (Independent non-executive director);
Ms. V Lessing (Lead Independent non-executive director); and
Mr. SM Roper (Independent non-executive director).

Changes to the Board during the financial year:

Mr. J Slabbert was appointed Chairman on 6 December 2018; and
Mr. WJ Groenewald stepped down as acting Chairman on 6 December 2018.

Changes in office

Resignations

None

The chairman is a permanent invitee to the Audit and Risk Committee. The Board members individually and collectively have the necessary skills, expertise and experience ensuring effective and ethical decision making and strategy implementation.

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

Frequency of meetings:

The Board usually meets at least 4 times per year, but due to ad-hoc matters, 5 meetings were held up to the financial year end. Actual meetings and attendance are set out in the table below. Ad-hoc informal meetings were held every second week.

	Meeting dates				
Board member	21 September 2018	22 November 2018	10 December 2018	4 February 2019	26 February 2019
Mr. J Slabbert (Chairperson)	N/A	N/A	Yes	Yes	Yes
Mr. WJ Groenewald	Independent Board meeting	Yes	Yes	Yes	Yes
Mr. G Hope	Independent Board meeting	Yes	Yes	Yes	Yes
Ms. HH Hickey	Yes	Yes	Yes	Yes	Yes

Corporate Governance continued

Mr. SM Roper	Yes	Yes	Yes	Yes	Yes
Ms. V Lessing	Yes	No	Yes	Yes	No

Roles and responsibilities:

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

The Group as an ethical corporate citizen:

The Board is ultimately responsible for leadership and governance of the Group, setting the tone at the top which promotes ethical behaviour. This remains a critical quality that vests in the Group's leaders. The Board has been able to maintain the Afdawn and Elite brands as credible names in an ever increasing and difficult market. This was accomplished with good governance built on a solid ethical foundation. The Board embraces the principles of the King IV™ Report on Governance™ for South Africa, 2016 (**"King IV™"**). The Board is of the opinion that the corporate governance is in line with the Group's size, complexity, risks and objectives. The Board along with management is evolving continuously to align it with King IV™ compliance. The Board is of the opinion that the Group complies in all material respects with the principles embodied in King IV™ as well as the listings requirements of the JSE Limited (**"JSE Listings Requirements"**) as it pertains to corporate governance. See King IV™ report on pages 16-21 of the annual report.

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

The Board and our Shareholders:

The year under review was difficult and shareholder updates were given on the Stock Exchange News Service (**"SENS"**) of the JSE Limited.

Assessing and developing our Board:

Our newly appointed Board members are formally inducted through a programme comprising reading material, interviews with key personnel and an introduction to Afdawn and its operations. In line with the JSE Listings Requirements applicable to AltX listed companies, all Board members are required to attend the AltX Directors Induction Programme (**"DIP"**) presented by the Institute of Directors of Southern Africa and formally held by WITS Business School. The performance of each individual Board member and Board as a whole is assessed internally on an annual basis. Directors are only nominated for re-election after satisfactory performance assessments and outcomes. If areas for additional development are identified, these are managed through either ad hoc internal training or specialised training provided by reputable training institutions. Directors' remuneration is aligned with the outcomes of the performance assessments; the performance assessments for 2018/2019 were informal. The assessment results were satisfactory. Appointments to the Board is a formal and transparent process and a matter for the Board as a whole.

The Board has adopted and approved a gender and race diversity policy and will, in identifying suitable candidates for appointment as directors, consider candidates on merit against objective criteria with due regard for the potential benefits of gender and race diversity. Aspects of diversity encompassed in the policy, include, but are not limited to, making good use of differences in skills, geographical and industry experience, background, race, gender and other distinctions between members of the Board. Two of the board members are female. A target of 30% has been set in terms of race and gender.

Directors' dealings:

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

2. Remuneration Committee

Purpose:

Corporate Governance continued

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

Composition:

The Remuneration Committee consists of:

Ms. HH Hickey, Mr. SM Roper, Ms. V Lessing (Chairperson)

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

	27 March 2018	9 April 2018
Ms. V Lessing	√	√
Mr. SM Roper	√	√
Ms. HH Hickey	√	√

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

The current salaries are limited by the financial constraints within the Company. Once the profit and cash flow situations have been resolved the salaries will be reviewed and aligned to market value.

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

	Total remuneration 2019 (R'000)	Total remuneration 2018 (R'000)
Mr. WJ Groenewald	0	482
Mr. GB Hope	0	472

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

	Total remuneration 2019 (R'000)	Total remuneration 2018 (R'000)
Ms. J Slabbert	-	-
Ms. HH Hickey	144	144
Ms. V Lessing	144	144
Mr. SM Roper	144	144

Roles and responsibilities:

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

The remuneration philosophy remains one of simplicity, practicality and sustainability which is aligned to market and industry trends. The policy ensures compensation for proven and sustainable performance both over the short and long term. The policies ensure that there are no incentives for risk taking and/or termination of contracts due to changes in management structure within the Group. The current focus remains on cost savings, strict management of cash and building on basics, resulting in no salary increases within the Group. The key focus area of the Remuneration Committee was to liaise with employees where no remuneration policies have been approved yet.

The current executive remuneration consists of:

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

Corporate Governance continued

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

In the event that the remuneration policy is voted against by 25% or more of the voting rights exercised by shareholders at the AGM, the Company will formally engage with such dissenting shareholders to understand the reasons for the dissenting votes, and will consider amending the remuneration policy. As the non-binding vote at the AGM held on 4 Septemberber 2018 was passed by the requisite majority, there was no further engagement with shareholders in this regard.

During the year the executive directors in good faith forfeited their right to fixed salaries in order to relieve the Company of this expense. It is intended that this forfeit be reversed in the near future and that suitable incentives based on performance be introduced. Accordingly, given the current situation, the Company has not implemented a remuneration policy. The Board will consider implementing a remuneration policy when appropriate.

Remuneration of non-executive directors is fixed and they are not paid per meeting attended due to the high number of ad-hoc meetings.

The Remuneration Committee is satisfied that they have fulfilled their responsibilities.

3. Group Executive Committees ("Exco")

Purpose:

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

Frequency of meetings:

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

Every operational subsidiary has it own Exco and reports directly to the CEO.

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

- Investment advisory and investment management
- Micro finance
- Head office, which includes the holding company together with other entities that previously operated in the bridging finance and vehicles finance industry.

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

The Board membership of all the subsidiary companies comprises a combination of the Exco members plus additional directors. There is therefore direct Exco representation on all subsidiary boards. The CEO of Afdawn reports and is accountable to the Afdawn Board. The new Chairman was appointed on 6 December 2018 and leads the Board.

The Group Executive Committee is satisfied that they have fulfilled their responsibilities.

4. Company Secretary

The Company Secretary is responsible for assisting the Board with administration, application of information regarding the Companies Act, No. 71 of 2008, as amended (**"the Companies Act"**), King IV™, JSE Listing Requirements, directors' responsibilities and powers. The Board is entitled to appoint and remove the Company Secretary. Statucor (Pty) Ltd is the Company Secretary of Afdawn. The Board has satisfied itself after a review, through discussion and assessment, the qualifications, experience and competence of the individuals employed by the Company Secretary. The Company Secretary has unfettered access to the Board. The Board is satisfied that an arm's length relationship exists.

5. Audit and Risk Committee

Purpose:

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

Composition:

At the financial year end the committee consisted of:

Ms. HH Hickey (Chairperson), Ms. V Lessing, Mr. SM Roper

Corporate Governance continued

The Audit and Risk Committee comprises three independent non-executive directors. The committee is chaired by Ms. HH Hickey, who is a Chartered Accountant and highly skilled with extensive experience in various fields, with a strong risk and governance background. Due to the changes in the Companies Act and complexity of International Financial Reporting Standards (**"IFRS"**), specialised knowledge is needed from time to time and this is contributed by invitees attending meetings on an ad-hoc basis.

Frequency of meetings:

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

Audit and Risk Committee

	Meeting dates				
Committee member	5 April 2018	23 May 2018	7 June 2018	4 February 2019	26 February 2019
Ms. HH Hickey (Chairperson)	Yes	Yes	Yes	Yes	Yes
Mr. SM Roper	Yes	Yes	Yes	Yes	Yes
Ms. V Lessing	No	Yes	No	Yes	No

Roles and responsibilities

The key focus area of the Audit and Risk Committee was to support the board in its aim to maintaining the stability of the Group and ensuring continuous effective internal control over the accounting records;

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

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

Due to capital and resource constraints, the Group does not have a separate internal audit function. The oversight of internal controls remained with the Audit and Risk Committee and the required testing and investigation was performed in-house by competent financial staff. A separate internal audit division with qualified internal auditor will be formalised and implemented when the Group has the necessary capital and resources. The internal audit tasks remain with the Audit and Risk committee for the time being until the internal audit department will take responsibility for all internal audit matters.

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

Corporate Governance continued

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

The key focus areas are included in the Audit and Risk Committee reports;

- Financial / liquidity risks
- Information technology risk
- Human resources risk
- Operational risk
- Legal/compliance risk
- Strategic risk
- JSE Pro-active monitoring letters.

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

The Audit and Risk Committee is satisfied that they have fulfilled their responsibilities.

6. Risk Management

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

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

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

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

7. Social and Ethics Committee

The Afdawn Social and Ethics Committee (the committee) was established in 2013. The committee assists the board in monitoring that the Group maintains high levels of good corporate citizenship with all stakeholders and ensures that the business considers its social and environmental impact and performance. The majority of the members should be non-executive members however there were not enough Board members and this will be rectified in the future.

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

The responsibilities of the committee are as follows:

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

Committee members

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

Director	Designation	2 May 2018	19 February 2019
Mr. SM Roper (Chairperson)	Independent non-executive	Yes	Yes
Mr. D Breedt	Executive Director Elite	Yes	Yes
Ms. A Van der Westhuizen	Human Resources Manager	Yes	Yes

The focus was to embark on a process to ensure the ethical culture in the business was represented by appropriate policies.

The Social and Risks Committee is satisfied that they have fulfilled their responsibilities in line with the appropriate policies .

Application of principles in King IV™

The King IV™ report is also available on the Company's website at www.afdawn.co.za

Afdawn King IV™ Application Register as at 28 February 2019

King IV™ requirements	Afdawn Status	Comments / Actions
Leadership, Ethics and Corporate Citizenship		
Principle 1: The governing body should lead ethically and effectively.		
Integrity is considered to be a cornerstone of how Afdawn does business.	The Board members creed is to do all things in the best interests of the Company. Everything that is done is done in good faith. Conflicts of interests are declared and noted in minutes of meetings. Board members are ethical and do not merely conform with legal compliance. The Code of Business Principles and Ethics policy have been reviewed by the Social and Ethics Committee. The Social and Ethics Committee reports incidents to the Board as and when required.	The Board has approved a number of policies that relate to ethical conduct of all employees. These include "Facilitation and Extortion Payments", "Anti-Bribery and Corruption" "Preferential Procurement" and "Enterprise Development", "Gifts, Hospitality and Sponsorship" and "Investor Relations". Afdawn is in the process of implementing these policies. Ethical issues are dealt with immediately with zero tolerance.
The governing body members are competent to deal with the challenges faced by the organisation.	Members of the Board are particularly diligent and when necessary, weekly meetings are held by phone to ensure that all the directors know what the situation is at all times. A great deal of e-mail also keeps directors up to speed as well as a WhatsApp group.	The challenges have been difficult but the Board has been tenacious in ensuring that they are dealt with.
The commitment and dedication of the governing body members demonstrates that they take responsibility for the oversight and management of the organisation very seriously.	The executives have gone way beyond the call of duty to ensure that the Company has been cleaned up and is now ready for a new strategy. When circumstances have resulted in deals failing, other avenues have been followed to ensure the long term sustainability of the Company.	
Governing body members are accountable to all the key stakeholders and demonstrate their commitment to this.	The Board takes its responsibilities seriously and has done so in particular in the past year in relation to the regulators and SARS.	
The governing body members ensured fairness in relation to the current key stakeholders with long term sustainability in mind.	The key stakeholders including customers, regulators, employees and shareholders have all been taken into account to ensure that they are treated fairly in difficult circumstances in order to ensure the long term sustainability of the Company.	
In order to keep all stakeholders informed regular SENS announcements are sent out when events warrant it to be as transparent as possible.	There have been a number of SENS announcements sent out in the past year. Other reporting has been done in the AFS.	An integrated report will be produced as soon as funds are available to do so.
Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.		
The governing body needs to walk the talk in relation to ethics.	The business model is based on ethical principles and fairness to customers to assist them with responsible lending.	Ethics breaches are reported to the Social and Ethics Committee who inform the Board as necessary.
Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.		
The governing body needs to comply with laws, regulations, standards and codes.	The Board and its committees take responsibility to ensure that all the statutory matters are complied with to the best of their ability.	A concerted effort to comply has been in place despite economic constraints.

Application of principles in King IV™ continued

The governing body needs to ensure that the organisation's core purpose, values, strategy and conduct are aligned to being a good corporate citizen.	The Company has had significant challenges from a business perspective and the strategy has had to change to meet difficult circumstances over the last few years.	
The governing body needs to oversee and monitor the consequences of activities and outcomes in relation to: • Workplace • Economy • Society • Environment	The economic constraints mean that employees and executives have not received remuneration that is fair. This will be addressed once the business is on a more stable footing. The other key constraint has been the long time it took to obtain a settlement from SARS as it was difficult to take the business forward with the uncertainty that this created. The customers are treated fairly and in terms of statute. The economy has also been a slight constraint as it means customers struggle to repay loans. Environmental outcomes are not significant to the Company.	The SARS settlement has now opened opportunities to allow funding and a significant improvement in future results. This will mean that all aspects will be able to be reviewed in the future, in particular to the management and employee remuneration.
Strategy, Performance and Reporting		
Principle 4: The governing body should appreciate that the organisations' core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.		
The governing body is responsible for performance and strategy, taking into account risks and circumstances.	The Company has been in a difficult and cash-strapped state since the previous Board was removed. The assets were initially perfected and have now been sold. The SARS claim meant that investors were not interested in funding a Company that was not performing and deals could not be closed as funding could not be provided. Value has been destroyed over time as the compromise took ten years to be resolved. Despite cost cutting at Elite and at corporate office, without funding Elite has been breaking even and could not improve profits in line with its potential. The Company has now paid off the compromise and are developing a new strategy to return value to the shareholders.	The Board has had a challenge to sell the assets and keep the Company liquid. The opportunity now exists to create value. The management below the Board are now the Elite management and they have gone to great lengths in difficult times to ensure the Company remains sustainable.
The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long term prospects.	The key reporting in the last few years was the Annual Financial Statements, published SENS announcements and circulars. With the clean up and liquidation of assets and deals that have been structured and some which have failed, the Board now believes that the Company is in a position to move the strategy forward.	An integrated report will be produced as soon as funds are available to do so.
The oversight and performance including general viability and reliance and effects of capitals, the solvency and going concern have been challenging.	The Board and in particular the executives have made personal sacrifices to ensure the long term sustainability, solvency, liquidity and going concern status has been maintained in difficult conditions.	The audit report has had material uncertainties relating to going concern for the past two years. The way forward is a great deal clearer now that the SARS settlement has been made.

Application of principles in King IV™ continued

Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long term prospects.		
There is oversight over the Annual Financial Statements and meeting of standards, as required.	The executives and Audit and Risk Committee understand the responsibility to comply and are committed to put effort into this aspect of reporting. SENS announcements are used to inform the public of key events that occur. The King IV™ principles are under review annually and the Board strives to impose compliance on an annual basis.	
Governance Structures and Delegation		
Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.		
The governing body should demonstrate leadership and strategic direction, approve policy and planning and oversee monitoring of implementation and execution by management and ensure accountability and reporting disclosure.	The Board has had a difficult task as their role often consisted of bringing a distressed company back on its feet. This was complicated by the SARS settlement that has now been resolved and has now been paid.	Corporate governance is a focus area for the Board.
Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.		
The governing body is responsible to ensure that governance is in place by ensuring that the composition facilitates the oversight and governance role of the board as a whole.	The Board takes responsibility for ensuring that there is an appropriate balance of power and skills and experience within the Board to provide the best possible governance environment without having unlimited resources to attract or retain a large number of directors. The new majority shareholder is now the Chairman and the CEO need not hold both roles. The CFO is appointed to the Board and there are three independent board members. The directors have a rotation policy in place that ensures that the shareholders vote on re-appointment on a scheduled basis. The three independent Board members are all on the Audit and Risk Committee and the Remuneration Committee of the Company.	
	Conflicts are noted and minuted in meetings. If the need arose, a board member would be recused from discussions where they could be conflicted. Board members are informally evaluated for independence. There are no board members that have served longer than nine years.	
	Two of the Board members are female. At this point no race diversity exists but a target of 30% representation is envisaged.	
	There is disclosure in the financial statements covering information in relation to the directors.	

Application of principles in King IV™ continued

Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.		
Delegation of responsibilities are allocated to the board and executives and to the Audit and Risk, Remuneration and Social and Ethics Committee.	There is Board Charter delegating roles and putting committees in place. The committees have charters setting out their responsibilities. There is no nominations committee and once the size of the Company increases this will be implemented. The three independent Board members have been committed to seeing out the difficult times the Company has been through. The Social and Ethics Committee has an independent non-executive director and executives as members. Despite not consisting of a majority of non-executive directors as envisaged by King IV™, the Board is of the opinion that the current composition of the Social and Ethics Committee is satisfactory to discharge the Committee's roles and responsibilities. With a small Board the cross-membership of the committees is in place. There is a balanced distribution of power and no one individual is able to dominate the other Board members. There is an Audit and Risk Committee report in the Annual Financial Statements setting out their role, responsibility and focus.	With the additional Board member this will need to be reviewed during the year.
Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.		
The governing body should evaluate the performance of the independent and executive members.	An informal evaluation of the Board members is done annually. A discussion is held at the Remuneration Committee meeting and any issues would be raised with the individuals should this become necessary. Once the Company grows it will be necessary to review this process and put formal processes in place.	
Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.		
The governing body appoints the CEO. The CEO is accountable to the governing body. He is not a member of the Audit and Risk or Remuneration committee but attends the audit and risk committee meetings together with the CFO.	When the previous CEO left the current CEO took over the role as a temporary measure. He has since also been appointed acting Chairman. Now that the new major shareholder has been appointed to the Board, he has taken on the role of the Chairman and the CEO has reverted to his position.	The roles are now separate but the Chairman is non-independent as he is a major shareholder of Afdawn. The lead independent director is still in place.
The governing body should ensure it has access to professional and independent guidance on governance and legal duties.	Statucor has been engaged to perform the company secretarial duties of the Company, the JSE sponsor is PSG Capital and a firm of lawyers assists with legal matters of the Company.	

