AFRICAN DAWN CAPITAL LIMITED

Annual Report 2015

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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 and Grindstone

Accelerator Proprietary Limited

Elite means Elite Group Proprietary Limited

Elite Two means Elite Group Two Proprietary Limited

Elite Cell means Elite Group Cell No 00181 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

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

About us

A brief history

African Dawn Capital Limited (the "Company", "Afdawn" or "Group") 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, debtor discounting and structured property finance. As a result of its growth and corresponding increase in share price, Afdawn was able to acquire additional businesses and utilise shareholders' funds to grow its loan books.

By 2009 the Group had significant exposure to the property sector, mainly property developments that it had funded. The financial position of the Group then weakened in 2009 due to the collapse in the property markets and the associated increase in doubtful loans. This not only impacted the Group but also the majority of its executive management who, based on the increase in the share price, had entered into a highly geared single stock structure with Nedbank. The falling Afdawn share price triggered margin calls by Nedbank which, when not settled, led to Nedbank exercising its security and thereby becoming the single biggest shareholder in Afdawn.

The majority of the executive directors were subsequently removed from the Board and from executive management. A new Board had to be constituted and called for a forensic review of the Company and a number of its subsidiaries.

The forensic review revealed fraud and mismanagement in Nexus and Afdawn. The investigation into these irregularities is still ongoing and management is co-operating with the various authorities in this regard.

The current position

During 2013, the company changed its vision to become an active investment holding company and to do so by acquiring shareholdings in entrepreneurial businesses. In pursuit of this new vision, in March 2014 the company acquired the requisite skill set through its acquisition of Knife Capital Proprietary Limited and secured some investment capital through a rights issue.

Further implementation of the new vision has however become challenging for reasons as detailed in the report from the Chair.

Our report

This report builds on the 2014 annual report. The 2015 report is guided by the Global Reporting Initiative (GRI3) reporting guidelines as part of guiding the users to a conclusion on the quantitative (financial indicators) and qualitative (social, environmental and sustainability) events reported on for the 2015 period.

From the Chair

Dear Fellow Shareholders

The company's vision to become an active investment holding company has become challenging to implement in the past year. This is mainly due to events surrounding Elite and the unsuccessful SARS compromise.

A starting investment capital base of R50 million was considered to be sufficient to implement the strategy. A small rights issue and the proceeds of sale of Elite would have secured this amount and together with the sale of other defined non-core assets would have funded the repayment of the SARS liability.

Elite

The Elite management buy out transaction would have yielded R36m of investable capital. Its failure had a significant impact on the ability to implement the strategy. A smaller investment capital base and more reliance on the sale of other non-core assets was the major consequence.

Furthermore, the Elite financial statements for 2014 and 2013 had to be restated due to a misstatement of debtors and an entity that was previously incorrectly not equity accounted.

These restatements have resulted in the late reporting of results. However, disclosures in the financial statements have been improved and we believe that these are now of a high standard.

The micro–finance industry has been in the spotlight after the collapse of major industry players and various regulatory pressures. However, Elite had foreseen changes in the industry and for this reason these changes had limited impact on the business.

I am also pleased to report that considerable management effort has been invested to ensure that Elite is now able to attract investment capital. These efforts included cutting costs where appropriate, bolstering internal controls related to lending practices and an intervention to influence the culture to make it more performance orientated.

All of this has been rewarded by interest from a potential investor for a meaningful stake in the business and these discussions are at an advanced stage.

Knife Capital

The rationale for the Knife Capital acquisition was to combine venture capital capabilities with a permanent capital provider as a first step to broaden the capability platform of the group. This transaction was also intended to give the group access to quality deal flow in the smaller transaction value range of entrepreneurial and innovative companies.

It was intended that future investments would be in:

- smaller early growth stage innovation-driven companies with proven traction ("Venture Investments"); and
- more mature growth stage innovation-driven companies that are scalable where we can build substantial improvement in capabilities and performance. ("Growth Investments"). The Growth Investments would be larger size transactions and a combination of cash and script could be used to finance these transactions. This would be the main driver of net asset value growth of the group.

Knife Capital is an investment expert and creates value by being actively involved in investments. The business' differentiating value proposition is the dynamic growth process that follows the Find, Make, Grow and Realise approach designed to decrease risk and maximise stakeholder value.

Support for local entrepreneurs has gained further momentum this year with a number of business accelerators launched or in the process of being launched. Although the need for more growth equity investors is widely broadcasted, there is still a significant mismatch in the demand versus supply of growth equity investors.

Knife Capital, and its subsidiary Grindstone, in many respects mirror this trend. Over the reporting period, Grindstone secured various third party sponsors to continue its structured entrepreneurial support programme. It has progressed well in proving its business model with, on the one hand its advisory services contributing to the business building of its candidates and on the other, contributing to securing a high-profile trade sale of one of its candidates.

Knife Capital likewise had a very successful year in terms of short-term advisory services but has yet to secure the required investment capital to roll out the vision. Knife Capital is in the process of raising a venture capital fund.

Events (such as the Elite restatements referred to above) lead to the NAV of the Afdawn group falling below the 10 cents threshold as envisaged in the Knife Capital acquisition. This reduction in NAV triggered significant liabilities owed by the group to the Knife Capital Vendors. An agreement was subsequently concluded with the Knife Capital vendors in terms of which Afdawn was released from a portion of these liabilities.

SARS

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

A liability has been recognised in full for all interest and penalties that are payable to SARS.

Properties in possession

Progress has been made in disposing of the properties in possession. Discussions are currently under way with potential buyers of the Greenoaks property. In addition, 4 of the 50 units of Almika were sold by February 2015 and a further 16 have been sold and transferred since.

All these events had a negative influence on the implementation of strategy and the main focus changed to make Afdawn investment-ready instead of focusing on new investments as was anticipated.

Looking ahead

To implement the stated vision we are considering forming partnerships with bigger players to enable us to access the capital markets when the group has regained the confidence of investors.

Appreciation

This has been a challenging year and I would like to place on record my sincere appreciation for the support and cooperation of all stakeholders including my fellow board members, staff and my fellow shareholders.

Key Indicators

PROFITABILITY – COMPREHENSIVE INCOME		2015	2014	2013
Income from operations	R ' 000	39,881	35,736	33,232
Sundry income	R ' 000	7,417	959	1,665
Total income	R ' 000	47,298	36.695	34,897
Operational expenses	R ' 000	65,508	55,496	40,051
Net loss	R ' 000	(33,012)	(23,813)	(8,434)
Basic loss per share	Cents	(3,84)	(4,48)	(1,59)
Dividends	Cents	-	-	-
Weighted average number of shares	Cents	859,897	530,981	530,981

BALANCES ON REPORTING DATE – FINANCIAL POSITION				
Net recoverable debtors	R ' 000	39,835	58,525	75,885
Cash	R ' 000	15,397	5,358	9,014
Properties in possession	R ' 000	22,968	24,748	21,335
Total Assets	R ' 000	94,416	96,425	114,874
Long term loans	R ' 000	13,298	8,844	22,366
Total Liabilities	R ' 000	65,005	63,311	57,947
Net Asset Value	R ' 000	29,411	33,114	56,927
Net Asset Value per share	Cents	3,34	6,52	11,20
Share price trading at year - end	Cents	8,00	9,00	7,00
Market capitalisation	R ' 000	70,422	45,737	35,572
Actual Number of shares in issue		880,270,597	508,184,155	508,184,155
Number of branches		13	15	15
Number of employees		78	97	102

The Board

The board at the year end

Mr. WJ Groenewald ("Jacques")
Chief Executive Officer and acting Chairman

Jacques was appointed as a non-executive director on 17 November 2011 and was subsequently appointed as the acting CEO on 24 February 2014, Chief Executive Officer on 28 March 2014 and acting chairman on 2 June 2014. 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.

Mr. EA van Heerden ("Eben")
Financial Director

Eben qualified as a Chartered Accountant (CA(SA)) in 1995. Eben has a proven track record as a specialised investment expert with noteworthy accomplishments in business building and strategy, corporate finance and mergers. His career commenced with Ernst & Young two decades ago whereafter he progressed to hold various directorships in large and small organisations alike. Eight years ago he shifted his focus to early stage investments and actively pursued a career with Mark Shuttleworth's HBD Venture Capital. He has since then been instrumental in the investment, growth and exit of a number of high profile growth equity investments. In 2010 he co-founded Knife Capital, of which he is currently the CEO and more recently the Grindstone business accelerator.

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. She is currently non-executive director and audit committee Chair for Omnia Holdings Limited, Pan African Resources Plc and a non-executive director of Cashbuild Limited. 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.

Ms. V. Lessing ("Vanya")
Independent Non-Executive Director

Vanya was appointed on 29 May 2013. Vanya is the CEO 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 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 Ltd (WIN).

The Board
continued

Mr. SM Roper ("Stephen")
Independent Non-Executive Director

Stephen holds an Hons BCompt, PG Dip Tax Law , PG Dip Financial Policy, and is a Chartered Accountant with 26 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.

Mr. JK van Zyl ("Keet")
Executive Director

Keet was appointed on 29 May 2013. Keet is a 'Venture Catalyst' with extensive high-growth investment experience. He structured various private equity funds in Southern Africa for a US fund-of-funds investor and worked in growth finance at industry-leading companies such as Procter & Gamble, Investec Bank and Here Be Dragons (HBD) Venture Capital – the fund managers behind SA internet billionaire Mark Shuttleworth's successful venture capital fund. He co-founded growth equity fund manager; Knife Capital to fund and support innovation-driven entrepreneurs. Keet is passionate about building the early-stage funding eco-system in Sub-Saharan Africa. He co-founded the Grindstone business accelerator that assists SA technology SMEs to become sustainable and fundable as well as due diligence automation startup: YueDiligence, and is on the Exco of entrepreneurial advancement organisation: SiMODiSA. Keet has extensive experience in the total venture capital value chain and brings venture capital experience and skills that reduce risk and improve desired outcomes in line with the new vision of the Company.

Ms. A Böhmert ("Andrea")
Executive Director

Andrea is a director of Knife Capital. Before joining Knife Capital, Andrea was the founder and co-managing partner of Hasso Plattner Ventures Africa Proprietary Limited. Andrea has been actively involved in numerous initiatives that aim to accelerate the African entrepreneurial ecosystem such as Angelhub, South Africa's first structured Angel Investment vehicle, the Bandwidth Barn, South Africa's oldest IT incubator, as Exco member of Silicon Cape, a member of Endeavor VentureCorps and as an Angel Investor in the Google Umbono Incubator Program. She is responsible for the internal management of the Grindstone accelerator, a later-stage business accelerator aimed at assisting entrepreneurs with solving the problems common to scale-ups. Previously, Andrea worked at Dimension Data and Siemens, where she was responsible for the corporate strategy for Southern Africa. She holds a Masters degree in Marketing and Management of Technology and Innovation from the Rheinisch Westfälische Technische Hochschule (RWTH) in Aachen, Germany and an MBA from Henley Management College in the United Kingdom.

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.

The Board
continued

Changes in office

Mr. JK van Zyl, previously non-executive independent director was appointed as an executive director on 28 March 2014 and Mr. WJ Groenewald was appointed as the acting Chairman on 2 June 2014 until 31 October 2014. He resumed the role as acting executive Chairman on 12 June 2015.

Resignations

Mr. JS van der Merwe resigned as director on 2 June 2014 and Mr CM Bull resigned as director on 12 June 2015. Mr. W Somerville resigned as company secretary on 31 July 2014.

The Staff

The current year saw a small decrease in our work force from 97 to 78. Afdawn strives to uplift and enable individuals of all backgrounds and thereto we are proud to report:

	2015	2014	2013
Women (as % of total workforce)	71%	65%	65%
Women of colour (as % of total women employed)	49%	54%	54%
Total people of colour (as % of total workforce)	41%	46%	36%

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.

	Male		Female		
	African	White	African	White	Total
Executives	0	4	0	1	5
Senior management	0	5	0	4	9
Middle management	0	4	2	9	15
Junior management	0	2	0	3	3
Skilled	5	5	12	11	33
Semi-skilled	0	0	9	0	9
Unskilled	0	0	4	0	4
Total permanent	5	18	27	28	78
Temporary employees	0	0	0	0	0
Total employees	5	18	27	28	78
	23		55		78

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	Changes
WJ Groenewald	Chief Executive Officer (CEO) and acting Chairman	Executive	Appointed as CEO on 27 March 2014
EA van Heerden	Financial Director	Executive	Appointed 27 March 2014
A Böhmert		Executive	Appointed 22 April 2014
JK van Zyl		Executive	Appointed 28 May 2014
V Lessing		Independent non-executive	
HH Hickey	Chair audit committee	Independent non-executive	
SM Roper		Independent non-executive	Appointed 22 April 2014
JS van der Merwe	Chairperson	Non-Executive	Appointed 10 April 2013 and resigned on 4 June 2014
CM Bull	Chairperson	Independent non-executive	Appointed 31 October 2014 and resigned on 12 June 2015

Composition:

The board comprised the following directors at the year end:

- Mr. WJ Groenewald (Acting Chairman and CEO);
- Mr. EA van Heerden (Financial director)
- Ms. HH Hickey (Independent non-executive director);
- Ms. V Lessing (Lead Independent non-executive director);
- Mr. SM Roper (Independent non-executive director);
- Mr. JK van Zyl (Executive director);
- Ms. A Böhmert (Executive director); .and
- Mr. CM Bull (Independent non-executive director).

Changes to the board during the year:

New appointments during the year

Mr. EA van Heerden was appointed as financial director on 27 March 2014, Ms. A Böhmert as executive director on 22 April 2014 and Mr. SM Roper as independent non-executive director on 22 April 2014. Mr. CM Bull was appointed as independent non-executive Chairperson on 31 October 2014.

Corporate Governance

continued

1. The Board (continued)

Changes in office

Mr. JK van Zyl (previously independent non-executive director) was appointed as executive director on 28 May 2014 and Mr. WJ Groenewald was appointed as CEO on 27 March 2014 and acting executive Chairman on 2 June 2014 until 31 October 2014. He resumes the role as acting executive Chairman on 12 June 2015.

Resignations

Mr. JS van der Merwe resigned as a director on 2 June 2014. Mr. CM Bull resigned as director on 12 June 2015.

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 position of the chairman and CEO were separate at the beginning of the year, with the chairman being a non-executive director. On 24 February 2014 Mr. JS van der Merwe stepped down as CEO, while remaining on in the position of chairman and Mr. WJ Groenewald was appointed as the acting CEO on 27 February 2014 and CEO on 28 March 2014 With the resignation of Mr. JS van der Merwe on 2 June 2014, Mr. WJ Groenewald was appointed as acting chairman. Mr. CM Bull was appointed as independent non-executive chairman on 31 October 2014. With the resignation of Mr. CM Bull on 12 June 2015 Mr. WJ Groenewald was appointed as acting chairman. The chairman is re-elected to the position on an annual basis by the Board. The chairman was appointed by the Board and possesses the necessary skills, experience and leadership qualities to lead the Group. At the year end, the chairman was not a member of the remuneration committee, but is invited to attend on an ad-hoc basis, due to his skills and expertise. The chairman is a permanent invitee to the audit committee. The Board members individually and collectively have the necessary skills, expertise and experience ensuring effective and ethical decision making and strategy implementation.

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.

Member	26 Mar 2014	28 May 2014	5 Aug 2014	17 Sep 2014	17 Nov 2014	30 Apr 2015	29 May 2015	12 June 2015	26 Aug 2015	23 Oct 2015
HH Hickey	√	√	√	√	√	√	√	√	√	√
V Lessing	√	√	√	√	√	√	√	√	√	Apology
SM Roper	n/a	√	√	√	√	√	√	√	√	√
A Böhmert	n/a	√	√	√	√	√	√	√	√	Apology
JK van Zyl	√	√	Apology	√	√	√	√	√	√	Apology
WJ Groenewald	√	√	√	√	√	√	√	√	√	√
EA van Heerden	√	√	√	√	√	√	Apology	√	√	√
CM Bull ##	n/a	n/a	n/a	n/a	√	√	√	√	n/a	n/a
JS van der Merwe #	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

\# *Resigned 4 June 2014*

\## *Resigned 12 June 2015*

Corporate Governance
continued

1. The Board (continued)

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's developing the new strategy of investment holdings in entrepreneurial companies and the realignment of the businesses in investment advisory and investment management, micro finance , managing properties in possession and collecting historic debtors. There is a clear division of responsibilities at Broad level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

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, Knife Capital 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 Report on Governance for South Africa 2009 ("King Code III"). 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 Code III compliance. The Board is of the opinion that the Group complies in all material respects with the principles embodied in King Code III and the additional requirements for corporate governance stipulated by the JSE. Where specific principles have not been applied, explanations for these are contained the application of King III section below.

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 have been given via SENS and attendance of the AGM.

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 Institute of Directors and formally by WITS Business School. Ms. V Lessing and Ms. A Böhmert attended the programme during 2015. 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 2015 were informal, with formal assessments with specific reference to the CEO and financial director. Appointments to the Broad is a formal and transparent process and a matter for the Broad as a whole.

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.

Corporate Governance
continued

2. Remuneration committee

Purpose:

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

Composition:

The remuneration committee consists of:

HH Hickey, SM Roper, V Lessing

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.

	17 November 2014
V Lessing	√
SM Roper	√
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 and this is submitted to shareholders at the AGM for approval by special resolution.

The committee felt that the current remuneration of directors is in line with the market, and will ensure that the Group retains the required skills and expertise within the Group.

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

	Total remuneration 2015 (R'000)	Total remuneration 2014 (R'000)
Company:		
Mr. WJ Groenewald	1 727	
Mr. EA van Heerden	1 342	-
Mr. JS van der Merwe		1 069
Mr. TF Kruger		2000
Subsidiaries:		
A. Böhmert	1 347	
JK. van Zyl	1 345	
Dr. GE Stoop		1605

Corporate Governance
continued

2. Remuneration committee (continued)

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

	Total remuneration 2015 (R'000)	Total remuneration 2014 (R'000)
HH Hickey	120	150
WJ Groenewald		150
JK van Zyl		90
V Lessing	120	80
SM Roper	100	-
CM Bull	40	
JS van der Merwe	30	
WN Luhabe		40
L Taylor		60
CF Wiese		70

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 the all non-executive directors are submitted to the AGM for approval.

The executive directors earn a fixed salary and suitable incentive based on their performance.

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 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 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.

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

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.

Composition:

Mr. WJ Groenewald, Mr. EA van Heerden, Mr. JK van Zyl and Ms. A Böhmert were appointed to the executive committee.

Corporate Governance
continued

3. Group Executive Committees ("Exco") (continued)

Frequency of meetings:

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

The Afdawn Group consists of a number of operating subsidiaries, segmented into:
- Investment advisory and investment management
- Micro finance
- Rental of properties in posession
- Other, which include head office and the listed entity

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 and/or additional directors when applicable. There is therefore direct Exco representation on all subsidiary boards. The acting Chairman (and Chief Executive Officer) of Afdawn reports and is accountable to the Afdawn Board.

4. Company Secretary

The Company Secretary is responsible for assisting the Board with administration, application of information regarding the Act, 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 secretory.

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 yearend the committee consisted of:

HH Hickey (Chairman), V Lessing, SM Roper

The audit committee comprises three independent non-executive directors (HH Hickey, V Lessing and SM Roper). The committee is chaired by 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 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 four times during the period, and a minimum of two meetings per year are required. The audit 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.

5. Audit and Risk Committee (continued)

	7 April 2014	25 May 2014	5 August 2014	17 November 2014	6 March 2015	26 August 2015	12 October 2015
Mrs. HH Hickey	√	√	√	√	√	√	√
Mr. SM Roper	N/a**	√	√	√	√	√	√
Ms. V Lessing	√	√	√	√	√	√	√
Mr. JK van Zyl	√	√	N/a***	N/a***	N/a***	N/a***	N/a***
Mr. WJ Groenewald #	√	√	√	√	√	√	√
Mr. EA van Heerden #	√	√	√	√	√	√	√

invitee

** *appointed subsequent to meeting on that date*

*** *no longer a committee member*

Roles and responsibilities

- 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 International Financial Reporting Standards, 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 Integrated Annual Report;
    - Recommend the Integrated 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 issues 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 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 committee for the time being until the internal audit department will take responsibility for all internal audit matters. Two external experts were consulted during the year, one to value the Elite book and the other to assist with IFRS accounting.

5. Audit and Risk Committee (continued)

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

- Risk management

There was no separate risk committee and the audit 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 following risks received detail attention and mention:

- Financial / liquidity risks
- Information technology risk
- Human resources risk
- Operational risk
- Legal/compliance risk
- Strategic risk

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

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 committee. The management of risk has included a proactive 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 proactive 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 committee), in minutes of meetings which monitors 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 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 of South Africa and its regulations.
- 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
SM Roper (Chairperson)	Independent Non-executive
A Böhmert	Executive
JK van Zyl	Executive

Due to the issues being addressed by the board at present, this committee was informal for the year under review and a more formal process will be introduced in 2016.

Application of principles in King III

As required by the JSE Listings Requirements, the full details of Afdawn's compliance with King III is available on the Company's website however the following table discloses the area's in which Afdawn has partially or not applied the King III recommendations as well as an explanatory note outlining the reason in each case.

Board and directors

King III Principle	Explanatory note
The chairman of the board is an independent non-executive director	The Afdawn's independent Chairman resigned from the board during the year. The board will consider the appropriate time to appoint an independent non-executive chairman.
A framework for the delegation of authority has been established .The board comprises a balance of power, with a majority of non executive directors who are independent	The majority of the board comprises executive directors. The board will consider the appropriate time to appoint additional independent / non-executive directors.
Evaluations are done informally	Evaluations are done informally.

Audit committee

King III Principle	Explanatory note
Oversees integrated reporting	An integrated report is not prepared. The audit committee oversees the annual financial statements.
A combined assurance model is applied to improve efficiency in assurance activities	A combined assurance model is not fully implemented. The audit and risk committee does however place reliance on the inputs of management and assurance from the external auditors. As indicated below, the Company does not have a separate internal audit function.
Oversees internal audit	See internal audit below.

Governance of risk

King III Principle	Explanatory note
The board receives assurance regarding the effectiveness of the risk management process	The Group has not complied with this principle in full due to not having an internal audit function. Reports from management to the Board and audit committee provide a balanced assessment of the key risks facing the Group. The board constantly focuses on the critical risks facing the organisation during these challenging times.
Sufficient risk disclosure to stakeholders	The Board has disclosed and discharged its views and responsibility on the effectiveness of the Group's risk management process in the statement of responsibilities of directors in the Group's annual financial statements and furthermore discloses the risks facing the Group and the mitigating actions that will either reduce the probability or lessen the impact thereof.

Application of principles in King III

continued

Governance of information technology

King III Principle	Explanatory note
The board monitors and evaluates significant IT investments and expenditure	The Board, through the audit committee, oversees the proper value delivery of IT and monitors that the expected return on investment are derived and protected.

The annual financial statements reflect the facts relating to the suspension from the JSE and the subsequent Reportable Irregularity.

Internal audit

King III Principle	Explanatory note
The board ensures that there is an effective risk-based internal audit	Due to capital and resource constraints, the Company does not have a separate internal audit function. The oversight of internal control remained with the audit committee and the required testing and investigation was performed in-house by competent financial staff or external consultants as required. A separate internal audit division with a 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 committee for the time being until the internal audit department will take responsibility of all internal audit matters. The external expert utilised to value the Elite debtors book and the IFRS consultant are examples of this.
Internal audit follows a risk-based approach to its plan	
Internal audit provides a written assessment of the effectiveness of the company's system of internal controls and risk management	
The audit committee is responsible for overseeing internal audit	
Internal audit should be strategically positioned to achieve its objectives	

Integrated reporting and disclosure

King III Principle	Explanatory note
The board ensures the integrity of the company's integrated report	The company does not prepare an integrated report. It prepares annual financial statements.
Sustainability reporting and disclosure should be integrated with the company's financial reporting	The company does not prepare an integrated report. It prepares annual financial statements.
Sustainability reporting and disclosure should be independently assured	The Board has decided that there would be no further third-party assurances in respect of the Group's annual report, other than that of the independent auditors. The contents of the report have been reviewed by the audit committee and approved by the Board.

The annual financial statements are reviewed by the audit committee and recommended to the board.

Annual Financial Statements

For the year ended 28 February 2015

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

Preparer

Dylan Kohler
Professional Accountant (SA)

Issued

20 November 2015

Level of Assurance

Level of assurance

These financial statements have been audited in compliance with the International Standards of Auditing.

The preparation of the annual financial statements was supervised by:

EA van Heerden CA (SA)

Preparer

Dylan Kohler Professional Accountant (SA)
Consultant

Audit Committee Report

Introduction

The Audit Committee ("the Committee") has pleasure in submitting its report, as required by section 94 of the Companies Act, 2008, as amended, 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 substantially all the King III requirements.

The committee was appointed by the AGM on the 12 December 2013.

1. Audit committee report

The Committee has sought to re-establish the Group's creditability and effective operation, through sound control and compliance. In the period under review the Committee has striven to uphold and improve upon the existing base with specific attention to risk management and sustainability within the Group. There have been some significant challenges during the year in that the occurrence of certain misstatements relating to the current and prior years came to light. The Committee was alerted by the Chief Executive that there were concerns in relation to the debtor's book in Elite that came to light after the deal to sell this company fell through. The Company does not have an internal audit function and the policy is to obtain external specialists to review areas of concern. Together with the Board, it was agreed to obtain an independent external valuation of the debtors' book. This revealed that there was a prior year error and that the value of the book was overstated. When this came to light it was decided to bring in external expertise to assist with the IFRS reporting of the issues as it was felt that it was important to ensure that the Annual Financial Statements fairly represent the results. Additional re-statements have been made in line with the recommendations of the external consultant.

Due to the above challenges, further complications arose as the outcome of the internal investigation delayed the production of the Annual Financial Statements and due to the delay the Company was not in compliance with the JSE and applied to voluntarily suspend its shares from trading on the JSE until audit of the financial statements had been completed. The extended delay has resulted in a Reportable Irregularity arising because the financial statements were not issued within 6 months as required in terms of the Companies Act.

The Committee and the Board have weekly meetings to monitor and discuss both the progress and implications of this process as they acknowledge the seriousness of the situation.

The Committee assures Shareholders that it has taken all the steps necessary to ensure the appropriate process has been followed to resolve this difficult situation.

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 tough times ahead for the Group but the committee is confident that the business is sustainable at least for the next twelve months.

