



African Dawn Capital Limited
(Registration Number 1998/020520/06)
Consolidated and Separate Annual Financial Statements
for the year ended 29 February 2024

African Dawn Capital Limited

(Registration Number 1998/020520/06)

Consolidated and Separate Annual Financial Statements for the year ended 29 February 2024

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General Information

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



G Hope CA(SA)
Chief Financial Officer



Dylan Kohler Professional Accountant (SA)

African Dawn Capital Limited

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Report of the Audit Committee

Introduction

The Audit Committee (“the Committee”) has pleasure in submitting its report, as required by section 94 of the Companies Act, 2008, and by the JSE Listings Requirements. The Committee acts for Afdawn Group 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 IV requirements.

The Committee was re-appointed by the AGM on the 29 September 2023.

Committee report

The Committee continues to focus on ensuring effective operation, through sound control and compliance. In the period under review the Committee has focused its attention on the critical risks facing the Group and sustainability of the Group. It has been another difficult year and cash flow was a particular concern with the directors assisting the Group to remain liquid. The Group does not have an internal audit function and the policy is to obtain external specialists to review areas of concern.

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 refer to note 3.1.1 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.

The Committee has reviewed the Key Audit Matters in the Auditors report and confirm that they agree with the issues that have been raised.

1. Purpose

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

- the integrity of the financial statements;
- the effectiveness of internal control over financial reporting;
- independence and qualification of the independent registered auditor;
- the Company’s compliance with legal and regulatory requirements;
- approving the expertise of the financial director; and
- review of the Key Audit Matters and confirm that they concur with the issues the Committee believe are important.

2. Audit Committee Members and Attendance

The members of the Committee consist of one independent non-executive director and one is a non-executive director of the Group and includes:

| <i>Name</i> | <i>Qualification</i> |
|--------------|----------------------|
| Mr B Stagman | CA(SA) |
| Mr S Blieden | CFA |

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.

The 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. The Committee held several meetings during the period. The attendance of the meetings is set out below:

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Report of the Audit Committee

| Name of member | 2023/07/26 | 2023/11/28 |
|----------------|------------|------------|
| Mr B Stagman | Present | Present |
| Mr S Blieden | Present | Present |

3. External auditor

PKF Octagon Inc. were reappointed as external auditor during the reporting period. The Committee has satisfied itself that the external auditor is independent of the Group, as set out in section 94(8) of the Companies Act, and suitable for appointment by considering, inter alia, the information stated in paragraph 3.84(g)(iii) of the JSE Ltd Listings Requirements. The information considered included the latest inspection reports, decisions letters and remedial actions to address IRBA's findings on PKF Octagon Inc. and the individual audit partner as well as a summary as approved by the audit firm's head of risk, of internal monitoring review procedures performed, conclusions drawn, together with a description of significant deficiencies and steps taken to resolve or amend them. Based on the review of these documents the audit committee is satisfied with the quality of the work performed by the external auditors.

The audit partner and designated auditor, Mr. W.M. Wasowicz, and the firm are independent as defined by the Companies Act and as per the standards stipulated by the auditing profession. The 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 2024 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 has a non-audit services policy which determines the nature and extent of any non-audit services which PKF Octagon Inc. may provide to the Company. The policy allows for limited tax and corporate governance advice. PKF Octagon Inc. will continue to perform the audit this year.

The appointment of PKF Octagon Inc. as auditor will be tabled as a resolution at the annual general meeting of African Dawn pursuant to Section 61(8) of the Companies Act.

4. Annual Financial statements

The Committee has evaluated the annual financial statements for the year ended 29 February 2024 and, based on the information provided, 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 IV are continuously being assessed and compliance therewith being improved on. The Group substantially complies with the requirements of King IV except in respect of those principles highlighted in the corporate governance report. The King IV requirements will be reviewed in the coming reporting period.

5. Accounting practices and internal control

Based on the available and communicated information, together with discussions with the independent external auditor, the Committee is satisfied that there was no material breakdown in the internal accounting controls during the reporting period under review. The Committee reviewed the auditor's management letter and can report that there are 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.

The Committee ensured that the appropriate financial reporting procedures exist and are operating as contemplated in paragraph 3.84(g)(ii) of the JSE Listings Requirements.

6. Financial director

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

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

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Report of the Audit Committee

7. Company secretary

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

On behalf of the Committee.



B Stagman

Chairperson of the Audit Committee

26 September 2024

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Consolidated and Separate Annual Financial Statements for the year ended 29 February 2024

Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements satisfy the financial reporting standards with regards to form and content and present fairly the consolidated and separate statement of financial position, results of operations and business of the group, and explain the transactions and financial position of the business of the group at the end of the financial year. The consolidated and separate annual financial statements are based upon appropriate accounting policies consistently applied throughout the group 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 company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set 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 consolidated and separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the group will not be a going concern in the foreseeable future. The consolidated and separate annual financial statements support the viability of the group.