Application of principles in King IV™ continued

Governance Functional Areas		
Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.		
The governing body should assume responsibility of risk by setting direction for how risk should be approached and addressed in the organisation.	The risk governance encompasses both the risk and opportunities when developing strategy and the potential positive and negative aspects thereof. With the Company having been through extremely trying times since the removal of the previous directors and the sale of the assets that were perfected when the loans were not paid the key risks have related to resolving the challenges that remained, repayment of debt, the SARS compromise and looking for opportunities to grow the business. Key risks that were always in the business plan related to financial risks in the Elite business and the going concern and long term sustainability of the Company.	The Board is of the opinion that the key challenges are now being resolved. There are new opportunities now that the SARS debt has been paid.
Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.		
The governing body should assume responsibility for the governance of technology and information by setting the direction and approach of addressing IT in the organisation.	The use of technology is key to the business models that have been part of the business in the past few years. It is part of the strategy and has been used effectively. The Board has been kept up to date on the development and success of the IT used in its subsidiaries. There has been substantial IP embedded in IT. The management and governance of IT has been a big part of the responsibility of the executives in the subsidiaries.	IT set-up and how it is managed. Once the Company grows it will be necessary to implement even more stringent IT governance into the Group. An IT charter is currently being considered.
Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.		
The governing body has been committed to ensuring that compliance is adhered to.	The Board does not have an internal audit function and once it is large enough it will reconsider this. However, the company secretary, JSE sponsor and lawyers have been used to obtain advice and ensure compliance has been adhered to. In addition, the subsidiaries have had the responsibility of ensuring that they comply with all the rules, regulations and codes that were required of them. Once funding is available an integrated report will be introduced.	The annual reports include these areas of non-compliance.

Application of principles in King IV™ continued

Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.		
The governing body should assume responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on an organisation-wide basis.	The Board has a Remuneration Committee that takes responsibility for the remuneration of the Company. As the Company has had significant challenges to overcome in order to ensure long term sustainability remuneration and proper incentivisation of employees has not been possible. Employees have forgone increases for a number of years. Executives have adjusted their remuneration to ensure that the Company cashflow was not compromised. Once the Company is back on a profit making path this will be reviewed. The details are included in the Annual Financial Statements.	
Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organisation's external reports.		
The governing body should assume responsibility for assurance by setting the direction concerning the arrangements for assurance services and functions.	Although a combined assurance model is in early stages of implementation the Board has ensured that the auditors, sponsors, the company secretary and experts where necessary have been employed to ensure that appropriate assurance is given on key aspects of reporting of information to the stakeholders.	Once internal audit is affordable it will be introduced by the Board.
Stakeholder Relationships		
Principle 16: In the execution of its governance role and responsbilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.		
The governing body should assume responsibility for the governance of stakeholder relationships.	The key stakeholders are currently shareholders, customers, employees and regulators and when issues arise the Board takes part in the discussions and resolutions developed together with management when significant issues arise. The Board is available to the stakeholders at the AGM to answer any questions stakeholders may have. The Board takes responsibility for the relationships with stakeholders of Group companies. The key subsidiary being Elite Group (Pty) Ltd.	The focus of the Company is to treat stakeholders fairly. The key focus has been on ensuring the sustainability of the Company which benefits the shareholders, customers, employees and more indirectly the regulators. As noted, the remuneration has not been fair but has been restricted by the limited funding of the Group.
Conclusion: The Board subscribes to the principles of King IV™ and believes that the Company is on an appropriate journey to constantly improve and comply more fully with the requirements of King IV™.		

Annual Financial Statements

For the year ended 28 February 2019

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

Level of Assurance

Annual Financial Statements for the year ended 28 February 2019

1. Level of Assurance

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

G Hope CA(SA)
Chief Financial Officer

2. Preparer

Dylan Kohler Professional Accountant (SA)
Consultant

Audit and Risk Committee Report

Annual Financial Statements for the year ended 28 February 2019

Introduction

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

The Committee was appointed at the AGM on 4 September 2018.

1. Audit and Risk Committee report

The Committee continues to focus on ensuring effective operation, through sound control and compliance. In the period under review the Committee has focused its attention on the critical risks facing the group and sustainability of the group. It has been another difficult year and cash flow was a particular problem with the directors assisting the Company to remain liquid. The controls that were implemented to ensure the debtor's book is appropriately valued were once again reviewed and the Board and Audit and Risk Committee believe they have the appropriate assurance that the results as audited are appropriate. The Company does not have an internal audit function and the policy is to obtain external specialists to review areas of concern. This year an actuary was employed to assist with new accounting requirements.

The Committee and the Board is actively involved in reviewing the challenges that face Afdawn, in particular the going concern and the new accounting standards as well as the debtors impairment provision.

The Committee assures shareholders that it continues to take all the steps necessary to ensure the appropriate process is being followed to prevent any further problems from arising. As noted above key areas of focus included the going concern and cash flows, IFRS9 and IFRS15 implementation as well as the sale and settlement of a subsidiary, initiation fees, controls and compliance with laws and governance. The Committee had discussions with management, review of documentation, results and cash flows were studied as well as discussion of the issues with the auditors. Where necessary expert assistance was consulted. The Committee was also committed to ensuring that the JSE pro-active monitoring reports were taken into account when complying with the reporting requirements in the financial statements.

The Committee has reviewed the going concern assessment on which the Board has confirmed that it concludes that the Group and the Company are both going concerns. The Committee agrees that this conclusion is appropriate and that the basis of accounting for the Group and the Company as a going concern is appropriate. There are still some challenges for the Group to become profitable, however the increased funding will assist this process. The Committee is confident that the business is sustainable at least for the next twelve months.

The Committee has reviewed the Key Audit Matters (KAMS) in the Auditors report and confirms that it agrees with the issues that have been raised. The audit opinion includes an emphasis of matter in relation to the uncertainties included in note 1.18. The Committee actions in relation to the going concern are noted above. There are two KAMS that have been reviewed by the Committee. They are:

- The impairment of trade receivables. As noted an expert was employed to value the trade receivables and the additional impairment has been taken into account in the financial statements. The reporting has also been reviewed for compliance with IFRS.
- The impairment of investments. There was no impairment of subsidiaries required and reporting was in terms of IFRS.

Purpose

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

- the integrity of the financial statements;
- the effectiveness of internal control over financial reporting;
- independence and qualification of the independent registered auditor;
- the company's compliance with legal and regulatory requirements;
- approving the expertise of the financial director; and
- review of the key audit matters and confirm that they concur with the issues the Committee believes are important.

1. Composition of the Audit and Risk Committee

The members of the Audit and Risk Committee are all independent non-executive directors of the Group and include:

Name	Qualification
Ms. HH Hickey	CA(SA)

Audit and Risk Committee Report

Annual Financial Statements for the year ended 28 February 2019 continued

Ms. V Lessing
Mr. SM Roper CA(SA)

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

2. Meetings held by the Audit and Risk Committee

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

Member / Invitee	5/04/2018	22/05/2018	7/06/2018	4/02/2019	26/02/2019
Ms. HH Hickey (Chairperson)	Yes	Yes	Yes	Yes	Yes
Mr. SM Roper	Yes	Yes	Yes	Yes	Yes
Ms. V Lessing	No	Yes	No	Yes	No

3. External auditor

As the partners of the previous auditors moved to another firm and the firm itself was sold it was noted that there was a conflict of interest with the previous auditors. The Committee therefore went through a process to appoint new auditors. The Committee nominated Mazars for appointment as external auditors of Afdawn. The Committee satisfied itself that the external auditor is independent of Afdawn, as set out in section 94(8) of the Companies Act, and suitable for re-appointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements. This included review of the following:

- The Committee confirmed the Confirmation of the JSE accreditation of the firm.
- Reviewed the latest (2016) IRBA firm inspection outcome and file inspection outcome.
- Considered the review summary of internal processes for the firm.
- Considered the legal and disciplinary procedures from 2015 against any partners and noted that a partner had be removed from the JSE accreditation list and a number of fines and a settlement by consent order were settled.
- Suitability of the designated auditor documentation was reviewed.

The Committee confirmed that the appointment of the auditors is appropriate.

As the auditors are new there is no need for partner rotation and the tenure of the auditors only starts with their current appointment. The new audit partner and, the designated auditor, Jaco Cronje, and the firm are independent as defined by the Companies Act and as per the standards stipulated by the auditing profession. The Audit and Risk Committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved for the 2019 financial year end, taking into consideration such factors as the timing of the audit, the extent of the work required and the scope. The Committee approved a non-audit services policy which determines the nature and extent of any non-audit services which Mazars may provide to the Company. The policy allows for limited tax and corporate governance advice.

4. Financial statements

The Committee has evaluated the Group financial statements for the year ended 28 February 2019 and, based on the information provided, the Committee considers that the Group complies in all material respects, with the requirements of the Companies Act, International Financial Reporting Standards (IFRS) and the JSE Listing Requirements. The requirements of King IV™ are continuously being assessed and improved on with significant issues resolved. The Group substantially complies with the requirements of King IV™ except in respect of those principals highlighted in the corporate governance report. The King IV™ requirements will be reviewed once again in the coming year with the view of improving compliance on an ongoing basis.

5. Accounting practices and internal control

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

Audit and Risk Committee Report

Annual Financial Statements for the year ended 28 February 2019 continued

6. Financial director

The Audit and Risk Committee satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements that the financial director has the appropriate expertise and experience.

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

7. Company Secretary

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

On behalf of the Audit and Risk Committee.

HH Hickey
Chairman Audit and Risk Committee

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report.

It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and the Companies Act. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, the JSE Listings Requirements, the requirements of the Companies Act and Financial reporting pronouncements as issued by the Financial Reporting Standards Council. The financial statements are prepared using appropriate accounting policies which are consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group.

While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditor is responsible for independently auditing and reporting on the Group's financial statements. The financial statements have been examined by the Group's external auditor and their report is presented on pages 29 to 32 of the annual report.

The financial statements set out on pages 33 to 93 of the annual report, which have been prepared on the going concern basis (refer to note 1.18 accounting policies), were approved by the board on 31 May 2019 and were signed on its behalf by:

WJ Groenewald

G Hope

Cape Town
31 May 2019

Company Secretary's Certification

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

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AFRICAN DAWN CAPITAL LIMITED
REGISTRATION NUMBER 1998/020520/06

REPORT BY THE COMPANY SECRETARY

We, in our capacity as Company Secretary, hereby certify, in terms of S88(2)(e) of the Companies Act 71 of 2008, as amended (the Act), that for the year ended 28 February 2019, the Company has lodged with the Commissioner all such returns as are required in terms of the Act, and that all such returns are, to the best of our knowledge and belief, true, correct and up to date.

COMPANY SECRETARY
STATUCOR (PTY) LTD
Per: A Rich

31 May 2019

MAZARS

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

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of African Dawn Capital Limited (the group and company) set out on pages 36 to 93, which comprise the statements of financial position as at 28 February 2019, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 28 February 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other Matter

The consolidated and separate financial statements of African Dawn Capital Limited for the year ended 28 February 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 30 July 2018.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to Note 1.18 in the financial statements, which indicates that the group incurred a net loss of R9,39 million (2018: R2,66 million) and that the company incurred a net loss of R3,92 million (2018:R3,08 million) during the year ended 28 February 2019. As stated in Note 1.18, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group's and the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters relate to the consolidated and separate financial statements.

REGISTERED AUDITOR – A FIRM OF CHARTERED ACCOUNTANTS(SA) • IRBA REGISTRATION NUMBER 900222

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Independent Auditor's Report

To the shareholders of African Dawn Capital Limited continued

Matter	Audit Response
Impairment allowance on Trade Receivables (Note 1.15 and Note 9) At 28 February 2019, trade receivables amounted to R26,45 million against which an impairment allowance of R11,67 million was recorded. This is disclosed in Note 9 to the consolidated and separate financial statements. The Group adopted the accounting standard IFRS 9: Financial Instruments during the current financial year. The standard introduces new requirements around two main aspects of how financial instruments are treated, namely measurement and classification as well as impairment. IFRS 9 introduces new impairment rules which prescribe a new, forward looking, expected credit loss ("ECL") impairment model which takes into account reasonable and supportable forward-looking information, which will generally result in the earlier recognition of impairment allowances. The impairment allowance was a matter of most significance to the audit and therefore identified as a key audit matter, given the material value of trade receivables as a whole to the consolidated and separate financial statements, the subjective nature / judgements of the impairment allowance calculation and the effect of the impairment allowance on the risk management processes and operations of the Group. There are a number of significant management-determined judgements made on the ECL impairment allowance calculations including: • determining the criteria for a significant increase in credit risk; • techniques used to determine the probability of default ("PDs") and loss given default ("LGD") and • forward looking assumptions. These judgements required new models to be built and implemented to measure the expected credit losses on certain financial assets measured at amortised cost. There is a large increase in the data inputs of these models which increases the risk that data used to develop assumptions and operate the model is not appropriate or accurate. Differences between the previously reported carrying amounts and the new carrying amounts of financial instruments as at 28 February 2018 has been recognised in the opening retained earnings as at 1 March 2018. An independent expert was appointed by management to assist with the calculation of the IFRS 9 expected credit losses on the impairment allowance on trade receivables.	Our audit approach included obtaining an understanding of the Group's policy in relation to the expected credit loss impairment allowance of trade receivables, and testing the application of this policy. We performed the following audit procedures: • Evaluated the appropriateness of the application of either a specific expected credit loss model or a simplified approach to the relevant financial assets by understanding the nature of the financial assets and comparing the application to the requirements of the standard; • Tested the IT general control environment and application controls over the ageing of the trade receivables that will determine the staging as per IFRS 9. • Obtained an understanding of the Group's approach for estimating ECL and whether this is in compliance with IFRS 9; • We assessed the appropriateness of relying on the work of the management expert in terms of ISA620 by: o evaluating the competence, capability and objectivity of the management expert and o Having discussions with the management expert to assess the scope of the review performed by the management expert • We tested the work of the management expert in accordance with ISA620 through verifying the data inputs used by the management expert in the ECL impairment model back to the underlying data We furthermore considered the adequacy of the Group's disclosure of trade receivables and the related impairment allowance.

Independent Auditor's Report

To the shareholders of African Dawn Capital Limited continued

Impairment of Investments in subsidiaries (Note 1.3 and Note 6) As per IAS 36 Impairment of Assets, the Company is required to annually test the carrying value of the investment in subsidiaries for impairment when there is an indicator of impairment. This is performed using discounted cash flow models for the various investments. Due to the value of the investment in subsidiaries representing more than 50% of the total assets as at 28 February 2019 as well as the significant judgement used in the inputs into the discounted cash flow models, this has been considered to be a key audit matter. Based on the impairment testing performed by management no impairment were required relevant to the Investments in subsidiaries.	In evaluating the recoverable amount of investments in subsidiaries we performed various procedures including the following: • Utilised an auditors expert in assessing the reasonability of the discounted cash flow model used for the value in use calculator as well as the key inputs into the model such as the pre-tax discounted rate, revenue growth rates and terminal growth rate against external market data; • Tested the mathematical accuracy of the discounted cash flow model used; • Performed a sensitivity analysis on the key assumptions applied; • Considered the reasonableness of the assumptions used, including managements' growth forecast and WACC; We evaluated the relevant disclosure of the Company for compliance with IFRS.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit and Risk Committee's Report, the Group Company Secretary's Certificate as required by the Companies Act of South Africa which we obtained prior to the date of this report and the Annual Report which is expected to be made available to us after the date of this report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

Independent Auditor's Report

To the shareholders of African Dawn Capital Limited continued

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of African Dawn Capital Limited for 1 year.

Mazars

Mazars
Partner: FJ Cronje
Registered Auditor
31 May 2019
Cape Town

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Afdawn for the year ended 28 February 2019.

1. Review of activities

General information

Nature of business

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

Group details

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

The registered office and principal place of business is: 3rd floor The Village at horizon, Cnr Sonop & Ontdekkers Road, Horizon View, Gauteng 1724.

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

Review of operations

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

The Group's loss attributable to shareholders amounted to R9.4million (2018: R2.6million). The Net Asset Value decreased to R6.6million (2018: R8million). The Company's loss amounted to ((R3.9m) (2018:R3.08million)). Net Asset Value of the company increased to R16.8million (2018: R12.5million).

2. Going concern

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

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

3. Major transactions, events and disclosure changes

The major transactions and events during the year were:

- SARS settlement refer to Note 14
- Related party transactions Note 31
- Specific Issue of Share for cash Note 16

4. Events after the reporting period

For events after the reporting period. Refer to Note 37.

Directors' Report continued

5. Directors

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

Directors	Office	Designation
J Slabbert	Chairperson#	Non-executive
WJ Groenewald	Chief Executive Officer (CEO)*	Executive
G Hope	Chief Financial Officer (CFO)	Executive
V Lessing	Chair Remunerations Committee	Independent non-executive
HH Hickey	Chair Audit and Risk Committee	Independent non-executive
SM Roper		Independent non-executive

J Slabbert was appointed Chairman on 6 December 2018
* The CEO acted as Chairperson until 6 December 2018 at which point J Slabbert was appointed Chairperson.

6. Meetings held by the Board

Member	21/09/2018	23/11/2018	10/12/2018	4/02/2019	26/02/2019
J Slabbert	N/A	N/A	Yes	Yes	Yes
HH Hickey	Yes	Yes	No	Yes	Yes
V Lessing	Yes	No	Yes	Yes	No
SM Roper	Yes	Yes	Yes	Yes	Yes
WJ Groenewald	#	Yes	Yes	Yes	Yes
G Hope	#	Yes	Yes	Yes	Yes

Independent Board Meeting

7. Directors' interests in shares

As at 28 February 2019, the directors of the Company held direct and indirect beneficial interests in 57.6% (2018: 5.4%) of its issued ordinary shares, as set out below.

Interests in shares

	2019 Direct	2018 Direct	2019 Indirect	2018 Indirect
J Slabbert #	-	-	26,800,000	-
Shares held by associates of directors			81,292	-
WJ Groenewald	3,952	3,952	1,151,240	1,151,240
G Hope	58,750	58,750	-	-
	62,702	**62,702**	**28,032,532**	**1,151,240**

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

2019	Direct	Indirect	Total	% Held
J Slabbert #	-	26,800,000	26,800,000	55.0
Shares held by associates of directors		81,292	81,292	.2
WJ Groenewald	3,952	1,151,240	1,155,192	2.4
G Hope	58,750	-	58,750	0.0
	62,702	**28,032,532**	**28,095,234**	**57.6**

Directors' Report continued

J Slabbert's shareholding is held indirectly through Arvesco 153 Proprietary Limited

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

8. Borrowing limitations

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

9. Special resolutions

The special resolutions set out below were passed at the Annual General Meeting ("AGM") held on 4 September 2018 and the General Meeting ("GM") held on 26 November 2018.