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; and
- approving the expertise of the financial director.

Audit Committee Report

continued

2. Composition of the Audit Committee

The members of the audit committee are all independent non-executive directors of the Group and include:

Name	Qualification	
Ms. HH Hickey	CA(SA)	
Ms. V Lessing		
Mr. SM Roper	CA(SA)	(appointed on 22 April 2014)

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 of 2008 and Regulation 42 of the Companies Regulation, 2011.

3. Meetings held by the Audit Committee

The audit committee performs the duties laid upon it by Section 94(7) of the Companies Act of 2008 by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors. Afdawn held four Audit Committee meetings during the period. The attendance of the meetings is set out below:

Member / Invitee	2014/04/07	2014/05/25	2014/08/05	2014/11/17	2015/03/06	2015/08/26	2015/10/12
HH Hickey (Chairman)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
V Lessing	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SM Roper	N/a**	Yes	Yes	Yes	Yes	Yes	Yes
JK van Zyl	Yes	Yes	N/a***	N/a***	N/a***	N/a***	N/a***
WJ Groenewald #	Yes	Yes	Yes	Yes	Yes	Yes	Yes
EA van Heerden #	Yes	Yes	Yes	Yes	Yes	Yes	Yes

invitee

** *appointed subsequent to meeting on that date*

*** *No longer a committee member.*

4. External auditor

The Committee nominated Grant Thornton Cape Inc. ("Grant Thornton") for reappointment as external auditors of Afdawn. The Committee satisfied itself through enquiry that the external auditors, Grant Thornton and Mr. Imtiaaz Hashim, the designated auditor, are independent as defined by the Companies Act and as per the standards stipulated by the auditing profession. The Audit 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 2015 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 Grant Thornton may provide to the Company. The policy allows for limited tax and corporate governance advice.

5. Financial statements

The committee has evaluated the Group financial statements for the year ended 28 February 2015 and, based on the information provided to 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 Listing Requirements of the JSE. The requirements of King III are continuously being assessed and improved on with significant issues resolved. The Group substantially complies with the requirements of King lll except in respect of those principals highlighted in the corporate governance report.

Audit Committee Report

continued

6. 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 – except for the revaluation of the Debtors book 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.

7. Financial director

Mr. EA van Heerden was appointed as Financial Director on 23 March 2014. The audit committee has assessed and is satisfied that the Financial Director has the appropriate skill, expertise and experience as required by the JSE listings requirements 3.84(b).

The committee has also evaluated the financial capability of the finance team and with the assistance of the IFRS consultant believe that the appropriate skill, expertise and experience resides in the financial function.

Audit Committee Report
continued

On behalf of the audit committee.

HH Hickey
Chairman Audit Committee
Johannesburg

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of 2008, as amended 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 of 2008 as amended. 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 Johannesburg Stock Exchange ("JSE") Listings Requirements, the requirements of the South African Companies Act and the SAICA financial reporting guidance as issued by the Accounting Practices Committee. 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 auditors are responsible for independently auditing and reporting on the Group's financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on pages 30 to 31.

The financial statements set out on pages 32 to 128 and the directors' report which is set out on pages 32 to 35, which have been prepared on the going concern basis (refer to note 1.20), were approved by the board on 20 November 2015 and were signed on its behalf by:

WJ Groenewald

EA Van Heerden

Cape Town
20 November 2015

Group Secretary's Certification

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

In terms of Section 88(2)(e) of the Companies Act of 2008, as amended, I certify that the Group has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

A Rich
(on behalf of Statucor Proprietary Limited)

Independent Auditor's Report

Report on the financial statements

We have audited the consolidated and separate financial statements of African Dawn Capital Limited set out on pages 36 to 127, which comprise the statements of financial position as at 28 February 2015, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonable of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of African Dawn Capital Limited as at 28 February 2015, 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1.20 to the consolidated and separate financial statements which indicate the existence of a material uncertainty which may cast significant doubt on the company's and groups' ability to continue as a going concern.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2015, we have read the Directors' Report, Audit Committee's Report and Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Independent Auditor's Report

continued

Report on other legal and regulatory requirements

The company has not distributed consolidated annual financial statements to all shareholders within three months of its financial year end as required in terms of the JSE Listings Requirements. The company has failed to prepare financial statements within six months of its financial year end as required in terms of the Companies Act of South Africa. In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported the above matters to the Independent Regulatory Board for Auditors.

Grant Thornton Cape Inc

GRANT THORNTON CAPE INC.
Chartered Accountants (S.A.)
Registered Auditors

I HASHIM
Partner
Chartered Accountant (S.A.)
Registered Auditor

20 November 2015

6th Floor, 123 Hertzog Boulevard
Foreshore
Cape Town
8001

GrantThornton

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Afdawn for the year ended 28 February 2015.

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).

In 2013, Afdawn Group changed its focus and became an active investment holding company that acquires shares in entrepreneurial companies that have a strong innovation drive and are in a proven growth phase and enhances the capabilities of these entities to accelerate long term sustainable growth. This change of focus began with the acquisition of 100% of Knife Capital Group in March 2014.

Group details

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

The registered office and principal place of business: is 2nd Floor, Waterfront Terraces, Tygervalley Waterfront, 7530, Cape Town.

Information relating to the subsidiaries of the Company is set out 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 R33 million (2014: R23.8 million).

1. 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 1.20.

2. Contingencies

There are various contingencies at the reporting date. Refer to note 39.

3. Major transactions, events and disclosure changes

The major transactions and events during the year were:

- Knife Capital acquisition - refer to notes 1.20, 20, 37 and 45
- NHFC liability – refer to note 17
- SARS – refer to note 13
- Restatements – refer to notes 42 and 43
- Liquidation of Nexus – refer to note 38
- Related party transactions – refer to note 40
- Segment reporting – refer to note 46

Directors' Report

continued

4. Events after the reporting period

There are various events after the reporting period. Refer to note 45.

5. Directors

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

Directors	Office	Designation	Changes
WJ Groenewald	Chief Executive Officer (CEO) and acting Chairperson ****	Executive **	
EA Van Heerden	Chief Financial Officer (CFO)	Executive	Appointed 23 March 2014
A Böhmert		Executive	Appointed 22 April 2014
JK Van Zyl		Executive ***	
V Lessing		Independent non-executive	
HH Hickey	Chair audit committee	Independent non-executive	
SM Roper		Independent non-executive	Appointed 22 April 2014
JS Van der Merwe	Chairperson	Independent non-executive *	Resigned 04 June 2014
CM Bull	Chairperson	Independent non-executive	Appointed 31 October 2014, resigned 12 June 2015

* *Changed from executive to non-executive on 24 February 2014.*

** *Appointed CEO on 28 March 2014 and acting Chairperson from 4 June 2014 – 31 October 2014. Currently acting Chairperson from 12 June 2015.*

*** *Changed from Non-executive to Executive on 28 March 2014.*

**** *The board will consider the appropriate time to appoint an independent non-executive chairman.*

6. Meetings held by the board:

Member	2014/03/26	2014/05/28	2014/08/05	2014/09/17	2014/11/17	2015/04/30	2015/05/29	2015/10/23
HH Hickey	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
V Lessing	Yes	Yes	Yes	Yes	Yes	Yes	Yes	A
SM Roper	N/a	Yes	Yes	Yes	Yes	Yes	Yes	Yes
A Böhmert	N/a	Yes	Yes	Yes	Yes	Yes	Yes	A
JK van Zyl	Yes	Yes	A	Yes	Yes	Yes	Yes	A
WJ Groenewald	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
EA van Heerden	Yes	Yes	Yes	Yes	Yes	Yes	A	Yes
CM Bull ##	N/a	N/a	N/a	N/a	Yes	Yes	Yes	N/a
JS van der Merwe #	Yes	Yes	N/a	N/a	N/a	N/a	N/a	N/a

\# *Resigned 4 June 2014.*

\## *Resigned 12 June 2015.*

A *Apologies*

Directors' Report
continued

7. Directors' interests in shares

As at 28 February 2015, the directors of the Company held direct and indirect beneficial interests in 16,89% (2014: 7,25%) of its issued ordinary shares, as set out below.

Interests in shares

Directors	2015 Direct	2014 Direct	2015 Indirect	2014 Indirect
WJ Groenewald	158,100	158,100	46,044,387	25,172,959
JK Van Zyl	33,333,333	-	-	-
JS Van der Merwe #	-	-	-	11,428,572
EA Van Heerden	33,333,333	-	-	-
A Böhmert	35,833,333	-	-	-
	102,658,099	**158,100**	**46,044,387**	**36,601,531**

Resigned as director on 4 June 2014.

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:

2015	Direct	Indirect	Total	% Held
WJ Groenewald	158,100	46,044,387	46,202,487	5.2
JK van Zyl	33,333,333	-	33,333,333	3.8
EA van Heerden	33,333,333	-	33,333,333	3.8
A Böhmert	35,833,333	-	35,833,333	4.1
	102,658,099	**46,044,387**	**148,702,486**	**16.9**

There has been no movement in the directors interest in shares from 28 February 2015 until the date of this report.

Directors' Report
continued

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 12 December 2014. All special resolutions were accepted and passed.

- Approval of non-executive directors' remuneration
- General authority to acquire own shares
- Loans or other financial assistance to directors or related or inter-related companies within the Group
- Financial assistance for acquisition of shares in a related or inter-related Company

10. Auditors

We will recommend to the shareholders that Grant Thornton Cape Inc. will continue in office as auditors of Afdawn in terms of the Companies Act of 2008.

11. Secretary

Mr. W Somerville resigned as company secretary on 31 July 2014 and was replaced by Statucor (Pty) Ltd. The Company secretary at the 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 (2014: Rnil).

13. Registered office

The Company's registered office is:

2nd Floor
Waterfront Terraces
Tygervalley Waterfront
7530

Statement of Financial Position as at 28 February 2015

	Notes	Group 2015 R '000	Group Restated 2014 R '000	Group Restated 2013 R '000	Company 2015 R '000	Company 2014 R '000	Company 2013 R '000
Assets							
Non-Current Assets							
Property, plant and equipment	3	937	1,042	899	183	85	134
Goodwill	4	8,076	-	-	-	-	-
Intangible assets	5	6,479	2,844	1,792	-	-	-
Investments in subsidiaries	6	-	-	-	15,877	8,601	8,601
Investment in associate	7	-	2,259	787	-	-	-
Other financial assets	8	-	-	638	-	-	-
		15,492	**6,145**	**4,116**	**16,060**	**8,686**	**8,735**
Current Assets							
Other financial assets	8	724	1,554	300	-	-	-
Properties in possession	10	22,968	24,748	21,335	-	-	-
Loans to group companies	11	-	-	-	26,896	46,473	49,022
Trade and other receivables	12	39,835	58,525	75,885	1,096	2,151	2,697
Current tax receivable	13	-	95	95	-	-	-
Cash and cash equivalents	14	15,397	5,358	9,014	10,608	397	320
		78,924	**90,280**	**106,629**	**38,600**	**49,021**	**52,039**
Non-current assets held for sale and discontinued operations	15	-	-	4,129	-	-	-
Total Assets		**94,416**	**96,425**	**114,874**	**54,660**	**57,707**	**60,774**
Equity and Liabilities							
Equity							
Share capital and share premium	16	313,943	284,634	284,634	313,943	284,634	284,634
Accumulated loss		(284,532)	(251,520)	(227,707)	(287,491)	(247,939)	(244,108)
		29,411	**33,114**	**56,927**	**26,452**	**36,695**	**40,526**
Liabilities							
Non-Current Liabilities							
Loans from directors	20	1,535	-	-	1,535	-	-
Deferred tax	9	1,365	-	-	-	-	-
Borrowings	17	13,298	8,844	22,366	-	-	1,621
Finance lease liabilities	18	60	194	316	-	-	-
		16,258	**9,038**	**22,682**	**1,535**	**-**	**1,621**
Current Liabilities							
Loans from group companies	11	-	-	-	6,932	6,943	6,958
Current tax payable	13	14,840	17,829	18,365	7,805	6,728	6,728
Borrowings	17	17,782	26,902	7,292	1,658	1,663	-
Finance lease liabilities	18	122	87	77	-	-	-
Loans from directors	20	3,777	-	-	3,777	-	-
Operating lease liability	21	23	174	195	23	174	195
Trade and other payables	22	11,729	9,281	9,336	6,478	5,504	4,746
Deferred income	23	474	-	-	-	-	-
		48,747	**54,273**	**35,265**	**26,673**	**21,012**	**18,627**
Total Liabilities		**65,005**	**63,311**	**57,947**	**28,208**	**21,012**	**20,248**
Total Equity and Liabilities		**94,416**	**96,425**	**114,874**	**54,660**	**57,707**	**60,774**

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
			Restated		
		2015	2014	**2015**	2014
	Notes	**R '000**	**R '000**	**R '000**	**R '000**
Continuing operations					
Revenue	24	40,149	35,736	52	361
Cost of sales		(268)	-	-	-
Gross profit		**39,881**	**35,736**	**52**	**361**
Other income	25	7,417	959	1,678	14
Operating expenses		(65,508)	(55,496)	(28,384)	(4,028)
Operating loss	26	**(18,210)**	**(18,801)**	**(26,654)**	**(3,653)**
Investment income	27	735	80	700	7
Impairment of investment in subsidiaries	6	-	-	(2,710)	-
Loss on fair value movement - contingent consideration liability	37	(2,000)		(2,000)	-
Impairment of investment in subsidiary	6	-		**(5,279)**	-
Deemed interest expense	28	(110)	-	-	-
Impairment to properties in possession		(1,500)	-	-	-
(Loss)/profit from equity accounted investment	7	(2,259)	1,472	-	-
Loss on non-current assets held for sale	15	-	(311)	-	-
Finance costs	29	(8,633)	(3,863)	(3,609)	(185)
Loss before taxation		**(31,977)**	**(21,423)**	**(39,552)**	**(3,831)**
Taxation	30	(1,035)	(407)	-	-
Loss from continuing operations Discontinued operations		(33,012)	(21,830)	(39,552)	(3,831)
Loss from discontinued operations	33	-	(1,983)	-	-
Loss for the year		**(33,012)**	**(23,813)**	**(39,552)**	**(3,831)**
Loss attributable to:					
Owners of the parent:					
Continuing operations		(33,012)	(21,830)	(39,552)	(3,831)
Discontinued operations		-	(1,983)	-	-
		(33,012)	**(23,813)**	**(39,552)**	**(3,831)**
From continuing and discontinued operations					
Basic and diluted loss per share (c)	48	(3.84)	(4.48)	-	-
From continuing operations					
Basic and diluted loss per share (c)	48	(3.84)	(4.11)	-	-
From discontinued operations					
Basic and diluted loss earnings per share (c)	48	-	(0.37)	-	-

Statement of Changes in Equity

	Share capital R '000	Share premium R '000	Total share capital R '000	Accumulated loss R '000	Total equity R '000
Group					
Opening balance as previously reported	5,074	279,560	284,634	(221,383)	63,251
Adjustments Prior period errors	-	-	-	(6,324)	(6,324)
Balance at 01 March 2013 as restated	**5,074**	**279,560**	**284,634**	**(227,707)**	**56,927**
Total comprehensive loss for the year	**-**	**-**	**-**	**(23,813)**	**(23,813)**
Balance at 01 March 2014 as restated	**5,074**	**279,560**	**284,634**	**(251,520)**	**33,114**
Total comprehensive loss for the year	**-**	**-**	**-**	**(33,012)**	**(33,012)**
Issue of shares	3,729	25,580	29,309	-	-
Total contributions by and distributions to owners of company recognised directly in equity	**3,729**	**25,580**	**29,309**	**-**	**29,309**
Balance at 28 February 2015	**8,803**	**305,140**	**313,943**	**(284,532)**	**29,411**
Note(s)	16	16	16		
Company					
Balance at 01 March 2013	**5,074**	**279,560**	**284,634**	**(244,108)**	**40,526**
Total comprehensive loss for the year	**-**	**-**	**-**	**(3,831)**	**(3,831)**
Balance at 01 March 2014	**5,074**	**279,560**	**284,634**	**(247,939)**	**36,695**
Total comprehensive loss for the year	**-**	**-**	**-**	**(39,552)**	**(39,552)**
Issue of shares	3,729	25,580	29,309	-	29,309
Total attributable to owners of company recognised directly in equity	**3,729**	**25,580**	**29,309**	**-**	**29,309**
Balance at 28 February 2015	**8,803**	**305,140**	**313,943**	**(287,491)**	**26,452**
Note(s)	16	16	16		

* *The restatement of the financial statements is reconciled in notes 42 and 43.*

Statement of Cash Flows

		Group		Company	
			Restated		
		2015	2014	**2015**	2014
	Notes	**R '000**	R '000	**R '000**	R '000
Cash flows from operating activities					
Cash used in operations	34	(2,280)	(1,125)	(9,062)	(5,167)
Interest income		735	80	700	7
Finance costs		(3,115)	(3,838)	(265)	(185)
Tax paid	35	(574)	(968)	-	-
Cash flows from discontinued operations	36	-	(1,983)	-	-
Net cash from operating activities		**(5,234)**	**(7,834)**	**(8,627)**	**(5,345)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(346)	(549)	(208)	-
Proceeds on disposal of property, plant and equipment		56	13	27	4
Purchase of intangible assets	5	-	(1,263)	-	-
Business combinations	37	16	-	-	-
Sale of business	38	(396)	-	-	-
Proceeds from loans from group companies		-	-	664	5,376
Repayment of loans from group companies		-	-	(11)	-
Net cash from investing activities		**(670)**	**(1,799)**	**472**	**5,380**
Cash flows from financing activities					
Proceeds on share issue	16	20,309	-	20,309	-
Borrowings (repaid) / raised		(4,003)	6,089	(1,700)	42
Finance lease payments		(99)	(112)	-	-
Repayment of directors' loans acquired in business combinations (refer to note 37)		(21)	-	-	-
Repayment of directors' loans	20	(243)	-	(243)	-
Net cash from financing activities		**15,943**	**5,977**	**18,366**	**42**
Total cash movement for the year		10,039	(3,656)	10,211	77
Cash at the beginning of the year		5,358	9,014	397	320
Total cash at end of the year	14	**15,397**	**5,358**	**10,608**	**397**

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), the requirements of the Companies Act of 2008 and the JSE Listing Requirements.

The consolidated financial statements have been prepared using the historical cost convention, as modified for certain items measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services. The principal accounting policies applied in the preparation of these consolidated financial statements are set out in this note. These policies have been consistently applied to all the years presented, unless otherwise stated. Refer to notes 42 and 43 for details of material prior period errors and reclassifications respectively.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas that involve a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1.20.

The consolidated financial statements for the year ended 28 February 2015 (including comparatives) were approved and authorised for issue by the board of directors on 20 November 2015. Amendments to the financial statements are not permitted after approval.

1.2 Changes in accounting policies and basis of preparation

New and revised standards that are effective for annual periods beginning on or after 1 March 2014

The Group has early adopted an amendment to IAS 27 – Separate Financial Statements, which permits entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group has elected to apply the equity method to account for investments in associates in the separate financial statements of the investor.

A number of new and revised standards are effective for annual periods beginning on or after 1 March 2014. Information on these new standards is presented below. None of these have an impact on the recognition and measurement of assets and liabilities within the Group. However, comparative information is provided for new disclosures where applicable and required in terms of the standards.

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (1 March 2014)
- Amendment to IAS 32 – Offsetting financial assets and financial liabilities (1 March 2014)
- Amendment to IAS 36 – Recoverable amount disclosures for non-financial assets (1 March 2014)
- Amendment to IAS 39 – Novation of derivatives and continuation of hedge accounting (1 March 2014)
- IFRIC 21 Levies (1 March 2014)

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are those entities, including unincorporated entities such as trusts and partnerships that are controlled by the Group. Subsidiaries include structured entities that are designed so that its activities are not governed by way of voting rights.

Control

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

The Group is considered to have power over an entity when it has existing rights that give it the current ability to direct the relevant activities of the entity. The Group is exposed, or has rights, to variable returns from its involvement with the entity when the investor's returns from its involvement have the potential to vary as a result of the entity's performance.

1.3 Basis of consolidation (continued)

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

In assessing whether the Group has power over structured entities in which it has an interest, the Group considers factors such as the purpose and design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

Dates

The Group financial statements include the assets, liabilities and results of the Company plus subsidiaries, including consolidated structured entities from the date control is established until the date that control ceases.

Where a subsidiary has a reporting period that is different from that of the Group, the results of the subsidiary are adjusted to reflect a reporting period consistent with the Group's reporting period. Where necessary, adjustments are made to the financial statements of subsidiaries to align any difference in accounting policies with those of the Group.

Elimination

Intragroup balances, transactions, income and expenses, and profits and losses are eliminated in preparation of the Group financial statements. Unrealised losses are not eliminated to the extent that they provide objective evidence of impairment.

Changes in ownership interest in subsidiaries without change in control

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

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date that control is lost, with the change in the carrying amount being recognised in profit or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Company - separate financial statements

Investments in group companies are accounted for at cost less impairment losses in the Company financial statements. The carrying amounts of these investments are reviewed annually and impaired when necessary by applying policy described in policy note 1.13.

At an intermediate parent level, consolidated financial statements are not prepared and investments in subsidiaries are therefore accounted for in terms of this policy.

Business combinations

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

Consideration

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised separately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Accounting Policies
continued

1.3 Basis of consolidation (continued)

Contingent consideration

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be a financial instrument is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Acquisition method

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 - Business Combinations are recognised at their fair value at the date of acquisition, except for:

- Deferred taxation assets or liabilities, which are recognised and measured in accordance with IAS 12 - Income Taxes, and liabilities or assets related to employee benefit arrangements, which are recognised and measured in accordance with IAS 19 - Employee Benefits;
- Liabilities or equity instruments that relate to the replacement, by the Group, of an acquiree's share-based payment awards, which are measured in accordance with IFRS 2 - Share-based Payments; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 on-current Assets Held for Sale and Discontinued Operations, which are measured in accordance with that standard.

Provisional accounting

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

Where provisional amounts were reported, these are adjusted during the measurement period (see below). Additional assets or liabilities are recognised to reflect any new information obtained about the facts and circumstances that existed at the date of acquisition, which, if known, would have affected the amounts recognised on that date.

The measurement period is the period from the date of acquisition to the date the Group receives complete information about the facts and circumstances that existed at the acquisition date. This measurement period is subject to a maximum of one year after the acquisition date.

Non-controlling interest

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Step acquisition

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

1.4 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint arrangements. Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investments the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred plus the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any), this excess is recognised immediately in profit or loss as gain on bargain purchase.

1.4 Goodwill (continued)

Amortisation and impairment

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Each CGU that contains goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs of disposal. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

Impairment losses that are recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. However, the carrying amount of these other assets may not be reduced below the highest of its fair value less costs to sell, its value in use and zero.

On disposal of a subsidiary the goodwill attributable to the subsidiary is included in the determination of the profit or loss on disposal.

1.5 Investment in associate

Associates

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

Significant influence

Significant influence is generally demonstrated by the Group holding in excess of 20%, but no more than 50%, of the voting rights.

Dates and equity accounting

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

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

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

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

1.5 Investment in associate (continued)

Elimination and accounting policies

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

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

Changes in ownership

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

Company - separate financial statements

Investments in associates are accounted for using the equity method in the Company financial statements. The carrying amounts of these investments are reviewed annually and impaired when necessary by applying the policy described in policy 1.13.

1.6 Non-current assets held for sales and discontinued operations

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale, if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, all assets and liabilities are remeasured in accordance with the Group's accounting policies.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

Gains or losses recognised on initial classification as held for sale and subsequent remeasurement are recognised in profit or loss. The maximum gains that can be recognised are the cumulative impairment losses previously recognised in profit or loss. A disposal group continues to be consolidated while classified as held for sale. Income and expenses continue to be recognised in profit or loss.

Non-current assets (or disposal groups) are reclassified from held for sale to held for use if they no longer meet the held- for-sale criteria. On reclassification the non-current asset (or disposal group) is remeasured at the lower of its recoverable amount and the carrying amount that would have been recognised had the asset (or disposal group) never been classified as held for sale. Any gains or losses are recognised in profit or loss.

Discontinued operations

A discontinued operation is a clearly distinguishable component of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

1.6 Non-current assets held for sales and discontinued operations (continued)

The profit or loss from discontinued operation is presented as a single amount in the statement of comprehensive income. The equivalent prior year amount of profit or loss is also restated. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale. For further analysis of the discontinued operation and disposal, refer to note 15.

1.7 Leases

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

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. The discount rate used in calculating the present value of the minimum lease payments, is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessor

Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term. The difference between the amounts recognised as income and the contractual amounts are recognised as an operating lease asset. This asset is not discounted. Any contingent rents are recognised in the period they are incurred by the lessee.

Afdawn Group is a lessor on operating leases related to properties in possession (refer to note 1.16 and 10). All leases are for a maximum of 1 year and are subject to annual renegotiation therefore there is no operating lease asset.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

1.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognise in profit or loss in the period in which they are incurred.

1.9 Employee benefits

Short-term employee benefits

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

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

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

Accounting Policies
continued

1.10 Income taxes

Tax expense

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

Current taxation

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

Deferred taxation

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

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

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

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

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

Deferred taxation is not recognised for the following temporary differences:

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

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

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities against current taxation assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxation entities, but they intend to settle current tax liabilities and assets on a net basis or their taxation assets and liabilities will be realised simultaneously.

Deferred taxation assets and liabilities are not discounted.

Accounting Policies
continued

1.11 Property, plant and equipment

Property, plant and equipment

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

Items of property, plant, and equipment are capitalised when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. This recognition principle is applied to all property, plant, and equipment costs at the time they are incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. All other repairs and maintenance expenses are recognised in profit or loss when they are incurred.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	4 - 6 years
IT equipment	Straight line	3 - 5 years
Leasehold improvements	Straight line	Length of leases
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 - 5 years
Telephone equipment	Straight line	5 years

Leased assets are depreciated at the shorter of the useful life or the period of the lease.

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

If the recoverable amount is less than the carrying amount then the carrying amount is impaired in line with policy 1.13.

Any gain or loss on disposals is determined by comparing the disposal proceeds with the carrying amount of the asset and is recognised in profit or loss.

1.12 Intangible assets

Intangible assets acquired in a business combination - contracts with clients

Contractual client relationships acquired in a business combination are recognised at fair value at the date of acquisition. The contractual client relationships have a finite useful life and are carried at cost less accumulated amortisation. The useful lives of these client relationships are reviewed on an annual basis. Amortisation is calculated using the straight-line method over the expected life of the client relationship.