- Non-executive directors' fees
- General authority to acquire own shares
- Loans or other financial assistance to inter-related companies within the Group
- Financial assistance for the subscription and/or purchase of shares in the Company or a related or inter-related Company
- Authority to issue shares for cash
- Specific Issue of share for cash

10. Auditors

We will recommend to the shareholders that Mazars will continue in office as auditors of Afdawn in terms of the Companies Act.

11. Secretary

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

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

12. Dividends

No dividends were declared or paid to shareholders' during the period Rnil (2018: Rnil).

13. Shares

Shareholders approved the Specific Issue of 26 800 00 Shares for cash and the Waiver of the Mandatory Offer at a General Meeting held on 26 November 2018. The TRP approval was obtained on 4 December 2018. The additional shares were issued and listed on the JSE on 7th December 2018. The shares were issued to Arvesco 153 Proprietary Limited ("Arvesco"), at the Issue Price of 35 cents per Share.

14. Registered office

The company's registered office is:
3rd Floor,
The Village at Horizon, Corner of Sonop and Ontdekkers Roads, Horizon View,
1724,
Gauteng

Statement of Financial Position as at 28 February 2019

	Notes	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Assets					
Non-Current Assets					
Property, plant and equipment	3	343	400	16	36
Goodwill	4	-	-	-	-
Intangible assets	5	554	921	-	-
Loans to Group companies	8	-	-	6,161	-
Investments in subsidiaries	6	-	-	11,377	6,377
Deferred tax	7	-	26	-	-
		897	**1,347**	**17,554**	**6,413**
Current Assets					
Loans to Group companies	8	-	-	3,008	11,622
Trade and other receivables	9	15,387	22,851	34	994
Cash and cash equivalents	15	2,388	429	7	55
		17,775	**23,280**	**3,049**	**12,671**
Total Assets		**18,672**	**24,627**	**20,603**	**19,084**
Equity and Liabilities					
Equity					
Share capital and share premium	16	323,323	313,943	323,323	313,943
Accumulated loss		(316,700)	(305,825)	(306,520)	(301,467)
Non-controlling interest	13	-	(114)	-	-
		6,623	**8,004**	**16,803**	**12,476**
Liabilities					
Non-Current Liabilities					
Borrowings	17	431	4,031	-	-
		431	**4,031**	**-**	**-**
Current Liabilities					
Loans from Group companies	8	-	-	-	2,346
Current tax payable	14	-	5,705	-	3,312
Borrowings	17	6,774	4,259	409	-
Loans from directors	18	2,820	685	2,820	685
Operating lease liability	19	2	62	-	-
Trade and other payables	20	2,022	1,881	571	265
		11,618	**12,592**	**3,800**	**6,608**
Total Liabilities		**12,049**	**16,623**	**3,800**	**6,608**
Total Equity and Liabilities		**18,672**	**24,627**	**20,603**	**19,084**

Statement of Profit or Loss and Other Comprehensive Income

	Notes	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Operations					
Revenue	21	13,335	17,409	95	117
Other income	22	638	1,599	98	4,911
Investment income	24	4	27	1	-
Loss on sale of subsidiary	10/11	(181)	-	-	(2,309)
Profit on sale of equity accounted investment	12	-	-	-	55
Gains on SARS settlement (Note 14)		-	11,809	-	8,371
Finance costs	25	(1,505)	(1,114)	(580)	(63)
Other operating expenses	23	(21,674)	(31,031)	(3,537)	(14,161)
Operating loss before taxation		**(9,383)**	**(1,301)**	**(3,923)**	**(3,079)**
Taxation	26	(10)	4	-	-
Loss from continuing operations		**(9,393)**	**(1,297)**	**(3,923)**	**(3,079)**
Loss from discontinuing operations	28	-	(1,364)	-	-
Total comprehensive (loss) for the year		(9,393)	(2,661)	(3,923)	(3,079)
Loss attributable to:					
Owners of the parent:		(9,393)	(2,614)	-	-
Non-controlling interest in share of loss		-	(47)	-	-
Loss per share from operations	39	(33.5)	(12.1)		
Basic and diluted loss per share (c) - continued operations		(33.5)	(5.9)		
Basic and diluted loss per share (c) - discontinued Operations		-	(6,2)		

Statement of Changes in Equity

Group	Share Capital	Share Premium	Total Share Capital	Accumulated loss	Non controlling Interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 01 March 2017	8,803	305,140	313,943	(303,630)	-	10,313
Change in holding (refer Note 11)				419	(67)	352
Total comprehensive loss for the year	-	-	-	(2,614)	(47)	(2,661)
Balance at 28 February 2018	8,803	305,140	313,943	(305,825)	(114)	8,004
Share issue (refer Note 16)	10,720	(1,340)	9,380	-	-	9,380
IFRS 9 adjustment related to prior year	-	-	-	(1,130)	-	(1,130)
Sale of subsidiary (refer Note 11)	-	-	-	(352)	114	(238)
Total comprehensive loss for the year	-	-	-	(9,393)	-	(9,393)
Balance at 28 February 2019	**19,523**	**303,800**	**323,323**	**(316,700)**	**-**	**6,623**
Notes	16	16	16		13	

Company	Share Capital	Share Premium	Total Share Capital	Accumulated loss	Non controlling Interest	Total equity
Balance at 01 March 2017	8,803	305,140	313,943	(298,388)	-	15,555
Total comprehensive loss for the year	-	-	-	(3,079)	-	(3,079)
Balance at 28 February 2018	8,803	305,140	313,943	(301,467)	-	12,476
Share issue (refer Note 16)	10,720	(1,340)	9,380	-	-	9,380
IFRS 9 adjustment related to prior year	-	-	-	(1,130)	-	(1,130)
Total comprehensive loss for the year	-	-	-	(3,923)	-	(3,923)
Balance at 28 February 2019	**19,523**	**303,800**	**323,323**	**(306,520)**	**-**	**16,803**
Note	16	16	16			

Statement of Cash flows

	Notes	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Cash flows from operating activities					
Cash generated (used in)/by operations	29	(1,560)	6,837	(2,751)	(8,292)
Interest income - continued	24	4	27	1	-
Interest income - discontinued	28	-	5	-	-
Finance costs - continued	25	(1,505)	(1,114)	(580)	(63)
Finance costs - discontinued	28	-	(169)	-	-
Tax (paid)	30	(5,662)	(3,010)	(3,312)	(1,042)
Net cash from operating activities		**(8,723)**	**2,576**	**(6,642)**	**(9,397)**
Cash flows from investing activities					
Purchase of property, plant and equipment - continued	3	(2)	(17)	-	-
Investment in subsidiary	6	-	-	(5,000)	-
Purchase of intangible assets - continued	5	(40)	(344)	-	-
Sale of subsidiary- cash effect	11	(4)	-	-	-
Sale of subsidiary- discontinued	10	-	3,570	-	3,625
Proceeds from sale of equity controlled instrument - discontinued	12		1,000		1,000
Advances to group companies	8			(398)	
Proceeds from loans to Group companies - continued	8	-	-	2,415	6,727
Net cash from investing activities		**(46)**	**4,209**	**(2,983)**	**11,352**
Cash flows from financing activities (refer to Note 29 for movements reconciliation)					
Share issue	16	9,380		9,380	
Borrowings repaid - continued	17	(4,628)	(1,337)	(1,142)	-
Borrowings repaid - discontinued	17	-	(6,164)	-	
Borrowings raised	17	3,841	-	1,551	
Repayment of loans from Group companies - continued	8	-	-	(2,346)	(1,140)
Directors loans raised	18	3,102	-	3,101	-
Directors loans (repaid)	18	(967)	(838)	(967)	(838)
Net cash from financing activities		**10,728**	**(8,339)**	**9,577**	**(1,978)**
Total cash movement for the year		**1,959**	**(1,554)**	**(48)**	**(23)**
Cash at the beginning of the year		429	1,983	55	78
Total cash at end of the year	15	**2,388**	**429**	**7**	**55**

Accounting Policies

1. Accounting Policies

1.1 Summary of accounting policies

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, the requirements of the Companies Act of 2008 and the JSE Listing Requirements and Financial reporting pronouncements as issued by the Financial Reporting Standards Council.

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

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

1.2 Changes in accounting policies and basis of preparation

The following standards have been adopted during the current year

- **IFRS 9 Financial Instruments**

IFRS 9 was adopted by the group on 01 March 2018. The comparative period is still accounted for using the previous IAS 39 standard. The directors reviewed and assessed the company's existing financial assets as at 01 March 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the company's financial assets as regards to their classification and measurement:

Classification of financial assets

IFRS 9 introduced different categories of assets compared to IAS 39. The allocation of the financial instruments to the IFRS 9 categories has not affected the measurement of the financial assets except for the impairment assessment as addressed below. Please refer to Note 33 where the classification of instruments was addressed.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the company to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the company is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

As at 01 March 2018, the directors reviewed and assessed the company's existing financial assets, amounts due from customers for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 01 March 2017 and 01 March 2018.The result of the assessment is as follows:

The application of the IFRS 9 impairment requirements has resulted in additional loss allowance of R1,130,430 to be recognised in the current year related to 2018.

Accounting Policies continued

Classification and measurement of financial liabilities

The classification and measurement of financial liabilities have not changed with the implementation of IFRS 9. The liabilities are still being measured at amortised cost.

The borrowings from Peregrine Financial Services Holdings Limited have been subject to a number of re-negotiations in interest and settlement terms over the years and the loan has been analysed for changes in credit risk over the life of the loan. The effect has a financial impact in the fair value adjustment of the loan which has in the past been recorded through profit or loss. The assessment has not indicated any new fair value adjustments being required in the current or previous years so no financial adjustment has been made.

Reconciliation of the reclassifications and remeasurements of financial assets as a result of adopting IFRS9

The following table presents a summary of the financial assets as at 01 March 2018.

Group

Items existing on 1 March 2018 that are subject to the impairment provisions of IFRS 9	Note	Credit risk attributes	Cumulative additional loss allowance recognised related to 2018 R,000
Trade and other receivables	9	The company applied the general approach and recognises lifetime expected credit losses for these assets, due to the short term nature of these assets.	1,130,430
Cash and cash equivalents	15	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.	-
Total additional loss allowance			1,130,430

Company

Items existing on 1 March 2018 that are subject to the impairment provisions of IFRS 9	Note	Credit risk attributes	Cumulative additional loss allowance recognised related to 2018 R,000
Loans to group companies	8	The directors have been raising loss allowance on the loans based on the general approach. The loan balances were compared to the net asset value of the respective companies to identify additional credit losses. The net asset value of the subsidiaries incorporates IFRS 9 impairment losses.	1,130,430
Trade and other receivables	9	The company applied the general approach and recognises lifetime expected credit losses for these assets. No adjustment was necessary.	-
Cash and cash equivalents	15	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.	-
Total additional loss allowance			1,130,430

Reconciliation of the reclassifications and remeasurements of financial liabilities as a result of adopting IFRS9

The financial liabilities as at 1 March 2018 measure at amortised cost under IAS 39 were where tested for adjustment and the directors none were necessary.

Accounting Policies continued

Financial impact of initial application of IFRS 9

Impact on profit or loss, other comprehensive income and total comprehensive income Impact on profit (loss) for the year has been included in the statement of changes in equity as the group decided not to restate prior years.

Taxation impact

The adoption of IFRS 9 results in a tax credit to the group's reserves based on the statutory tax rate of 28%. The amended tax legislation in section 11(jA) of the Income Tax Act, which is effective from when IFRS 9 applies, allows for a 25% doubtful debt allowance relating to the impairment (stage 1). The allowance is increased to 40% where the impairment is measured at an amount equal to the lifetime ECL (i.e. stage 2), and to 85% where the impairment is on a lifetime ECL and the loan meets the definition of "default" in terms of Regulation 67 of section 90 of the Banks Act (stage 3). Effectively, from our 2019 tax year of assessment, we will claim 25% allowance on stage 1, 40% on stage 2 and 85% allowance on loans classified as stage 3.

° IFRS 15 Revenue from Contracts with Customers

In the current year, the company has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the company financial statements are described below. Refer to the revenue accounting policy for additional details.

The company has applied IFRS 15 with an initial date of application of 01 March 2018 in accordance with the cumulative effect method, by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 01 March 2018. The comparative information has therefore not been restated.

As the current policies comply with the IFRS15 standards there is no financial impact but the disclosure has been amended in compliance with IFRS15.

The effect of the adoption of the accounting policies is indicated in the notes to the financial statements as below:

IFRS 9 policy disclosure refer to note 1.15 and financial effect refer to note 1.2.

IFRS 15 policy disclosure refer to note 1.13 and financial effect refer to note 21.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are those entities that are controlled by the Group.

Control

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

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

Changes in ownership interest in subsidiaries without change in control

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

Accounting Policies continued

Company - separate financial statements

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

Business combinations

The Group applies the acquisition method to account for business combinations.

Consideration

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

Loss of control

Upon the loss of control over a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary.

Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

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

1.5 Leases

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

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.

1.6 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.7 Employee benefits

Short-term employee benefits

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

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

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

Accounting Policies continued

1.8 Income taxes

Tax expense

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

Current taxation

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

Deferred tax

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

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

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

1.9 Property, plant and equipment

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

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

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

Property, plant and equipment

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	4 - 10 years
IT equipment	Straight line	3 - 5 years
Leasehold improvements	Straight line	Length of leases
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	3 - 10 years

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.10 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.

Accounting Policies continued

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product for use;
- there is an ability to use the software product;
- adequate technical, financial and other resources to complete the development and to use or; 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 - 10 years
Intangible assets recognised on Knife Capital Group	Period of contract between 3 - 6 years (disposed in previous year)
YueDiligence software development	3 years
SME Snapshot software development	Disposed during the current year

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

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

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

The carrying amounts of the Group's non-financial assets, other than 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.

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.

Accounting Policies continued

1.12 Contingent assets

A Contingent asset is an asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity.

1.13 Revenue

Revenue from contracts with customers

The company has adopted IFRS 15 Revenue from Contracts with Customers from 1 March 2018 which resulted in changes in accounting policies but no adjustments to the amounts recognised in the financial statements, (refer to note 1.2). In accordance with the transition provisions in IFRS 15, the company has adopted the new rules retrospectively.

Revenue comprises services rendered as follows:

- Commissions received;
- Administration fees
- Income from the rendering of services;
- Interest income on trade receivables and originating fees

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

Management have elected to apply the practical expedient available and carry revenue and the related receivable at the undiscounted value for all contracts with customers where management expects at contract inception, the period between revenue recognition and when repayment for those goods or services will be one year or less.

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 their relative standalone selling price.

Commission income

Commission income is derived from the sale of insurance premiums to micro-financing debtors as well as collection commission where the group earns commission from collecting debts.

For insurance commission the group acts as an agent by offering insurance products under-written by an external party. The group therefore receives a commission based on the number of premiums written by the external company and recognises only the commission earned, once under-written, per the agreement between the parties.

Collection commission relates to collecting services provided by the group to external parties. The group earns commission based on a fixed portion that the group collects. These commissions are earned as amounts are collected.

Administration fees

Monthly administration fees are charged on micro-finance debtors classified as trade receivables. Fees are recognised when the services are provided and determined as a fixed cost for each debtor for the period that their loan remains outside of default or in the legal book. No administration fees are charged on loans in default or in the legal book.

Interest income

Interest income is recognised in profit or loss using the effective-interest method taking into account the expected timing and amount of cash flows. Interest income is recognised for micro-financing debtors; which are measured at amortised cost and classified as trade receivables.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The original effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the original effective interest rate, the group estimates cash flows considering contractual terms of the financial instrument 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.

Accounting Policies continued

Once a financial asset or a group of similar financial assets have been categorised as a stage 3 receivable (credit impaired), interest income is recognised on the carrying value of the receivable net of impairment losses recognised.

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. 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. Related transaction costs are also deferred and recognised as an adjustment to the effective interest rate.

The Group does not capitalise any related operating costs which are not integral to the creation of micro-financing loans, as these costs are not directly attributable to individual transactions and are recorded in profit and loss as incurred.

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. The stage of completion is determined with reference to services provided in relation to the total services to be provided as agreed between the parties.

1.14 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 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.
Broadly, the classification possibilities, which are adopted by the company as applicable, are as follows:

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows).

Financial liabilities:

- Amortised cost.

Note 1.15 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Accounting Policies continued

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash and cash equivalents are stated at amortised cost which approximates fair value due to the short-term nature of these instruments.

Trade and other receivables

Trade receivables are grouped in terms of the accounting policy into:

- Current receivables - 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.
- Collection receivables - 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 receivables - 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

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Group recognises a loss allowance to the value of the lifetime expected credit losses for trade receivables under the general approach as envisaged by IFRS 9, excluding prepayments, deposits and Value Added Tax.

A separate impairment percentage is calculated based on the different portfolios as described above. The Group has established a provision that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The group categorises assets based on their term, there performance as well as the type of receivable as described above. Impairment provisions are applied to these categories of trade receivables in order to calculate the lifetime ECL recognised on trade and other receivables.

The Group considers that there has been a significant increase in credit risk when contractual payments are past due and therefore applies a greater impairment percentage to these assets, than those who are fully performing.

Measurement and recognition of expected credit losses

The provision is based on historic credit loss experience, adjusted for current and forecast direction of economic conditions at the reporting date, including the time value of money, where appropriate.

The most significant class of financial asset subject to an ECL provision is trade receivables. Trade receivables mostly comprise a large number of

Accounting Policies continued

small, homogeneous assets. The group uses an ECL provisioning model based on historical roll rates and applies forward-looking industry available knowledge to provide a forward economic over-lay onto the historical rates.

The loss allowance is reduced by the collateral in place over all its trade receivables. The collateral mainly consist out of directors loans which have been given up as security for selected debtors. The value of the collateral is considered before incorporating it within the impairment calculation.

Adjustments to the ECL provision are recognised through use of a loss allowance account. The ECL gain or loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

The group stratifies the ECL provision results into similar groups to ensure results are stable and appropriate to predict future cash flows for clients with similar characteristics. Refer to the classes of trade receivables above for the stratification criteria.

The ECL provision is calculated as the excess of the balance of a loan above the present value of its expected cash flows, discounted using the effective interest rate on the financial instrument as calculated at initial recognition (initiation fee plus interest).

Default

The group considers that a default has occurred when a debtor is more than 75 days past due upon which the debtor is transferred to collection book. Unless it has reasonable and supportable information that demonstrates otherwise.

Write off policy

The group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Any recoveries made are recognised in profit or loss.

From the trade receivables allocated to the collections book, loans that are 180 days overdue are fully written off unless the debtor was transferred to the legal book.

Bad debt recovered

In the event that debt which has been written off is recovered the bad debt recovered is recognised directly in the profit and loss statement.

Credit risk

Details of credit risk are included in the trade and other receivables note and the financial instruments and risk management Note 33.

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition. Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item.

Loans advanced including group loans

Classification and measurement.

Loans are initially recognised at fair value.

Loans for which repayment terms have been set are classified as financial assets subsequently measured at amortised cost, using the effective interest method. The loans are held to collect contractual cash flows on the principal amount and interest over the term of the loan.

Loans for which no repayment terms have been set are regarded as being repayable on demand. These loans are discounted from the first day repayment can be demanded.

Impairment

The group has established a policy to perform an assessment, at the end of each reporting period, of whether an advance's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the group groups its advances into Stage 1, Stage 2 and Stage 3, as described below (the advances can alternate between stages):

Accounting Policies continued

Stage 1 Performing: When advances are first recognised, the group recognises an allowance based on 12-month ECLs. Stage 1 advances also include facilities where the credit risk has improved, and the advance has been reclassified from Stage 2. The advances included within Stage 1 are those advances made to group companies with strong capability to repay the loans and that are in a sound financial position with assets exceeding liabilities.

Stage 2 Underperforming: When a loan has shown a significant increase in credit risk since origination, the group records an allowance for the life time ECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3. Based on the history of the group, these might include advances where the company has not made payments, mainly due to deterioration in the financial health of the company, based on forecast information and the net asset value of the companies. This is considered to increase the credit risk of the company, but advances are still expected to be recovered through a debt management process.

Stage 3 Non-performing: Loans considered credit-impaired. The group records an allowance for the life time ECLs. This is where there has been defaults by the company or more advanced debt management processes is required.

The advances can move between stages based on their performance, ie an advance in Stage 2 in the current year can move to a Stage 1 loan in the next period if the lender's risk decreases, for example, the lender recovers and makes regular payments again.

The entity considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower enters advance management process.

Write off

Loans are written off when management in both companies agree the amount is no longer recoverable due to the company being winded-down The loss on the derecognition of the loan is recognised in profit or loss.

Rehabilitated loans

Financial liabilities

Borrowings and other loans

Classification

The group recognises a financial liability once it becomes a party to the contractual terms of the financial instrument. Financial liabilities carried at amortised cost are recognised initially at fair value net of directly attributable transaction costs. Subsequently financial liabilities are stated at amortised cost using the effective interest rate method.

Recognition and measurement

Loans from group companies, borrowings and loans from directors are classified as financial liabilities at amortised cost. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

Loans repayable on demand are discounted from the first day the loans can be demanded.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs.

Borrowings expose the company to liquidity risk and interest rate risk. Refer to Note 33 for details of risk exposure and management thereof.

Derecognition

A financial liability, or part of a financial liability, is derecognised when the obligation under the liability is discharged or cancelled or expires.

Trade and other payables

Classification

Trade and other payables (Note 20), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Accounting Policies continued

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (Note 25).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to Note 33 for details of risk exposure and management thereof.

1.16 Segment reporting

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

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

Additional information relating to major clients and other performance measures is provided.

The Group has three operating segments:

* Investment advisory and investment management
* Micro finance
* Head Office

In the prior year there was also a segment called Rentals of property in possession which has been discontinued.All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers in standalone sales of identical goods or services. For management purposes, the Group uses the same measurement policies as those used in its financial statements.

1.17 Earnings per share

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

1.18 Significant judgements and sources of estimation uncertainty

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

Significant judgements

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:

Accounting Policies 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
Operating losses incurred by the group over the last two years.	Additional funding to be obtained in the group.	During the current year there was a specific share placement and R9.3 million was raised. Some of these funds were used to settle the SARS liability as well as recapitalize Elite with R5 million. The directors are currently also sourcing additional funding. With the R5 million already invested and potential additional funding Elite will be able to grow and generate profit going forward.
Afdawn's ability to pay ongoing operational expenses.	Directors and various parties have provided and continue to provide funding and other ongoing operational expenses. Management are investigating other opportunities for revenue growth.	The directors have waived their right to claim unpaid salaries for this period and the holding company of Arvesco has provided a letter of comfort to cover ongoing expenses while additional funding is sought. Elite Group is positioning itself to do point of sales lending and management are evaluating the opportunity to establish a commercial finance business line in PTF2.

We draw attention to the fact that the group incurred a net loss of R9,39 million (2018: R2,66 million) and that the company incurred a net loss of R3,92 million (2018: R3,08 million) during the year ended 28 February 2019.

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.

Significant estimation uncertainty

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 and the specific estimates and assumptions are as follows:

- Goodwill 2019 and 2018 - refer to Note 4
- Investment in subsidiaries – refer to Note 6

Loss allowance of trade receivables in Elite

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

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

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

Accounting Policies continued

Refer to Note 33, for further information on the specific estimates and assumptions used to assess the recoverability of trade receivables.

Discounting of interest free loans and loans that bear interest at non-market related rates

The following judgements are made relating to these loans:

* Credit loans that have no repayment terms are:
  - classified as financial 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 financial liabilities at amortised cost;
  - split between non-current liabilities and current liabilities in accordance with the terms.
    - Loans that are interest free or bear interest at a rate that is not market related are discounted at a market related rate. The imputed interest is deferred onto the Statement of Financial Position and included as part of the loan balance.
* Debit loans that have no repayment terms are:
  - classified as financial assets;
  - split between non-current assets and current assets in accordance with the intention of the lender;
  - assessed for impairment; and
  - not discounted because the amount that could be demanded by the lender is equal to the carrying amount of the loans.
* Debit loans that have repayment terms are:
  - classified as financial assets;
  - split between non-current assets and current assets in accordance with the terms and the intention of the lender;
  - assessed for impairment; and
  - Loans that are interest free or bear interest at a rate that is not market related are discounted at a market related rate. The imputed interest is deferred onto the Statement of Financial Position and included as part of the loan balance.

2019 & 2018

The interest rates that have been applied in the discounting is an effective interest rate of 11,44% (2018: 11.44%).

Useful lives of property, plant and equipment and intangible assets

Property, plant and equipment is depreciated and intangible assets are amortised on a straight-line basis over its estimated useful life to residual value. Residual values and useful lives are based on management's best estimates and actual future outcomes may differ from these estimates.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation or amortisation charge. The residual values, useful lives and depreciation / amortisation methods applied to property, plant and equipment and intangible assets are reviewed by management on an annual basis, taking into account market conditions as well as historical trends.

IFRS9 estimates

Significant increases in credit risk (SICR)

In terms of IFRS9, all loans and advances are assessed at each reporting date to determine whether there has been a significant increase in credit risk (SICR). In cases where SICR has occurred an impairment equal to the lifetime expected credit loss (ECL) is recognised. If, at reporting date the ECL has not increased the company recognises a 12 month ECL. The company identifies SICR on clients that are up-to-date on their loans but who have been subject to SICR events.

The company considers the following to be SICR events. An assessment of the credit quality of the client is performed at inception of the loan. Subsequently, a SICR is also noted when loans have fallen into arrears.

Accounting Policies continued

Forward-looking information

It is a fundamental principle of IFRS9 that the ECL impairment provision that the company holds against potential future losses should take into account changes in the economic environment in the future. To capture the effects of changes to the economic environment management have taken into consideration market forward-looking impairment rates applied and benchmarked this against their own assessments. Three economic scenarios (negative, baseline and positive scenario) are taken into account when calculating future expected credit losses. The probability of each scenario is determined by management estimation, and are factored into the calculation of the probability of default ("PD"), exposure at default ("EAD"), and the loss given default ("LGD") within the ECL calculation.

Modelling assumptions

Historical data may not always be reflective of the future. The way in which it is used by statistical ECL models (PD, EAD, LGD) to estimate the timing and amount of the forecasted cash flows based on historical default data, roll rates and recoveries, requires consideration of sub-segments. These include aspects such as client risk groups, time on book, product term, payment frequency, default statuses, employment, industry and rescheduling status and the behaviour score of the client.

1.19 Share capital and share premium

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 and share premium are classified as equity.

Ordinary shares are recoginsed at par value and classified as "Share Capital" in equity. Any amounts received from the issue of shares in excess of par value is classified as "Share Premium" in equity. Where shares are issued at less than par value the difference between par value and issue value is offset against "Share Premium".

2. New Standards and Interpretations

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 2019 or later periods:

Accounting Policies continued

Unlikely there will be a material impact

Standard/ Interpretation	Effective date: Years beginning on or after
Prepayment Features with Negative compensation - Amendment to IFRS 9	01 January 2019
Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019
Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019
Uncertainty over Income Tax Treatments	01 January 2019

Standard that will have a material impact

IFRS 16 provides the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single accounting model for lessees building on the principle that all leases result in the lessee being entitled to use an asset and, if lease payments are made over time, obtaining financing. The standard eliminates the distinction of operating and financing leases for lessees resulting in a more faithful representation of the lessee's assets and liabilities and improved transparency regarding the lessee's financial leverage and capital employed. Lessor accounting is left largely unchanged from its predecessor (IAS 17 Leases).

The current estimate of the impact of the above has been summarised below:

- increase in right of use asset: R1,7 million;
- increase in lease obligation: R1,6 million;
- decrease in operating lease payables R0,929 million;
- increase in finance costs: R0,07 million;
- increase in depreciation and amortisation: R0,929 million;
- decrease in operating lease expense: R0,928 million; and
- decrease in net profit: R0,07 million.

The group expects to adopt IFRS 16 on its effective date, in the 2020 financial year, commencing on 1 June 2019 and will not adjust retrospectively.

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3. Property, plant and equipment

Group	2019 R'000			2018 R'000		
	Cost	Accumulated depreciation and impairment	Carrying amount	Cost	Accumulated depreciation and impairment	Carrying amount
Furniture and fixtures	354	(323)	31	361	(308)	53
Motor vehicles	642	(394)	248	642	(388)	254
Office equipment	593	(542)	51	638	(562)	76
IT equipment	493	(480)	13	768	(751)	17
Leasehold improvements	-	-	-	55	(55)	-
Total	**2,082**	**(1,739)**	**343**	**2,464**	**(2,064)**	**400**

Company	2019 R'000			2018 R'000		
	Cost	Accumulated depreciation and impairment	Carrying amount	Cost	Accumulated depreciation and impairment	Carrying amount
Furniture and fixtures	110	(94)	16	110	(75)	35
Office equipment	-	-	-	45	(45)	-
IT equipment	-	-	-	54	(53)	1
Leasehold improvements	-	-	-	55	(55)	-
Total	**110**	**(94)**	**16**	**264**	**(228)**	**36**

Reconciliation of property, plant and equipment - Group – 2019 R'000

	Opening balance	Additions	Depreciation	Closing balance
Furniture and fixtures	53	-	(22)	31
Motor vehicles	254	-	(6)	248
Office equipment	76	-	(25)	51
IT equipment	17	2	(6)	13
Leasehold improvements	-	-	-	-
	400	**2**	**(59)**	**343**

Notes to the Financial Statements continued

Annual Financial Statements for the year ended 28 February 2019

Reconciliation of property, plant and equipment - Group – 2018 R'000

	Opening balance	Additions	Sale of discontinued operation	Depreciation	Closing balance
Furniture and fixtures	98	-	(21)	(24)	53
Motor vehicles	272	-	-	(18)	254
Office equipment	165	-	-	(89)	76
IT equipment	64	17	(23)	(41)	17
Leasehold improvements	6	-	-	(6)	-
	605	**17**	**(44)**	**(178)**	**400**

Reconciliation of property, plant and equipment - Company – 2019 R'000

	Opening balance	Additions	Disposals	Depreciation	Closing Balance
Furniture and fixtures	35	-	-	(19)	16
IT equipment	1	-	-	(1)	-
	36	**-**	**-**	**(20)**	**16**

Reconciliation of property, plant and equipment - Company – 2018 R'000

	Opening balance	Additions	Disposals	Depreciation	Closing Balance
Furniture and fixtures	55	-	-	(20)	35
IT equipment	9	-	-	(8)	1
Leasehold improvements	6	-	-	(6)	-
	70	**-**	**-**	**(34)**	**36**

Refer to Note 34 for the impact of the change in useful life estimation.

Notes to the Financial Statements continued

Annual Financial Statements for the year ended 28 February 2019

4. Goodwill

	2019 R'000		
	Cost	Accumulated impairment	Carrying amount
Goodwill	-	-	-

Reconciliation of goodwill Group 2019 R'000

Subsidiary	Opening balance	Additions	Impairment	Disposal refer Note 11	Closing balance
SME Snapshot	-	-	-	-	-
	-	**-**	**-**	**-**	**-**

	2018 R'000		
	Cost	Accumulated impairment	Carrying amount
Goodwill	**211**	**(211)**	**-**

Reconciliation of goodwill Group 2018 R'000	Opening balance	Additions	Impairment	Disposal	Closing balance
Knife Capital	4,679	-	(485)	(4,194)	-
SME Snapshot	-	211	(211)	-	-
	4,679	**211**	**(696)**	**(4,194)**	**-**

The SME Snapshot goodwill was derecognised during the year as part of the disposal of SME Snapshot refer to Note 11.

Goodwill impairment

Impairment test for goodwill 2018

SME Snapshot was acquired during 2018 for 15% share of equity in YueDiligence in return for the underlying asset and liabilities which were included at fair value, which gave rise to goodwill. Based on the impairment test performed at 28 February 2018 the recoverable amount that was based on fair value less cost to sell was less than the carrying value which resulted in an impairment.

The goodwill relating to Grindstone was impaired in 2018 as the Group lost control of 50% in terms of the Knife Capital Disposal .The fair value less cost to sell was a level 3 fair value, and it was based on the estimated proceeds on disposal.

The movements are indicated below:

2018 R' 000	Opening	Additions	Disposals	Impairment	Closing
Knife Capital	3,736	-	(3,736)	-	-
Grindstone	943	-	(458)	(485)	-
SME Snapshot	-	211	-	(211)	-
	4,679	**211**	**(4,194)**	**(696)**	**-**

Notes to the Financial Statements continued

Annual Financial Statements for the year ended 28 February 2019

5. Intangible assets

Group	2019 R'000			2018 R'000		
	Cost	Accumulated amortisation and impairment	Carrying amount	Cost	Accumulated amortisation and impairment	Carrying amount
Micro finance software*	1,026	(573)	453	987	(515)	472
YueDilligence software development	332	(231)	101	328	(121)	207
SME Snapshot software development	-	-	-	242	-	242
Total	**1,358**	**(804)**	**554**	**1,557**	**(636)**	**921**

* Intangibles with a cost Rnil (2018: R1,249 million) that were fully amortised were scrapped for Rnil consideration.

Refer to Note 34 in regards to a change in estimated useful life of the asset.

Reconciliation of intangible assets - Group - 2019

	Opening balance	Business combinations Note 11	Additions	Amortisation	Disposal	Closing balance
Micro finance software	472	-	40	(59)	-	453
YueDilligence software development	207	-	-	(106)	-	101
SME Snapshot software development	242	(242)	-	-	-	-
	921	**(242)**	**40**	**(165)**	**-**	**554**

Reconciliation of intangible assets - Group - 2018

	Opening balance	Business combinations Note 11	Additions	Amortisation	Disposal	Closing balance
Micro finance software	767	-	206	(501)	-	472
SME Snapshot software development	-	104	138	-	-	242
Contractual customer contracts on acquisition of Knife Capital Group	2,689	-	-	(683)	(2,006)	-
YueDilligence software development	319	-	-	(112)	-	207
	3,775	**104**	**344**	**(1,296)**	**(2,006)**	**921**

Notes to the Financial Statements continued

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6. Investments in subsidiaries

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

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

The carrying amounts of investments in subsidiaries were reassessed for impairment at year end and impaired as indicated.

Company

Name of company	% voting power 2019	% voting power 2018	Nature	Carrying value 2019 R'000	Carrying value 2018 R'000
ABC Cashplus (Randburg) Proprietary Limited	100 %	100 %	Dormant	-	-
ABC Cashplus Financial Services Proprietary Limited	100 %	100 %	Dormant	-	-
African Dawn Debt Management Proprietary Limited	100 %	100 %	Dormant	-	-
African Dawn Kwazulu Natal Proprietary Limited	100 %	100 %	Dormant	-	-
African Dawn Property Transfer Finance 1 Proprietary Limited	100 %	100 %	Bridging Finance	-	-
African Dawn Property Transfer Finance 2 Proprietary Limited	100 %	100 %	Bridging Finance	-	-
African Dawn Social Education Proprietary Limited	100 %	100 %	Dormant	-	-
African Dawn Wheels Operations Proprietary Limited	100 %	100 %	Dormant	-	-
African Dawn Wheels Proprietary Limited	100 %	100 %	Vehicle finance	-	-
Albistar Investments Proprietary Limited	100 %	100 %	Dormant	-	-
Almika Properties 81 Proprietary Limited	100 %	100 %	Dormant	-	-
Amalgum Investments 138 Proprietary Limited	100 %	100 %	Dormant	-	-
Bhenka Financial Services Proprietary Limited	100 %	100 %	Dormant	-	-
Candlestick Park Investments Proprietary Limited	100 %	100 %	Dormant	-	-
Elatiflash Proprietary Limited	100 %	100 %	Dormant	-	-
Elite Group Two Proprietary Limited	100 %	100 %	Unsecured lending	-	-
Elite Group Proprietary Limited^	100 %	100 %	Unsecured lending	8,322	3,322
YueDiligence Proprietary Limited #	100 %	85 %	Consulting	3,055	3,055
SME Snapshot #*	-	100 %	Consulting	-	-
				11,377	**6,377**

The year end of all subsidiaries are the same as the group year end.
^ After the Specific Issue of Share for Cash in December 2018 (refer to Note 16) a further R5million was invested in share capital of Elite Group.
# YueDiligence holdings increased because of the disposal of the SME Snapshot for the share capital that was previously owned by the minority shareholders, refer to Note 11.
* Was indirectly held through YueDiligence.

Notes to the Financial Statements continued

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Testing for impairment

The investments in subsidiaries are tested for impairment by analysing each investment's recoverable amount when there is an indication of impairment.

The recoverable amount of the investments 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. This growth rate does not exceed the long-term average growth rate in which the businesses operate in.

The key assumptions, long term growth rates and discount rates used in the value-in-use calculations are as follows:

Assumptions for terminal value 2019	Note	YueDiligence	Elite
Compounded annual revenue increase %		6%	6%
Compounded annual total operating costs increase %		6%	5%
Pre-taxation discount rate (WACC Rate)		29.8%	17.9%

Assumptions for terminal value 2018	Note	YueDiligence	Elite
Compounded annual revenue increase %		6%	6%
Compounded annual total operating costs increase %		6%	5%
Pre-taxation discount rate (WACC Rate)		38.13%	19.7%

Testing for impairment 2019

YueDiligence was impaired during 2018. The impairment raised in 2018 was sufficient and no further impairment was necessary.

The recoverable amount of Elite was higher than the carrying value and therefore did not result in an impairment.