Computer software - internally generated

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

1.12 Intangible assets (continued)

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
Medical finance software	5 years
Intangible assets recognised on Knife Capital Group	Period of contract between 3 - 6 years

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

1.13 Impairment testing of goodwill, intangible assets, investments in associate and subsidiaries and property, plant and equipment

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill, intangible assets that have an indefinite useful life and intangible assets that are not ready for use are tested annually for impairment and when an indicator for impairment exists. Intangible assets that are subject to amortisation and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher amount of an asset's fair value less cost of disposal and value in use. Fair value less cost of disposal is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (cash-generating units). Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.14 Provisions, contingent assets and liabilities

Recognition

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required and amounts can be estimated reliably.

Measurement

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, taking into account the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Where the effect of discounting is material, the provision is discounted. The discount rate reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Gains from the expected disposal of assets are not taken into account in measuring provisions.

Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

Reimbursements

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by a party outside the Group, the reimbursement is recognised when it is virtually certain that it will be received if the Group settles the obligation. The reimbursement is recorded as a separate asset at an amount not exceeding the related provision. The expense for the provision is presented net of the reimbursement in profit or loss.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

Restructuring

A provision for restructuring is recognised when the Group has a detailed formal plan for restructuring and has raised a valid expectation, among those parties directly affected, that the plan will be carried out, either by having begun implementation or by publicly announcing the plan's main features. Restructuring provisions include only those costs that arise directly from restructuring that is not associated with the ongoing activities of the Group.

Future costs

Future operating costs or losses are not provided for.

1.15 Properties in possession

Repossessed properties acquired in exchange for loans as part of an orderly realisation are reported in property in possession under the inventory assets class, as they are held for sale in the ordinary course of business. The repossessed properties are recognised when the risks and rewards of the properties have been transferred to the Group. The corresponding loans are derecognised when the Group becomes the owner of the property. The property acquired is initially recorded at cost which is the lower of its fair value (less costs to sell) and the carrying amount of the loan (net of impairment) at the date of transferring ownership. It is subsequently measured at the lower of the carrying amount and its net realisable value. Any subsequent write down of the acquired property to net realisable value is recognised in profit/(loss). Any subsequent increase in the net realisable value, to the extent that it does not exceed the cumulative write down, is also recognised in profit/(loss). Gains or losses on disposal of repossessed properties are reported in other operating income or operating expenditure.

1.16 Revenue

Revenue comprises:

- Interest income;
- Non-interest income (administration fees);
- Income from the rendering of services;
- Insurance income;
- Sundry income (rentals from properties in possession);
- Investment income; and
- Dividend income.

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

The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction. The consideration received from these multiple-component transactions is allocated to each separately identifiable component in proportion to its relative fair value.

Interest income

Interest income is accrued on a yield to maturity basis by reference to the principal outstanding and the interest rate applicable. Interest income is recognised in profit or loss using the effective-interest method taking into account the expected timing and amount of cash flows.

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

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

Where the Group advances interest-free loans, the interest income is accrued on a yield to maturity basis using an imputed interest rate, taking into account the risk rating of the customers to whom these loans are granted.

In instances where a loan is in arrears for greater than 2 months, an assessment is made regarding the recoverability of the loan or group of loans and if necessary, based on available evidence at that date, the accrual of interest from that date is partially or fully suspended and not recognised in profit or loss until recovery is highly likely or actually recovered.

Non-interest income

Non-interest income consists primarily of administration fees on loans and advances. Administration fees charged consist of two components:

- Origination fees on loans granted

These fees are charged upfront, are capitalised into the loan, and are primarily based on the cost of granting the loan to the individual. In accordance with IAS 18 - Revenue, these origination fees are considered an integral part of the loan agreement and are therefore recognised as an integral part of the effective interest rate and are accounted for over the shorter of the original contractual term and the actual term of the loan using the effective interest rate method.

1.16 Revenue (continued)

The deferred portion of the fees is recorded in the statement of financial position as a provision for deferred administration fees. The Group does not defer any related operating costs, as these are all internal costs which are not directly attributable to individual transactions and as such are primarily absorbed infrastructure costs.

- Monthly service fees

These are fees which form an integral part of the effective interest rate and are charged to the customers on a monthly basis. These fees are recognised as part of the effective interest rate over the shorter of the original contractual term and the actual term of the loans and receivables.

Beyond the original contractual term of the loan, the fee is recognised in profit or loss as it is charged to the customer on a monthly basis.

While both these components are regarded as integral parts of the effective interest rate, they are not accounted for as interest income, but as non-interest income.

Rendering of services

The Group generates revenues from consulting and advisory services. Consideration received for these services is initially deferred, included in other liabilities, and is recognised as revenue in the period when the service is performed.

When the transaction involves the rendering of services and the outcome can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured.

The Group determines the stage of completion by considering both the nature and timing of the services provided and its customer's pattern of consumption of those services, based on historical experience. Where the promised services are characterised by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight- line basis. Revenue from consulting services is recognised when the services are provided by reference to the contract's stage of completion at the reporting date using percentage complete method.

Rental income

The Group earns rental income properties in possession. Rental income is recognised on a straight-line basis over the term of the lease.

Investment income

Investment income relates to interest earned on cash and cash equivalents and is recognised on the same basis as interest income as outlined above.

Dividend income

Dividend income is recognised when the right to receive payment is established on the ex-dividend date for equity instruments and is included in dividend income under non-interest revenue. Dividend income is recognised separately from other fair value movements.

Accounting Policies

continued

1.17 Financial instruments

Financial instruments, as reflected on the statement of financial position, include all financial assets, financial liabilities, and equity instruments. They exclude prepayments, deferred income, investments in subsidiaries, investments in associates, property and equipment, deferred taxation, taxation receivable / payable, provisions, intangible assets and goodwill.

Financial instruments are accounted for under IAS 32 - Financial Instruments: Presentation and IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures.

The Group has the following financial instruments:
- Other financial assets
- Loans to group companies
- Trade receivables
- Other receivables
- Cash and cash equivalents
- Borrowings
- Loans from group companies
- Loans from directors
- Trade payables
- Other payables
- Properties in possession (refer to note 1.15)

All disclosures required by IFRS 7 can be found in note 44.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated at cost which approximates fair value due to the short-term nature of these instruments.

Initial recognition

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

Derecognition

Financial assets

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

1.17 Financial instruments (continued)

Financial liabilities

A financial liability (or group of financial liabilities) or a part of a financial liability (or part of a group of financial liabilities) is derecognised when and only when the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss for the period.

Initial measurement

Financial instruments that are categorised and designated at initial recognition as being at fair value through profit or loss are recognised at fair value. Transaction costs, which are directly attributable to the acquisition or on issue of these financial instruments, are recognised immediately in profit and loss.

Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

Classification

Financial assets are classified into the following categories:
- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Loans and receivables; and
- Available-for-sale financial assets.

Financial liabilities are classified into the following categories:
- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost.

The Group has no financial instruments that are classified as at fair value though profit or loss, available for sale or held to maturity. The remaining categories are explained further below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
- Those that the Group intends to sell immediately or in the short term, which are categorised as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- Those that the Group upon initial recognition designates as available-for-sale; or
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the advance. The following are classified as loans and receivable when they have fixed or determinable payments or when payments have been estimated because the contractual repayment terms have not been agreed upon:
- Other financial assets
- Properties in possession
- Loans to group companies
- Trade receivables
- Other receivables
- Cash and cash equivalents

1.17 Financial instruments (continued)

Financial liabilities at amortised cost

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

- Borrowings
- Loans from group companies
- Trade payables
- Other payables

Subsequent measurement

Subsequent to initial measurement, financial instruments are either measured at fair value or amortised cost, depending on their classification. The Group has no financial instruments that are subsequently measured at fair value.

Financial liabilities at amortised cost

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

Loans and receivables

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

All of the Group's trade debtors are included in the loans and receivables category. These advances arise when the Group provides money, goods or services directly to a debtor with no intention to trade the receivable. Loans and advances originated by the Group are generally in the form of short-term personal unsecured loans that are paid back in fixed equal instalments with terms of 1 to 6 months. Certain loans are secured – refer to note 44.

Impairments

Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that an asset or group of assets is impaired. Impairment provisions raised during the year are charged to profit or loss.

The Group reviews the carrying amounts of its loans and receivables to determine whether there is any indication that those loans and receivables have become impaired, using objective evidence at a loan level. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event(s) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- Significant financial difficulty of the debtor.
- A breach of contract, such as a default or delinquency in the payment of interest or principal.
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- It becoming probable that the borrower is over-indebted.
- Indication that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
  - adverse changes in the payment status of borrowers in the Group (e.g. an increased number of delayed payments); or
  - national or local economic conditions that correlate with defaults on the assets in the Group

    e.g. an increase in the unemployment rate in the geographical area of the borrowers or adverse changes in industry conditions that affect the borrowers in the Group).

1.17 Financial instruments (continued)

When portfolio (collective) assessment of impairment is used, financial assets are grouped on the basis of similar credit characteristics which indicate the borrower's ability to pay in accordance with the contractually agreed terms. The Group estimates the recoverable amount on a portfolio basis using portfolio statistics derived from past performance of similar financial assets, taking into account any changes to collection procedures and projected future market conditions.

The recoverable amount is the sum of the estimated future cash flows, discounted to their present value using a discount rate that reflects the original effective interest rate relating to the loan. The estimate of the cash flows is assessed on a loan by loan basis.

If the recoverable amount of the loan is estimated to be less than the carrying amount, the carrying amount of the loan is reduced to its recoverable amount by raising an impairment provision (through the use of a separate allowance account), which is recognised as an expense in profit or loss. Loans are written off, either partially or in full, when there is no realistic prospect of full or partial recovery. A write-off is effected against the allowance account.

Where an impairment loss subsequently reverses, the carrying amount of the loan is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the loan in prior years. A reversal of an impairment loss is immediately recognised in profit or loss.

Loans that would otherwise be past due or impaired and whose terms have been renegotiated and exhibit the characteristics of a performing loan are reset to performing loan status. Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered to be impaired or past due.

Rehabilitated loans

Loans previously written off which subsequently have a regular repayment profile and meet other minimum recognition criteria, are written back on to the statement of financial position in the loan portfolio. These loans are recorded on an individual account basis at the gross amount outstanding along with the appropriate impairment provision.

Cash collected on loans which have previously been written off is recognised in profit or loss as bad debts recovered, as and when the cash is received.

Collateral

Generally no collateral is held in respect of recognised financial assets. In the event that collateral is held, it is not recognised by the Group, as the Group does not retain the risks and rewards of ownership, and is obliged to return such collateral to counterparties on settlement of the related obligations. Should a counterparty be unable to settle its obligations, the Group takes possession of collateral or calls on other credit enhancements as full or part settlement of such amounts. These assets are recognised when the applicable recognition criteria under IFRS are met, and the Group's accounting policies are applied from the date of recognition. Refer below for properties in possession.

Properties in possession

Properties in possession arise when a counterparty is unable to settle its obligations and the Group takes possession of collateral as full or part settlement of such amounts. In general, the Group seeks to dispose of such property and other assets that are not readily convertible into cash as soon as the market for the relevant asset permits.

Properties in possession are reported separately from loans and receivables so that users can differentiate them from ordinary loans and receivables.

The repossessed properties are recognised when the risks and rewards of the properties have been transferred to the Group. The corresponding loans are derecognised when the Group becomes the owner of the property. The property acquired is initially recorded at cost which is the lower of its fair value (less costs to sell) and the carrying amount of the loan (net of impairment) at the date that ownership is transferred. The property is subsequently measured at the lower of the carrying amount and its net realisable value. Any subsequent write down of the acquired property to net realisable value is recognised in profit or loss. Any subsequent increase in the net realisable value, to the extent that it does not exceed the cumulative write down, is also recognised in profit or loss. Gains or losses on disposal of repossessed properties are reported in other operating income or operating expenditure.

1.17 Financial instruments (continued)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Classification as debt or equity

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

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

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

Financial guarantee contracts

Financial guarantee contracts are contracts that protect a creditor from a loss it may incur if a debtor fails to make payments when due in accordance with the terms of a debt instrument.

These are accounted for as financial instruments and are initially recognised at fair value, which is usually equal to the premium received, if any.

Financial guarantee contracts are subsequently measured at the higher of:

- The amount determined in accordance with IAS 37 (refer note 1.14 on provisions); and
- The initial fair value less cumulative amortisation in accordance with IAS 18.

The Group does not issue any financial guarantee contract for a premium. At each reporting date, it considers whether payment under the guarantee contract is probable (more likely than not) for a provision to be recognised under IAS 37. If a provision is recognised, and the provision amount is greater than the existing carrying amount (after amortisation of revenue under IAS 18), an adjustment is required to reflect the provision and recognise the difference in profit or loss.

Transactions that affect equity

Share capital and share premium and transaction costs

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

Treasury shares

Where the Company or any other member of the Group purchases the Company's equity share capital, such shares are classified as treasury shares and the par value of these treasury shares is deducted from the share capital, whereas the remainder of the cost price is deducted from the share premium until the treasury shares are cancelled.

Where such shares are subsequently sold or reissued, any consideration received is included in equity.

Treasury shares are deducted from the issued and weighted average number of shares on consolidation. All dividends received on treasury shares are eliminated on consolidation. The Company does not recognise any gains or losses through profit or loss when its own shares are repurchased.

1.18 Segment reporting

An operating segment is a component of an entity which engages in business activities from which it may earn revenues and incurs expenses, for which separate financial information is available and whose operating results are regularly reported internally and evaluated by the chief operating decision maker in deciding how to allocate resources and assessing its performance.

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

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

Additional information relating to major clients and other performance measures is provided. The Group has four operating segments:

- Investment advisory and investment management
- Micro finance
- Rentals of property in possession
- Other

All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers in standalone sales of identical goods or services. For management purposes, the Group uses the same measurement policies as those used in its financial statements.

1.19 Earnings per share

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

1.20 Significant judgements and sources of estimation uncertainty

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

Going concern judgement

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

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

This judgement is based on a careful consideration of the following:

- Financial statements should be prepared on a going concern basis unless it is intended to liquidate the entity or to cease trading or there is no realistic alternative but to do so.
- In considering whether the going concern assumption is appropriate, all available information is taken into account, including information about the foreseeable future.
- Where there are material uncertainties relating to events or conditions which may cast doubt upon the ability to continue as a going concern, those uncertainties should be disclosed.

The material uncertainties relating to events or conditions which may cast doubt upon the ability to continue as a going concern are outlined in the table below. The table also outlines the actions being taken to manage these uncertainties and also the current status of these uncertainties and actions.

1.20 Significant judgements and sources of estimation uncertainty (continued)

Uncertainty	Action	Status
Timing of the amount payable to SARS. (refer to note 13)	The directors have engaged with tax advisors to assist them in making a submission to SARS. The submission to SARS has sought to demonstrate that: (a) it is not in SARS' interest to demand payment in full in the short term as this will likely results in SARS not being able to recover the full, or a substantial portion of the debt, and (b) the prospect of payment in full of the tax liability will improve substantially over the next 12 months. In order to demonstrate good faith Afdawn has offered to make certain minimum payments pending resolution of the above application	The current relationship with SARS is constructive and conducive to an amicable outcome i.e. an outcome that achieves full payment of the tax liability over a reasonable period of time.
Ability of Afdawn and all of its subsidiaries to meet ongoing commitments. The risk of this uncertainty materialising in a manner that could affect the relevance of the going concern assumption could arise in a period of about 9 months' time. (Refer note 48.)	A number of actions are being taken to mitigate the risk of this uncertainty materialising. These include: (a) Discussions are under way with various parties that could result in the sale or other realization of various assets (or portions thereof). In one instance the possible transaction would also generate additional income streams. (b) The Company has a long-enduring and very constructive relationship with its funders. Experience has proved that these relationships can be relied on to support the continued existence of the Group.	a) Some of these discussions are at an advanced stage and are considered to have a reasonably high probability of resulting in transactions. b) There is ongoing engagement with funders
Elite has been repaying the Sandown loan on a monthly basis, but has not fully complied with the agreed repayment schedule. Sandown could demand repayment of the loan.	Elite has made arrangement with Sandown on a monthly basis when needed.	Elite has ongoing negotiations with Sandown. These negotiations centre on accommodating Elite's ability to repay the loan within a longer period. Sandown's continued support is based on the successful conclusion of the recapitalisation of Elite referred to below. Since October 2014, Elite has repaid R4,1m of the original R15m Sandown loan.
Elite needs to be recapitalized.	Afdawn will convert a portion of its shareholders loan into equity in Elite. A third party will acquire 51% of the economic interest in Elite by providing R15m of permanent capital, a further R15m loan funding facility for 5 years and access to a client base. This will give Elite the ability to generate the required cash flow to fund operations, growth and other financial obligations.	The shareholder's loan will be converted into equity in Elite in November 2015.A heads of agreement has already been signed with a third party.

1.20 Significant judgements and sources of estimation uncertainty (continued)

Having regard to the nature of the uncertainties, the actions being taken and also the current status of these uncertainties, the judgment of the management and board is that it is appropriate that the financial statements be prepared on the going concern basis.

Other significant management judgements

Knife Capital Group Acquisition – shares held in escrow

In terms of the agreements relating to the acquisition of Knife Capital Group, 100 million Afdawn shares at 10 cents per share were issued to the Knife Capital vendors to settle the acquisition price of R10 million. 100% of the shares were issued immediately but 35% are held in escrow for three years.

The guidance in IFRS 3 – Business Combinations, has been applied to assess whether the shares that are held in escrow for three years form part of the purchase price relating to the acquisition of Knife Capital or whether they relate to services to be rendered by the vendors of Knife Capital in the three years after the acquisition.

This assessment revealed that the shares held in escrow form part of the purchase price based on the following:

- All the selling shareholders became employees in the Afdawn Group. The purchase and sale agreement provides for future short term incentives linked to key performance indicators as well as a long-term share incentive scheme and a further long term incentive;
- The shares are not automatically forfeited if employment terminates;
- The remuneration of the Knife Capital directors is in line with that of the Afdawn Group directors;
- The arrangement is not linked to providing services; and
- The purpose of the shares being held in escrow is to protect Afdawn Group against possible claims it may have against the sellers during that three year period. These general warranties and representations are verifying conditions that existed at the acquisition date.

Knife Capital Group acquisition - purchase price amounts

In terms of the agreements relating to the acquisition of Knife Capital Group, the purchase price of R10 million was subject to adjustment in two instances:

1. If the net asset value ("NAV") of Afdawn Group at the 28 February 2014 was less than 10 cents per share. In this case, the difference between 10 cents and the NAV per share would be multiplied by 100 million shares and would be payable in cash to the sellers on or before 1 March 2015. ("NAV liability"); and
2. If the capital raised by Afdawn Group in the year to 26 March 2015 was less than R50 million, the purchase price would be adjusted as follows:

(R50 million – capital raised) x 20% but limited to a maximum of R2 million.

This is known as the "share issue liability" and would be settled by Afdawn Group issuing a variable number of shares (i.e. it is calculated by dividing the Rand amount of the share issue liability by the 30 day volume weighted average price of the Afdawn shares).

Original issue of shares

In terms of the agreements relating to the acquisition of Knife Capital Group, 100 million Afdawn shares at 10 cents per share were issued to the Knife Capital vendors to settle the acquisition price of R10 million.

At the date that control passed, the ruling share price was 9 cents per share, which resulted in an initial cost of R9 million instead of the R10 million that was initially expected.

Accounting Policies

continued

1.20 Significant judgements and sources of estimation uncertainty (continued)

First NAV liability

In terms of IFRS 3, the fair value of the contingent consideration should be added to the purchase price at the date of the acquisition. At acquisition, the fair value of the first NAV liability could not be determined because it was based on the NAV per share on the 28 February 2014. It therefore became apparent that the NAV was less than 10 cents per share and an amount of R1 460 000 was owed to the sellers to be paid on or before 1 March 2015. This amount was interest-free. (Refer to note 20 and 37).

In November 2014, the term was renegotiated. It was agreed that this amount would remain interest-free and would be payable to the sellers over twenty four months with effect from November 2014. (Refer to notes 20 and 37).

Second NAV liability

Subsequent to 28 February 2015, a material prior period error relating to the 2014 and 2013 impairment of debtors in Elite was discovered. This resulted in a restatement of the 2014 and 2013 financial statements (refer to notes 42 and 43) and the impact thereof was that the NAV was restated. This decrease in NAV per share meant that the Knife Capital vendors were entitled to a further payment of R2,095,000, to be settled on the same terms as the first NAV liability.
R2,095,000 was added to the purchase price. (Refer to notes 20 and 37).

Share issue liability

At the time of the Knife Capital acquisition it was expected that Afdawn Group would raise capital of R50 million and therefore the fair value of the share issue liability at the date of acquisition was nil. The fair value was unchanged at the interim reporting date (31 August 2014).

However, at 28 February 2015, it became clear that this capital would not be raised and therefore the fair value of the contingent consideration changed. In terms of IFRS 3, any adjustment to the at-acquisition fair value of the contingent consideration affects profit or loss if it results from an event after the acquisition date and after the finalisation of the measurement period relating to the acquisition. The measurement period relating to the Knife Capital acquisition was finalised by the 31 August 2014.

This adjustment meets the definition of a financial liability in terms of IAS 32 – Financial Instruments: Presentation, because it is an obligation to issue shares to the value of a specified Rand amount (with a maximum of R2 million). A financial liability of R2 million was recognised and will be settled by the issue of a variable number of shares in the short term. Refer to note 37.

Knife Capital Group acquisition - additional remuneration

The agreement relating to the acquisition of Knife Capital Group outlines various future incentives that the sellers would be entitled to. It was agreed that these amounts would be finalised by the effective date of the acquisition of Knife Capital Group. At the year end, these incentives had not been finalised and therefore the amount of the liability cannot be measured with sufficient reliability.

This has been disclosed as a contingent liability. (Refer to note 39).

Subsequent to year end, and as announced on SENS on the 1st July 2015, the vendors of Knife Capital released Afdawn Group from the second NAV liability, the share issues liability and the contingent liability relating to the additional remuneration. (Refer to notes 20, 37 and 45).

Knife Capital Group acquisition – revision to terms (non-adjusting event refer note 45)

As announced on SENS on 1 July 2015 as part of the Voluntary Business Update, the vendors of Knife Capital and Afdawn have entered into an agreement in terms of which the vendors have agreed to release Afdawn from the obligation to pay the second NAV liability of R2,095,000 and the share issue liability of R2,000,000 (refer to notes 20, 37 and 45). In addition, they have agreed to release Afdawn Group from any obligation to pay an amount relating to long-term incentives (Refer to note 45).

1.20 Significant judgements and sources of estimation uncertainty (continued)

In return, Afdawn Group has agreed to waive any potential claim it may have (whether as the shareholder of Knife Capital or otherwise) to the Carried Interest (as defined in annexure C of the Transaction Agreement) and has consented to the Carried Interest being paid by Knife Capital Group to the Knife Capital vendors.

The impact of this agreement is that:

Lastly, in terms of the settlement agreement, Mr EA van Heerden would remain as the chief financial officer of the Group until the earlier of 31 August 2015 or when a new chief financial officer had been appointed. He subsequently agreed to remain in office until the finalization of the financial statements. As at 31 August 2015, Mr EA van Heerden became the chief executive officer of the Knife Capital Group. At the date the financial statements were issued, a new chief financial officer has not yet been appointed.

Elite Two - associate (2014) and subsidiary (2015)

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

In the years ended February 2012 and February 2013, Elite Two earned a profit of R249 067 and R1 325 426 respectively. No management fees or equity accounted earnings were recognised by Elite despite the fact that Elite was entitled to half of these amounts (being a cumulative amount of R787 247).

However, Elite had significant influence over Elite Two because it had the right to appoint two of the four directors, despite it holding no shares in Elite Two. In light of the fact that Elite had not previously accounted for any investment in an associate, no equity accounted earnings relating to Elite Two were recognised in 2012, 2013 and 2014. Instead, the cumulative management fee of R2 259 181 was recognised in 2014. This is therefore a material prior period error which has been retrospectively restated – refer to notes 42 and 43.

In the year ended February 2014, Elite previously recognised a cumulative management fee of R2 259 181. This has now been restated to reflect R787,247 in the 2013 financial year and R1,471,934 in the 2014 financial year.

In November 2014, Elite acquired all the shares in Elite Two from Sandown (refer to note 37). A thorough assessment of the requirements in IFRS 10 – Consolidated Financial Statements, and SIC 12 – Consolidation – Special Purpose Entities, revealed that Elite did not control Elite Two prior to this date. Both Sandown and Elite were exposed, or had rights, to variable returns from their involvement with Elite Two. However, on balance, Sandown had more exposure than Elite and had the ability to affect those returns through its power over the investee. Sandown therefore consolidated Elite Two until November 2014.

With effect from November 2014, Elite Two has been consolidated by Elite – refer to note 37 for information on the deemed disposal of the associate and the acquisition of the subsidiary.

Elite Two - contingent liabilities

At the time that Elite acquired 100% of Elite Two from Sandown, Sandown took over debtors with a value of R14 337 165. The claims against those debtors will be pursued in Sandown's name. However, the costs of the legal proceedings will be shared equally by Elite and Sandown. If at least R10 million of this amount is collected, Elite will be paid a fee of 50% of the excess. However, Elite is not liable for any amount that is not collected.

With respect to the legal claims no legal fees were incurred to the reporting date. Subsequent to the reporting date fees of R91,554 were incurred in relation to the collection of the debt. Litigation is in the process against debtors in Elite Two relating to the settlement of outstanding debt. The Company's lawyers and management consider the likelihood of the action against the debtor being successful as likely, and the case should be resolved within the next two years.

1.20 Significant judgements and sources of estimation uncertainty (continued)

Impairment of non-financial assets

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

The assets that have been tested for impairment are as follows:

- Goodwill (2015) - refer to note 4
- Intangible assets (2015) - refer to note 5
- Elite (2015 and 2014) - refer to note 15
- Elite Two (2015) - refer to note 7

Insurance revenue

Certain of the micro finance debtors choose to purchase insurance from Elite and Elite Two. The insurance covers the debtor in the event of death, disability or loss of employment. The Group does not re-insure the debts and therefore bears the risk in such situations.

IFRS 4 - Insurance Contracts, is not applicable to the Company because the Company does not administrator the insurance contracts. All the administration of the contracts is conducted by Guardrisk.