7. Deferred tax Asset/Deferred tax liability

	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Deferred tax liability - leave provision	-	(226)	-	-
Deferred tax liability - operating lease liability	-	(18)		
Deferred tax liability - intangible assets	-	(42)		
Deferred tax assets - ECL provision	-	312		
Net deferred tax asset	**-**	**26**	**-**	**-**
At beginning of year	26	(61)	-	-
Assessed loss raised/(utilized) during the year against current income tax	-	2	-	-
Deferred tax effect of amortisation of intangible asset raised on Knife Capital (refer to Note 5)	-	191	-	-
Disposal of Knife Capital (refer to Note 10)	-	(111)		
Temporary difference trade debtors bad debt allowance	-	-	-	-
Temporary difference on leave pay accrual	226	5	-	-
Temporary difference on intangible assets	42	-	-	-
Temporary difference on operating lease liability	18			
Temporary difference on ECL provision	(312)			
	-	**26**	**-**	**-**

Deferred tax assets amounting to 30,156,139 (2018: R27,569,715) for the group and R2,398,979 (2018: R1,085,938) for the company are not recognized above as the group and company does not expect to generate sufficient taxable profits against which the deferred tax asset can be utilised.

Notes to the Financial Statements continued

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8. Loans to/(from) Group companies

Subsidiaries

Company 2019 R'000

Subsidiaries	Loan balance	Expected credit loss	Total
African Dawn Property Transfer Finance 2 Proprietary Limited *	20,535	(18,746)	1,789
African Dawn Property Transfer Finance 1 Proprietary Limited *	5,478	(4,382)	1,096
African Dawn Wheels Proprietary Limited *	437	(412)	25
African Dawn Debt Management Proprietary Limited *	14,239	(14,239)	-
YueDiligence Proprietary Limited *	558	(460)	98
Almika Properties 81 Proprietary Limited *	15	(15)	-
Elite Group Proprietary Limited *	22,911	(16,750)	6,161
	64,173	**(55,004)**	**9,169**

Company 2018 R'000

Subsidiaries	Loan balance	Loan impairment	Total
African Dawn Social Education Proprietary Limited *#	242	(242)	-
Bhenka Financial Services Proprietary Limited #	(2,346)	-	(2,346)
African Dawn Property Transfer Finance 2 Proprietary Limited *	20,543	(18,894)	1,649
African Dawn Property Transfer Finance 1 Proprietary Limited *	6,887	(4,596)	2,291
African Dawn Wheels Proprietary Limited *	456	(456)	-
African Dawn Kwazulu Natal Proprietary Limited #	3,228	(3,228)	-
African Dawn Debt Management Proprietary Limited *	14,234	(14,234)	-
YueDiligence Proprietary Limited *	527	(468)	59
Almika Properties 81 Proprietary Limited *	15	(15)	-
Elite Group Proprietary Limited *^	23,223	(15,900)	7,323
African Dawn Wheels Operations Proprietary Limited *#	85	(85)	-
Amalgum Investments 138 Proprietary Limited *#	14	(14)	-
Elatiflash Proprietary Limited *#	16	(16)	-
Albistar Investments Proprietary Limited *#	18	(18)	-
ABC Cashplus (Randburg) Proprietary Limited *#	20	(20)	-
SME Snapshot	300	-	300
	67,462	**(58,186)**	**9,276**

	Group		Company	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Non-current assets	-	-	6,161	-
Current assets	-	-	3,008	11,622
Current liabilities	-	-	-	(2,346)
	-	**-**	**9,169**	**9,276**

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Movement in impairment

	2019 R'000	2018 R'000
Opening balance as previously stated	58,186	51,076
Adjustment for IFRS 9 related to prior year ^	1,130	-
Balance in terms of IFRS 9/IAS 39	59,316	51,076
Impairment raised	5	7,110
Impairment reversed on loans written off	(3,624)	-
Reversal of impairment due to improved net asset value	(693)	-
	55,004	**58,186**

All the loans are unsecured, interest free and have no fixed terms of repayment, except as indicated below.
These loans were written off at year end.

* The loans are 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.
~ In 2018 the loan from Bhenka Financial Services Proprietary Limited was reduced by R3,685 million in line with the settlement with SARS (refer to Note 14).

Loans to Group companies impaired

All of the above loans are classified as stage 2, under performing in both 2019 and 2018. The expected credit loss on stage 2 loans has been calculated based on the lifetime Expected Credit Losses ("ECL"). The ECL is calculated taking into account the net asset value of the subsidiaries that take into account the ECL calculation of the subsidiary financial assets. The ECL on the financial assets of the subsidiaries took into account the same assumptions as disclosed Note 1.15.

^ The impact of IFRS 9 relating to the prior year has been taken into account in the statement of changes in equity as the company has elected not to restate prior years. The impact is reflected in the loan to Elite group as indicated in Note 1.2.

9. Trade and other receivables

Financial assets at amortised cost:	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Trade receivables	26,452	30,291	-	37
Impaired allowance #	(11,667)	(9,440)	-	-
Deposits	236	286	-	-
Phezula (A)	-	418	-	-
Thinkroom (B)	-	946	-	946
Other receivables	327	340	-	1
Non-financial receivables:				
VAT	39	10	34	10
	15,387	**22,851**	**34**	**994**

(A) Phezula the previous owners of SME Snapshot were given a cash loan to assist with further development of the software in SME Snapshot.

(B) Thinkroom the purchaser of associate Grindstone Accelerator Proprietary Limited settled the outstanding balance during the current financial year. The loan was settled during the year.

The impairment allowance in 2018 have been reclassified to offset the deemed interest of (R152) as this is part of the Impairment testing process. (refer Note 35)

Refer to Note 33 for a detailed analysis of the trade receivables

Notes to the Financial Statements continued

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Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due. There have been no significant changes in the credit risk management policies and processes since the prior reporting period. The impairment allowance provided on trade and other receivables was calculated on the general approach.

Interest is charged on outstanding trade receivables.

Details of credit risk are included in the financial instruments and risk management Note 33.

Exposure to interest rate risk

Refer to Note 33 financial risk management for details of interest rate risk management for amounts due from trade and other receivables.

Fair value of trade and other receivables

Trade and other receivables are carried at amortised cost, with their fair value being approximated by such value.

10. Subsidiary disposal

Knife Capital Proprietary Limited disposal

During August 2017 the board decided to restructure Knife Capital Proprietary Limited. On 1 Sep 2017 the Group disposed of 100% of the equity interest in Knife Capital and 50% of Grindstone for R3,625 million in cash. The terms were outlined in the SENS issued on 25 August 2017.

Net cashflow effect of disposal of Knife Capital Group

	Group		Company	
	2019	**2018**	**2019**	**2018**
	R'000	**R'000**	**R'000**	**R'000**
Property, plant and equipment (refer to Note 3)	-	44	-	
Intangible assets on contracts (refer to Note 5)	-	2,006	-	
Goodwill (refer to Note 4)	-	4,194	-	
Deferred tax asset (refer to Note 7)	-	111	-	
Trade and other receivables	-	588	-	
Group loans transferred to third parties	-	329	-	
Cash and cash equivalents	-	55	-	
Share of SME Snapshot transferred to holding company	-	(37)	-	
Trade and other payables	-	(1,346)	-	
Carrying value of assets and liabilities disposed	-	5,944	-	
Total assets sold less subsidiary acquired/ investment at carry value Knife Capital	-	(5,944)	-	(4,043)
50% share of Grindstone equity transferred as part of sale		-	-	(1,891)
Fair Value of associate restructured from subsidiary	-	1,893	-	-
Proceeds on sale of Knife Group	-	3,625	-	3,625
Loss on sale and change in control	-	(426)	-	(2,309)
Cash given up on sale	-	(55)	-	-
Cash received on sale	-	3,625	-	3,625
Cashflow movement on sale of Knife Capital	-	3,570	-	3,625

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11. Business Combinations – acquisition and disposal of SME Snapshot

In July 2017 the Group acquired 100% of the equity and claims in SME Snapshot through the issue of shares in subsidiary YueDiligence. 18 new shares with a par value of R1 each were issued to Phezulu Group Close Corporation which is 15% of the equity control of YueDiligence to acquire control of the company. The acquisition is summarized below:

Acquisition of SME Snapshot Proprietary Limited

	2018
	R'000
Intangible assets software developed at fair value	104
Liabilities to owner at fair value	(352)
Net liability acquired	(248)
Outside shareholders share of liability 15% of SME Snapshot NAV	37
Goodwill on acquisition	211

The goodwill was recognised at acquisition because of synergies that arose from including SME snapshot into the Group.

Disposal of SME Snapshot Proprietary Limited

On 1 March 2018 the group disposed of its investment in SME Snapshot in return for the 18 shares in YueDiligence.

	2019
Assets and liabilities disposed	R'000
Intangible assets software developed	242
Cash and cash equivalents	4
Trade and other receivables including (A) Phezula Note 9	471
Trade and other payables	(298)
Net liability disposed/acquired	419
Reversal of minority interest in SME Snapshot	114
Less equity accounted consideration see below	(352)
Loss on sale of subsidiary	181

The effect on equity can be reconciled as follows:

	Group	
	2019	2018
	R'000	R'000
Consideration at fair value	(352)	352
15% of Net Asset Value of YueDiligence at acquisition given up	-	30
Outside shareholders share of liability 15% of SME Snapshot NAV	-	37
	(352)	419

Notes to the Financial Statements continued

Annual Financial Statements for the year ended 28 February 2019

12. Restructure and disposal of associate

Grindstone which was a 100% held subsidiary of Knife Capital at the beginning of the 2018 year was restructured on 31 August 2017 to be 50% held by Afdawn and 50% by Knife Capital. On 1 September 2017, 50% of the equity was sold as part of the sale of Knife and the remaining 50% was treated as an investment in associate until it was sold in January 2018. The movement is reconciled as below:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	R'000	**R'000**	**R'000**	**R'000**
Net asset value of Grindstone at restructure		-		
Transfer from subsidiary to associate at fair value 1 September 2017	-	1,893		
Loss for the period September to January 2018 equity accounted	-	(156)		
Carrying value of associate/investment	-	1,737	-	1,891
Sale price on sale of associate	-	1,946	-	1,946
Profit on sale of associate	-	209	-	55
Sale price on sale of associate **	-	1,946	-	1,946
Portion of sales price included in trade debtors (refer Note 9)	-	(946)	-	(946)
Cash related to sale of equity instrument	-	1,000	-	1,000

** The Sale price of R1 946 000 consist of R 1750 000 selling price and the Grindstone loan of R 196 000.

13. Non-controlling interest

The non-controlling interest recognized in 2018 arose from the acquisition of the subsidiary SME Snapshot by way of the issue of 15% of the equity in YueDiligence to the previous shareholder of SME Snapshot. The minority shares in YueDiligence were repurchased in exchange for the SME Snapshot shares, refer to Note 11.

14. Current tax (payable)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	R'000	**R'000**	**R'000**	**R'000**
Current tax payable	-	(5,705)	-	(3,312)
	-	(5,705)	-	(3,312)

A settlement agreement was reached with SARS in December 2017 the terms of which are summarized below:

* Various penalties and interest on Income Tax and Vat were reversed in Afdawn and certain subsidiaries with outstanding balances. Accruals raised for interest and penalties were reversed as follows: Group Income Tax of Rnil (2018: R7,757 million and VAT of R4,052 million). Company effect is: Income tax Rnil (2018: R4,319 million and VAT of R4,052 million.)
* Afdawn and certain subsidiaries that were part of the settlement agreement with SARS, resulted in forfeiting assessed losses accumulated to 2017.
* The full balance outstanding to SARS in terms of the settlement agreement has now been paid.

Notes to the Financial Statements continued

Annual Financial Statements For the year ended 28 February 2019

15. Cash and cash equivalents

Cash and cash equivalents consist of:

	Group		Company	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Cash on hand	94	83	-	-
Bank balances	2,294	346	7	55
	2,388	**429**	**7**	**55**

16. Shares and share premium

Authorised

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

The total shares in issue as at 28 February 2019 amounted to 48,725,028 (2018: 21,925,057).

Reconciliation of number of shares in issue	**R'000**	**R'000**	**R'000**	**R'000**
Reported as at 01 March	21,925	21,925	21,925	21,925
Share issue 7 December 2018 *	26,800	-	26,800	-
Closing balance	**48,275**	**21,925**	**48,725**	**21,925**
Reconciliation of share values 'R000:				
Reported at beginning of period	313,943	313,943	313,943	313,943
Share issue 7 December 2018 *	9,380	-	9,380	
Reported at the end of the period	**323,323**	**313,943**	**323,323**	**313,943**
Total share premium	303,800	305,140	303,800	305,140
Ordinary shares @ 40c	19,523	8,803	19,523	8,803
	323,323	**313,943**	**323,323**	**313,943**

* Shareholders approved the Specific Issue of 26,800,000 Shares for cash at a General Meeting held on 26 November 2018. The additional shares were issued and listed on the JSE on 7th December 2018. The shares were issued to Arvesco 153 Proprietary Limited, at the Issue Price of 35 cents per Share.

Notes to the Financial Statements continued

Annual Financial Statements for the year ended 28 February 2019

17. Borrowings

GROUP	Loan Balance 2019 R'000
Toothrock The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	850
MC Theunissen The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	50
JP Verwey The loan bears interest at prime, is secured on ceded debtors and is repayable over 3 months.	180
JC Breedt The loan bears interest at prime, is secured on ceded debtors and is repayable over 3 months.	550
Peregrine Financial Services loan (A) Interest is charged at prime +1%, currently 11.25%. Capital repayments of R698,000 will be made during the 2020 financial year amounting to an average of R162,500 per month. Interest is paid together with the monthly capital repayments as they fall due. The loan is unsecured.	698
Peregrine Financial Services Interest loan (C) Interest is charged at prime +1%, currently 11.25%. Capital repayments will commence once the Peregrine Financial Services Loan (A) has been settled in the 2020 year. Capital repayments of R2,902,000 will be paid during the 2020 financial year for an average of R242,000 per month with R431,000 being repayable during the 2021 financial year. Interest is accrued and paid on a monthly basis. The loan is unsecured.	3,333
GC Oosthuizen The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	250
M Springer The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	300
CPA Peyper The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	100
AS Van der Westhuizen The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	80
A Stoop The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	25
C Stoop The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	310
B Mitchell The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	15
JC Breedt The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	55
Makulu Capital Proprietary Limited The loan bears interest at 15%, is unsecured and is repayable on an ad-hoc basis.	397
Shockproof Investments Proprietary Limited The loan bears interest at 15%, is unsecured and is repayable on an ad-hoc basis.	12
	7,205

Notes to the Financial Statements continued

Annual Financial Statements For the year ended 28 February 2019

GROUP	Loan Balance 2018 R'000
HT Malan The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	100
ME Malan The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	100
JP Verwey The loan bears interest at prime, is secured on ceded debtors and is repayable over 3 months.	180
National Housing Finance Corporation ("NHFCE") The facility is secured by the associated debtors, bears interest at prime + 5% and is repayable over 5 years from the borrowing date. 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.	128
Peregrine Financial Services loan (A) Interest is charged at prime +1%, currently 11.25%. Capital repayments of R1,950,000 will be made during the 2019 financial year amounting to and average of R162,500 per month with R698,000 being repayable during the 2020 financial year. Interest is paid together with the monthly capital repayments as they fall due. The loan is unsecured.	2,648
Peregrine Financial Services Interest loan (C) Interest is charged at prime +1%, currently 11.25%. Capital repayments will commence once the Peregrine Financial Services Loan (A) has been settled during the 2020 financial year. Capital repayments of R2,902,000 will be made during the 2020 financial year amounting to an average of R242,000 per month with R431,000 being repayable during the 2021 financial year. Interest is accrued and paid on a monthly basis. The loan is unsecured.	3,333
GC Oosthuizen The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	387
M Springer The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	150
CPA Peyper The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	100
DJC Beukes The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	200
JC Breedt The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	350
C Lacante The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	30
C Stoop The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	185
Makalu Capital The loan bears interest at prime, is unsecured and is repayable over 6 months.	306
T Nel The Loan bears interest of 10,5% per annum and is unsecured.	93
	8,290

Non-current Liabilities	**Group**		**Company**	
	2019 R'000	**2018 R'000**	**2019 R'000**	**2018 R'000**
At amortised cost	431	4,031	-	-
	431	**4,031**	**-**	**-**
Current Liabilities				
At amortised cost	6,774	4,259	409	-
	6,774	**4,259**	**409**	**-**
	7,205	**8,290**	**409**	**-**

Notes to the Financial Statements continued

Annual Financial Statements for the year ended 28 February 2019

18. Loans from directors

	Group		Company	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
WJ Groenewald ** #	428	100	428	100
G Hope ** #	2,392	585	2,392	585
	2,820	**685**	**2,820**	**685**

** All loans accrue interest @15% per annum are unsecured and are repaid on an adhoc basis in the short term.
# Refer to Note 37 for details of the option agreements that was entered into after the year end.

Non-current liabilities	-	-	-	-
Current liabilities	(2,820)	(685)	(2,820)	(685)
	(2,820)	**(685)**	**(2,820)**	**(685)**

19. Operating lease liability

	Group		Company	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Current liability	2	62	-	-
	2	**62**	**-**	**-**

20. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Trade payables	707	645	463	157
VAT	160	176	-	-
Accrued leave pay	933	916	108	108
Accrued expenses	222	144	-	-
	2,022	**1,881**	**571**	**265**

21. Revenue

	Group	Group	Company	Company
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Commissions received	185	549	-	23
Administration fee	3,058	3,866	-	-
Rendering of service	310	306	-	-
Interest received	9,785	12,721	95	94
Discount allowed	(3)	(33)	-	-
	13,335	**17,409**	**95**	**117**

Notes to the Financial Statements continued
Annual Financial Statements for the year ended 28 February 2019

Below is the disaggregated revenue per segment:

2019 Group R'000	Investment advisory and investment management	Micro finance	Head Office	Total
Commissions received				
- Insurance commission	-	101	-	101
- Other commission	-	84	-	84
Administration fees	-	3,058	-	3,058
Rendering of other services	144	166	-	310
Interest received	-	9,785	-	9,785
Discount allowed		(3)	-	(3)
	144	13,191	-	13,335

2018 Group R'000	Investment advisory and investment management	Micro finance	Rentals of properties in possession	Head Office	Total
Commissions received					
- Insurance commission	-	304	-	-	304
- Other commission	-	222	-	23	245
Administration fees	-	3,866	-	-	3,866
Rendering of other services	172	134	-	-	306
Interest received	-	12,721	-	-	12,721
Discount allowed	-	(33)	-	-	(33)
	172	17,214	-	23	17,409

Company

Interest received	**2019 R'000**
Interest income	**95**

Company

Commissions received	**2018 R'000**
Commission on collections	**117**

22. Other income

	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Bad debts recovered on trade receivables	425	337	-	-
Sundry income	213	216	98	180
Recovery on Elite sale contract	-	1,046	-	1,046
Release of intercompany loan	-	-	-	3,685
	638	**1,599**	**98**	**4,911**

Notes to the Financial Statements continued

Annual Financial Statements for the year ended 28 February 2019

23. Other operating expenses include:

Operating lease charges

	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Premises	1,826	2,108	-	-
Equipment	351	337	-	-
	2,177	**2,445**	**-**	**-**

Impairment of investments (refer to Note 6)	-	-	-	1,675
Legal fees	244	822	-	676
Impairment adjustment to intercompany loans (refer to Note 8)	-	-	447	7,110
Amortisation of intangible assets (refer to Note 5)	165	613	-	-
Depreciation on property, plant and equipment (refer to Note 3)	59	178	20	34
Employee and non-executive directors costs	8,192	9,502	623	1,563
Bad debt written off	1,157	3,247	-	-
Loss allowance adjustment	1,249	5,398	-	-

24. Investment income

Interest revenue

	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Cash and equivalents	4	27	1	-

25. Finance costs including interest on income tax

	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Directors loans	517	63	517	63
SARS	63	-	63	-
Peregrine Financial Services	925	1,044	-	-
Other loans	-	7	-	-
	1,505	**1,114**	**580**	**63**

Notes to the Financial Statements continued

Annual Financial Statements For the year ended 28 February 2019

26. Taxation

Major components of the tax expense (income)

Current	**Group 2019 R'000**	**Group 2018 R'000**	**Company 2019 R'000**	**Company 2018 R'000**
Local income tax - current period	-	-	-	-
Local income tax - recognised in current tax for prior periods	10	(4)	-	-
	10	**(4)**	**-**	**-**

Deferred	**Group 2019 R'000**	**Group 2018 R'000**	**Company 2019 R'000**	**Company 2018 R'000**
	10	**(4)**	**-**	**-**

Reconciliation of the tax expense

Reconciliation between accounting loss and tax expense.