Although the Group is not an insurer, the revenue has been described as insurance revenue to differentiate it from other categories of revenue.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of trade receivables in Elite and Elite Two

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

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

Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing requires significant judgement and estimation. Refer note 1.13 for the accounting policy regarding the impairment of loans.

Subsequent to February 2015, a material prior period error relating to the 2014 and 2013 impairment of debtors in Elite was discovered. This resulted in an additional amount of R6,732,077 being recognised as an impairment for 2014 and R7,455,429 for 2013. As a result, the 2014 and 2013 financial statements have been restated (refer to note 42).

The amount recognised in 2015 for the impairment of Elite debtors was R10,845,633.

Refer to note 44, for further information on the specific estimates and assumptions used to assess the recoverability of trade receivables.

Goodwill impairment - Knife Capital Group

The goodwill of R8,076,000 relating to the acquisition of Knife Capital Group was tested for impairment at year end. No impairment has been recognised. Refer to note 4 for further information about the estimates and assumptions used.

1.20 Significant judgements and sources of estimation uncertainty (continued)

Goodwill impairment – Elite Two

The share capital of Elite Two was acquired at the same value as the Net Asset Value of Elite Two so no goodwill arose on the acquisition. Refer to note 37 for further information about the estimates and assumptions used.

Discounting of interest free loans

Several loans are interest free or bear interest at a rate that is not market related. The following judgements are made relating to these loans:

- Credit loans that have no repayment terms are:
  - classified as liabilities at amortised cost,
  - included in current liabilities (because the Company does not have the right to defer payment for at least 12 months after the reporting date;) and
  - not discounted because the amount that could be demanded by the lender is equal to the carrying amount of the loans.
- Credit loans that have repayment terms are:
  - classified as liabilities at amortised cost,
  - split between non-current liabilities and current liabilities in accordance with the terms; and
  - discounted over the repayment period with deemed interest expense being recognised subsequent to the initial recognition.
- Debit loans that have no repayment terms are:
  - classified as loans and receivables;
  - split between non-current assets and current assets in accordance with the terms and the intention of the lender;
  - assessed for impairment; and
  - discounted over the estimate repayment period with deemed interest income being recognised subsequent to the initial recognition.
- Debit loans that have repayment terms are:
  - classified as loans and receivables;
  - split between non-current assets and current assets in accordance with the terms and the intention of the lender;
  - assessed for impairment; and
  - discounted over the repayment period with deemed interest income being recognised subsequent to the initial recognition.

	Capital amount R '000	Classification	Initial present value adjustment R '000	Deemed interest (income)/ expense R '000
National Housing Finance Corporation ("NHFC") in note 17	1,750	Liability at amortised cost	91	-
Sandown Capital Elite Two loan (B) in note 17	1,750	Liability at amortised cost	76	(43)
Sandown Capital Interest portion of loan (C) in note 17	3,333	Liability at amortised cost	494	(66)
	6,833	-	**661**	**(109)**

The interest rates that have been applied in the discounting is an effective interest rate of 10.16%.

Estimation uncertainty related to Greenoaks

Refer to note 10

Accounting Policies

continued

1.20 Significant judgements and sources of estimation uncertainty (continued)

Change in estimate – interest and penalties on income tax and VAT liability

As disclosed in the prior year financial statements an estimate was made of the current tax and VAT liabilities relating to Afdawn, Elite and Bhenka, plus the related interest and penalties that would be due to SARS. However, as a result of the section 200 application to SARS being declined in May 2015 (refer to note 13), additional interest and penalties of R5,518 million were due.

R2,808 million of the relates to VAT and is recognised as an additional VAT liability in note 22 and R2,710 million of this relates to current income tax and is recognised as an additional current tax liability refer to note 13.

This has been accounted for as a change in accounting estimate and recognised in full in the current year.

The total group liabilities (including penalties and interest) are as follows:

- VAT - R7,709 million (refer to note 22)
- Current tax - R14, 840 million (refer to note 13).

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 March 2015 or later periods.

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

Standard	Details of amendment	Annual periods beginning on or after
IFRS 2, Share-based Payment	Annual Improvements 2010–2012 Cycle: Amendments added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions.	1 July 2014
IFRS 3, Business Combinations	Annual Improvements 2010–2012 Cycle: Amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IFRS 9.	1 July 2014
	Annual Improvements 2011–2013 Cycle: Amendments to the scope paragraph for the formation of a joint arrangement.	1 July 2014
IFRS 5, Non-current assets Held for Sale and Discontinued Operations	Annual Improvements 2012-2014 Cycle: Amendments clarifying that a change in the manner of disposal of a non-current asset or disposal group held for sale is considered to be a continuation of the original plan of disposal, and accordingly, the date of classification as held for sale does not change.	1 January 2016
IFRS 7 Financial Instruments: Disclosures	Annual Improvements 2012-2014 Cycle: Amendment clarifying under what circumstances an entity will have continuing involvement in a transferred financial asset as a result of servicing contracts.	1 January 2016
	Annual Improvements 2012-2014 Cycle: Amendment clarifying the applicability of previous amendments to IFRS 7 issued in December 2011 with regard to offsetting financial assets and financial liabilities in relation to interim financial statements prepare.	1 January 2016
IFRS 8 Operating Segments	Annual Improvements 2010–2012 Cycle: Amendments to some disclosure requirements regarding the judgements made by management in applying the aggregation criteria, as well as those to certain reconciliations.	1 July 2014

2.1 Standards and interpretations not yet effective (continued)

Standard	Details of amendment	Annual periods beginning on or after
IFRS 9 Financial Instruments	Annual Improvements 2010–2012 Cycle: Amendments to the measurement requirements for all contingent consideration assets and liabilities included under IFRS 9.	1 July 2014
	A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition: - IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. - The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets. - IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.	January 2018 *IFRS (2014) supersedes any previous versions of IFRS 9, but earlier versions of IFRS 9 remain available for application if the relevant date of application is before 1 February 2015*
IFRS 10 Consolidated Financial Statements	IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of 'Investment Entities' must account for investments in subsidiaries at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement.	1 January 2014
	Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.	1 January 2016
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2016
IFRS 11 Joint Arrangements	Amendments adding new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business which specify the appropriate accounting treatment for such acquisitions.	1 January 2016
	Investment Entities: Applying the Consolidation Exception:Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.	1 January 2016

2.1 Standards and interpretations not yet effective (continued)

Standard	Details of amendment	Annual periods beginning on or after
IFRS 12 Disclosure of Interests in Other Entities	New disclosures required for Investment Entities (as defined in IFRS 10). - Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.	1 January 2014 1 January 2016
IFRS 13 Fair Value Measurement	Annual Improvements 2010-2012 Cycle: Amendments to clarify the measurement requirements for those short-term receivables and payables - Annual Improvements 2011–2013 Cycle: Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9.	1 July 2014 1 July 2014
IFRS 15 Revenue from Contracts from Customers	New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The new standard supersedes: (a) IAS 11 Construction Contracts; (b) IAS 18 Revenue; (c) IFRIC 13 Customer Loyalty Programmes; (d) IFRIC 15 Agreements for the Construction of Real Estate; (e) IFRIC 18 Transfers of Assets from Customers; and (f) SIC-31 Revenue – Barter Transactions Involving Advertising Services.	1 January 2018
IAS 1, Presentation of Financial Statements	Disclosure Initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.	1 January 2016
IAS 16 Property, Plant and Equipment	Annual Improvements 2010-2012 Cycle: Amendments to the revaluation method – proportionate restatement of accumulated depreciation. Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets. - Amendment to IAS 16 and IAS 41 which defines bearer plants and includes bearer plants in the scope of IAS 16 Property, plant and equipment, rather than IAS 41 allowing such assets to be accounted for after initial recognition in accordance with IAS 16.	1 July 2014 1 January 2016 1 January 2016

Accounting Policies

continued

2.1 Standards and interpretations not yet effective (continued)

Standard	Details of amendment	Annual periods beginning on or after
IAS 19 Employee Benefits	Amendments to Defined Benefit Plans: Employee Contributions whereby the requirements in IAS 19 for contributions from employees or third parties that are linked to service have been amended.	1 July 2014
	Annual Improvements 2012-2014 Cycle: Clarification of the requirements of to determine the discount rate in a regional market sharing the same currency (for example, the Eurozone).	1 January 2016
IAS 24 Related Party Disclosures	Annual Improvements 2010-2012 Cycle: Amendments to the definitions and disclosure requirements for key management personnel.	1 July 2014
IAS 27 Consolidated and Separate Financial Statements	Requirement to account for interests held by 'Investment Entities' at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent.	1 January 2014
	Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 January 2016
IAS 28 Investments in Associates and Joint Ventures	Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.	1 January 2016
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2016
IAS 36 Impairment of Assets	Amendments to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	1 January 2014
IAS 38 Intangible Assets	Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation.	1 July 2014
	Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset.	1 January 2016
	Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.	1 January 2016
IAS 39 Financial Instruments: Recognition and Measurement	Amendments for novation of derivatives in regards to the continuation of hedge accounting.	1 January 2014
IAS 40 Investment Property	Annual Improvements 2011-2013 Cycle: Amendments to clarify the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.	1 July 2014

3. Property, plant and equipment

	2015			2014		
	Cost	Accumulated depreciation and impairment	Carrying amount	Cost	Accumulated depreciation and impairment	Carrying amount
	R '000	R '000	R '000	R '000	R '000	R '000
Group						
Furniture and fixtures	458	(312)	146	882	(784)	98
Motor vehicles	782	(493)	289	782	(407)	375
Office equipment	556	(369)	187	568	(324)	244
IT equipment	1,351	(1,080)	271	1,357	(1,032)	325
Leasehold improvements	55	(12)	43	-	-	-
Telephone equipment	7	(6)	1	-	-	-
Total	**3,209**	**(2,272)**	**937**	**3,589**	**(2,547)**	**1,042**

	2013		
	Cost	Accumulated depreciation and impairment	Carrying amount
Group			
Furniture and fixtures	866	(770)	96
Motor vehicles	782	(310)	472
Office equipment	284	(247)	37
IT equipment	1,095	(801)	294
Leasehold improvements	-	-	-
Telephone equipment	-	-	-
Total	**3,027**	**(2,128)**	**899**

Notes to the Financial Statements

continued

3. Property, plant and equipment (continued)

	2015			2014		
	Cost	Accumulated depreciation and impairment	Carrying amount	Cost	Accumulated depreciation and impairment	Carrying amount
	R '000	R '000	R '000	R '000	R '000	R '000
Company						
Furniture and fixtures	110	(15)	95	605	(529)	76
Office equipment	45	(45)	-	62	(62)	-
IT equipment	61	(16)	45	228	(219)	9
Leasehold improvements	55	(12)	43	-	-	-
Total	**271**	**(88)**	**183**	**895**	**(810)**	**85**

	2013		
	Cost	Accumulated depreciation and impairment	Carrying amount
Company			
Furniture and fixtures	605	(525)	80
Office equipment	62	(57)	5
IT equipment	228	(179)	49
Leasehold improvements	-	-	-
Total	**895**	**(761)**	**134**

Reconciliation of property, plant and equipment - Group - 2015	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	Closing balance
	R '000	R '000	R '000	R '000	R '000	R '000
Furniture and fixtures	98	132	14	(77)	(21)	146
Motor vehicles	375	-	-	-	(86)	289
Office equipment	244	5	2	(2)	(62)	187
IT equipment	325	154	33	-	(241)	271
Leasehold improvements	-	55	-	-	(12)	43
Telephone equipment	-	-	3	-	(2)	1
	1,042	**346**	**52**	**(79)**	**(424)**	**937**

Reconciliation of property, plant and equipment - Group - 2014	Opening Balance	Additions	Disposals	Depreciation	Closing balance
	R '000	R '000	R '000	R '000	R '000
Furniture and fixtures	96	16	-	(14)	98
Motor vehicles	472	-	-	(97)	375
Office equipment	37	272	(11)	(54)	244
IT equipment	294	261	(3)	(227)	325
	899	**549**	**(14)**	**(392)**	**1,042**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2013	Opening balance R '000	Additions R '000	Disposals R '000	Depreciation R '000	Impairment reversal/(loss) R '000	Closing balance R '000
Furniture and fixtures	205	-	(30)	(100)	21	96
Motor vehicles	92	454	-	(74)	-	472
Office equipment	78	4	-	(45)	-	37
IT equipment	395	238	-	(208)	(131)	294
	770	**696**	**(30)**	**(427)**	**(110)**	**899**

Reconciliation of property, plant and equipment - Company - 2015	Opening Balance R '000	Additions R '000	Disposals R '000	Depreciation R '000	Closing balance R '000
Furniture and fixtures	76	100	(67)	(14)	95
Office equipment	-	2	(2)	-	-
IT equipment	9	51	8	(24)	45
Leasehold improvements	-	55	-	(11)	43
	85	**208**	**(61)**	**(49)**	**183**

Reconciliation of property, plant and equipment - Company - 2014	Opening Balance R '000	Disposals R '000	Depreciation R '000	Closing balance R '000
Furniture and fixtures	80	-	(4)	76
Office equipment	5	-	(5)	-
IT equipment	49	(3)	(37)	9
	134	**(3)**	**(46)**	**85**

Reconciliation of property, plant and equipment - Company - 2013	Opening balance R '000	Additions R '000	Disposals R '000	Depreciation R '000	Impairment reversal/(loss) R '000	Closing balance R '000
Furniture and fixtures	147	-	(30)	(58)	21	80
Office equipment	13	-	-	(8)	-	5
IT equipment	134	67	-	(21)	(131)	49
	294	**67**	**(30)**	**(87)**	**(110)**	**134**

Property, plant and equipment encumbered as security

Motor vehicles with a cost of R753,241 (2014:R753,241) and a carrying amount of R289,000 (2014: R472,000) are held as security under the finance lease indicated in note 18.

Notes to the Financial Statements

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4. Goodwill

	2015		
	Cost	Accumulated impairment	Carrying amount
Group			
Goodwill	**8,076**	**-**	**8,076**

Reconciliation of goodwill - Group - 2015	Opening balance	Additions through business combinations	Closing balance
Goodwill	-	8,076	8,076

Goodwill impairment

Impairment test for goodwill

During 2015, goodwill of R8 076 000 arose on the acquisition of the Knife Capital Group (refer to note 37) and has been allocated to the cash-generating units (CGUs) as follows:

	Opening	Additions	Disposals	Impairment	Closing
Knife Capital	-	7,133	-	-	7,133
Grindstone	-	943	-	-	943
	-	**8,076**	**-**	**-**	**8,076**

The recoverable amount of the CGUs has been determined based on value-in-use calculations. These calculations use pre- tax cash flow projections based on financial budgets approved by management covering a six-year period in line with the carried interest cycle. Cash flows beyond the six-year period are extrapolated using the estimated growth rates stated below:

The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

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

Assumptions	Note	Knife Capital	Grindstone
Compounded annual revenue increase %	1	14%	11%
Compounded annual total operating costs increase %	2	8%	7%
Pre-taxation discount rate		20%	20%
Recoverable amount of the CGU (R'000)		17,622	2,931

Notes

These assumptions have been used for the analysis of each CGU within the Knife Capital Group:

1. Revenue increase is based on past performance and management's expectations of growth.
2. Operating costs are the fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases and these do not reflect any future restructurings or cost saving measures.

4. Goodwill (continued)

No impairment was necessary.

With regard to Knife Capital

- The recoverable amount calculated based on value in use exceeded the carrying amount by R4 886 029.
- An annual revenue growth rate of 7%, annual operating costs growth rate of 14% or a rise in discount rate to 29% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

With regard to Grindstone

- The recoverable amount calculated based on value in use exceeded the carrying amount by R1 511 697.
- An annual revenue growth rate of 7%, annual operating costs growth rate of 11% or a rise in discount rate to 42% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

5. Intangible assets

			2015			2014
	Cost	Accumulated depreciation and impairment	Carrying amount	Cost	Accumulated depreciation and impairment	Carrying amount
	R '000	R '000	R '000	R '000	R '000	R '000
Group						
Micro finance software	1,709	(562)	1,147	1,709	(220)	1,489
Medical finance software	1,355	(1,355)	-	1,355	-	1,355
Contractual customer contracts on acquisition of Knife Capital Group	6,543	(1,211)	5,332	-	-	-
Total	**9,607**	**(3,128)**	**6,479**	**3,064**	**(220)**	**2,844**

			2013
	Cost	Accumulated depreciation and impairment	Carrying amount
Group			
Micro finance software	829	(10)	819
Medical finance software	973	-	973
Contractual customer contracts on acquisition of Knife Capital Group	-	-	-
Total	**1,802**	**(10)**	**1,792**

Reconciliation of intangible assets - Group - 2015	Opening balance	Additions through business combinations	Amortisation	Impairment	Closing balance
	R '000	R '000	R '000	R '000	R '000
Micro finance software	1,489	-	(342)	-	1,147
Medical finance software	1,355	-	(205)	(1,150)	-
Contractual customer contracts on acquisition of Knife Capital Group	-	6,543	(1,211)	-	5,332
	2,844	**6,543**	**(1,758)**	**(1,150)**	**6,479**

5. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2014

	Opening balance R '000	Additions R '000	Amortisation R '000	Closing balance R '000
Micro finance software	819	881	(211)	1,489
Medical finance software	973	382	-	1,355
	1,792	**1,263**	**(211)**	**2,844**

Reconciliation of intangible assets - Group - 2013

	Opening balance R '000	Additions R '000	Amortisation R '000	Closing balance R '000
Micro finance software	-	829	(10)	819
Medical finance software	-	973	-	973
	-	**1,802**	**(10)**	**1,792**

Contractual customer contracts

The intangible assets recognised on the acquisition of Knife Capital Group relate to contractual customer relationships and have a useful life of 3 to 6 years.

Internally generated software

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

Medical finance software with a cost of R 1,355,165 (2014: R 1,355,165) was under construction. It was brought into use in the current year and then impaired. Elite decided to exit the medical finance business with the result that the carrying amount of the medical finance software (R1 150 000) exceeded the recoverable amount of nil. An impairment loss of R1 150 000 was therefore recognised in operating expenses.

The impairment of the intangible asset relates to the Micro finance segment.

The carrying amount and remaining useful life of material intangible assets is as follows:

Intangible assets

	Carrying amount 2015 R '000	Remaining amortisation period	Carrying amount 2014 R '000	Remaining amortisation period
Micro finance software	1,147	48 months	1,489	60 months
Medical finance software	-		1,355	Not in use as yet
Branded education	960	25 months	-	
GAP self-assessment and intervention tools	2,958	61 months	-	
Fund management agreements	1,414	61 months	-	
	6,479	-	**2,844**	-

Notes to the Financial Statements

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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.

Company		% voting power 2015	% voting power 2014	Nature	Carrying amount 2015 R'000	Carrying amount 2014 R'000
ABC Cashplus (Randburg) Proprietary Limited		100.00 %	100.00 %	Dormant	-	-
ABC Cashplus Financial Services Proprietary Limited		100.00 %	100.00 %	Dormant	-	-
African Dawn Debt Management Proprietary Limited		100.00 %	100.00 %	Dormant	-	-
African Dawn Kwazulu Natal Proprietary Limited		100.00 %	100.00 %	Dormant	-	-
African Dawn Property Transfer Finance 1 Proprietary Limited		100.00 %	100.00 %	Bridging finance	-	-
African Dawn Property Transfer Finance 2 Proprietary Limited		100.00 %	100.00 %	Bridging finance	-	-
African Dawn Property Transfer Finance 5 Proprietary Limited	(C)	- %	100.00 %	Dormant	-	-
African Dawn Social Education Proprietary Limited		100.00 %	100.00 %	Dormant	-	-
African Dawn Wheels Operations Proprietary Limited		100.00 %	100.00 %	Dormant	-	-
African Dawn Wheels Proprietary Limited		100.00 %	100.00 %	Vehicle finance	-	-
Albistar Investments Proprietary Limited		100.00 %	100.00 %	Dormant	-	-
Almika Properties 81 Proprietary Limited		100.00 %	100.00 %	Property holding	-	-
Amalgum Investments 138 Proprietary Limited	(A)	100.00 %	100.00 %	Dormant	-	-
Bhenka Financial Services Proprietary Limited		100.00 %	100.00 %	Dormant	-	-
Candlestick Park Investments Proprietary Limited		100.00 %	100.00 %	Property holding	-	5,279
Elatiflash Proprietary Limited		100.00 %	100.00 %	Dormant	-	-
Elite Group 1 Proprietary Limited	(B)	- %	100.00 %	Dormant	-	-
Elite Group Two Proprietary Limited *		100.00 %	- %	Unsecured lending	-	-
Elite Group Cell No, 00181 Proprietary Limited		100.00 %	100.00 %	Life insurance	-	-
Elite Group Proprietary Limited		100.00 %	100.1 %	Unsecured lending	3,322	3,322
Grindstone Accelerator Proprietary Limited *		100.00 %	- %	Consulting	-	-
Knife Capital Proprietary Limited		100.00 %	- %	Venture capital	12,555	-
Nexus Personnel Finance 2 Proprietary Limited	(C)	- %	100.00 %	Dormant	-	-
Nexus Personnel Finance Proprietary Limited	(D)	- %	100.00 %	Unsecured lending	-	-
					15,877	8,601

(A) Amalgum Investments 138 Proprietary Limited shares were transferred to Afdawn in 2013.
The shares were previously held by African Dawn Property Transfer Finance 2 Proprietary Limited.

(B) Elite 1 Proprietary Limited, a dormant shelf company, was transferred to the previous management of Elite for nil consideration in order for them to make an offer to purchase Elite during 2014.

(C) Company was deregistered at CIPC by the reporting date.

(D) Company went into liquidation in October 2014 and has been deconsolidated (refer to note 38).

* *Company held indirectly.*

6. Investments in subsidiaries (continued)

Investment reconciliation	2015 R '000	2014 R '000
Carrying amount at the beginning of the year	8,601	8,601
Additional investment Knife Capital Group (refer to note 37)	12,555	-
Present value adjustments on loans (refer to note 11)	2,710	-
Impairment of investment in subsidiaries	(2,710)	-
Impairment of Investment in Candlestick Park Investments Proprietary Limited	(5,279)	-
	15,877	**8,601**

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

The carrying amounts of investments in subsidiaries were reassessed for impairment at year end and the impairment indicated above was recognised. The impairments arose as a result of the present value adjustments on loans which were debited to the investment in the related subsidiary and an impairment to the value of the property. No impairments were deemed necessary in 2014.

Reporting period

The end of the reporting period of Elite Cell and Elite Two is 31 March 2015. It was impracticable to obtain financial statements as at 28 February 2015 because both companies were previously controlled by companies with a March year end. No significant transactions took place between the reporting period of February 2015 and the year end of March 2015.

Subsidiaries for which control was lost during the year

The Group lost control of Nexus Personnel Finance 2 Proprietary Limited and African Dawn Property Transfer Finance 5 Proprietary Limited on 24 January 2015. Both companies were dormant shelf companies that were deregistered by CIPC. In addition Nexus went into liquidation on the 18th October 2014, a gain has been included in other income (refer to note 25). For details on the deconsolidation refer to note 38.

7. Investment in associate

Company	2015 % Ownership Interest	2014 % Ownership Interest	2013 % Ownership Interest	2015 Carrying amount	2014 Carrying amount	2013 Carrying amount
Name of company						
Elite Two	100.00 %	- %	- %	-	2,259	787
The Company's principal place of business and incorporation - South Africa				-	-	-
				-	**2,259**	**787**

Elite Two prior to February 2015

In 2011, Elite entered into a management agreement with Sandown in respect of a company called Elite Two. The purpose of the agreement was to allow Elite to make use of a funding line, to earn a management fee, to share in the returns of Elite Two and therefore to continue to grow its business during the recapitalisation of the Afdawn Group.

7. Investment in associate (continued)

The main terms of the agreement and subsequent events are as follows:

- Sandown lent Elite Two R10 million.
- Sandown owned 100% of Elite Two.
- Elite and Sandown could each appoint 2 of the 4 directors of Elite Two.
- Sandown financed Elite Two to a maximum of R10 million ("the Sandown capital loan").
- Elite managed Elite Two on behalf of Sandown and sourced potential clients to which it could provide short term personal loans.
- Elite earned a monthly management fee and shared the profits of Elite Two on a 50:50 basis with Sandown.
- Elite and Sandown shared the bad debts provided they were no more than the historical amount of 3% of the receivables book. To the extent that the provision increased, Elite would be liable but only to the extent of any cumulative profits earned to date.
- Sandown had the option (in August 2012) of selling 100% of the shares in Elite Two to Elite for a price based on the net asset value ("NAV") of Elite Two ("the selling price"). The Selling Price was to be settled by the issue of shares in Elite to Sandown. The issue price was 100 cents per Elite share, such that Sandown would acquire 30% of the issued share capital of Elite following the Elite Two acquisition and subject to the selling price not exceeding 49% of the market capitalisation of Afdawn Group on the date of exercise of the Sandown option.
- If the NAV of Elite Two was greater or lower than 30% of the combined NAV of Elite and Elite Two at the time of the exercising of the option referred to above, then Elite Two would be obliged to either distribute profits and/or assets to Sandown or to recapitalise Elite Two, so as to ensure that the NAV of Elite Two would be equal to 30% of the combined NAV of Elite Two and Elite.
- In the event that Sandown exercised the Sandown option, it would be obliged to provide a two year funding line of R20 million to Elite which could be drawn in tranches of a maximum of R1.5 million per month.
- If Sandown advised Elite and/or Afdawn Group of its intention to exercise the option then Elite and/or Afdawn group would have had 30 days in which to acquire Elite Two for its then NAV.
- In the event that Sandown decided not to exercise its option then no new loans would be granted from 31 July 2013 by Elite Two and Elite would be retained to manage and collect the remaining loan book so as to repay the Sandown Capital Loan.
- Over time, the Sandown Loan was extended to a R20 million facility under similar terms with Elite providing a guarantee limited to the additional R10 million facility. .

The terms of the agreement gave Elite significant influence over Elite Two and it has therefore been equity accounted whereas previously a management fee was recognised. Refer to notes 42 and 43 for the prior period errors. Refer to note 1.20 for the significant judgement made in this regard.

At this point, Elite Two was profitable and therefore Elite had no exposure to any losses.

Elite Two is an unlisted company and there is no quoted market price available for its shares. There were no contingent liabilities relating to the Group's interest in the associate.

Elite Two February 2015 financial year

At 31 October 2014, Elite Two had not yet repaid the Sandown capital loan of R10 million nor any interest thereon.

By this date, Sandown had lent Elite Two an additional loan. Interest on this loan had been paid as had a portion of the capital, leaving a balance of R4 150 000.

A further agreement was entered into during November 2014 in terms of which, Elite bought 100% of the Elite Two shares (refer to note 37) from Sandown on a voetstoots basis i.e. without Sandown giving any warranties or making any representations relating to the sale shares of Elite Two. Elite acknowledged that Sandown had not been involved in the day to day running or management of Elite Two (because this was done by Elite). The conversion rights into Afdawn shares and the guarantee provided by Elite fell away as part of the settlement deal.

7. Investment in associate (continued)

Elite Two committed to repaying:

- The capital and interest on the R10 million bond; and
- A portion of the initial and additional loans made to Elite Two together with interest thereon.
- The total amount owed was R16 837 065.
- Certain debtors (to the value of R14 337 165) were ceded to Sandown as payment of this amount and a balance of R2 499 900 was still owed by Elite Two.
    - With regard to the R14 337 165, Elite or Elite Two will pursue claims against those debtors. This will be done in Sandown's name and the costs of the legal proceedings will be shared by Elite and Sandown. (refer to note 39). If at least R10 million of this amount is collected, Elite will be paid a fee of 50% of the excess collected.
    - With regard to the R2 499 900, this amount plus R100 for the Elite Two shares is to be repaid in monthly instalments between November 2014 and March 2016, by Elite. Provided the payment terms are complied with, no interest will be levied. As the interest rate is not market related the loan has been discounted. Refer to notes 28 and 17, "Sandown Capital Elite Two loan".

In terms of the settlement agreement, Elite obtained control of Elite Two with effect from November 2014. It has therefore been equity accounted from March 2014 to November 2014 (during this period a loss of R2,259,181 was recognised). Subsequently Elite Two became a subsidiary and was consolidated thereafter.

Summarised financial information of associate

	Elite Two		
Summarised Statement of Profit or Loss and Other Comprehensive Income	2015 R'000	2014 R'000	2013 R'000
Revenue	1,531	7,844	2,605
Other income and expenses	(1,763)	(6,214)	(767)
(Loss) / profit before taxation	(232)	1,630	1,838
Taxation expense	-	(463)	(512)
(Loss)/profit	(232)	1,167	1,326
Total comprehensive (loss) / income	**(232)**	**1,167**	**1,326**
Summarised Statement of Financial Position			
Assets			
Non-current	-	-	-
Current	-	24,705	11,961
Total assets	**-**	**24,705**	**11,961**
Liabilities			
Non-current	-	19,149	10,386
Current	-	405	-
Total liabilities	**-**	**19,554**	**10,386**
Total net assets	**-**	**5,151**	**1,575**

Notes to the Financial Statements

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7. Investment in associate (continued)

	Elite Two		
	2015 R'000	2014 R'000	2013 R'000
Additional information relating to net assets to equity accounted investments in associates			
Investment in associate at 50%	-	2,259	787
Management fee direct with Elite		316	
Carrying value of investment in associate	-	2,575	787
Investment at beginning of period	2,575	787	-
Equity accounted (loss)/profit	(2,259)	1,472	787
Management fee direct with Elite (paid)/raised	(316)	316	
Investment at end of period	**-**	**2,575**	**787**

The summarised information presented above reflects the financial statements of the associate after adjusting for differences in accounting policies between the Group and the associate.

The 2015 year relates to 1 March 2014 to November 2014 at which point Elite Two became a subsidiary. A loss of R2,259,181 was recognised by Elite for the period March 2014 to November 2014. Refer to note 37 for details of the acquisition.

Associate with different reporting date

The management accounts of Elite Two were used for the financial statements as at 28 February 2015 because the Company was previously a subsidiary of Sandown Capital Proprietary Limited which has a March year end. No significant transactions took place between the reporting period of February 2015 and the year end of March 2015.

Notes to the Financial Statements

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8. Other financial assets Company

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Loan to purchaser of Elite Rustenburg Mines Proprietary Limited	-	462	-	-
	-	462	-	-
Loan to purchaser of Elite Rustenburg Mines Proprietary Limited impairment	-	(462)	-	-
	-	-	-	-
Loans and receivables	724	1,554	-	-
Elite Cell				
A cell captive agreement was entered into with Guardrisk Group (Pty) Ltd ("Guardrisk") that allows trade debtors to insure their loans against death, disability and retrenchment. It is in a closed cell that does not share risk.				
Current assets				
Elite Cell	724	1,554	-	-

Elite Cell and the loan due by the purchaser of Elite Rustenburg Mines Proprietary Limited are part of Elite. Elite was classified as a non-current asset held for sale in the 2014 year but has been restated into operations for comparative reasons in the current year. (Refer to notes 42 and 43).The cash in Elite Cell can only be accessed by submitting a claim to Guardrisk or by Elite Cell declaring a dividend.

Elite Rustenburg Mines Proprietary Limited was sold in the 2011 financial year for a total of R1 223 000 repayable at R25 000 per month. The outstanding balance is recoverable by way of a renegotiated settlement agreement, stipulating renegotiated repayment terms with additional security for Afdawn Group. The amount does not attract interest. The security on the receivable is an unsecured debtors book that is being collected by Elite and all collections are for the benefit of Elite. In 2014, an impairment of R462 000 was recognised because a cession on certain debtors that was used as security on the loan proved to be uncollectable.

9. Deferred tax

Deferred tax liability	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Deferred tax liability - intangible asset on acquisition of Knife Capital Group	(1,493)	-	-	-
Deferred tax assets	128	-	-	-
Net deferred tax liability	(1,365)	-	-	-
Reconciliation of deferred tax asset/liability				
At beginning of year	-	-	-	-
Business combination Knife Capital Group assessed loss (refer to note 37)	54	-	-	-
Assessed loss utilised during the year against current income tax	(54)	-	-	-
Deferred tax raised on acquisition of Knife Capital Group intangible assets. (Refer to note 37)	(1,833)	-	-	-
Deferred tax effect of amortisation of intangible asset raised on Knife Capital Group (refer to note 5)	340	-	-	-
Temporary difference on leave pay accruals	51	-	-	-
Temporary difference on deferred income	77	-	-	-
	(1,365)	-	-	-

Notes to the Financial Statements
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10. Properties in possession

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Almika Properties 81 Proprietary Limited, Benoni, Gauteng	6,749	7,029	-	-
Greenoaks - Centurion, Gauteng	44,415	44,415	-	-
Greenoaks - PTF3 share of property	(16,174)	(16,174)	-	-
	34,990	35,270	-	-
Impairment	(12,022)	(10,522)	-	-
Carrying amount	**22,968**	**24,748**	**-**	**-**
Reconciliation of movement 2015	**Almika**	**Greenoaks**		
Opening balance	7,029	44,415	-	-
Sold	(280)	-	-	-
PTF3 share of Greenoaks	-	(16,174)	-	-
Impairment	(3,609)	(8,413)	-	-
	3,140	19,828	-	-
Reconciliation of movement 2014	**Almika**	**Greenoaks**		
Opening balance asset	-	44,415	-	-
Reclassification asset (refer to note 15)	7,029	-	-	-
PTF3 share of Greenoaks	-	(16,174)	-	-
Opening balance of impairment	-	(6,913)	-	-
Reclassification impairment (refer to note 15)	(3,609)	-	-	-
	3,420	**21,328**	**-**	**-**

Almika

Almika owns a low-cost residential development consisting of 50 units in Loerie Park, Benoni, Gauteng. The development has now been completed and the units are in the process of being sold. In terms of the agreement with the property developer, Afdawn Group will receive R70 000 on transfer of each unit that is sold. It is estimated that this will amount to approximately R3,4 million.

Four units have been transferred and payments of R280 000 have been received by February 2015.

Greenoaks

Candlestick has title to a residential housing complex called Greenoaks in Centurion, Gauteng. These units are currently being rented to tenants on annual leases (with renewal periods and rates subject to negotiation). Rental income of R5 345 811 (2014: R5 108 862) has been recognised (refer to note 24).

Greenoaks was transferred to Candlestick in August 2010 in settlement of amounts due to African Dawn Property Transfer Finance 2 Proprietary Limited ("PTF 2") and Africa Dawn Property Transfer Finance 3 Proprietary Limited ("PTF 3") by Blue Dot Properties 1198 CC ("Blue Dot"). PTF 3 is not part of the Afdawn Group.

In terms of an agreement between PTF 2 and PTF 3, any amount realised on disposal of the property less amounts payable to Nedbank (under the first mortgage bond) less related costs less amounts due to certain other third parties will be shared between PTF 2 and PTF 3 on a 50:50 basis in settlement of the balance of their respective loans to Blue Dot.

Notes to the Financial Statements

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10. Properties in possession (continued)

For this reason, the reconciliation above is split as follows:
- Amount relating to legal title of entire property
- Less PTF3 share of the property (50%)
- Equals amount relating to Afdawn Group's share of the property (i.e. the 50% referred to above that is in substance Afdawn Group's share of the property).

Blue Dot has since been placed in liquidation and there is a dispute in terms of which the liquidator is attempting to have the property transferred back into the insolvent estate of Blue Dot. Negotiations between the Blue Dot liquidator and Candlestick are currently under way in an attempt to settle the dispute between the parties in order to enable Candlestick to sell the property.

The other claims against the property include:

- A Nedbank loan, in terms of which Nedbank registered a first bond against the property. The original facility was R14 100 000 and the amount outstanding at the reporting date was R8 868 592 (2014: R10 073 653) (refer to note 17).
- A possible claim relating to Blue Dot linked to the perfecting of the security that lead to the acquisition of Greenoaks from Blue Dot in August 2010. In an attempt to stop the transfer of Greenoaks to Candlestick, the claimant applied for the liquidation of Blue Dot Properties in December 2010. The Group does not believe that this meets the definition of a liability and due to the nature of the dispute, has not disclosed any further information because such disclosure would seriously prejudice the position of the Group (refer to notes 1.20 39).

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11. Loans to/(from) group companies

Subsidiaries	Loan balance	Loan impairment	Loan present value adjustment (Refer note 6)	Total
	Group		Company	
Company 2015 R'000				
African Dawn Social Education Proprietary Limited *	(57)	-	-	(57)
Bhenka Financial Services Proprietary Limited *	(6,872)	-	-	(6,872)
African Dawn Property Transfer Finance 2 Proprietary Limited *	31,739	(13,442)	(1,693)	16,604
Nexus Personnel Finance Proprietary Limited *	-	-	-	-
African Dawn Property Transfer Finance 1 Proprietary Limited *	7,088	(4,080)	(278)	2,730
African Dawn Wheels Proprietary Limited *	424	(424)	-	-
African Dawn Kwazulu Natal Proprietary Limited *	3,175	(3,175)	-	-
African Dawn Debt Management Proprietary Limited *	14,221	(14,221)	-	-
Candlestick Park Investments Proprietary Limited	149	(149)	-	-
Almika Properties 81 Proprietary Limited *	15	(15)	-	-
Elite Group Proprietary Limited *	21,870	(13,571)	(739)	7,560
African Dawn Wheels Operations Proprietary Limited *	13	(13)	-	-
Amalgum Investments 138 Proprietary Limited *	14	(14)	-	-
Elatiflash Proprietary Limited *	16	(16)	-	-
Albistar Investments Proprietary Limited *	18	(18)	-	-
ABC Cashplus (Randburg) Proprietary Limited *	11	(11)	-	-
Knife Capital Proprietary Limited	(2)	-	-	(2)
	71,822	**(49,149)**	**(2,710)**	**19,963**

	Loan balance	Loan impairment	Total
Company 2014 R'000			
African Dawn Social Education Proprietary Limited *	(65)	-	(65)
Bhenka Financial Services Proprietary Limited *	(6,878)	-	(6,878)
African Dawn Property Transfer Finance 2 Proprietary Limited *	32,203	(10,720)	21,483
Nexus Personnel Finance Proprietary Limited *	17,948	(17,948)	-
African Dawn Property Transfer Finance 1 Proprietary Limited *	7,271	(4,138)	3,133
African Dawn Wheels Proprietary Limited *	494	(494)	-
African Dawn Kwazulu Natal Proprietary Limited *	3,170	(3,170)	-
African Dawn Debt Management Proprietary Limited *	14,566	(14,227)	339
Candlestick Park Investments Proprietary Limited	137	(137)	-
Almika Properties 81 Proprietary Limited*	12	(12)	-
Elite Group Proprietary Limited *	21,518	-	21,518
African Dawn Wheels Operations Proprietary Limited *	9	(9)	-
Amalgum Investments 138 Proprietary Limited *	7	(7)	-
Elatiflash Proprietary Limited *	11	(11)	-
Albistar Investments Proprietary Limited *	12	(12)	-
ABC Cashplus (Randburg) Proprietary Limited *	9	(9)	-
	90,424	**(50,894)**	**39,530**

Notes to the Financial Statements

continued

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

11. Loans to/(from) group companies (continued)

	2015	2014
Movement in impairment		
Opening balance	50,894	53,735
Increase in impairment	16,474	14,509
Reversal of impairment	(271)	(17,350)
Reversal of Nexus loan impairment on liquidation	(17,948)	-
	49,149	**50,894**

All the loans are unsecured, interest free and have no fixed terms of repayment.

* *The loans have been sub-ordinated to the extent that the subsidiaries' liabilities exceed the assets in favour of other creditors of the subsidiaries for as long as the subsidiaries' liabilities exceeds the assets.*

	Group 2015	Group 2014	Company 2015	Company 2014
Current assets	-	-	26,896	46,473
Current liabilities	-	-	(6,932)	(6,943)
	-	-	**19,964**	**39,530**

Loans to group companies impaired

As of 28 February 2015, loans to group companies of R78,753,022 (2014: R 97,367,338) were impaired and provided for.

The amount of the impairment was R47,527,973 as of 28 February 2015 (2014: R 50,893,577).

12. Trade and other receivables

	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Trade receivables (restated for 2014)	101,924	158,861	-	-
Impairment allowance (restated for 2014)	(66,489)	(102,313)	-	-
Deposits (restated for 2014)	276	291	31	-
VAT (restated for 2014)	373	473	-	-
Other receivables (restated for 2014)	3,750	1,213	1,065	2,151
	39,835	**58,525**	**1,096**	**2,151**

12. Trade and other receivables (continued)

Trade and other receivables reconciliation - group 2014	Trade receivables	Impairment allowance	Deposits	VAT	Other receivables	Total
R'000						
As previously reported	148,484	(130,122)	124	473	538	19,497
Elite reclassified from discontinued operations (refer to notes 42 & 43)	56,163	(4,575)	167	-	1,461	53,216
Elite prior period error (refer to notes 42 & 43)	-	(14,188)	-	-	-	(14,188)
Elite Two prior period error (refer to notes 42 & 43) Rounding	787	-	-	-	(787)	-
Rounding	(2)	1	-	-	1	-
Subtotal	205,432	(148,884)	291	473	1,213	58,525
Transfer of gross trade debtors and impairment thereof to other receivables. Write off as a bad debt. (refer to notes 42 & 43)	(46,571)	46,571	-	-	-	-
	158,861	**(102,313)**	**291**	**473**	**1,213**	**58,525**

Refer to note 44 for a detailed analysis of the trade receivables.

Certain trade receivables are used as security on related borrowings from the National Housing Finance Corporation ("NHFCE"). Refer to note 17.

In 2014 trade receivables with regards to Nexus with a gross value of R44.5 million, impaired by R38,7 million, to a carrying amount of R5.8 million were ceded as security on borrowings related to the National Housing Fund Corporation as indicated in note 17.

13. Current tax receivable/(payable)	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Current tax receivable	-	95	-	-
Current tax payable	(14,840)	(17,829)	(7,805)	(6,728)
	(14,840)	**(17,734)**	**(7,805)**	**(6,728)**

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

A liability has been recognised in full for all interest and penalties that are payable to SARS. Refer to note 29 which includes R2,710 000 (2014: R25 000) relating to the interest and penalties.

Change in estimate – interest and penalties on income tax and VAT liability

As disclosed in the prior year financial statements an estimate was made of the current tax and vat liabilities relating to Afdawn, Elite and Bhenka, plus the related interest and penalties that would be due to SARS. However, as a result of the section 200 application to SARS being declined in May 2015 additional interest and penalties of R2.710 million were due.

14. Cash and cash equivalents	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Cash and cash equivalents consist of:				
Cash on hand	214	327	3	7
Bank balances	15,183	5,031	10,605	390
	15,397	**5,358**	**10,608**	**397**

15. Non-current assets held for sale and discontinued operations

Non-current assets held for sale

In 2013 the non-current assets held for sale of R4,128,829 consisted of:
- ERF 1593 - ERF 1599 Volksrust, Mpumulanga which was sold during 2014 for a loss of R311,141.
- Partially developed land at ERF149 Anzac, Extension 2, Benoni, Gauteng has been re-classified in 2014 as property in possession as no viable buyer had been found. The carrying amount is R3,140 million (2014: 3,420 million). Refer to note 10.

Discontinued operations

In 2014 in line with the new vision for the Group, management decided to discontinue the personal and short term financing division of the Group including Elite which includes, Elite Cell and Nexus. All these were classified as discontinued operations. The directors were in discussion with potential buyers for the acquisition of Elite and Elite Cell. The Company's assets and liabilities were reclassified as non-current assets held for sale. A contract for the sale of Elite Group was concluded in May 2014, but the buyers were in breach of the contract and the contract was cancelled, a penalty of R1,315,789 was received (refer to note 25). The discontinued operations and non-current assets held for sale have thus been reclassified into operations. Nexus went into liquidation on 18 October 2014 and has been deconsolidated from that date (refer to note 38). For details on the remaining discontinued operation refer to note 33.

The Elite impairment test was done as follows:

	Amount
Elite carrying amount in African Dawn Capital Ltd R'000	**10,882**

The recoverable amount Elite has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The growth rate does not exceed the long-term average growth rate for the business in which Elite operates.

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

Compounded annual revenue increase %	1	3% to 5%
Compounded annual total operating cost increase %	2	**5%**
WACC		17.37%
Recoverable amount of Elite R'000		12,334

1. Revenue increase is based on past performance and management's expectation of growth. Management expects growth of 3% for 3 years and 5% for 2 years.
2. Operating costs are the fixed costs of Elite which do not vary significantly with loans made. Management forecasts these costs based on the current structure of the business, and adjusts for inflationary increases and these do not reflect any future restructurings or cost saving measures.

The recoverable amount calculated based on value in use exceeded the carrying amount by R1 452,000.

An annual revenue growth rate of 4,5%, annual operating costs growth rate of 5,5 % or a rise in WACC to 18,5% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

No impairment was necessary.

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16. Share capital and share premium

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Authorised				
5,000,000,000 Ordinary shares of 1c each	50,000,000	50,000,000	50,000,000	50,000,000

The total shares in issue as at 28 February 2015 amounted to 880,270,597 (2014: 508,184,155).

Reconciliation of number of shares in issue				
Reported as at 01 March net of treasury shares	508,184	508,184	508,184	508,184
Issue of ordinary shares in rights offer	272,086	-	272,086	-
Issue of shares to Knife Capital Vendors	100,000	-	100,000	-
	880,270	**508,184**	**880,270**	**508,184**
Reconciliation of share values 'R000:				
Reported at beginning of period	284,634	284,634	284,634	284,634
Issue of ordinary shares in rights offer	21,767	-	21,767	-
Issue of shares to Knife Capital Vendors (refer to note 37)	9,000	-	9,000	-
Capitalisation of share issue costs	(1,458)	-	(1,458)	-
	313,943	**284,634**	**313,943**	**284,634**

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Share premium	317,972	292,392	317,972	292,392
Treasury shares	(12,832)	(12,832)	(12,832)	(12,832)
Total share premium	305,140	279,560	305,140	279,560
Ordinary shares	8,803	5,074	8,803	5,074
	313,943	**284,634**	**313,943**	**284,634**

As part of the capital raising completed on 31 October 2011, two convertible bonds were issued which were convertible into ordinary share capital at the option of the holders after 3 years from the commencement date. The conversion option of the bond holders became due during the current financial year and the bond holders decided not to convert the bonds into shares. Further details on the convertible bonds are disclosed in note 19.

During March 2014 a 1 for 1 rights offer of 222,086,442 shares were taken up at 8c per share, with a further 50,000,000 shares being issued to the underwriter of the share issue. At around the same time as the rights issue took place 100,000,000 shares at 9c per share were issued to the vendors of Knife Capital to purchase 100% of the share capital. Refer to note 37 for further details on the acquisition of Knife Capital Group. Refer to note 45 for details on the delisting of the treasury shares.

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Proceeds from share issues

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Share issue	21,767	-	21,767	-
Share issue costs	(1,458)	-	(1,458)	-
	20,309	-	20,309	-

17. Borrowings

	Loan Balance	Present Value adjustment (refer to notes 25 and 28)	Deemed Interest (refer to note 28)	Balance
GROUP 2015 R'000				
National Housing Finance Corporation ("NHFC") Loan Guarantee (D) - The loan is unsecured, interest free and is to be repaid by 30 September 2015.	1,750	(92)	-	1,658
National Housing Finance Corporation ("NHFCE") - Elite entered into a separate facility agreement whereby the loan is secured on the associated debtors, bears interest at prime +5% and is repayable over 5 years from the borrowing date. Afdawn has provided a guarantee on the loan facility. (Refer to note 12).	3,796	-	-	3,796
Sandown Capital Elite Two loan (B) - The loan is unsecured, interest free and is repayable in instalments of Up to R150,000 per month.	1,750	(76)	44	1,717
Nexus liquidator - The loan arose when Nexus went into liquidation and the balance owed by Elite who was contracted to collect on the debtors book. The loan is unsecured, interest free and payment terms are being negotiated with the liquidator.	2,535	-	-	2,535
Sandown Capital loan (A) - The convertible bond was not converted and new terms are as follows: interest is charged at prime, currently 9.25% per annum and repayments of up to R700,000 plus interest per month in the short term. The loan is unsecured.	9,600	-	-	9,600
Sandown Capital Interest free portion loan (A) (C) - The loan does not bear interest and is repayable in instalments of up to R700,000 starting in June 2016. The loan is unsecured.	3,333	(494)	66	2,905
Nedbank mortgage bond - The loan is secured on fixed property. Interest is levied at prime -0.5% and the loan is repayable in instalments of R169,450 per month. The bond arose as part of a property in possession transaction. The monthly instalments are funded through the cash generated through operations at Greenoaks. (Refer to note 10).	8,869	-	-	8,869
	31,633	(662)	110	31,080

17. Borrowings (continued)

	Loan Balance	Present Value adjustment	Deemed Interest	Balance
GROUP 2014 R'000				
National Housing Finance Corporation ("NHFC") - Nexus went in to liquidation and has thus been deconsolidated. The loan is secured by a cession on the Nexus debtors. The loan originated as funding for incremental loans in 2004 raised as trade debtors. The loan is secured on the debtors book that the funds were used to fund and are secured to the extent of the loan against the same debtors (refer to note 12).	5,000	-	-	5,000
National Housing Finance Corporation ("NHFCE") - Elite entered into a separate facility agreement whereby the loan is secured by the associated debtors, bears interest at prime +5% and is repayable over 5 years from the borrowing date. Afdawn has provided a guarantee on the loan facility. (Refer to note 12).	4,456	-	-	4,456
Sandown Capital Proprietary Limited # (A) - The conversion bond was renegotiated and the new terms are: the loan is unsecured, interest is charged at 9.25% per annum and linked to Standard Bank prime interest rate. Repayments are up to an amount of R700,000 plus interest per month in the short term.	12,486	-	-	12,486
Elite Two loan - The loan is unsecured, interest free and changes on a daily transactional basis.	2,067	-	-	2,067
Convertible Bond - Liability portion of compound instrument (STRB Lewende Trust) - The conversion period is 36 months from date of issue, conversion price R0.14, Interest levied at JIBAR on 3 month discount + 600 basis points. Refer to note 19 for further details. The bond has no further security beyond the issue of ordinary shares in Afdawn. The bond was settled for cash during the financial year.	1,663	-	-	1,663
Nedbank mortgage bond - The loan is secured on fixed property. Interest is levied at prime -0.5% and the loan is repayable in instalments of R168,450 per month. The bond arose as part of a property in possession transaction. Refer to property in possession note 10 , Greenoaks. The monthly instalments are funded through the cash generated through operations at Greenoaks.	10,074	-	-	10,074
	35,746	-	-	35,746

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

17. Borrowings (continued)

	Loan Balance	Present Value adjustment (refer to notes 25 and 28)	Deemed Interest	Balance
COMPANY 2015 R'000				
National Housing Finance Corporation ("NHFC") - Loan Guarantee (D) The loan is unsecured, interest free and is to be repaid by 30 September 2015	1,750	(92)	-	1,658
	1,750	**(92)**	**-**	**1,658**

	Loan Balance	Present Value adjustment	Deemed Interest	Balance
COMPANY 2014 R'000				
Convertible Bond - Liability portion of compound instrument - STRB Lewende Trust - The conversion period is 36 months from date of issue, conversion price R0.14, Interest levied at JIBAR on 3 month discount + 600 basis points. Refer to note 19 for further details. The bond has no further security beyond the issue of ordinary shares in Afdawn. The bond was settled for cash during the 2015 financial year.	1,663	-	-	1,663
	1,663	**-**	**-**	**1,663**

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Non-current liabilities				
At amortised cost	13,758	8,844	-	-
Present value and interest adjustments	(460)	-	-	-
	13,298	**8,844**	**-**	**-**
Current liabilities				
At amortised cost	17,874	26,902	1,750	1,663
Present value and interest adjustments	(92)	-	(92)	-
	17,782	**26,902**	**1,658**	**1,663**
	31,080	**35,746**	**1,658**	**1,663**

(A) The Sandown Convertible bond was renegotiated and in terms of the new agreement, there is no conversion element and the balance was split into 2 loans, "Sandown Capital Proprietary Limited" and "Sandown Capital interest portion of loan". Sandown Capital Proprietary Limited refers to the original capital advanced and Sandown Capital interest portion of loan being the capitalised interest on the original loan. The original terms of the agreement were a conversion period of 36 months from date of issue, conversion price of R 0.14, interest levied at JIBAR on 3 month discount +600 basis points. The bond arose as part of the recapitalisation and rights issue in 2011. Refer to note 19 for further details.