Accounting loss from continued operations	(9,383)	(1,301)	(3,923)	(3,079)
Tax at the applicable tax rate of 28% (2018: 28%)	(2,627)	(364)	(1,098)	(862)
Tax effect of adjustments on taxable income				
Permanent difference interest and penalties SARS	18	(3 220)	18	(2,344)
Permanent difference non-deductible expenses #	84	334	84	186
Permanent difference Impairment of investment	-	-	-	472
Permanent difference loss on sale of subsidiary	51	-	-	631
Prior period adjustments	10	-	-	-
Deferred tax asset not raised	2,474	3,246	996	1,015
(Non-taxable income) Group loan reversal	-	-	-	(1,158)
Non-deductible expenditure - Group loan impairments	-	-	-	2,060
	10	**(4)**	**-**	**-**

The estimated tax loss available for set off against future taxable income is for all companies in the Group is R 98,532,924 (2018: R 89,138,336). The company estimated tax loss available for set off against future taxable income is R8,126,261 (2018: R3,941,697) per the terms of the settlement agreement assessed losses till 2017 are forfeited.

The non-deductible expenses largely related to legal fees that would not be allowed.

Notes to the Financial Statements continued

Annual Financial Statements For the year ended 28 February 2019

27. Contingent Asset

Arising from the sale of Grindstone to Thinkroom, the "Grindstone Advisory Fee Agreement" was reached in terms of which, if Grindstone facilitates transactions between Grindstone incubation entities and third party investors, and earns transactional revenue, than Afdawn shall be entitled to the first R375 000.

28. Discontinued operations

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

Total discontinued operations

	2019 R'000	2018 R'000
Revenue	-	3,281
Cost of sales	-	(15)
Operating expenses	-	(3,084)
Operating profit	-	182
Investment revenue	-	5
Depreciation on property, plant and equipment	-	(21)
Finance costs	-	(169)
Amortisation of intangible asset	-	(684)
Impairment of goodwill	-	(485)
Loss before tax	-	(1,172)
Tax	-	181
(Loss) for the year from discontinued operations	-	(991)
Equity loss on associate discontinued	-	(156)
Loss on sale of Knife Capital	-	(426)
Profit on sale of Grindstone	-	209
Comprehensive loss for the year from discontinued operations	-	(1,364)

Discontinued cashflows from operations	-	16,846
Discontinued cashflows from investing activities	-	4,570
Discontinued cashflows from financing activities	-	(6,164)

Notes to the Financial Statements continued

Annual Financial Statements for the year ended 28 February 2019

Discontinued operations per segment 2018 R'000

	Investment advisory and investment management R'000	Rentals of properties in possession R'000	Total R'000
Revenue	2,106	1,175	3,281
Cost of sales	(15)	-	(15)
Operating expenses	(1,512)	(1,572)	(3,084)
Operating profit/(loss)	579	(397)	182
Investment revenue	2	3	5
Depreciation on property, plant and equipment	(17)	(4)	(21)
Finance costs	-	(169)	(169)
Amortisation of intangible asset	(684)	-	(684)
Impairment of goodwill	(485)	-	(485)
Loss before tax	(605)	(567)	(1,172)
Tax	191	(10)	181
(Loss) for the year from discontinued operations	(414)	(577)	(991)
Equity loss on associate discontinued	(156)	-	(156)
Loss on sale of Knife Capital	(426)	-	(426)
Profit on sale of Grindstone	209	-	209
Comprehensive loss for the year from discontinued operations	(787)	(577)	(1,364)

Notes to the Financial Statements continued

Annual Financial Statements for the year ended 28 February 2019

29. Cash used in operations

	Group		Company	
	2019	**2018**	**2019**	**2018**
	R'000	**R'000**	**R'000**	**R'000**
Loss before taxation continued and discontinued operations	(9,383)	(2,846)	(3,923)	(3,079)
Adjustments for:				
Depreciation - continued	59	157	21	34
Depreciation - discontinued	-	21	-	
Loss on disposal of property in possession/ property plant and equipment - discontinued	-	22	-	-
Investment income - continued	(4)	(27)	(1)	-
Investment income - discontinued	-	(5)	-	
Finance costs - continued	1,505	1,114	580	63
Finance costs - discontinued	-	169	-	-
Loss on sale of Knife Capital - refer to Note 10	-	426	-	2,309
Profit on sale of associate - refer to Note 12	-	(209)	-	(55)
Loss on sale of subsidiary - refer to Note 11	181	-	-	-
Reversal of equity accounted acquisition	-			
Non-cash Group loans written down - refer to Note 8	-	-	-	(3,685)
Non-cash Impairment adjustment Group loans - refer to Note 8	-	-	(693)	7,111
Non-cash Impairment goodwill - continued	-	211	-	-
Non-cash Impairment goodwill - discontinued	-	485	-	
Non-cash finance costs (penalties and interest on income tax and vat) - continued	-	(11,809)	-	(8,371)
Non-cash amortisation (refer to Note 5) - continued	165	610	-	-
Non-cash amortisation (refer to Note 28) - discontinued	-	684	-	-
Non-cash deemed interest expense - continued	(152)	(433)	-	-
Non-cash operating lease movement - continued	(60)	58	-	(5)
Non-cash impairment of properties in posession - discontinued	-	-	-	-
Non-cash impairment of investments - refer to Note 6	-	-	-	1,675
Non-cash directors loan movement	-	-	-	-
Non-cash impairment of debtors loss allowance	1,249	8,645	-	-
Non-cash settlement of debtors	1,157	-	-	-
Changes in working capital:				
Properties in possession - discontinued	-	15,831	-	-
Trade and other receivables IFRS 9 prior year adjustment	1,130	-	-	-
Trade and other receivables	2,452	568	960	66
Trade and other payables	141	(6,835)	305	(4,355)
	(1,560)	**6,837**	**(2,751)**	**(8,292)**

Notes to the Financial Statements continued

Annual Financial Statements For the year ended 28 February 2019

Cashflow from financing activities

2019 Group R'000	**Borowings non-current**	**Borowings current**	**Directors loans**	**Total**
Opening balance	4,031	4,259	685	8,975
Cash movements	-	(787)	2,135	1,348
Borrowings repaid	-	(4,628)	(967)	(5,595)
Advances on existing	-	3,841	3,102	6,943
Advances new current	-	-	-	-
Total cash movements				
Non-cash movements	(3,600)	3,302	-	(298)
Transfer of borrowings to current	(3,600)	3,600	-	-
Disposal of subsidiary	-	(298)	-	(298)
Closing balance	**431**	**6,774**	**2,820**	**10,025**

2019 Company R'000	**Borowings non-current**	**Loans from group companies**	**Directors loans**	**Total**
Opening balance	-	^(9,276)	685	(8,591)
Cash movements	606	(329)	2,135	2,412
Borrowings repaid current	(945)	(2,346)	(967)	(4,258)
Group loans advanced	-	(398)	-	(398)
Advances on existing current	1,551	2,415	3,102	7,068
Total cash movements				
Non-cash movements	(197)	437	-	240
Offset of directors loans	(197)	-	-	(197)
IFRS 9 adjustment	-	1,130	-	1,130
Movement in impairment	-	(693)	-	(693)
Closing balance	**409**	**(9,169)**	**2,820**	**(5,939)**

^ The loans from group companies opening balance has been adjusted to include the loan to group company balances.

Notes to the Financial Statements continued

Annual Financial Statements for the year ended 28 February 2019

2018 Group R'000	Borowings non-current	Borowings current	Directors loans	Total
Opening balance	6,316	9,475	1,523	17,314
Cash movements	(207)	(7,294)	(838)	(8,339)
Borrowings repaid	(207)	(2,951)	(1,523)	(4,681)
Borrowings repaid discontinued	-	(6,164)	-	(6,164)
Advances on existing	-	1,801	685	2,486
Advances new current	-	20	-	20
Non-cash movements	(2,078)	2,078	-	-
Transfer of borrowings to current	(2,078)	2,078	-	-
Closing balance	**4,031**	**4,259**	**685**	**8,975**

2018 Company R'000	Loans from group companies	Directors loans	Total
Opening balance	6,927	1,523	8,450
Cash movements	(1,140)	(838)	(1,978)
Borrowings repaid current	(1,140)	(1,523)	(2,663)
Advances on existing current	-	685	685
Non-cash movements	(3,441)	-	(3,441)
Transfer to loan to group companies	244	-	244
Loan written off	(3,685)	-	(3,685)
Closing balance	**2,346**	**685**	**3,031**

30. Tax paid

	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Balance at beginning of the year	(5,705)	(16,280)	(3,312)	(8,673)
Current tax for the year recognised in profit or loss discontinued	-	(181)	-	-
Current tax recognized for prior year profit or loss continued	-	-	-	-
Current tax recognized for prior year profit or loss continued	(10)	4	-	-
Adjustment in respect of penalties and interest raised	53	(15)	-	-
SARS liability settlement reduction reversal penalties and interest	-	7,757	-	4,319
Balance at end of the year	-	5,705	-	3,312
	(5,662)	**(3,010)**	(3,312)	**(1,042)**

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Annual Financial Statements For the year ended 28 February 2019

31. Related parties

Relationships

Subsidiaries	Refer to Note 6
Subsidiaries loan accounts	Refer to Note 8
Significant shareholder with borrowings	Peregrine Financial Services Holding Limited refer Note 17
Company controlled by a director providing services to the Group	Integrated Thinking Laboratory Proprietary Limited – controlled by S Roper Shockproof Investments Proprietary Limited Makalu Capital Arvesco 153 Proprietary Limited
Entities under previous common control in 2018	KNF Ventures (RF) Proprietary Limited
Directors' loans and subsequent change	Refer to Notes 18
Executive and non-executive directors	Refer to directors' report
Key management	DD Breedt

Notes to the Financial Statements continued

Annual Financial Statements For the year ended 28 February 2019

Related party balances	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Loan accounts - Owing (to) by related parties				
Elite owes Peregrine Financial Services	(4,031)	(5,981)	-	-
Phezula Group CC	-	418	-	-
Makalu Capital Proprietary Limited	(397)	-	(397)	-
Shockproof Investments Proprietary Limited	(12)	-	(12)	-
Outstanding loans to directors				
WJ Groenewald	(428)	(100)	(428)	(100)
G Hope	(2,392)	(585)	(2,392)	(585)
Related party transactions				
Cash paid to directors on acquisition of Knife Capital				
EA Van Heerden (A)	-	20	-	20
JK Van Zyl (A)	-	20	-	20
A Bohmert (A)	-	20	-	20
Administration fees (received from) paid to related parties				
African Dawn Capital Limited	-	(23)	-	-
Elite Group Proprietary Limited	4	-	-	-
Knife Capital	-	12	-	-
Shockproof Investments Proprietary Limited	(3)			
Makalu Capital Proprietary Limited	(1)			
Grindstone	-	63	-	-
KNF Ventures (RF) (Proprietary) Limited	-	(457)	-	-
TechNVest (Proprietary) Limited	-	(447)	-	-
Knife Capital	-	(52)	-	-
Commission (received from) paid to related parties				
African Dawn Wheels Proprietary Limited	1	1	-	-
Elite Group Proprietary Limited	(1)	(1)	-	-
Interest (received)/paid from related parties				
Elite Group Proprietary Limited	-	-	95	94
G Hope - director	301	7	301	7
WJ Groenewald	75	56	75	56
Arvesco 153 Proprietary Limited	27	-	20	-
Shockproof Investments Proprietary Limited	17	-	12	-
Makalu Capital Proprietary Limited	51	-	45	-

Impairment of group loans refer to Note 8

Notes to the Financial Statements continued

Annual Financial Statements For the year ended 28 February 2019

Related party transactions	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Sales (to)/from related parties				
TechNVest Proprietary Limited	-	300	-	-
Compensation to key management including directors				
Compensation	1,289	2,243	432	432

(A) – The directors resigned from African Dawn Capital Limited in January 2016 and all its subsidiaries after the Knife Capital disposal.

32. Directors emoluments and prescribed offers

Executive

2019 R'000 Company

	Salary	Bonus	Directors' fees for services as directors' of subsidiaries	Total
WJ Groenewald	-	-	-	-
G Hope	-	-	-	-
	-	**-**	**-**	**-**

2018 R'000 Company

	Salary	Bonus	Directors' fees for services as directors' of subsidiaries	Total
WJ Groenewald	482	-	-	482
G Hope	472	-	-	472
	954	**-**	**-**	**954**

Non-executive

2019 R'000 Company

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

2018 R'000 Company

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

Notes to the Financial Statements continued

Annual Financial Statements for the year ended 28 February 2019

Prescribed offers

2019 R'000 Group

	Salary	Total
DD Breedt	857	857

2018 R'000 Group

	Salary	Total
DD Breedt	857	857

33. 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.

Concentrations of risk - There are no concentrations of risk.

Exposure

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

Financial instrument	Credit Risk	Liquidity risk	Cashflow interest rate risk
Loans to Group companies	Yes	No	No
Trade receivables	Yes	No	Yes
Other receivables	Yes	No	No
Cash and cash equivalents	Yes	No	Yes
Borrowings	No	Yes	Yes
Loans from Group companies	No	Yes	No
Loans from directors	No	Yes	No
Trade payables	No	Yes	No

Management of risk

Cashflow is monitored very closely on a continuous basis.

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

Analysis of the statement of financial position

During 2019 IFRS 9 was adopted by the group and company and was not retrospectively adopted. The 2018 financial statements were therefore not restated and are disclosed in terms of IAS 39 below. The financial assets classified as Loans and receivables under IAS 39 are classified to financial asset at amortised cost under IFRS 9. The basis of measurement, at amortised cost, is still the same for these financial instruments. For the impact as a result of the change in the impairment approach refer to note 1.2. Liabilities are measured at amortised cost under IAS 39 and IFRS 9 and no change in the classification has been identified.

Notes to the Financial Statements continued

Annual Financial Statements For the year ended 28 February 2019

The statement of financial position is analyzed in the table below:

Group 2019 R'000	Financial assets at amortised cost	Liabilities at amortised cost	Not a financial instrument	Balance statement of financial position
Property, plant and equipment	-	-	343	343
Intangible assets	-	-	554	554
Trade and other receivables	15,348	-	39	15,387
Cash and cash equivalents	2,388	-	-	2,388
Share capital and share premium	-	-	(323,323)	(323,323)
Accumulated loss	-	-	316,700	316,700
Borrowings non-current	-	(431)	-	(431)
Borrowings current	-	(6,774)	-	(6,774)
Operating lease liabilities	-	-	(2)	(2)
Loans from directors	-	(2,820)	-	(2,820)
Trade and other payables	-	(929)	(1,093)	(2,022)

Group 2018 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance statement of financial position
Property, plant and equipment	-	-	400	400
Intangible assets	-	-	921	921
Deferred tax asset	-	-	26	26
Trade and other receivables	22,841	-	10	22,851
Cash and cash equivalents	429	-	-	429
Share capital and share premium	-	-	(313,943)	(313,943)
Accumulated loss	-	-	305,825	305,825
Outside shareholders share loss	-	-	114	114
Borrowings non-current	-	(4,031)	-	(4,031)
Current tax payable	-	-	(5,705)	(5,705)
Borrowings current	-	(4,259)	-	(4,259)
Operating lease liabilities	-	-	(62)	(62)
Loans from directors	-	(685)	-	(685)
Trade and other payables *	-	(789)	(1,092)	(1,881)

Notes to the Financial Statements continued

Annual Financial Statements for the year ended 28 February 2019

Company 2019 R'000	Financial assets at amortised cost	Liabilities at amortised cost	Not a financial instrument	Balance statement of financial position
Property, plant and equipment	-	-	16	16
Investments in subsidiaries	-	-	11,377	11,377
Loans to Group companies	9,169	-	-	9,169
Trade and other receivables	-	-	34	34
Cash and cash equivalents	7	-	-	7
Share capital and share premium	-	-	(323,323)	(323,323)
Accumulated loss	-	-	306,520	306,520
Borrowings	-	(409)	-	(409)
Loans from directors	-	(2,820)	-	(2,820)
Trade and other payables	-	(463)	(108)	(571)

Company 2018 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance statement of financial position
Property, plant and equipment	-	-	36	36
Investments in subsidiaries	-	-	6,377	6,377
Loans to Group companies	11,622	-	-	11,622
Trade and other receivables	984	-	10	994
Cash and cash equivalents	55	-	-	55
Share capital and share premium	-	-	(313,943)	(313,943)
Accumulated loss	-	-	301,467	301,467
Loans from Groups companies	-	(2,346)	-	(2,346)
Current tax payable	-	-	(3,312)	(3,312)
Loans from directors	-	(685)	-	(685)
Trade and other payables *	-	(157)	(108)	(265)

Prior period error correction

* The trade and other payables included under liabilities at amortised cost included an amount of R916 thousand related to leave pay accrual which should have been classified as a not a financial instrument, instead of liabilities at amortised cost (company R108 thousand).

Collateral

- The Group holds cessions and sureties as security on certain trade debtors.
- None of the security has been ceded to other parties during the financial year.
- The group has not taken possession of any collateral it holds in 2019 and 2018.

Notes to the Financial Statements continued

Annual Financial Statements For the year ended 28 February 2019

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

The SOCI is analysed below:

Group 2019 R'000	Financial assets at amortised cost	Liabilities at amortised cost	Not a financial instrument	Balance SOCI
Interest income	9,785	-	-	9,785
Interest expense	-	(1,505)	-	(1,505)
Impairment	(2,406)	-	-	(2,406)

Group 2018 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance SOCI
Interest income	12,721	-	-	12,721
Interest expense	-	(1,114)	-	(1,114)
Impairment	(8,645)	-	-	(8,645)

Company 2019 R'000	Financial assets at amortised cost	Liabilities at amortised cost	Not a financial instrument	Balance SOCI
Interest income	95	-	-	95
Interest expense	-	-	-	(580)
Impairment	688	-	-	688

Company 2018 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance SOCI
Interest income	94	-	-	94
Interest expense	-	(63)	-	(63)
Impairment	(7,110)	-	-	(7,110)

Credit risk

Maximum exposure

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

- Granting of loans and receivables to customers and other parties - the maximum exposure to credit risk is the carrying amount of the related financial assets. (I.e. net of any impairment losses recognised in accordance with IFRS 9).
- Placing deposits with banks - the maximum exposure to credit risk is the carrying amount of the related financial assets.

Notes to the Financial Statements continued

Annual Financial Statements for the year ended 28 February 2019

Collateral

The following collateral is held as security:

Group '000	2019 Carry amount	2019 Security held	2018 Carrying amount	2018 Security held
Trade receivables for which collateral is held	3,857	2,392	5,679	5,679

The security held as at 28 February 2019, is a cession of a directors loan. The cession waives his right to claim, call up, or access the loan account contributions to the maximum amount of R2.392 million. Which shall only become due, owing and payable at such time when the restructured arrangement relating to long outstanding debtor has been paid or discharged in full. It was also determined that if the board of directors of the company determine that the debt is no longer recoverable, then and in such event the director irrevocably waive his right, title and interest in and to the loan account.

The company did not hold any collateral in 2019 or 2018.

Amount of impairment for each class of financial asset:

Group R'000	Amount of impairment 2019	Amount of Impairment 2018
Trade and receivables (refer to Note 9)	11,667	9,440
	11,667	**9,440**

The company does not have a loss allowance on trade and other receivables.

Company R'000	Amount of impairment 2019	Amount of Impairment 2018
Loans to Group companies (refer to Note 8 for reconciliation of movement)	55,004	58,186
	55,004	**58,186**

Trade and other receivables - Loss allowance reconciliation

Group	2019 R'000	2018 R'000
Opening balance (IAS 39)	9,288	20,602
IFRS 9 Adjustment related to 2018	1,130	-
Loss allowance 2018 under IFRS 9	10,418	20,602
Plus additional impairment provisions	1,249	^5,550
Less actual write off	-	(16,712)
	11,667	**^9,440**

^ The prior year figure has been reclassified to include the deemed interest in the prior year if R152.

Notes to the Financial Statements continued

Annual Financial Statements for the year ended 28 February 2019

Analysis of financial assets

Trade receivables are Grouped in terms of the accounting policy into:
- Current receivables - 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.
- Collection receivables - 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 receivables - 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.

Elite has specific percentages that are used to calculate the provision based on the ageing of the debtors. These are outlined below:

Analysis of financial assets trade receivables:

	2019			2018		
	% Loss Allowance	Estimated gross carrying amount at default	Loss Allowance	% Loss Allowance	Estimated gross carrying amount at default	Loss Allowance
Current receivables						
Current	2.3%	7,027	(165)	0.0%	10,027	-
30 days	10.8%	784	(85)	2.7%	470	(13)
60 days	52.6%	97	(51)	11.9%	320	(38)
90 days	69.4%	49	(34)	2.1%	436	(9)
120 days	84.6%	39	(33)	0.0%	116	-
120+ days	11.2%	4,379	(492)	5.4%	5,805	(314)
Collections receivables						
Current	6.1%	820	(50)	20.0%	1,099	(220)
30 days	79.3%	82	(65)	45.0%	81	(36)
60 days	20.5%	180	(37)	45.0%	224	(101)
90 days	69.5%	187	(130)	45.0%	243	(110)
120 days	37.6%	157	(59)	50.0%	283	(141)
120+ days	92.9%	2,833	(2,630)	89.7%	908	(815)
Legal receivables						
Current	77.3%	1,286	(994)	15.0%	1,779	(267)
30 days	77.3%	274	(212)	30.0%	342	(103)
60 days	77%	100	(77)	30.0%	353	(106)
90 days	76.4%	55	(42)	30.0%	67	(20)
120 days	77.2%	473	(365)	50.0%	932	(466)
120+ days	77.2%	7,957	(6,146)	78.5%	8,510	(6,681)
		26,779	(11,667)		31,995	(9,440)

The above loss allowance percentages were calculated based on the last two years credit history in the debtor's book increased for forward looking information. This forward looking information adjustment is based on industry factors for similar short term finance arrangements.

Notes to the Financial Statements continued

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Credit quality information for financial assets not impaired:

Group R'000	2019 Carrying amount	2019 Credit Quality	2018 Carrying amount	2018 Credit quality
Cash and cash equivalents	2,388	High	429	High

Company R'000	2019 Carrying amount	2019 Credit Quality	2018 Carrying amount	2018 Credit quality
Cash and cash equivalents	7	High	55	High

Liquidity risk

Group 2019 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	Total
Borrowings	239	571	6,560	452	-	**7,822**
Loans from directors	2,820	-	-	-	-	**2,820**
Trade and other payables	769	160	-	-	-	**929**
	3,828	**731**	**6,560**	**452**	**-**	**11,571**

Group 2018 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	Total
Borrowings	125	583	3,551	4,031	-	**8,290**
Loans from directors **	685	-	-	-	-	**685**
Trade and other payables *	275	514	-	-	-	**789**
	1,085	**1,097**	**3,551**	**4,031**	**-**	**9,764**

Company 2019 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	Total
Loans from directors	2,820	-	-	-	-	**2,820**
Trade and other payables	463	-	-	-	-	**463**
	3,283	**-**	**-**	**-**	**-**	**3,283**

Company 2018 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	Total
Loans from Group companies	-	-	2,346	-	-	**2.346**
Loans from directors **	685	-	-	-	-	**685**
Trade and other payables *	70	87	-	-	-	**157**
	755	**87**	**2,346**	**-**	**-**	**3,188**

** The loans from directors have been reclassified to no later than 1 month as the loans do not have fixed terms so are repayable on demand and are disclosed in the first period they become payable.

* The prior year trade and other payables have been reclassified as they included leave pay which has been reclassified to "not a financial instrument"

Notes to the Financial Statements continued

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Interest rate risk

The sensitivity analyses below has been determined based on the exposure to interest rates for non-derivative instruments at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the statement of financial position date was outstanding for the whole year. A 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's loss for the period would change by R 220,300 (2018: 169,210) company: R17,200 (2018: Rnil).

A 100 basis points increase would increase revenue on unsecured lending by an estimated R292,500 (2018: R252,110). A 100 basis points increase would increase finance costs on borrowings linked to prime by an estimated R72,200 (2018: R82,900)(refer to note 17).
A 100 basis points increase would increase interest income on cash and cash equivalents by an estimated R17,200 (2018: R3,000).

34. Change in estimate

Property plant and equipment

In the current period management have revised their estimate of useful lives. The useful lives now fall between 3 and 10 years. The effect of this revision has decreased the depreciation charges for the current period by R 28,498.

Intangible assets

In the current year the useful life of micro finance software was revised. The estimated useful life as between 5 and 10 years. The effect of this revision has decreased the amortisation for the current periods by R 84,325.

35. Reclassification error

Change of statement of profit and loss from function to nature

The statement of profit and loss and other comprehensive income has been reclassified from the functional basis to the nature basis to improve readability of the statements.

Deemed interest

Deemed interest income/(expense) has been reclassified into operating expenses as the amount relates to the impairment loss allowance in trade and other receivables.

The effect of the above changes are indicated below:

Statement of profit and loss and other comprehensive income

Group 2018 R'000	As previously stated	Adjustment	Now stated
Cost of sales	(116)	116	-
Gross profit	17,293	(17,293)	-
Deemed interest	433	(433)	-
Operating expenses	(31,348)	317	(31,031)
Operating loss	(12,456)	12,456	-

Company 2018 R'000	As previously stated	Adjustment	Now stated
Gross profit	117	(117)	-
Operating loss	(9,133)	9,133	-

Notes to the Financial Statements continued

Annual Financial Statements for the year ended 28 February 2019

36. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due	2019	2018
- within one year	929	441
- in second to fifth year inclusive	797	189
	1,726	**630**

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of three years with an option to extend. No contingent rent is payable.

37. Events after reporting period

Directors Put Option Agreement

On the 31 May the Group has entered into various put option agreements with the directors and Makalu Capital ("the Grantors") where by the Group has the option to sell certain claims ("Option Claims") to the Grantors before a period of 120 days. Should the Group decide to sell the Option Claims to the Grantors the amount payable ("the Option Consideration") would be proportionately offset against loans provided by the directors (the Director Loans)(refer note 18) and Makalu Capital ("the Makalu Loan"). Should part of the Option Claims be collected before the Option Close Date the Option Consideration will be reduced by the amount collected. The transactions would be categorised once the Group decide to exercise the options and the required approvals would be obtained. The loans subject to the option had the following values as at 28 February 2019: G Hope R2,391,503, WJ Groenewald R428,000 and Makalu Capital R397,000, refer to Note 31.

38. 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 Rnil (2018: 0,192). 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 YueDiligence. YueDiligence provides investment advisory and investment management services to entrepreneurial and innovative companies. Knife Capital and Grindstone were sold during 2018, so transactions related to these entities are treated as discontinued operations in the prior year.

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

Notes to the Financial Statements continued

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This segment consisted of a property that was sold in 2018 and treated as a discontinued operation

d. Head office

Head office consists of the head office expenses in the holding company together with other entities that previously operated in the bridging finance and vehicles finance industry. The entities have become dormant and the collection of outstanding balances is managed by head office.

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.

2019 Group	Investment advisory and investment management R'000	Micro finance R'000	Head office R'000	Total R'000
Revenue	144	13,191	-	13,335
Other income	-	257	381	638
Investment income	-	3	1	4
Finance costs	-	1,020	485	1,505
Operating expenses	279	17,303	4,092	21,674
Impairment trade and other receivables	-	1,249	-	1,249
Bad debts actually written off	3	1,115	39	1,157
Loss on disposal of subsidiary	-	-	(181)	(181)
Depreciation and amortisation	106	97	21	224
Loss before taxation	(135)	(4,872)	(4,376)	(9,383)
Taxation	(27)	-	17	(10)
Total comprehensive loss	(162)	(4,872)	(4,359)	(9,393)
Segment total assets	104	15,095	3,473	18,672
Segment total liabilities	5	8,247	3,797	12,049
Intangible assets acquired	-	40	-	40
Property, plant and equipment acquired	-	2	-	2

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2018 Group	Investment advisory and investment management R'000	Micro finance R'000	Rentals of properties in possession R'000	Head office R'000	Total R'000
Revenue *	172	17,214	-	23	17,409
Other income	-	373	-	1,226	1,599
Investment income	19	8	-	-	27
Finance costs	6	1,138	-	(30)	1,114
Operating expenses	634	20,718	-	9,679	31,031
Impairment trade and other receivables	-	(7,718)	-	(3,596)	(11,314)
Bad debts actually written off	-	12,249	-	7,710	19,959
Gain on SARS settlement	-	-	-	11,809	11,809
Depreciation and amortisation	109	622	-	38	769
Profit/(loss) before taxation	(449)	(4,228)	-	3,376	(1,301)
Taxation	-	(4)	-	-	(4)
Discontinued operations	(787)	-	(577)	-	(1,364)
Total comprehensive	(1,236)	(4,224)	(577)	3,376	(2,661)
Segment total assets	977	17,804	53	5,793	24,627
Segment total liabilities	329	9,641	46	6,607	16,623
Intangible assets acquired	241	206	-	-	447
Goodwill aquired	211	-	-	-	211
Property, plant and equipment acquired	-	17	-	-	17

* Revenue of (R33,000) of has been reclassified from Other to Micro finance as it related to discount allowed that should have been allocated to Micro finance segment refer to Note 21. The cost of sales and deemed interest were also reclassified as operating expenses refer to Note 35.

39. Loss per share

Basic loss per share

Basic loss per share are calculated by dividing the loss attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

Basic and diluted loss per share

	2019 C	2018 C
From continued operations (c per share)	(33.5)	(5.9)
From discontinued operations (c per share)	-	(6.2)
	(33.5)	**(12.1)**

Reconciliation of loss for the year to basic loss

Loss from continued operations	(9,393)	(1,297)
Loss from discontinued operations	-	(1,364)
Basic loss per share	(9,393)	(2,661)

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

	2019 '000	2018 '000
Number of ordinary shares in issue opening	21,925	21,925
Ordinary share is on 7 December 2018	6,094	-
Weighted average number of shares used for loss and headline loss per share	**28,019**	**21,925**

Headline loss per share

	2019 c	2018 c
Headline loss per share continued operations (c)	(32.8)	(5.0)
Headline loss per share discontinued operations (c)	-	(2.9)
	(32.8)	**(7.9)**

Headline loss from continued operations 2019 R'000	**Gross**	**Tax**	**Net**
Loss from continued operations	(9,383)	(10)	(9,393)
Loss on disposal of SME Snapchat	181	-	181
Headline loss from operations	**(9,202)**	**(10)**	**(9,212)**

Loss from continued operations	(1,301)	4	(1,297)
Impairment of goodwill	211	-	211
Headline loss from operations	**(1,090)**	**4**	**(1,086)**

Headline loss continued operations 2018 R'000	**Gross**	**Tax**	**Net**
Loss from discontinued operations	(1,545)	181	(1,364)
Loss on sale of Knife Capital	426	-	426
Profit on sale associate	(209)	-	(209)
Impairment of goodwill	485	-	485
Loss on disposal of property, plant and equipment	22	-	22
Headline loss from continued operations	**(821)**	**181**	**(640)**

40. Restrictions

A contract has restrictions in it that limit access to assets by the Group. These restrictions are explained below:

2019 - Existing as at year end

Peregrine Financial Services Holdings Limited

No amounts can be paid to Afdawn by Elite until all amounts owing to Peregrine Financial Services Holding Limited have been settled. The carrying amount of the liabilities is R4,031million (2018: R5,981million).

Shareholders' Analysis

Register date: 22 February 2019
Issued Share Capital: 48,725,028 shares

Shareholder spread	No. of shareholders	%	No. of Shares	%
1 - 1 000 shares	1,292	65,82	296 273	0,61
1 001 - 10 000 shares	481	24,50	1 657 019	3,40
10 001 - 100 000 shares	167	8,51	4 979 330	10,22
100 001 - 1 000 000	18	0,92	4 248 195	8,72
1 000 001 and over	5	0,25	37 544 211	77,05
Total	**1,963**	**100**	**48 725 028**	**100**

Distribution of shareholders	No. of shareholders	%	No. of Shares	%
Banks	3	0,15	72 032	0,15
Brokers	12	0,61	126 480	0,26
Close Corporations	23	1,17	4 447 554	9,13
Endowment Funds	2	0,10	10 914	0,02
Individuals	1,814	92,42	12 929 024	26,53
Investment Companies	1	0,05	5	0,00
Nominees And Trusts	56	2,85	831 160	1,71
Other Corporations	17	0,87	184 884	0,38
Pension Funds	1	0,05	2 279	0,00
Private Companies	32	1,63	30 117 684	61,81
Public Companies	2	0,10	3 012	0,01
Total	**1,963**	**100**	**48 725 028**	**100**

Public / non - public shareholders	No. of shareholders	%	No. of Shares	%
Non - Public Shareholders	**3**	**0,15**	**26 943 994**	**55.30**
Directors of the Company	2	0,10	62 702	0,13
Strategic Holdings (10% or more)	1	0,05	26 881 292	55,17
Public Shareholders	**1,960**	**99,85**	**21 781 034**	**44,87**
Total	**1,963**	**100**	**48 725 028**	**100**

Beneficial shareholders holding of 2% or more	No. of Shares	%
Arvesco 153 Pty Ltd	26 800 000	55,00
Toothrock Investments CC	4 225 275	8,67
Brown, NRO	4 099 900	8,41
PGR SPV1 (Peregrine Financial Services Holdings)	1 362 807	2,80
Shock Proof Investments 20 (Pty) Ltd	1 151 240	2,36

Shareholders' Analysis continued

Breakdown of Non-Public Holdings

Directors of the Company	No. of Shares	% of Shares
Hope, GB	**58,750**	**0,12**
Hope, GB	58,750	0,12
Groenewald, WJ	**3,952**	**0,01**
Groenewald, WJ	3,952	0,01
Total	**62,702**	**0,13**

Strategic Holdings (10% or more)	No. of Shares	% of Shares
Arvesco 153 Pty Ltd	26,800,000	55,00
Shares held by associates of directors	81,292	0,17
Total	**26,881,292**	**55,17**

Beneficial shareholders holding of 2%or more (appeared twice or more in the register)	No. of Shares	% of Shares
Shock Proof Investment 20 (Pty) Ltd	**1,151,240**	**2,36**
Shock Proof Investment 20 (Pty) Ltd	1,146,229	2,35
Shock Proof Investment 20 (Pty) Ltd	3,167	0,01
Shock Proof Investment 20 (Pty) Ltd	1,844	0,00

Notice of Annual General Meeting of Shareholders

African Dawn Capital Limited
Incorporated in the Republic of South Africa
(Registration number: 1998/020520/06)
Share code: ADW
ISIN: ZAE000223194

Notice is hereby given of the annual general meeting of shareholders of African Dawn Capital Limited (**"the Company" or "African Dawn"**) to be held at the BDO Cape Town office, 6th Floor, 119 – 123 Hertzog Boulevard, Foreshore, Cape Town on Wednesday, 7 August 2019 at 10h00 (**"the Annual General Meeting"**).

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

The board of directors of the Company (**"the Board"**) has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, 71 of 2008, as amended (**"Companies Act"**), the record date for shareholders to be recorded on the securities register of the Company in order to receive notice of the Annual General Meeting is Friday, 21 June, 2019. Further, the record date determined by the Board for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 2 August, 2019 with the last day to trade being Tuesday, 30 July, 2019.

Purpose

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

Agenda

- Presentation of the audited annual financial statements of the Company, including the reports of the directors and the audit and risk committee for the year ended 28 February 2019. The annual report, of which this notice forms part, contains the summarised group financial statements and the aforementioned reports. The annual financial statements, including the unmodified audit opinion, are available on the Company's website at www.afdawn.co.za, or may be requested and obtained in person, at no charge, at the registered office of the Company during office hours.