(B) The loan bears no interest and has therefore been present valued such that R75,764 deemed interest will be recognised over the life of the loan. R43,447 of this has been recognised in 2015, leaving a balance of R32,317 to be recognised in the future.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

17. Borrowings (continued)

(C) The loan bears no interest and has therefore been present valued such that R493,992 deemed interest will be recognised over the life of the loan. R66,155 of this has been recognised in 2015, leaving a balance of R428,837 to be recognised in the future.

(D) The loan bears no interest and has therefore been present valued such that R91,582 deemed interest will be recognised over the life of the loan. Nil of this has been recognised in 2015, leaving a balance of R91,582 to be recognised in the future. In terms of the settlement agreement with the NHFC that was signed on 30 May 2011, Nexus (a wholly owned subsidiary of Afdawn) facility of R5 million became payable in October 2013. Nexus has ceded it debtors book as security for payment of the amount. NHFC demanded payment from Afdawn. Nexus was liquidated in October 2014 and NHFC instituted Arbitration proceedings against Afdawn for the payment of R5 million plus interest and costs in terms of the settlement agreement. In terms of the out-of-court settlement, Afdawn as guarantor is liable for payment of amount of R3,75 million payable as follows: R2 million was paid on 6 February 2015 and the balance is interest-free and due for payment on or before 30 September 2015.

Total present value adjustment recognised as a gain in 2015 is R661,338. Total deemed interest expense recognised in 2015 is R109,602 (Refer to note 28).

18. Finance lease liabilities

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Minimum lease payments due				
- within one year	122	122	-	-
- in second to fifth year inclusive	74	194	-	-
	196	316	-	-
less: future finance charges	(14)	(35)	-	-
Present value of minimum lease payments	**182**	**281**	**-**	**-**
Non-current liabilities	60	194	-	-
Current liabilities	122	87	-	-
	182	**281**	**-**	**-**

It is group policy to lease certain motor vehicles under finance leases.

The average lease term is 1-5 years and the average effective borrowing rate is 10% (2014: 10%)

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

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

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

19. Compound instruments

Convertible bond

During 2012 two separate convertible bonds were issued. The holders of the instruments had the ability to elect to redeem the amounts owing in cash or convert the amount owing into equity shares. This discretion gave rise to the existence of a contractual obligation of one party to deliver cash or another financial asset to another party, or to exchange financial assets or liabilities under conditions that are potentially unfavourable. They were therefore classified as financial liabilities.

The terms of the bonds were similar, being convertible over 36 months from issue (3 November 2011), conversion price set at 14 cents for capital plus any arrear interest at JIBAR + 600 points.

- The convertible bond agreement to Sandown was for a subscription of R10 million which was settled. In 2012 Afdawn group negotiated with Sandown to repay the unutilised portion of the convertible bond under an acknowledgment of debt agreement. The remaining portion was drawn down in 2013.
- The PCI convertible bond loan was paid in terms of the agreement to the amount of R1,700,000 and the interest has been raised and repaid quarterly in terms of the agreement.

During the 2013 period, the Board signed a cession that resulted in the PCI convertible bond being transferred to STRB Lewende Trust. The cession stipulates that the new owner has the same rights and responsibilities as the previous owner with all terms and conditions remaining the same.

Both bonds became due during the current financial year and neither Sandown nor PCI chose to convert to shares. The STRB Lewende Trust was paid cash for the balance due on the bond. Sandown Capital negotiated a repayment of the bond over a 2 year period by Elite with the conversion option falling away.

Refer to note 17 for further details on the liability.

Sandown Convertible Bond (refer to note 17)				
Opening balance	12,486	10,574	-	-
Capital drawn	-	-	-	-
Interest on loan capitalized	886	1,912	-	-
Loan renegotiated no longer convertible (refer to note 17)	(13,372)			
	-	**12,486**	-	-
STRB Lewende Trust (Previously PCI convertible bond) (refer to note 17)				
Opening balance	1,663	1,621	-	-
Repaid portion acknowledged	(1,700)	(143)	-	-
Interest raised	37	185	-	-
	-	**1,663**	-	-

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000

20. Loans from directors

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
EA Van Heerden	1,770	-	1,770	-
JK Van Zyl	1,771	-	1,771	-
A Böhmert	1,771	-	1,771	-
	5,312	**-**	**5,312**	**-**

The loans arose as part of the Knife Capital Group acquisition transaction detailed in the circular issued on 7 March 2014. Refer to the significant judgements in the accounting policies note 1.20 and note 37 for further details.

	Company 2015 R'000	Company 2014 R'000
Reconciliation		
First NAV liability	1,460	-
(interest free payable at R60 833 per month with effect from November 2014)	-	-
Repayments	(243)	-
Subtotal (A)	1,217	-
Second NAV liability (interest free and payable in June 2015)	2,095	-
Repayments	-	
Share issue liability (to be settled immediately in a variable number of shares)	2,000	-
	-	-
	5,312	**-**

Subsequent to year end and, as announced on SENS on 1 July 2015, the vendors of Knife Capital have released Afdawn from the second NAV liability and the share issue liability. Refer to the judgement disclosed in note 1.20 as well as notes 37 and 45.

(A) The outstanding balance of loans from directors on acquisition of Knife Capital is R1.218 million.

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Non-current liabilities	(1,535)	-	(1,535)	-
Current liabilities	(3,777)	-	(3,777)	-
	(5,312)	**-**	**(5,312)**	**-**

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	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

21. Operating lease liability

Current liability	23	174	23	174
	23	**174**	**23**	**174**

22. Trade and other payables

Trade payables	1,343	1,705	159	792
VAT	7,709	5,049	5,595	3,712
Accrued leave pay	1,020	657	108	-
Accrued expenses	1,124	1,542	436	1,000
Accrued audit fees	180	-	180	-
Deposits received	353	328	-	-
	11,729	**9,281**	**6,478**	**5,504**

R6,109,000 of the VAT liability of the R7,709,000 is also the subset of the submission to SARS referred to in note 13.

23. Deferred income

Deferred income relates to service contracts entered into by Knife Capital which are paid in advance by customers and are only partially completed at year end.

Current liabilities	474	-	-	-
	474	-	-	-

24. Revenue

Rendering of services	8,740	812	-	289
Non-interest income (administration fees)	1,718	1,576	-	-
Rental income (refer to note 10)	5,346	5,109	-	-
Interest received	23,398	26,575	52	72
Insurance revenue (refer to note 1.20)	947	1,664	-	-
	40,149	35,736	52	361

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	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

25. Other income

Profit on disposal of subsidiary (refer to note 38)	3,231	-	-	-
Gain on present value adjustment of interest free borrowings (refer to note 17 and 28)	662	-	92	-
Bad debts recovered on trade receivables	1,850	927	-	5
Sundry income	232	12	232	9
VAT recovery	77	20	-	-
Sundry income	49	-	38	-
Penalty received on subsidiary sale cancellation (refer to note 15)	1,316	-	1,316	-
	7,417	**959**	**1,678**	**14**

26. Operating loss

Operating loss for the year is stated after accounting for the following:

Operating lease charges				
Premises	3,828	3,458	-	448
Equipment	566	746	29	68
	4,394	**4,204**	**29**	**516**

Loss on sale of property, plant and equipment	23	1	34	1
Profit on disposal of subsidiary	3,231	-	-	-
Impairment to properties in possession	1,500	-	-	-
Legal fees	935	656	407	48
Loss on call up of NHFC guarantee still due (refer to note 17)	1,750	-	1,750	-
Loss on call up of NHFC guarantee paid during year (refer to note 17)	2,000	-	2,000	-
Impairment on intangible assets	1,150	-	-	-
Amortisation on intangible assets	1,758	211	-	-
Depreciation on property, plant and equipment	424	392	49	46
Employee costs	20,534	17,607	3,848	4,744

27. Investment income

Interest revenue				
Cash and cash equivalents	735	80	700	7

Notes to the Financial Statements

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	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

28. Deemed interest

2015 Group borrowings	Amount	Present value adjustment	Deemed interest	Balance
Sandown Capital Interest free portion loan (A) in note 17	3,333	(494)	66	2,905
Sandown Capital Elite Two loan (B) in note 17	1,750	(76)	44	1,717
National Housing Finance Corporation ("NHFC") Loan Guarantee (D) in note 17	1,750	(92)	-	1,658
	6,833	**(662)**	**110**	**6,280**

2015 Company borrowings	Amount	Present value adjustment	Deemed interest	Balance
National Housing Finance Corporation ("NHFC") Loan Guarantee (D) in note 17	1,750	(92)	-	1,658
	1,750	**(92)**	**-**	**1,658**

For further details on the borrowings refer to note 17.

29. Finance costs

2015 Group borrowings				
NHFCE interest	491	756	-	-
Interest on convertible bond	1,251	1,913	-	-
Interest paid RHLF	44	44	-	-
Finance leases	22	26	-	-
Bank	28	25	-	-
Sandown Capital borrowing	196	-	-	-
STRB convertible bond interest	265	185	265	185
Penalties and interest on income tax (refer to note 13)	5,518	25	3,344	-
Nedbank bond interest	818	889	-	-
	8,633	**3,863**	**3,609**	**185**

30. Taxation

Major components of the tax expense (income)				
Current				
Local income tax - current period	1,353	407	-	-
Local income tax - recognised in current tax for prior periods	95	-	-	-
	1,448	**407**	**-**	**-**

30. Taxation (continued)

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Deferred				
Temporary difference on Knife Capital assessed loss utilized	54	-	-	-
Temporary difference on deferred income	(77)	-	-	-
Temporary difference leave pay accrual	(51)	-	-	-
Originating on amortisation of Knife Capital intangible assets	(339)	-	-	-
	(413)	-	-	-
	1,035	**407**	-	-

Reconciliation of the tax expense

Reconciliation between accounting loss and tax expense.

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Accounting loss	(31,977)	(21,423)	(39,552)	(3,831)
Tax at the applicable tax rate of 28% (2014: 28%)	(8,954)	(5,998)	(11,075)	(1,073)
Tax effect of adjustments on taxable income				
Non-deductible amount- interest and penalties SARS	1,281	-	936	-
Non-deductible amount - Nexus loan guarantee capital in nature	1,050		1,050	
Non-deductible amount - donations not allowed	3	8	2	
Non-deductible amount - fair value adjustment – Knife acquisition	560		560	
Non-taxable amount - gain on disposal of subsidiary	(905)			
Non-deductible amount – loss on non current asset held for sale		87		
Non-deductible amount – fair value adjustment – Property Peranent	420			
Non-deductible amount – fair value adjustment – investment in sub Scandlesubs			1,478	
Deferred tax assets not recognised	7,580	6,310	7,048	1,073
	1,035	**407**	-	-

No tax loss has been recognised as at year end as the final SARS assessments are still pending. The estimated tax loss available for set off against future taxable income is R 126,808,226 (2014: R 149,649,356). The Company estimated tax loss available for set off against future taxable income is R58,822,361 (2014: R51,960,289).

Notes to the Financial Statements

continued

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

31. Auditors' remuneration

Fees	861	735	596	349
Tax and secretarial services	36	-	-	-
	897	**735**	**596**	**349**

32. Operating leases

There are no contingent rentals or sublease agreements. All the leases relate to premises in Gauteng and Kwazulu Natal including micro finance front offices.

Future minimum operating lease payments are as follows:

- Within one year	-	2.088	-	1,862

33. Loss from discontinued operations

African Dawn Debt Management Proprietary Limited	-	(1,983)	-	-

African Dawn Debt Management

During the 2014 financial year African Dawn Debt Management failed to secure sufficient mandates to make the business viable so management took the decision to cease operations in the subsidiary. This was completed in September 2013.

The discontinued operation is summarised below:

Discontinued operations statement of profit or loss and other comprehensive income				
Revenue	-	497	-	-
Employee costs	-	(2,122)	-	-
Other expenses	-	(358)	-	-
Loss before taxation	-	(1,983)	-	-
Taxation	-	-	-	-
Loss for the year	-	(1,983)	-	-

Notes to the Financial Statements
continued

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

34. Cash used in operations

Loss before taxation	(31,977)	(21,423)	(39,552)	(3,831)
Adjustments for:				
Depreciation	424	392	49	46
Loss on disposal of property, plant and equipment	23	1	34	1
Loss on sale of non-current assets held for sale	-	311	-	-
Movement in operating lease liability	(151)	(21)	(151)	
Gain on present value adjustments on interest free borrowings	(661)	-	(92)	-
Equity accounted income Elite Two	2,259	(1,472)	-	-
Investment income	(735)	(80)	(700)	(7)
Finance costs	3,115	3,838	265	185
Fair value of contingent consideration	2,000	-	2,000	-
Impairment adjustment group loans	-	-	16,203	(2,842)
Impairment of investment in subsidiary	-	-	2,710	-
Non-cash finance costs (penalties and interest on income tax)	5,518	25	1,077	-
Impairment of Candlestick Park Investment in Subsidiary	-	-	5,279	-
Amortisation (refer to note 5)	1,758	211	-	-
Deemed interest expense (refer to note 28)	110	-	-	-
Profit on disposal of Nexus (Refer to note 38)	(3,231)	-	-	-
Interest raised and paid on borrowings	-	-	37	-
Impairment of properties in possession	1,500	-	-	-
Bad debt write off	-	-	1,000	-
Non-cash portion of NHFC guarantee	1,750	-	1,750	-
Impairment of intangible asset	1,150	-	-	-
Changes in working capital:				
Properties in possession	280	405	-	-
Trade and other receivables	14,798	17,359	55	546
Trade and other payables	(1,514)	(55)	974	737
Deferred income	474	-	-	-
Other financial assets	830	(616)	-	-
	(2,280)	**(1,125)**	**(9,062)**	**(5,167)**

Notes to the Financial Statements

continued

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

35. Tax paid

Balance at beginning of the year	(17,734)	(18,270)	(6,728)	(6,728)
Current tax for the year recognised in profit or loss	(1,448)	(407)	-	-
Adjustment in respect of business liquidated (refer to note 38)	6,497	-	-	-
Business combination businesses acquired (refer to note 37)	(19)	-	-	-
Adjustment in respect of penalties and interest	(2,710)	(25)	(1,077)	-
Balance at end of the year	14,840	17,734	7,805	6,728
	(574)	**(968)**	-	-

36. Cash flows from discontinued operations

African Dawn Debt Management Proprietary Limited (refer to note 33).	-	(1,983)	-	-

37. Business combinations

Knife Capital Group

On 28 March 2014 the Group acquired 100% of the equity interest in Knife Capital Group which resulted in the Group obtaining control over Knife Capital Group. The terms were outlined in the circular issued on 13 December 2013. Knife Capital owns 100% of Grindstone. The Knife Capital Group operates in South Africa and it is principally involved in business development services and investment management. The reason for the acquisition is to realise the new vision for the Afdawn Group.

Goodwill of R 8,076,000 arose from the acquisition, (refer to note 4) and is attributable mainly to the synergies and economies of scale expected from combining the operations of the entities, as well as from other intangible assets, including brands, which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

Acquisition of Knife Capital Group				
Purchase price calculation	-	-	-	-
100 million shares issued on 28 March 2014 at a share price of 9c (A).	9,000	-	9,000	-
First NAV liability - additional payment of the difference between the 10c per share stipulated in the acquisition agreement and the NAV per share at 28 February 2014 (B).	1,460	-	1,460	-
Second NAV liability - top-up of the First NAV liability due to the Elite prior period error, which further reduced the Group NAV per share at 28 February 2014 (C).	2,095	-	2,095	-
Share issue liability - additional payment due because Afdawn Group did not raise capital of R50 million by 26 March 2015 (D).	2,000	-	2,000	-
Recognition of share issue liability in profit or loss as it relates to the subsequent fair value of the contingent consideration (D).	(2,000)	-	(2,000)	-
	12,555	-	**12,555**	-

Notes to the Financial Statements
continued

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

37. Business combinations (continued)

Fair value of net assets acquired				
Property, plant and equipment (refer to note 3)	52	-	-	-
Intangible assets on contracts (refer to note 5)	6,543	-	-	-
Deferred tax asset (refer to note 9)	54	-	-	-
Trade and other receivables (E)	522	-	-	-
Cash and cash equivalents	26	-	-	-
Tax payable	(15)	-	-	-
Trade and other payables	(836)	-	-	-
Deferred tax liability (refer to note 9)	(1,833)	-	-	-
Bank overdraft	(13)	-	-	-
Directors' loans	(21)	-	-	-
	4,479	-	-	-
Goodwill recognised (refer to note 4)	**8,076**	-	-	**-**

The revenue included in the consolidated statement of comprehensive income since 26 March 2014 contributed by the Knife Capital Group was R8 891 000 and the profit that was contributed was R2 023 000. Had Knife Capital Group been consolidated from 1 March 2014, the consolidated statement of comprehensive income would show pro-forma revenue of R8 891 000 and profit of R2 023 000. The transactions between 1 March and 26 March 2014 were insignificant.

(A) The share price of 9 cents was determined based on the listed share price on 28 March 2014. Acquisition related costs of R550,000 has been recognised in profit or loss (refer to note 26). Acquisition costs of R80,000 relating to the issue of shares have been netted against the deemed proceeds.

(B) The first NAV liability was due for payment in March 2015 and was interest free. In November 2014, the terms were renegotiated and remained interest free but the amount is paid on a monthly basis over 24 months (R60 833 per month).

(C) The terms were the same as the first NAV liability. Subsequent to year end, and as announced on SENS on 1 July 2015, the vendors have released the Group from the obligation to settle this liability (refer to note 45).

(D) This amount related to contingent consideration in terms of which an additional amount would be payable if the Company did not raise capital of R50 million by 26 March 2015. The amount would be determined in accordance with a specific formula but was capped at R2 million. It was due to be settled in a variable number of shares in the short term. At the acquisition date, the fair value of the contingent consideration was nil. At year end, the fair value was R2 million and this amount was therefore recognised in profit or loss. Subsequent to year end, and as announced on SENS on 1 July 2015, the vendors have released the Group from the obligation to settle this liability (refer to note 45).

(E) The fair value of trade receivables is R522 305. The gross contractual amount for trade receivables due is R522 305, of which R522 305 is expected to be collectible.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

37. Business combinations (continued)

Elite Two

In November 2014 the Group acquired 100% of the shares in Elite Two which resulted in the Group obtaining control over Elite Two. Prior to this the Group had significant influence over Elite Group Two Proprietary Limited and it was equity accounted (refer to the judgement disclosed in note 1.20 and to note 7). Elite Two is principally involved in the unsecured lending industry.

Elite Two was equity accounted in the previous period and was deemed to be disposed of in November 2014 at which point the fair value and carrying amount of the net assets were both nil. There was therefore no gain or loss on the step acquisition.

Fair value of net assets acquired				
Trade and other receivables (A)	714	-	-	-
Cash and cash equivalents	3	-	-	-
Current account Elite	(396)	-	-	-
Current tax payable	(4)	-	-	-
Trade and other payables	(317)	-	-	-
Goodwill	-	-	-	-

The revenue included in the consolidated statement of comprehensive income since 1 March 2014 contributed by Elite Two was R201 218 and the loss that was contributed was R678 880. Had Elite Two been consolidated from March 2014 to November 2014, the consolidated statement of comprehensive income would show pro-forma revenue of R1 732 710 and loss of R701 738. This excludes the equity accounted loss of R2 259 181 recognised by the Group from 1 March 2014 to October 2014.

(A) The fair value of trade receivables is R714 480. The gross contractual amount for trade receivables due is R1 659 995, and an existing provision of R539 478 has been netted off that resulting in a balance of R1 120 517 of which of R406 037 is expected to be uncollectible.

Cashflows

The cash flow related to Knife Capital Group and Elite Two acquisitions was R16,000 calculated as follows:

Cash effect of acquisitions				
Cash and cash equivalents Knife Capital Group	26	-	-	-
Bank overdraft Knife Capital Group	(13)	-	-	-
Cash and cash equivalents Elite Two	3	-	-	-
	16	-	-	-

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

38. Liquidation of Nexus

Carrying amount of net assets disposed of				
Trade and other receivables gross	(43,309)	-	-	-
Trade and other receivables impairment (refer to note 44)	38,181	-	-	-
Tax liabilities (refer to note 35)	6,497	-	-	-
Borrowings	5,000	-	-	-
Cash	(396)	-	-	-
Amount due from Elite	(2,742)	-	-	-
Total net assets disposed	3,231	-	-	-
Net assets on disposal	3,231	-	-	-
Profit on disposal (refer to note 25)	(3,231)	-	-	-
	-	-	-	-

No consideration was received.

Cash outflow on liquidation				
Cash disposed of	(396)	-	-	-

39. Contingencies

Knife Capital Group incentive scheme

The agreement relating to the acquisition of Knife Capital Group outlined various future incentives that the sellers would be entitled to. It stated that these amounts would be agreed upon by the effective date (being March 2014). This has not been done and therefore the amount of the liability could not be measured with sufficient reliability. At year end it was not possible to estimate the financial effect of this liability, nor when it would be settled, for this reason a liability was not recognised. There was no possibility of any reimbursement.

Subsequent to year end, and as announced on SENS on 1 July 2015, the vendors of Knife Capital have released Afdawn Group from these incentives.

Sandown legal fees

At the time that Elite acquired 100% of Elite Two from Sandown, Sandown took over debtors with a value of R14 337 165 (refer to note 7). The claims against those debtors will be pursued in Sandown's name. However, the costs of the legal proceedings will be shared equally by Elite and Sandown. If at least R10 million of this amount is collected, Elite will be paid a fee of 50% of the excess. However, Elite is not liable for any amount that is not collected.

With respect to the legal claims, no legal work had been done by the reporting date. Between 1 March 2015 and 31 August 2015, costs of R94 181 had been incurred. A contingent liability exists for possible future legal fees but the amount cannot be reliably determined.

Greenoaks third party liability

There is a further possible claim relating to Greenoaks (refer to notes 1.20 and 10). In an attempt to stop the transfer of Greenoaks from Blue Dot to Candlestick, the claimant applied for the liquidation of Blue Dot Properties in December 2010. The Group does not believe that this meets the definition of a liability. However, due to the nature of the dispute, no further information has been disclosed because such disclosure would seriously prejudice the position of the Group.

Notes to the Financial Statements
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39. Contingencies (continued)

Allegro Holdings Proprietary Limited ("Allegro")

Afdawn Group previously concluded a Memorandum of Understanding (28 February 2013) which will facilitate an amicable conclusion to the matter. Progress has been slow in this regard. Thus far the Company has not become aware of any information during its deliberations that will alter its conclusion reached previously. To the date of signing this report no claims have been received by Afdawn Group, nor has it been possible to establish any basis for a potential claim against Afdawn Group and therefore no provisions have been made for any such contingency.

40. Related parties

Relationships	
Subsidiaries	Refer to note 6
Subsidiaries loan accounts	Refer to note 11
Associates and equity accounted income from Elite Two	Refer to notes 17 and 7
Significant shareholder with borrowings	Sandown Capital Proprietary Limited refer to notes 17, 19, 28, 29 and 39
Significant shareholder controlled by a director who resigned before the year end	Vaalmac Proprietary Limited
Company controlled by a director providing services to the Group	Makalu Capital Proprietary Limited
Directors' loans and subsequent change	Refer to notes 20, 37 and 39
Penalty paid by a company controlled by a subsidiary company director R1.316 million	Elite Group 1 Proprietary Limited (refer to notes 25
Companies acquired	Refer to note 37
Liquidation of subsidiary	Refer to note 38
Executive and non-executive directors	Refer to directors' report
Key management	PJ Bezuidenhout (Resigned September 2013)
	DD Breedt
	GE Stoop (Resigned August 2014)
	DA Turner (Resigned August 2014)

Notes to the Financial Statements
continued

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

40. Related parties (continued)

Related party balances				
Loan accounts - Owing (to) by related parties				
Elite owes Sandown Capital Proprietary Limited	(12,933)	(12,486)	-	-
Elite owes Elite Two included in group loans in 2015	-	(2,067)	-	-
Related party transactions				
Value of shares issued to directors on acquisition of Knife Capital @ 9c per share				
EA Van Heerden (A)	3,000	-	3,000	-
JK Van Zyl	3,000	-	3,000	-
A Böhmert (A)	3,000	-	3,000	-
Cash paid to directors on acquisition of Knife Capital				
EA Van Heerden (A)	81	-	81	-
JK Van Zyl	81	-	81	-
A Böhmert (A)	81	-	81	-
Outstanding loans to directors on acquisition of Knife Capital				
EA Van Heerden (A)	406	-	406	-
JK Van Zyl	406	-	406	-
A Böhmert (A)	406	-	406	-
Rent (received from) paid to related parties				
Afdawn	(303)	(1,541)	(303)	(1,541)
African Dawn Debt Management Proprietary Limited	-	245	-	245
Elite	149	1,296	149	1,296
Grindstone	54	-	54	-
Knife Capital	100	-	100	-
Administration fees (received from) paid to related parties				
African Dawn Wheels Proprietary Limited	-	(330)	-	(330)
Afdawn	-	330	-	330
Commission (received from) paid to related parties				
African Dawn Wheels Proprietary Limited	21	27	-	-

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

40. Related parties (continued)

Elite	(217)	(192)	-	-
Nexus	196	165	-	-
Interest (received)/paid from related parties				
Afdawn	(31)	-	(31)	-
Elite	31	-	31	-
Interest (received)/paid from related parties				
50,000,00 shares issued as underwritter @ 8c per share	4,000	-	4,000	-
Underwritters fee paid cash	80	-	80	-
WJ Groenewald related party transaction				
Knife Capital Group due dilligence fee - via Makalu Capital Proprietary Limited	150	-	150	-
Compensation to key management including directors				
Compensation	9,552	9,506	-	-

(A) The directors indicated became directors of the Company after the acquisition of Knife Capital.

41. Directors' emoluments (R'000)

Executive

2015	Emoluments	Bonus	Directors' fees for services as directors' of subsidiaries	Total
WJ Groenewald	1,200	527	-	1,727
JK Van Zyl	-	-	1,345	1,345
EA Van Heerden	1,200	142	-	1,342
A Böhmert	-	-	1,347	1,347
	2,400	**669**	**2,692**	**5,761**

2014	Emoluments	Other benefits	Medical aid	Leave paid out	Total
TF Kruger	1,559	-	-	441	2,000
JS Van der Merwe	1,000	-	-	69	1,069
GE Stoop	1,166	392	47	-	1,605
	3,725	**392**	**47**	**510**	**4,674**

Notes to the Financial Statements

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41. Directors' emoluments (R'000) (continued)

Non-executive

2015	**Directors' fees**	**Total**
HH Hickey	120	120
V Lessing	120	120
SM Roper	100	100
CM Bull	40	40
JS Van der Merwe	30	30
	410	**410**

2014	**Directors' fees**	**Total**
HH Hickey	150	150
WJ Groenewald	150	150
JK Van Zyl	90	90
V Lessing	80	80
WN Luhabe	40	40
L Taylor	60	60
CF Wiese	70	70
	640	**640**

42. Changes to prior year amounts

Prior year amounts have been restated (as indicated in note 43) and as explained below:

Discontinued operations

Elite – reclassification from discontinued to continuing operations

In 2014, and in line with the new vision for the Group, management decided to discontinue the personal and short term financing division of the Elite group which included Elite and Elite Cell.

The directors were in discussion with potential buyers for the acquisition of Elite and Elite Cell. At that point these were therefore classified as discontinued operations and Elite, classified as non-current asset held for sale. A contract for the sale of Elite was concluded in May 2014, but thereafter the buyers were in breach of the contract and the contract was cancelled resulting in a penalty being paid to Afdawn Group for a breach of contract (refer to notes 15 and 25).

One of the requirements relating to the classification as a non-current asset held for sale in IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, is that the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. However, at 28 February 2015, this requirement was no longer met and therefore these operations are no longer classified as discontinued.

The results of Elite have therefore been reclassified from discontinued operations to continuing operations, for both the current (2015) and prior periods. The amounts for prior periods are described as having been re-presented.

At the date of the subsequent decision not to sell, the recoverable amount of the Elite group was assessed in accordance with IAS 36 – Impairment of Assets. This resulted in no impairment being recognised. Refer to note 15 .

Nexus - reclassification from discontinued to continuing operations

In line with the new vision for the Group as outlined above, Nexus was also classified as a discontinued operation in 2014. However, in 2015 Nexus has been classified as continuing and also reclassified to continuing operations for 2014. This is because Nexus is not a major line of business (given the fact that the business of the Elite group is the same). During 2015, Nexus went into liquidation (refer notes 25 and 38 that reflect a gain on disposal of R3 231 000).

42. Changes to prior year amounts (continued)

Material prior period errors and other reclassifications

The prior year amounts have been restated for material prior period errors and additional items that have been reclassified as explained below:

Prior period errors

Reclassification within trade and other receivables (2014)

In the prior years, certain debtors that were classified as other receivables in the separate (i.e. company) financial statements of Afdawn were classified as trade receivables on consolidation. In the separate financial statements, the debtors were fully written off and therefore shown as nil. However, on consolidation the gross amount due and an impairment were separately disclosed.

These have been retrospectively reclassified on consolidation. There is no impact on the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity or the statement of cash flows because the debtors were fully impaired. The impact is included in the impairment as disclosed within note 12.

Elite trade receivables - doubtful debt impairment error (2014 and 2013)

A material prior period error relating to the additional impairment of loans in Elite was discovered during the year.

Part of the credit management process within Elite involves managing debtors within one of three books:
- Current book – includes debtors that are paying within their credit terms as well as those that are up to 75 days overdue where after they are transferred to the collections book.
- Collections book – debtors remain in collections and will move through the ageing brackets with provisions recognised at varying percentages until they are 180 days overdue at which point they are fully written off unless:
  - The debtor was previously written off because it was sequestrated or deceased; or
  - The debtor was transferred to the legal book.
- Legal book – includes debtors transferred from the collections book when the debtors have the following legal status:
  - A debt pack has been signed that would lead to an emolument attachment order; or
  - The debtor is placed under administration; or
  - The debtor is placed under debt review.

Debtors are written off in the legal book once deceased, sequestrated or the emoluments attachment order has lapsed.

Elite has specific percentages that are used to calculate the provision based on the ageing of the debtors. These are outlined below:
- Current book – 0% progressing to 30% and then, if required, transferred to the collections book;
- Collections book – 45% progressing to 90% and then, if required, either written off or transferred to the legal book;
- Legal book – 30% progressing to 90% and then written off if required.

In certain circumstances, the debtors that had been moved from the current book to the collections book (or from the collections book to the legal book) were re-aged. For example, a debtor that was 75 days overdue in the current book would be transferred to the collections book with the same ageing as that in the current book being retained initially. However, when a promise to pay was received from the debtor, or the debtor was flagged as being traced or a debt management agreement was entered into with the debtor, the debtor was re-aged to current. The impact of this re- ageing meant that instead of a higher percentage being recognised as provision because the debtor fell into an older ageing bracket, a lower percentage was used because it appeared that the debtor was current. As a result, a material prior period error has occurred.

In order to determine the extent of the material prior period error, the Board appointed an independent third-party to assist with the re-ageing and calculation of the impairment in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

42. Changes to prior year amounts (continued)

The board also initiated a thorough investigation to ascertain the full scope of the material prior period error. This investigation included a legal due diligence into the historic business operations of Elite. No other issues arose as a result of the due diligence.

The Company did not recognise any taxation during 2014 and 2013 and does not recognise deferred tax on assessed losses because it does not meet the requirements in IAS 12. As a result, the prior year adjustment has no impact on tax or deferred tax.

R3,547,000 was recognised as an impairment against non-current assets held for sale, however the impairment related to the trade receivables in Elite. The impairment error of R14,188,000 includes the impairment for the R3,547,000.

Elite Two error (2014) and (2013)

An assessment of the relationship between Elite and Elite Two revealed that Elite had significant influence over Elite Two from 2011 until it obtained control in November 2014. This is because Elite had the right to appoint two of the four directors despite it holding no shares in Elite Two. In light of the fact that Elite had not previously accounted for any investment in an associate, no equity accounted earnings relating to Elite Two were recognised in 2012, 2013 and 2014.

Instead, a cumulative management fee of R2,259,181 was recognised in 2014. This is therefore a material prior period error which has been retrospectively restated. This resulted in R787,247 being recognised as profit from equity account investment in 2013 and R 1,471,931 in 2014.

Elite Two became a subsidiary in November 2014 when 100% of the share capital was purchased from Sandown Capital Proprietary Limited in terms of a purchase agreement. The Company is now consolidated by Afdawn Group. Refer to note 37 for information on the deemed disposal of the associate and the acquisition of the subsidiary.

The Company did not recognise any taxation during 2014 and 2013 and does not recognise deferred tax on assessed losses because it does not meet the requirements in IAS 12. As a result, the prior year adjustment has no impact on tax or deferred tax.

Elite Cell error (2014)

A contract was entered into with Guardrisk insurance company to insure unsecured receivables via a closed cell captive. Elite is the owner of the cell captive and bears all the risk if the cell captive does not have sufficient reserves to settle claims.

The cell captive should have been included in the annual financial statements of Elite. Therefore a prior period error has occurred in Elite.

The Company did not recognise any taxation during 2014 and does not recognise deferred tax on assessed losses because it does not meet the requirements in IAS 12, as a result, the prior year adjustment has no impact on tax or deferred tax.

Non-cash items in the cash flow statement (2014)

Several non-cash items were not adjusted against the loss from operations to arrive at the cash generated from operations. These have subsequently been adjusted.

This prior year adjustment has no impact on tax or deferred tax.

Reclassification Elite Two

The loan between Elite and Elite Two was originally classified as other financial assets in 2013 but in 2014 was reclassified as a borrowing. To enhance comparability the amount of R4,192 has been reclassified as borrowings in 2013.

Notes to the Financial Statements

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42. Changes to prior year amounts (continued)

Reclassifications in the cashflow statement (2014)

In 2014 the cash flow statement disclosed cash movements in group loans in the investing activities section. However, the loans are of a financing nature and have therefore been reclassified to financing activities.

In 2014 the finance lease movement disclosed in financing activities did not exclude the interest paid which should have been classified in cash generated from operating activities. The interest paid has therefore been reclassified.

In 2014 depreciation and amortisation were correctly adjusted as a non-cash flow within one line. In order to permit reconciliation to the relevant notes, these have been split in 2015 and the comparative amounts restated.

The effects of the restatements affected most line items in the primary financial statements and are explained further in note 43.

The impact of the 2014 restatements on loss and loss per share as well headline loss and headline loss per share is as follows:

Loss per share continued operations 2014	**Gross amount R'000**	**Tax effect R'000**	**EPS effect in cents per share**
Loss as previously reported	(17,126)	-	(3.37)
Adjustments	-	-	-
Elite impairment error (A)	(6,733)	-	(1.27)
Elite Two error (A)	(787)	-	(0.15)
Impairment reclassification (B)	3,547	-	0.67
Reclassification of discontinued operation to continued	(731)	-	(0.14)
Elite Cell should be included in discontinued	17	-	-
Weighted average adjustment for rights issue 2015 (C)	-	-	0.15
	(21,830)	**-**	**(4.11)**

Loss per share discontinued operations 2014	**Gross amount R'000**	**Tax effect R'000**	**EPS effect in cents per share**
Loss as originally stated	(2,714)	-	(0.53)
Elite reclassified into operations (D)	348	-	0.07
Nexus reclassified into operations (D)	383	-	0.07
Weighted average adjustment for rights issue 2015 (C)	-	-	0.02
	(1,983)	**-**	**(0.37)**

42. Changes to prior year amounts (continued)

Headline loss per share from continued operations 2014	Gross amount R'000	Tax effect R'000	EPS effect in cents per share
Headline loss as previously reported	(13,268)	-	(2.61)
Adjustments	-	-	-
Elite impairment error (A)	(6,733)	-	(1.27)
Elite Two error (A)	(787)	-	(0.15)
Impairment reclassification (B)	3,547	-	0.67
Reclassification of discontinued operation to continued	(731)	-	(0.14)
Reversal of previous headline earnings adjustments:			
Impairment of non-current asset held for sale (B)	(3,547)	-	(0.67)
Non-current asset held for sale (E)	(311)	-	(0.06)
Elite impairment error (A)	(6,733)	-	(1.27)
Impairment reclassification to Elite error	3,546	-	0.66
Elite Two error (A)	(787)	-	(0.15)
Reclassification of discontinued operations to continued error	(731)	-	(0.14)
Weighted average adjustment for rights issue 2015 (C)	-	-	0.12
	(21,830)	**-**	**(4.11)**

Headline loss per share from discontinued operations 2014	Gross amount R'000	Tax effect R'000	EPS effect in cents per share
As originally stated	(2,714)	-	(0.53)
Elite reclassified into operations (D)	348	-	0.07
Nexus reclassified into operations (D)	383	-	0.07
Weighted average adjustment for rights issue 2015 (C)	-	-	0.02
	(1,983)	**-**	**(0.37)**

(A) The prior period errors have no tax effect as the Company already has a tax loss and does not recognise the deferred tax assets on assessed losses.

(B) This relates to an additional impairment for trade receivables that were included as part of the disposal group classified as a non-current asset held for sale. It is therefore not an excluded remeasurement and does not have a tax effect.

(C) This relates to the rights issue that took place in the 2015 year – refer to note 48.

(D) The discontinued operations have no tax effects.

(E) This relates to a loss relating to property in possession (i.e. security repossessed when the debtors could not settle the amounts owed). Refer to note 15. It is therefore not an excluded remeasurement.

Notes to the Financial Statements

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43. Comparative amounts

The effects of the restatements and reclassifications explained in note 42 affected most disclosure items indicated in the following tables:

Statement of Financial Position
2014

	As originally stated	Elite reclassified	Elite debtors impairment error	Elite Two error	Elite Cell error	Impairment reclassified	Total
Property, plant and equipment	92	950	-	-	-	-	1,042
Intangible assets	-	2,844	-	-	-	-	2,844
Other financial assets - current	-	193	-	(193)	1,554	-	1,554
Tax receivable	95	-	-	-	-	-	95
Investment in associate	-	-	-	2,259	-	-	2,259
Trade and other receivables	19,497	53,216	(14,188)	-	-	-	58,525
Cash and cash equivalents	1,084	4,274	-	-	-	-	5,358
Non-current assets held for sale and assets of disposal groups	59,766	(61,759)	-	-	(1,554)	3,547	-
Accumulated loss	(241,223)	-	(13,844)	-	-	3,547	(251,520)
Borrowings - non-current	8,844	-	-	-	-	-	8,844
Finance lease liabilities non-current	-	194	-	-	-	-	194
Borrowings - current	7,893	16,943	-	2,066	-	-	26,902
Current tax payable	18,226	(53)	(344)	-	-	-	17,829
Finance lease obligation - current	-	87	-	-	-	-	87
Operating lease liability	174	-	-	-	-	-	174
Trade and other payables	6,198	3,083	-	-	-	-	9,281
Liabilities on disposal groups	20,535	(20,535)	-	-	-	-	

Notes to the Financial Statements

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43. Comparative amounts (continued)

Statement of Comprehensive Income
2014

	As originally stated	Elite reclassified	Elite debtors impairment error	Elite Two error	Nexus reclassified	Impairment reclassified	Total
Revenue	6,079	28,855	-	-	802	-	35,736
Gross profit	6,079	28,855	-	-	802	-	35,736
Other income	34	922	-	-	3	-	959
Operating expenses	(21,474)	(27,389)	(6,733)	(2,259)	(1,188)	3,547	(55,496)
Operating (loss)/profit	(15,361)	2,388	(6,733)	(2,259)	(383)	3,547	(18,801)
Investment income	77	3	-	-	-	-	80
Finance costs	(1,124)	(2,739)	-	-	-	-	(3,863)
Profit from equity accounted investment	-	-	-	1,472	-	-	1,472
Reversal of non-current assets held for sale Impairment	(311)	-	-	-	-	-	(311)
(Loss)/profit before tax	(16,719)	(348)	(6,733)	(787)	(383)	3,547	(21,423)
Taxation	(407)	-	-	-	-	-	(407)
(Loss) profit from continuing operations	(17,126)	(348)	(6,733)	(787)	(383)	3,547	(21,830)
(Loss)/profit from discontinued operations	(2,714)	348	-	-	383	-	(1,983)
(Loss)/profit for the Year	(19,840)	-	(6,733)	(787)	-	3,547	(23,813)

Statement of changes in equity
2014

	As originally stated	Elite reclassified	Elite debtors impairment error	Elite Two error	Impairment reclassified	Total
Accumulated (loss)/profit	(19,840)		(6,733)	(787)	3,547	(23,813)

Statement of Financial Position
2013

	As originally stated	Elite reclassified	Elite debtors impairment error	Elite Two error	Nexus reclassified	Total
Investment in associate	-	-	-	787	-	787
Trade and other receivables	83,340	-	(7,455)	-	-	75,885
Total assets	121,542	-	(7,455)	787	-	114,874
Accumulated loss	(221,383)	-	(7,111)	787	-	(227,707)
Current tax payable	18,709	-	(344)	-	-	18,365
Total equity and liabilities	121,542	-	(7,455)	787	-	114,874

Notes to the Financial Statements
continued

43. Comparative amounts (continued)

Statement of Comprehensive Income
2013

	As originally stated	Elite Group reclassified	Nexus reclassified	Elite impairment error	Elite Two error	Total
Revenue	6,458	26,745	286	-	-	33,489
Cost of sales	142	(399)	-	-	-	(257)
Gross profit	6,600	26,346	286	-	-	33,232
Other income	570	1,095	-	-	-	1,665
Operating expenses	(10,655)	(22,753)	812	(7,455)	-	(40,051)
Operating (loss)/profit	(3,485)	4,688	1,098	(7,455)	-	(5,154)
Investment income	553	67	-	-	-	620
Finance costs	(1,175)	(1,111)	-	-	-	(2,286)
Profit from equity accounted Investment	-	-	-	-	787	787
(Loss)/profit before taxation	(4,107)	3,644	1,098	(7,455)	787	(6,033)
Taxation	(166)	(461)	-	344	-	(283)
(Loss)/profit from continuing Operations	(4,273)	3,183	1,098	(7,111)	787	(6,316)
Profit/(loss) from discontinued Operations	2,163	(3,183)	(1,098)	-	-	(2,118)
(Loss)/profit for the year	(2,110)	-	-	(7,111)	787	(8,434)

Statement of changes in equity 2013

	As originally stated	Elite Group reclassified	Elite impairment error	Elite Two error	Nexus Reclassified	Total
Accumulated loss	(221,383)	-	(7,111)	787	-	(227,707)

44. Risk management

Risk Management

Definitions

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

- Credit risk – the risk that the Group may not recover amounts it is owed (debit balances - receivables, bank, debit loans).
- Liquidity risk – the risk that the Group may not be able to pay an amount as it becomes due.
- Interest rate risk
  - Cash flow interest rate risk – the risk that the cash flows will change because the interest rate has changed.
  - Fair value interest rate risk – the risk that the fair value of the instrument will change because the interest rate has changed.
  - Not exposed to interest rate risk.
- Equity price risk - the risk that the cash flows or fair value of the instrument will change because the share price has changed.
- Commodity price risk - the risk that the cash flows or fair value of the instrument will change because the commodity price has changed.
- Foreign exchange / currency risk - the risk that the cash flows or fair value of the instrument will change because the foreign exchange price has changed.

Notes to the Financial Statements

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44. Risk management (continued)

Concentrations of risk

There are no concentrations of risks.

Exposure

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

Financial instrument	Credit risk	Liquidity risk	Cashflow interest rate risk	Fair value interest rate risk	Non-interest rate risk
Other financial assets	Yes	No	No	No	Yes
Properties in possession	No	No	No	No	No
Loans to group companies	Yes	No	No	Yes*	No
Trade receivables	Yes	No	Yes	No	No
Other receivables	Yes	No	No	Yes*	Yes
Cash and cash equivalents	Yes	No	Yes	No	No
Borrowings	No	Yes	Yes	Yes*	Yes
Finance lease liability	No	Yes	Yes	No	No
Convertible bond	No	No	Yes	No	No
Loans from group companies	No	Yes	No	No	Yes
Loans from directors	No	Yes	No	Yes	No
Operating lease liabilities	No	Yes	No	No	No
Trade payables	No	Yes	No	No	Yes

- Balances that are either interest free or where interest is earned / paid at less than a market related rate. From an operational perspective, there is no interest rate risk. However, from an IFRS perspective, these loans are discounted and deemed interest income / expense is recognised. Therefore such loans give rise to fair value interest rate risk.

Management of risk

Cashflow is monitored very closley on a continuous basis.
Credit risk is very closley managed in accordance with the basis as disclosed in the accounting policy 1.17.

Notes to the Financial Statements

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44. Risk management (continued)

Analysis of the statement of financial position

No financial instruments are classified as held to maturity, available for sale or at fair value through profit and loss. The statement of financial position is analysed in the table below:

Group 2015 R'000

	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance statement of financial position
Property, plant and equipment	-	-	937	937
Goodwill	-	-	8,076	8,076
Intangible assets	-	-	6,479	6,479
Other financial assets current	724	-	-	724
Properties in possession	22,968	-	-	22,968
Trade and other receivables	39,462	-	373	39,835
Cash and cash equivalents	15,397	-	-	15,397
Share capital and share premium	-	-	(313,943)	(313,943)
Accumulated loss	-	-	284,532	284,532
Loans from directors non-current	-	(1,535)	-	(1,535)
Deferred tax	-	-	(1,365)	(1,365)
Borrowings non-current	-	(13,298)	-	(13,298)
Finance lease liabilities non-current	-	(60)	-	(60)
Current tax payable	-	-	(14,840)	(14,840)
Borrowings current	-	(17,782)	-	(17,782)
Finance lease liabilities current	-	(122)	-	(122)
Loans from directors current	-	(3,777)	-	(3,777)
Operating lease liability	-	-	(23)	(23)
Trade and other payables	-	(4,019)	(7,710)	(11,729)
Deferred income	-	-	(474)	(474)

Group 2014 R'000

	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance statement of financial position
Property, plant and equipment	-	-	1,042	1,042
Intangible assets	-	-	2,844	2,844
Investments in associate		-	2,259	2,259
Other financial assets current	1,554	-	-	1,554
Property in possession		-	24,748	24,748
Trade and other receivables	58,052	-	473	58,525
Current tax receivable	-	-	95	95
Cash and cash equivalents	5,358	-	-	5,358
Share capital	-	-	(284,634)	(284,634)
Accumulated loss	-	-	251,520	251,520
Borrowings non-current	(8,844)	-	-	(8,844)
Finance lease liabilities non-current	(194)	-	-	(194)
Current tax payable	-	-	(17,829)	(17,829)
Borrowings current	-	(26,902)	-	(26,902)
Finance lease liabilities current	-	(87)	-	(87)
Operating lease liability	-	-	(174)	(174)
Trade and other payables	-	(4,232)	(5,049)	(9,281)

Notes to the Financial Statements

continued

44. Risk management (continued)

Company 2015

	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance statement of financial position
Property, plant and equipment	-	-	183	183
Investment in subsidiaries	-	-	15,877	15,877
Loans to group companies current	26,896	-	-	26,896
Trade and other receivables	1,096	-	-	1,096
Cash and cash equivalents	10,608	-	-	10,608
Share capital and share premium	-	-	(313,943)	(313,943)
Accumulated income	-	-	287,491	287,491
Loans to directors non-current	-	(1,535)	-	(1,535)
Loans from group companies current	-	(6,932)	-	(6,932)
Current tax liability	-	-	(7,805)	(7,805)
Borrowings current	-	(1,658)	-	(1,658)
Loans from directors current	-	(3,777)	-	(3,777)
Operating lease liability	-	-	(23)	(23)
Trade and other payables	-	(883)	(5,595)	(6,478)

Company 2014

	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance statement of financial position
Property, plant and equipment	-	-	85	85
Investments in subsidiaries	-	-	8,601	8,601
Loans to group companies current	46,473	-	-	46,473
Trade and receivables	2,151	-	-	2,151
Cash and cash equivalents	397	-	-	397
Share capital and share premium	-	-	(284,634)	(284,634)
Accumulated loss	-	-	247,939	247,939
Loans from group companies current	-	(6,943)	-	(6,943)
Current tax payable	-	(6,728)	-	(6,728)
Borrowings current	-	(1,663)	-	(1,663)
Operating lease liabilities	-	(174)	-	(174)
Trade and other payables	-	(1,792)	(3,712)	(5,504)

The Group has not:

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

Collateral

- The Group holds cessions and sureties as security on certain trade debtors. The Group also holds cash security deposits on property rentals agreements.
- None of the security has been ceded to other parties during the financial year.

Notes to the Financial Statements

continued

44. Risk management (continued)

Group 2015 R'000

	Carrying amount	Security held
Trade and other receivables for which collateral is held	11,972	9,361

Group 2014 R'000

	Carrying amount	Security held
Trade and other receivables for which collateral is held	12,200	9,664

- The Group has not taken possession of any collateral it holds in 2015 and 2014. The Company does not hold any collateral against trade and other receivables.

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

No financial instruments are classified as held to maturity, available for sale or at fair value through profit or loss. The SOCI is analysed below:

Group 2015 R'000

	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance SOCI
Interest income - normal and deemed	16,514	92	2	16,607
Interest income - on impaired financial assets	7,639	-	-	7,639
Interest expense normal and deemed	-	3,131	3932	7,063
Impairment	(2,307)	-	2,902	(595)
Gains/losses	-	-	-	-

Group 2014 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance SOCI
Interest income - normal and deemed	22,865	7	68	22,942
Interest income - on impaired financial assets	4,523	-	-	4,523
Interest expense normal and deemed	-	3,813	14	3,827
Impairment	23,705	-	-	23,705

Company 2015 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance SOCI
Interest income - normal and deemed	753	92	-	844
Interest expense normal and deemed	2,710	265	3,344	6,319
Impairment	17,058	-	-	17,058

Company 2014 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance SOCI
Interest income - normal and deemed	72	-	7	79
Interest expense normal and deemed	-	185	-	185
Impairment	2,842	-	-	2,842

44. Risk management (continued)

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 IAS 39).
- Placing deposits with banks - the maximum exposure to credit risk is the carrying amount of the related financial assets.
- Granting financial guarantees - the maximum exposure to credit risk is the maximum amount the Group could have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability or contingent liability. The maximum exposure as a result of such contracts is disclosed in note 47.

Collateral

The following collateral is held as security:

Group R'000	2015		2014	
	Carrying amount	Security held	Carrying amount	Security held
Trade receivables for which collateral is held	11,972	9,361	12,200	9,664

The Company did not hold any collateral in 2015 or 2014.

Amount of impairment for each class of financial asset:

Group R'000	Amount of impairment 2015	Amount of impairment 2014
Trade receivables (refer to note 12)	64,325	102,313
Other financial assets (refer to note 8)	462	462
	75,309	**113,297**

Company R'000	Amount of impairment 2015	Amount of impairment 2014
Loans to group companies (refer to note 11 for reconciliation)	47,527	50,894

44. Risk management (continued)

Trade and other receivables - impairment reconciliation

Group	2015	2014
Opening balance	102,313	125,475
Transfer of gross trade debtors and impairment/reversal thereof to other receivables	-	(46,571)
Plus additional impairment provisions	12,999	11,781
Prior year error (refer to note 43)	-	14,187
Less actual write off	(10,140)	(2559)
Nexus disposal (refer to note 38)	(38,683)	-
	66,489	**102,313**

The Company does not have a provision for impairment

Analysis of financial assets that are neither past due nor impaired

Group 2015 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	15,926	381	39	1,423

Group 2014 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	15,771	759	49	7,323

Company 2015 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	-	-	-	-

Company 2014 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	-	-	-	-

Ageing of those financial assets that are impaired:

Group 2015 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	5,893	5,000	2,974	70,117

Group 2014 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	14,202	3,824	2,589	106,252

Ageing of those financial assets that are passed due but not impaired

Group 2015 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	19	89	10	53
Other receivables	-	-	-	-

Group 2014 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	7,984	65	7	35

Company 2015 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	-	-	-	-

Company 2014 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	-	-	-	-

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

Notes to the Financial Statements

continued

44. Risk management (continued)

Group R'000	2015 Carrying amount	2015 Credit quality	2014 Carrying amount	2014 Credit quality
Other financial assets	724	High	1,554	High
Trade receivables	17,769	Medium	23,902	Medium
Cash and cash equivalents	15,397	High	5,358	High

Company R'000	Carrying amount	Credit quality	Carrying amount	Credit quality
Cash and cash equivalents	10,608	High	397	High

Renegotiated loans

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

Group R'000	Carrying amount of renegotiated loans 2015	Carrying amount of renegotiated loans 2014
Trade and other receivables	11,184	11,763

Company R'000	Carrying amount of renegotiated loans 2015	Carrying amount of renegotiated loans 2014
Other receivables	2,231	2,231

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44. Risk management (continued)

Liquidity risk

Group 2015 R'000	Not later than 1 month	1 month to 3 months	3 to 12 months	1 year to 3 years	More than 3 years
Borrowings	169	2,130	10,648	16,944	2,875
Finance lease liabilities		30	91	75	-
Loans from directors	61	182	487	4,582	-
Trade and other payables	2,785	353	285	3,558	-
	3,015	**2,695**	**11,511**	**25,159**	**2,875**

Group 2014 R'000	Not later than 1 month	1 month to 3 months	3 to 12 months	1 year to 3 years	More than 3 years
Borrowings	165	2,065	9,088	24,966	6,020
Finance lease liabilities	-	30	91	197	-
Trade and other payables	2,962	328	-	3,712	-
	3,127	**2,423**	**9,179**	**28,875**	**6,020**

Company 2015 R'000	Not later than 1 month	1 month to 3 months	3 to 12 months	1 year to 3 years	More than 3 years
Borrowings	-	-	1,750	-	-
Loans from group companies	-	-	6,932	-	-
Loans from directors	61	182	487	4,582	-
Trade and other payables	774	-	3,559	-	-
	835	**182**	**12,728**	**4,582**	**-**

Company 2014 R'000	Not later than 1 month	1 month to 3 months	3 to 12 months	1 year to 3 years	More than 3 years
Borrowings	-	79	1,829	-	-
Loans from group companies	-	-	6,943	-	-
Trade and other payables	1,793	-	3,712	-	-
	1,793	**79**	**12,484**	**-**	**-**

Interest rate risk

The sensitivity analyses below has been determined based on the exposure to interest rates for non-derivative instruments at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the statement of financial position date was outstanding for the whole year. A 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's loss for the period would change by R50 070 (2014: R85 887) (company: Rnil (2014: R17 000). The Group and company's sensitivity to interest rates has decreased during the current period mainly due to the restructuring in variable rate debt instruments (refer to note 17).