1. ORDINARY RESOLUTIONS

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

NOTE: For any of the ordinary resolutions numbers 1 to 7 to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For ordinary resolution number 8 to be adopted, at least 75% of the voting rights exercised on such ordinary resolution must be exercised in favour thereof.

1.1 ORDINARY RESOLUTION NUMBER 1 – APPOINTMENT OF MR J SLABBERT AS A DIRECTOR

"Resolved that Mr J Slabbert's appointment as director, in terms of the memorandum of incorporation of the Company, be and is hereby confirmed."

Summary curriculum vitae of Mr James Slabbert (**"James"**):

James has over 30 years of experience in the banking, investments and financial services sectors, having been involved in major businesses and various corporate transactions locally and internationally.

Prior to founding Gowin Proprietary Limited, which is the holding company of Arvesco 153 Proprietary Limited, James held the following positions:

- executive director of Group Strategy at Absa Bank Limited;
- managing executive of Absa Corporate & Business Bank at Barclays Africa Group Limited;
- founder and chief executive officer of First South Financial Services (which later became Macquarie First South); and
- co-head of research for Southern Africa & emerging markets and top-rated banks, insurance and financial services analyst at Merrill Lynch (which later became Bank of America Merrill Lynch).

The reason for ordinary resolution number 1 is that the memorandum of incorporation of the Company and the Listings Requirements of the JSE Limited (**"JSE"**) require that any director appointed by the Board be confirmed by shareholders at the Annual General Meeting of the Company.

1.2 ORDINARY RESOLUTION NUMBER 2 – RE-ELECTION OF MS H HICKEY AS AN INDEPENDENT NON EXECUTIVE DIRECTOR

Notice of Annual General Meeting of Shareholders continued

"Resolved that Ms H Hickey who, in terms of Article 29.3.6 of the Company's memorandum of incorporation, retires by rotation at the Annual General Meeting but, being eligible to do so, offers herself for re-election be and is hereby re-elected."

Summary curriculum vitae of Ms H Hickey (**"Hester"**):

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

The reason for ordinary resolution number 2 is that the memorandum of incorporation of the Company, the Listings Requirements of the JSE (**"JSE Listings Requirements"**) and, to the extent applicable, the Companies Act, require that a component of the non-executive directors rotate at every annual general meeting of the Company and, being eligible, may offer themselves for re-election as directors.

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

"Resolved that pursuant to the requirements of section 94(2) of the Companies Act, and subject to the approval of ordinary resolution number 2 above, Ms H Hickey, an independent non-executive director of the Company, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the Board until the next annual general meeting of the Company."

NOTE: A summary of the curriculum vitae of Ms H Hickey has been included in paragraph 1.2 above.

1.4 ORDINARY RESOLUTION NUMBER 4 – RE-APPOINTMENT OF MS V LESSING TO THE AUDIT AND RISK COMMITTEE

"Resolved that pursuant to the requirements of section 94(2) of the Companies Act, Ms V Lessing, an independent non-executive director of the Company, be and is hereby re-appointed as a member of the audit and risk committee of the Company as recommended by the Board until the next annual general meeting of the Company."

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

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

1.5 ORDINARY RESOLUTION NUMBER 5 – RE-APPOINTMENT OF MR S ROPER TO THE AUDIT AND RISK COMMITTEE

"Resolved that pursuant to the requirements of section 94(2) of the Companies Act, Mr S Roper, an independent non-executive director of the Company, be and is hereby re-appointed as a member of the audit and risk committee of the Company as recommended by the Board until the next annual general meeting of the Company."

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

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

The reason for ordinary resolutions numbers 3 to 5 (inclusive) is that the Company, being a public-listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each annual general meeting of a company.

1.6 ORDINARY RESOLUTION NUMBER 6 – APPOINTMENT OF AUDITOR

"Resolved that pursuant to the requirements of section 90(1) read with section 61(8)(c) of the Companies Act, and as nominated by the Company's audit and risk committee, Mazars be and is hereby appointed as the independent auditor of the Company for the financial year ending 28 February 2019, or until the next Annual General Meeting, whichever is the later, with the designated auditor being Mr Frederick Cronje, a registered auditor and partner in the firm."

Notice of Annual General Meeting of Shareholders continued

The reason for ordinary resolution number 6 is that the Company, being a public-listed company, must have its financial results audited and such auditor must be appointed or re-appointed, as the case maybe, at each Annual General Meeting of the Company as required by the Companies Act.

1.7 ORDINARY RESOLUTION NUMBER 7 – NON-BINDING ADVISORY VOTE ON AFDAWN'S REMUNERATION POLICY

"Resolved that the shareholders endorse, by way of on a non-binding advisory vote, the Company's remuneration policy as set out on pages 9 and 12 of the annual report."

The reason for ordinary resolution number 7 is that the King IV Report on Corporate Governance™ for South Africa, 2016 (**"King IV™"**) recommends and the JSE Listings Requirements require, that the remuneration policy of the Company be tabled for a non-binding advisory vote by shareholders at each annual general meeting of the Company. This enables shareholders to express their views on the remuneration policy adopted. The effect of ordinary resolution number 7, if passed, will be to endorse the Company's remuneration policy. Ordinary resolution number 7 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendment to the Company's remuneration policy.

1.8 ORDINARY RESOLUTION NUMBER 8 – GENERAL AUTHORITY TO ISSUE ORDINARY SHARES FOR CASH

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

- this general authority will be valid until the earlier of the Company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to "public shareholders" as defined in paragraph 4.25 to 4.27 of the JSE Listings Requirements and not to related parties;
- the securities which are the subject of a general issue for cash may not exceed, in the aggregate, 10% (ten percent) of the number of listed securities, excluding treasury shares, as at the date of this notice, being 4,986,792 securities. Any securities issued under this authorisation during the period of 15 (fifteen) months from the date that this authorisation will be deducted from the aforementioned listed securities. In the event of a sub-division or a consolidation during the period contemplated above the authority will be adjusted to represent the same allocation ratio;
- in determining the price at which securities may be issued in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price of such securities measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed in writing between the Company and the party/ies subscribing for the securities;
- an announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the securities over 30 (thirty) business days prior to the date that the issue is agreed in writing between the Company and the parties subscribing for the securities and the impact on net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, will be published on the Stock Exchange News Service of the JSE when the Company has issued securities representing, on a cumulative basis within the earlier of the Company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given, 10% (ten percent) or more of the number of securities in issue prior to the issue; and
- whenever the Company wishes to use repurchased shares, held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares.

For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or to duly approved share incentive schemes, it is necessary for the Board to obtain the prior authority of the shareholders in accordance with the JSE Listings Requirements and the memorandum of incorporation of the Company. Accordingly, the reason for ordinary resolution number 8 is to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements and the memorandum of incorporation of the Company.

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

2. SPECIAL RESOLUTIONS

To consider and if deemed fit, to pass, with or without modification, the following special resolutions:

Notice of Annual General Meeting of Shareholders continued

NOTE: For any of the special resolutions numbers 1 to 4 (inclusive) to be adopted, at least 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

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

"Resolved in terms of section 66(9) of the Companies Act, that the Company be and is hereby authorised to remunerate its directors for their services as directors on the basis below provided that this authority will be valid until the next Annual General Meeting of the Company:

Position	Proposed fee for the year ended 29 February 2020 R
Committee and Board Member	144,000

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

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

2.2 SPECIAL RESOLUTION NUMBER 2 – SHARE REPURCHASES BY THE COMPANY AND ITS SUBSIDIARIES

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

- the general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the Company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue on the date that this authority is granted, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 10% in the aggregate in any one financial year of the Company's issued share capital at the time the authority is granted;
- a resolution has been passed by the Board approving the repurchase, that the Company has satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the Company and its subsidiaries ("the Group");
- the general repurchase is authorised by the Company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five-business-day period;
- the Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- the Company may not effect a repurchase during any prohibited period as defined in terms of the JSE Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the JSE Listings Requirements."

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

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

2.3 SPECIAL RESOLUTION NUMBER 3 – INTER-COMPANY FINANCIAL ASSISTANCE

"Resolved, in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the Board be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the Board may deem fit to any company or corporation that is related or inter-related ("related" and

Notice of Annual General Meeting of Shareholders continued

"inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act) to the Company, on the terms and conditions and for amounts that the Board may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company."

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

2.4 SPECIAL RESOLUTION NUMBER 4 – FINANCIAL ASSISTANCE FOR THE ACQUISITION OF SHARES IN THE COMPANY OR A RELATED OR INTER-RELATED COMPANY

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

The reason for and effect of special resolution number 4 is to grant the directors the authority, until the next annual general meeting of the Company, to provide financial assistance to any person, including any company or corporation which is related or inter-related to the Company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation. This means that the Company is authorised, inter alia, to grant loans to any person or its subsidiaries and to guarantee and furnish security for the debt of any person or its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in the Company or its subsidiaries. A typical example of where the Company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the Company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

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

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

3. OTHER BUSINESS
To transact such other business as may be transacted at an annual general meeting or raised by shareholders with or without advance notice to the Company.

INFORMATION RELATING TO THE SPECIAL RESOLUTIONS

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

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

Notice of Annual General Meeting of Shareholders continued

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

2. The directors, whose names appear on page 7 and 8 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice of Annual General Meeting contains all information required by law and the JSE Listings Requirements.

ATTENDANCE AND VOTING BY SHAREHOLDERS OR PROXIES

1. Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the Annual General Meeting and are entitled to appoint a proxy or proxies (for which purpose a form of proxy is attached hereto) to attend, speak and vote in their stead. The person so appointed as proxy need not be a shareholder of the Company. Forms of proxy must be lodged with the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited, Rosebank Towers,15 Biermann Avenue, Rosebank, 2196, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa or sent via email to proxy@computershare.co.za, to be received by no later than 10:00 on Monday, 5 August, 2019, (or 48 (forty-eight) hours before any adjournment of the Annual General Meeting, provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the Annual General Meeting at any time prior to the commencement of the Annual General Meeting.
2. Forms of proxy must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.
3. On a show of hands, every person present and entitled to exercise voting rights shall be entitled to one vote, irrespective of the number of votes that person would otherwise be entitled to exercise. On a poll, every holder of ordinary shares shall be entitled to one vote per ordinary share held.
4. Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant ("CSDP") or broker in the manner and time stipulated in their agreement:
   - to furnish them with their voting instructions; or
   - in the event that they wish to attend the meeting, to obtain the necessary authority to do so.
5. Shareholders or their proxies may participate in the Annual General Meeting by way of a teleconference call ("teleconference facility"). We will have 1 conference call line, if required. Shareholders or their proxies who wish to participate in the Annual General Meeting via the teleconference facility must follow the instructions set out in Annexure A attached to this notice. Shareholders who wish to participate in the Annual General Meeting telephonically should note that they will not be able to vote during the Annual General Meeting telephonically. Should such shareholders wish to vote, they must either:
   - complete the proxy form and return it to the transfer secretary in accordance with paragraph 1 above; or
   - contact their CSDP or broker in accordance with paragraph 4 above.
6. Please note that shareholders or their proxies will not be entitled to exercise voting rights at the Annual General Meeting by way of teleconference call; a shareholder or proxy has to be physically present at the Annual General Meeting in order to vote.

VOTING EXCLUSIONS

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

PROOF OF IDENTIFICATION REQUIRED

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

By order of the Board

STATUCOR (PTY) LTD
Represented by AJ Rich
Company Secretary

Annexure A

Participation in the Annual General Meeting via electronic communication

CAPITALISED TERMS USED IN THIS ANNEXURE A SHALL BEAR THE MEANINGS ASCRIBED THERETO IN THE NOTICE TO WHICH THIS ANNEXURE A IS ATTACHED

1. **Shareholders or their duly appointed proxy(ies) that wish to participate in the Annual General Meeting via electronic communication ("Participants"), must apply to the Company's transfer secretary, Computershare Investor Services Proprietary Limited ("Computershare"), by delivering the duly completed application form below to:**

   Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank, 2196, or posting it to PO Box 61051, Marshalltown, 2107 or sent via email to proxy@computershare.co.za (at the risk of the Participant), so as to be received by Computershare by no later than 10h00 on Monday, 5 August, 2019.

2. **Important notice**

   2.1 We will have 1 conference call line, if required.

   2.2 Each Participant will be contacted between 13h00 and 17h00 on Tuesday, 6 August, 2019., via email and/or SMS with a code and the relevant telephone number to allow them to dial in.

   2.3 The cut-off time to participate in the Annual General Meeting via electronic communication will be at 10h00 on Wednesday, 7 August, 2019. No late dial-in will be accommodated.

   2.4 The Company cannot guarantee there will not be a break in communication which is out of the control of the Company.

   2.5 The Company shall be entitled to request reasonably satisfactory identification in terms of section 63(1) of the Act in order to confirm the Participant is a current shareholder of the Company. The Company shall exclude any Participant that does not provide same to the satisfaction of the Company.

Application form		
Full name of Participant:		
ID number:		
Email address:		
Phone number:		
Telephone number:	(code):	(number):
Name of CSDP or broker (if shares are held in dematerialised format):		
Contact number of CSDP/broker:		
Contact person of CSDP/broker:		

Terms and conditions for participation in the Annual General Meeting via electronic communication

1. The cost of dialling in using a telecommunication line to participate in the Annual General Meeting, is for the expense of the Participant and will be billed separately by the Participant's own telephone service provider.

2. The Participant acknowledges that the telecommunication lines are provided by a third party and indemnifies the Company against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against the Company, whether for consequential damages or otherwise, arising from the use of the telecommunication lines or any defect in it or from total or partial failure of the telecommunication lines and connections linking the telecommunication lines to the Annual General Meeting.

3. Participants should note that they will not be able to vote during the Annual General Meeting telephonically. Should Participants wish to vote, they must either:

   3.1 complete the proxy form and return it to the transfer secretary in accordance with paragraph 1 on this page 102; or

Annexure A continued

3.2 contact their CSDP or broker as set out in accordance with paragraph 2 on page 102.

4. The application to participate in the Annual General Meeting electronically will only be deemed successful if this application form has been completed fully, signed by the Participant and delivered in accordance with paragraph 1 on page 102.

Participant's name ______________________________

Signature ______________________ Date ______________________

Form of proxy

African Dawn Capital Limited
Incorporated in the Republic of South Africa
Registration number 1998/020520/06
Share code: ADW
ISIN: ZAE000223194
(**African Dawn"** or **"the Company"**)

For the use of shareholders who are:
1. registered as such and who have not dematerialised their African Dawn ordinary shares; or
2. hold dematerialised African Dawn ordinary shares in their own name.

At the African Dawn annual general meeting to be held in the boardroom of BDO Cape Town office, 6th Floor, 119 - 123 Hertzog Boulevard, Foreshore, Cape Town on Wednesday, 7 August 2019 at 10h00 (**"the Annual General Meeting"**).

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

I/We (please print name in full) ____________________

of (address) ____________________

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

1. ____________________ or failing him,

2. ____________________ or failing him,

3. the chairman of the Annual General Meeting as my/our proxy to act for me/us at the Annual General Meeting for the purposes of considering and, if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name(s) (see Note 2).

		Number of votes (one vote per ordinary share)		
Ordinary Resolutions	Agenda Item	For	Against	Abstain
Ordinary resolution 1	To appoint Mr J Slabbert as director			
Ordinary resolution 2	To re-elect Ms H Hickey as an independent non-executive director			
Ordinary resolution 3	To re-appoint Ms H Hickey as a member of the audit and risk committee			
Ordinary resolution 4	To re-appoint Ms V Lessing as a member of the audit and risk committee			
Ordinary resolution 5	To re-appoint Mr S Roper as a member of the audit and risk committee			
Ordinary resolution 6	To appoint Mazars as the auditor			
Ordinary resolution 7	Non-binding endorsement of the Company's remuneration policy			
Ordinary resolution 8	General authority to issue ordinary shares for cash			
Special Resolutions	Agenda item	For	Against	Abstain
Special resolution 1	Approval of the non-executive directors' remuneration			
Special resolution 2	Share repurchases by the Company and its subsidiaries			
Special resolution 3	Inter-company financial assistance			
Special resolution 4	Financial assistance for the acquisition of shares in the Company or a related or inter-related company			

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

Signed at ____________________ on ____________________ 2019

Signature (s) ____________________

Assisted by (where applicable) (state capacity and full name) ____________________

Number of shares ____________________

Form of proxy continued

Each shareholder of the Company is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.

Please read the notes below.

NOTES TO PROXY

1. An African Dawn shareholder may insert the name or names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the Annual General Meeting" but any such deletion must be initialled by the shareholder. The person whose name appears first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. An African Dawn shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the space provided. Failure to comply with the above will be deemed to authorise the proxy, or the chairman of the Annual General Meeting if he/she is the authorised proxy, to vote or abstain from voting at the Annual General Meeting as he deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or his proxy, or cast them in the same way.

3. When there are joint registered holders of any shares, any one of such persons may vote at the Annual General Meeting in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any annual general meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder, in whose name any shares stand, shall be deemed joint holders thereof.

4. An alteration or correction made to this form of proxy must be initialled by the signatory/ies.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the Company's transfer secretaries or waived by the chairman of the Annual General Meeting.

6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof, should such shareholder wish to do so.

7. The chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

8. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

9. Where there are joint holders of any shares:

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

10. Forms of proxy must be completed and lodged with or posted to the Company's transfer secretaries' offices in Johannesburg (Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196; PO Box 61051, Marshalltown, 2107) or sent via email to proxy@computershare.co.za to be received no later than 10h00 on Monday, 5 August, 2019 provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the Annual General Meeting at any time prior to the commencement of the Annual General Meeting.

Shareholders' Diary

Financial year-end	28 February 2019
Publication of financial results for the year	3 June 2019
Annual General Meeting	7 August 2019
Ordinary share cash dividend	R Nil
Annual report posted to shareholders	28 June 2019
Publication of interim results for the six month ending 30 August 2019	November 2019

Corporate information

DIRECTORS as at 28 June 2019
Mr. J Slabbert ^ • Mr. WJ Groenewald * • Ms. HH Hickey # • Ms. V Lessing # • Mr. SM Roper # • Mr. G Hope *
^ Non Executive Chairman * Executive # Independent non-executive

Please refer to page 7 and 8 of the Annual Report for further details on each director.

AUDITORS
Mazars

COMPANY REGISTRATION NUMBER
1998/020520/06
Share code: ADW
ISIN: ZAE000223194

DOMICILE
Republic of South Africa

COMPANY SECRETARY
A Rich (on behalf of Statucor Proprietary Limited)

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

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

COUNTRY OF INCORPORATION
Republic of South Africa

TRANSFER SECRETARY
Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107

BANKERS
Absa Bank Limited
First National Bank Limited

TELEPHONE
(011) 475-7705

DESIGNATED ADVISOR
PSG Capital Proprietary Limited

ENQUIRIES
info@afdawn.co.za