A 100 basis points increase would increase revenue on unsecured lending by an estimated R273 522 (2014: R372 773). A 100 basis points increase would increase finance costs on borrowings linked to prime by an estimated R223 452 (2014: R286 886) (refer to note 17).

45. Events after the reporting period

Non-adjusting events

SARS

Refer to note 13 and 22 for details of subsequent events relating to SARS. None of these events are adjusting events.

Delisting of treasury shares

On 1 December 2014, the board resolved to apply to the JSE Limited for the treasury shares (refer to note 16) to be de-listed. These shares were de-listed on 9 March 2015 and have therefore been disclosed as a non-adjusting event.

Knife Capital Group acquisition - revision of terms

Refer to note 1.20.

Elite recapitalisation

Afdawn will convert a portion of its shareholder loan into equity of Elite in November 2015. A Heads of Agreement has been signed with a third party who will acquire 51% of the economic interest of Elite by providing R15 000 000 of permanent capital, a further R15 000 000 of loan funding facility for 5 years and access to a client base. This will give Elite the ability to generate the required cash flow to fund operations, growth and other financial obligations.

46. Segment report

The segment information has been prepared in accordance with IFRS 8 - Operating Segments which defines the requirements for the disclosure of financial information of an entity's operating segments. IFRS 8 requires segmentation based on the Group's internal organisation and reporting of revenue and operating income based upon internal accounting methods.

The Group discloses its operating segments according to the components regularly reviewed by the chief operating decision-makers, being the executive directors. These amounts have been reconciled to the consolidated financial statements. The measures reported by the Group are in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements. Segment revenue excludes value added taxation and includes inter- segment revenue which is nil. Net revenue represents segment revenue from which intersegment revenue has been eliminated. Sales between segments are made on a commercial basis. Segment operating profit before capital items represents segment revenue less segment expenses. Segment expenses consist of operating expenses. Depreciation, amortisation and impairments have been allocated to the segments to which they relate.

The segment assets comprise all assets of the different segments that are employed by the segment and that are either directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

The Group's reportable segments are based on the following lines of business:

- Investment advisory and investment management

This segment consists of the Knife Capital Group which provides investment advisory and investment management services to entrepreneurial and innovative companies.

- Micro finance

This segment consists of Elite and Elite Two. These companies are involved in micro finance in the unsecured lending industry and have a wide base of customers (mostly individuals).

- Rentals of properties in possession

Notes to the Financial Statements

continued

46. Segment report (continued)

This segment consists of a residential complex with 76 units (a mix of 2 and 3 bedrooms), that are rented out on annual leases to individuals.

- Other

Other consists of the holding company together with other smaller entities not dealt with in other segments.

Segment information has been restated to comply with the segments identified above.

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

2015	Investment advisory and investment management R'000	Micro finance R'000	Rentals of properties in possession R'000	Other R'000	Total R'000
Revenue external	8,891	25,241	5,346	671	40,149
Revenue internal	-	-	-	-	-
Cost of sales	268	-	-	-	268
Other income	-	2,406	77	4,934	7,417
Investment income	30	1	2	702	735
Finance costs	2	2,590	818	5,223	8,633
Operating expenses	5,836	42,249	2,848	14,575	65,508
Impairment trade and other receivables (refer to note 12)	-	11,400	370	1,229	12,999
Bad debts actually written off	-	14,007	157	42,547	56,711
Fair value adjustments	-		-	2,000	2,000
Deemed interest expense	-	145	-	(35)	110
Equity accounted loss	-	2,259	-	-	2,259
Loss on sale of non-current assets	-	11	-	70	81
Loss on call up of NHFC guarantee(refer to note 26)	-	-	-	3,750	3,750
Depreciation and amortisation	33	875	-	1,274	2,182
Impairment of intangible assets	-	1,150	-	-	1,150
Profit/(loss) before taxation	2,804	(19,595)	259	(15,445)	(31,977)
Taxation	781	-	498	(244)	1,035
Discontinued operations	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive profit/(loss)	2,023	(19,595)	(239)	(15,201)	(33,012)
Segment total assets	4,617	32,173	20,886	36,740	94,416
Segment total liabilities	2,377	46,557	22,171	(6,100)	65,005
Intangible assets acquired	-	-	-	6,543	6,543
Goodwill	-	-	-	8,076	8,076
Property, plant and equipment acquired	81	44	1	220	346

Notes to the Financial Statements

continued

46. Segment report (continued)

2014	Investment advisory and investment management R'000	Micro finance R'000	Rentals of properties in possession R'000	Other R'000	Total R'000
Revenue external	-	28,856	5,109	1,771	35,736
Other income	-	922	20	17	959
Investment income	-	2	2	76	80
Finance costs	-	2,739	889	235	3,863
Operating expenses	-	36,398	2,866	16,232	55,496
Impairment trade and other receivables (refer to note 12)	-	16,916	247	8,804	25,967
Bad debts actually written off	-	922	121	340	1,383
Equity accounted profit	-	1,472	-	-	1,472
Loss on sale of non-current assets held for sale	-	-	-	311	311
Depreciation and amortisation	-	548	-	55	603
(Loss)/profit before taxation	-	(7,885)	1,375	(14,913)	(21,423)
Taxation	-	-	406	1	407
Discontinued operations	-	-	-	1,966	1,966
Total comprehensive profit/(loss)	-	(7,885)	969	(16,880)	(23,796)
Segment total assets	-	51,307	22,403	22,715	96,425
Segment total liabilities	-	46,502	23,449	(6,640)	63,311
Property, plant and equipment acquired	-	549	-	-	549
Intangible assets acquired	-	1,262	-	-	1,262

47. Guarantees

The Company has provided a guarantee to National Housing Finance Corporation for a loan facility of R25 million provided to Elite. The outstanding balance on the loan as at 28 February 2015 was R3.5 million (2014 R4.5 million). In terms of the guarantee Afdawn will assume responsibility for the loan if Elite defaults on the loan.

48. Loss per share

Basic and diluted loss per share

Basic loss per share and diluted loss per share are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares held as treasury shares (refer to note 16).

Notes to the Financial Statements

continued

48. Loss per share (continued)

	2015		2014	
Basic and diluted loss per share				
From continuing operations (c per share)	(3.84)	(4.11)	-	-
From discontinued operations (c per share)	-	(0.37)	-	-
	(3.84)	**(4.48)**	-	-
Reconciliation of loss for the year to basic and diluted loss				
Loss from continuing operations	(33,012)	(21,830)	-	-
Loss from discontinued operations	-	(1,983)	-	-
	(33,012)	**(23,813)**	-	
Reconciliation of weighted average number of ordinary shares used for basic and diluted loss per share and headline and diluted headline loss per share				
Number of ordinary shares in issue	508,184	508,184	-	-
Adjusted for:				
Rights issue	259,110	22,797	-	-
Shares issued Knife Capital Group acquisition 28 March 2014	92,603	-	-	-
Weighted average number of shares used for loss and headline loss per share	**859,897**	**530,981**	-	-

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Headline loss and diluted headline loss per share				
Headline loss per share continued (c)	(4.08)	(4.11)	-	-
Headline loss per share - discontinued (c)	-	(0.37)	-	-
	(4.08)	**(4.48)**		

Notes to the Financial Statements

continued

48. Loss per share (continued)

2015	Gross	Net
Loss from continuing operations		(33,012)
Loss from discontinued operations		-
Total loss for the year		(33,012)
Loss on disposal of property, plant and equipment	23	17
Impairment of intangible asset	1,150	1,150
Profit on disposal of subsidiary	(3,231)	(3,231)
Headline loss from continuing and discontinued operations		(35,076)

2014	Note	Gross	Net
Loss from continuing operations			(21,830)
Loss from discontinued operations	A		(1,983)
Total loss for the year			(23,813)
Loss on disposal of property, plant and equipment		1,000	720
Impairment of intangible asset		-	-
Profit on disposal of subsidiary		-	-
Headline loss from continuing and discontinued operations		-	(23 813)

(A) This relates to the trading loss for the year and is therefore not adjusted in calculating headline loss.

The effect of prior year errors on earnings and headline earnings per share is indicated in note 42.

49. Restrictions

Various contracts have restrictions in them that limit access to the assets by the Group. These restrictions are explained below:

2015 - Existing as at year end

Sandown Capital Proprietary Limited

No amounts can be paid to Afdawn by Elite until all amounts owing to Sandown Capital Proprietary Limited have been settled. The carrying amount of the liabilities is R14 222 000 (refer to note 17 which deals with borrowings owed to Sandown). There was no such restriction in 2014.

Candlestick

The Greenoaks property cannot be sold until such time as the dispute with the liquidator of Blue Dot Properties 1198 CC is resolved. The carrying amount is R19 828 000 (2014: R21 328 238). Refer to note 10.

Elite Cell

The cash in Elite Cell can only be accessed if a claim is submitted to Guardrisk or if Elite Cell declares a dividend. The carrying amount is R724 000 (2014: R1 554 000). Refer to note 8.

2014 - Existing as at year end

Elite Cell

The cash in Elite Cell can only be accessed if a claim is submitted to Guardrisk or if Elite Cell Captive declares a dividend. The carrying amount is R1 554 000. Refer to note 8.

Shareholders' Analysis

African Dawn Capital Limited : Shareholder Analysis Tables

Register date: 27 February 2015
Issued Share Capital: 880,270,597 shares

Shareholder Spread	No. of shareholders	%	No. of Shares	%
1 - 1 000 shares	281	11.85	158,852	0.02
1 001 - 10 000 shares	665	28.04	3,096,898	0.35
10 001 - 100 000 shares	828	34.91	36,689,291	4.17
100 001 - 1 000 000 shares	490	20.66	166,001,636	18.86
1 000 001 and over	108	4.55	674,323,920	76.60
Total	**2,372**	**100**	**880,270,597**	**100**

Distribution of Shareholders	No. of shareholders	%	No. of Shares	%
Banks	2	0.08	577,668	0.07
Brokers	9	0.38	7,661,436	0.87
Close Corporations	38	1.60	52,515,485	5.97
Endowment Funds	2	0.08	20,191	0.00
Individuals	2,174	91.65	556,274,724	63.19
Mutual Funds	4	**0.17**	**50,567,979**	**5.74**
Nominees and Trusts	79	3.33	29,609,118	3.36
Other Corporations	22	0.93	1,654,134	0.19
Own Holdings	1	0.04	3,268,324	0.37
Private Companies	41	1.73	178,121,538	20.23
Total	**2,372**	**100**	**880,270,597**	**100**

Public / Non - Public Shareholders	No. of shareholders	%	No. of Shares	%
Non - Public Shareholders	5	0.21	151,970,810	17.32
Own Holdings	1	0.04	3,268,324	0.37
Public Shareholders	2,366	99.75	725,031,463	82.31
Total	**2,372**	**100**	**880,270,597**	**100**

Beneficial shareholders holding of 2% or more	No. of Shares	%
Brown, NRO	80,000,000	9.09
Sandown Capital (Pty) Ltd	79,700,000	9.05
Shock Proof Investment 20 (Pty) Ltd	46,049,693	5.23
Flagship IP Flexible Value Fund	44,000,000	5.00
Böhmert, A	35,833,333	4.07
Van Heerden, EA	33,333,334	3.79
Van Zyl, JK	33,333,333	3.79
Toothrock Investments CC	20,105,386	2.28
Universal Pulse Trading 132 (Pty) Ltd	20,000,000	2.27
Arbores Investments (Pty) Ltd	18,500,000	2.10

Notice of Annual General Meeting

African Dawn Capital Limited

Incorporated in the Republic of South Africa
Registration number 1998/020520/06
ISIN: ZAE000060703

Notice of the Annual General Meeting of Shareholders

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.

Notice is hereby given that the annual general meeting of shareholders of African Dawn Capital Limited ("the Company" or "the Group") will be held on Friday, 15 January 2015 at 10:00 at the Company's offices at 202 Waterfront Terraces, Waterfront Road, Tygervalley Waterfront, Bellville, 7530, Western Cape, for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter.

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, 2008 (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, 27 November 2015. 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 Thursday, 31 December 2015. Accordingly, the last day to trade the Company's shares in order to be recorded in the Register to be entitled to vote will be Friday, 8 January 2016.

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 committee for the year ended 28 February 2015, the audited annual consolidated financial statements are available on the Company's website at www.afdawn.co.za: and
- To consider and, if deemed fit, approve, without modification, the following special and ordinary resolutions:

1. Ordinary Resolutions

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions. The percentage of voting rights that will be required for the adoption of each ordinary resolution is the support of more than 50% (fifty percent) of the voting rights exercised on the resolution. In the case of the special resolutions and the ordinary resolution number 7 the Listings Requirements of the JSE Limited ("JSE Listing Requirements") prescribe a 75% (seventy five percent) majority vote.

1.1. Ordinary Resolution Number 1 – Re-Election of Ms. V Lessing As A Director

Resolved that Ms. V Lessing who, in terms of Article 29.3.6 of the Company's Memorandum of Incorporation, retires by rotation at this 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. V Lessing

Vanya was appointed as an independent non-executive director of the Company on 29 May 2013. Vanya is the CEO 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 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 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 (WIN).

Notice of Annual General Meeting
continued

1.2. Ordinary Resolution Number 2 – Appointment of Mrs. H Hickey to the Audit and Risk Committee

Resolved that pursuant to the requirements of section 94(2) of the Companies Act, to appoint Mrs. H Hickey, a non-executive, independent director of the Company, as a member and Chairperson of the Audit and Risk Committee be and is hereby appointed, as recommended by the Board of Directors of the Company until the next annual general meeting of the Company.

Summary curriculum vitae of Mrs H Hickey

Hester was appointed as a non-executive director on 21 February 2011. She is a chartered accountant and consults to various companies specializing in risk and governance. She also performs the Board evaluation processes for the Institute of Directors. She is currently non-executive director and audit committee Chair for Omnia Holdings Limited, Pan African Resources Plc and a nonexecutive director of Cashbuild Limited. 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.

1.3. Ordinary Resolution Number 3 – 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, but subject to passing of ordinary resolution number 2 above, Ms. V Lessing, a non-executive independent director of the Company, be and is hereby appointed as a member of the Audit and Risk Committee as recommended by the Board of Directors of the Company until the next annual general meeting.

1.4. Ordinary Resolution Number 4 – Election of M.r 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, a non-executive independent director of the Company, be and is hereby appointed as a member of the Audit and Risk Committee of the Company, as recommended by the Board of Directors of the Company, until the next annual general meeting.

Stephen holds an Hons BCompt, PG Dip Tax Law, PG Dip Financial Policy, and is a chartered accountant with 26 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.

1.5. Ordinary Resolution Number 5 – Appointment of the Independent Registered 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, Grant Thornton be and is hereby re-appointed as the independent auditors of the Company for the financial year ending 28 February 2016, with Mr I Hashim being the individual registered auditor who has undertaken the audit of the Company for the ensuing financial year and to authorise the Audit and Risk Committee to determine the auditor's remuneration.

1.6. Ordinary Resolution Number 6 – Endorsement of the Remuneration Policy

Resolved that the shareholders endorse, on a non binding advisory basis, the Remuneration Policy of the Company.

Note: In terms of principle 2.27 of the King Report on Corporate Governance for South Africa ("King lll"), the Company's remuneration policy should be tabled to shareholders for a non-binding advisory vote at each Annual General Meeting. The remuneration policy is included in the Remuneration Report on pages 14 to 15 of the annual financial statements.

1.7 Ordinary Resolution Number 7 – 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 its subsidiaries and the JSE Listings Requirements as amended from time to time, such authority to remain in force until the next annual general meeting.

1.7 Ordinary Resolution Number 7 – General Authority to Issue Ordinary Shares for Cash (continued)

Note: The JSE Listings Requirements currently provide, inter alia, 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 the JSE Listings Requirements and not to related parties;
- the securities which are the subject of a general issue for cash may not exceed 5% (five percent) of the number of listed securities, excluding treasury shares, as at the date of this notice, being 43 850 113 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 43 850 113 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 issuer 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 issuer 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 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, 5% (five 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.

2. Special Resolutions

To consider and, if deemed fit, to pass, with or without modification, the following special resolutions. The percentage of voting rights that will be required for the adoption of each special resolution is the support of at least 75% of the voting rights exercised on the resolution.

2.1. Special Resolution Number 1 – Non-Executive Directors' Fees

Resolved that, as a special resolution, unless otherwise determined by the Company in general meeting, the following annual fees payable by the Company to its non-executive directors for their service as directors, with effect from 1 March 2015, be and hereby approved:

Non-executive Director's fees are increased from R120000.00 to R144000.00 due to the additional time required of them by the Company.

2. Special Resolutions (continued)

Explanatory note

Section 66(9) of the Companies Act requires that a company may pay remuneration to its directors for their services as directors for only in accordance with a special resolution approved by the shareholders of the Company within the previous two years.

2.2. Special Resolution Number 2 – General Approval to Acquire Own Shares

Resolved that, as a general approval by special resolution, the Company and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares of the Company in terms of, and subject to, the Companies Act, the Memorandum of Incorporation of the Company and its subsidiaries and the JSE Requirements, as amended from time to time.

The JSE Listings Requirements currently provide, inter alia, that:

- the acquisition of the ordinary shares must be effected through the order book operated by the JSE Limited ("JSE") trading system and done without any prior understanding or arrangement between the Company and the counter party;
- this general authority shall only 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 of passing of this special resolution;
- in determining the price at which the Company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- at any point in time, the Company may only appoint one agent to effect any acquisition/s on its behalf;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 10% (ten percent) of the Company's issued ordinary share capital;
- the Company may only effect the repurchase once a resolution has been passed by the board of directors of the Company ("the Board") confirming that the Board has authorised the repurchase, that the Company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the Group;
- the Company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period;
- an announcement will be published once the Company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

Explanatory note

Special resolution number 2 is to grant the Company a general authority for the Company and the Company's subsidiaries to acquire the Company's issued ordinary shares. There is no requirement in the Companies Act for shareholder approval unless the acquisition by the Company of any particular class of securities exceeds 5% of the issued shares of that class, either alone or together with other transactions in an integrated series of transactions, per section 48(8), 115 and 116 of the Companies Act, 2008.

It is the intention of the directors of the Company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it but subject at all times to the requirements of the Companies Act, the JSE Listings Requirements and the Memorandum of Incorporation of the Company.

2.3. Special Resolution Number 3 – Loans to Related Companies

Resolved that, as a special resolution, in terms of section 45 of the Companies Act, the Company be and is hereby authorised to provide , at any time and from time to time during the period of two years commencing on the date of this special resolution number 3, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation provided that:

- The Board from time to time, determine:
  - (i) The specific recipient or general category of potential recipients of such financial assistance;
  - (ii) The form, nature and extent of such financial assistance;
  - (iii) The terms and conditions under which such financial assistance is provided; and
- The Board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 3 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance.

Explanation

The reason for and effect of special resolution number 3 is to grant the Board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Companies Act, 2008, to a related or inter-related company or corporation.

This resolution is intended mainly to enable the Company to provide inter-company loans and guarantees within the Group.

3. Other Business

To transact such other business as may be transacted at an annual general meeting of shareholders.
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 above, to the extent that the directors, after considering the maximum number of shares to be repurchased, are of the opinion that the position of the Company would not be compromised as to the following:

- the Company's ability, in the ordinary course of business, to pay its debts for a period of 12 months after the date of this AGM and for a period of 12 months after the repurchase;
- the consolidated assets of the Company will, at the time of the AGM and at the time of making such determination, be in excess of the consolidated liabilities of the Company. 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 Company;
- the ordinary capital and reserves of the Company, after the purchase, will remain adequate for the purpose of the business of the Company for a period of 12 months after the AGM and after the date of the share repurchase; and
- the working capital available to the Company, after the repurchase, will be sufficient for the Company's ordinary business purposes for a period of 12 months after the date of the notice of the AGM.

General information in respect of major shareholders, material changes and the share capital of the Company is set out on page 87 and 128 of the annual financial statements that are 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 of the Company 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 the notice contains all information required by the JSE Listings Requirements.

3. Special resolution numbers 2 and 3 are renewals of resolutions made at the previous annual general meeting on 12 December 2014.

Notice of Annual General Meeting
continued

3. Other Business (continued)

Attendance And Voting By Shareholders Or Proxies

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, 70 Marshall Street, Johannesburg, 2001, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by no later than 09:00 on Wednesday, 13 January 2016 (or 48 (forty-eight) hours before any adjournment of the Annual General Meeting which date, if necessary, will be notified on SENS).

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.

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.

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. Shareholders or their proxies may participate in the meeting by way of a teleconference call and, if they wish to do so:
- must contact the Company Secretary: alun@statucor.co.za or +27 21 460 6477;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

  Please note that shareholders or their proxies will not be entitled to exercise voting rights at the meeting by way of teleconference call; a shareholder or proxy has to be physically present at the meeting in order to vote.

Voting Exclusions

Equity securities held by a share trust or scheme, and unlisted securities 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 reasonably satisfactory identification at the 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 valid 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
Company Secretary
AFRICAN DAWN CAPITAL LIMITED

Form of proxy

African Dawn Capital Limited

Incorporated in the Republic of South Africa
Registration number 1998/020520/06
Share code: ADW Ordinary Share - ISIN: ZAE000060703
(African Dawn" or "the Company")

For the use of shares 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, African Dawn Capital Ltd, 202 Waterfront Terraces, Waterfront Road, Tygervalley Waterfront, Bellville, 7530, 15 January 2016 at 09h00 ("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 which will be held on Monday, 15 January 2016 at 09h00 in the boardroom of African Dawn Capital Ltd at 202 Waterfront Terraces, Waterfront Road, Tygervalley Waterfront, Bellville, 7530 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).

Form of proxy
continued

Directors	Number of votes (one per shares) Changes		
	For	Against	Abstain
Ordinary resolution 1 To re-elect as director V Lessing			
Ordinary resolution 2 To elect as Audit Committee member H Hickey			
Ordinary resolution 3 To elect as Audit Committee member V Lessing			
Ordinary resolution 4 To elect as Audit Committee member S Roper			
Ordinary resolution 5 To confirm the re-appointment of Grant Thornton as independent auditors of the Company and the Group and I Hashim as the designated audit partner for the 2016 financial year			
Ordinary resolution 6 Approval of the Company's remuneration policy and its implementation			
Ordinary resolution 7 To authorise the directors to issue shares for cash			
Special resolution 1 Remuneration of non-executive directors			
Special resolution 2 General Approval To Aquire Own Shares			
Special resolution 3 Loans or other financial assistance to related companies			

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

Signed at ______________________ on ______________________ 2015 / 2016

Signature ____

Assisted by (where applicable) ______________________________________

Form of proxy
continued

Notes to the proxy form

1. A 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.
2. A 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 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. An alteration or correction made to this form must be initialled by the signatory/ies.
4. 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 transfer secretaries or waived by the Chairman of the annual general meeting.
5. The completion and lodging of this form 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.
6. 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.
7. 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.
8. 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).

Forms of proxy must be lodged with or posted to the Company's transfer secretaries' offices in Johannesburg (Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001; PO Box 61051, Marshalltown, 2107) to be received no later than 09h00 on Wednesday 13 January 2016

Shareholders' Diary

Financial year end	28 February 2015
Declaration of final ordinary share cash	N/A
Publication of financial results for the year	20 November 2015
Ordinary share cash dividend	
Last day to trade "CUM" dividend	N/A
Trading "EX" dividend commences	N/A
Record date	N/A
Payment date	N/A
Annual Report posted to shareholders	30 November 2015
Annual general meeting	15 January 2016
Publication of interim results	December 2015

Corporate information

DIRECTORS as at 20 November 2015

WJ Groenewald * • HH Hickey # • V Lessing # • JK van Zyl * • SM Roper # • A Böhmert * • EA van Heerden *

* Executive # Independent non-executive

Please refer to page 6 and 7 for further details on each director.

AUDITORS

Grant Thornton Cape Inc

COMPANY REGISTRATION NUMBER

1998/020520/06

DOMICILE

Republic of South Africa

SECRETARY

A Rich (on behalf of Statucor Proprietary Limited)

REGISTERED OFFICE

202 Waterfront Terraces, Waterfront Road, Bellville, 7530

POSTAL ADRESS

PO.Box 5405, Tygervalley, 7536

COUNTRY OF INCORPORATION

Republic of South Africa

TRANSFER SECRETARY

Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg 2001

PO Box 61051, Marshalltown, 2107

BANKERS

Absa Bank Limited

First National Bank Limited

TELEPHONE

(021) 914 5566

DESIGNATED ADVISOR

PSG Capital

ENQUIRIES

info@afdawn.co.za

Notes