The consolidated and separate annual financial statements have been audited by the independent auditing firm, PKF Octagon Inc., who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholder, the directors and committees of the directors. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditor's unqualified audit report is presented on pages 14 to 18.

The consolidated and separate annual financial statements set out on pages 9 to 91 which have been prepared on the going concern basis, were approved by the directors and were signed on 26 September 2024 on their behalf by:



Mr. J Slabbert



Mr. G Hope

Johannesburg
26 September 2024

African Dawn Capital Limited

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Chief executive officer's & Chief financial officer's responsibility statement

We the directors whose names are stated below hereby confirm that:

1. The consolidated and separate annual financial statements set out on pages 9 - 91, fairly present in all material respects the financial position, financial performance and cashflows of the issuer in terms of IFRS;
2. To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
3. Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the annual financial statements of the issuer;
4. the internal financial controls are adequate and effective and can be relied upon in compiling the consolidated and separate annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls; and
5. Where we are not satisfied, we have disclosed to the Audit and Risk committee and the auditors of the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.



Mr. J Slabbert



Mr. G Hope

Johannesburg
26 September 2024



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REPORT BY THE COMPANY SECRETARY

We, in our capacity as Company Secretary, hereby certify, that in terms of S88(2)(e) of the Companies Act of South Africa that for the financial year ended 29 February 2024, the company has lodged with the Commissioner all such returns as are required in terms of the Act, and that all such returns are, to the best of my knowledge and belief true, correct and up to date.

Company Secretary
Statucor (Pty) Ltd
Per: A Rich

26 September 2024

JOHANNESBURG
Wanderers Office Park
52 Cortlett Drive, Illovo 2196
Private Bag X60500
Houghton, 2041

PRETORIA
Summit Place Office Park, 221
Garsfontein Road, Building 5, 2nd
floor, Menlyn, Pretoria
PO Box 95436, Waterkloof, 0145

DURBAN
Rydallviews Building, 5A Rydall Vale
Office Park, 38 Douglas Saunders
Drive, La Lucia Ridge, 4051
PO Box 950, Umhlanga Rocks, 4320

CAPE TOWN
6th Floor, 119 - 123 Hertzog
Boulevard, Foreshore,
Cape Town, 8001
PO Box 2275
Cape Town, 8000

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Directors' Report

The directors have pleasure in submitting their report on the consolidated and separate financial statements of Afdawn for the year ended 29 February 2024.

1. General information

Nature of business

Afdawn was formed in 1998 as a micro finance company which, following its listing on the Alternative Exchange of the JSE in 2004, grew into a niche finance provider. The Group, through its wholly owned subsidiaries, Elite Group (Pty) Ltd and Elite Group Two (Pty) Ltd, provides unsecured personal loans (micro finance).

Group details

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

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

Information relating to the subsidiaries of the Company is in note 7.

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 generated a loss after tax for the year ended 29 February 2024 of R14.63million (2023: R16.15million). The net liability value increased to R54.23million (2023: R41.01million).

The company's loss amounted to R5.58million (2023: R2.87million). Net liability of the Company increased to R6.82million (2023: R2.64million).

2. Going concern

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

We draw attention to the consolidated and separate financial statements which indicates that the Group incurred a loss after tax of R14.63 million (2023:R 16.15million). As at 29 February 2024, the Group and Company had accumulated losses of, Group R383.47million (2023:R368.84million), Company R336.06million (2023:R330.48million). Furthermore, the Group's total liabilities exceed its total assets by R54.23million (2023: R41.01million) and the Company's total liabilities exceeds its total assets by R6.82million (2023: R2.64million). In addition, the Group's current liabilities exceed the current assets by R31.52 (2023:R24.13million) and the Company's current liabilities exceed the current assets by R4.31 million (2023: R1.86million).

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Directors' Report

| UNCERTAINTY | ACTION | STATUS |
|--|--|--|
| Operating losses incurred by the group over the last four years and potential future operating losses in the future. Furthermore, the group's total liabilities exceed its total assets by R54.23million resulting in solvency issues. | Additional funding and equity investment to be obtained in the group. | The directors are in the process of raising additional capital to continue to fund growth across the group. A term sheet has been signed by an investor that will contribute R5 million in the form of subscription for 50% of the share capital in Elite Group (Pty) Ltd and a R15 million long term loan (with repayment starting after 7 years). The contract expires if not signed by the directors of African Dawn Capital Limited before 30 September 2024. Afdawn does not anticipate losing control of Elite Group (Pty) Ltd once the term sheet is effective as they will be able to appoint the majority of the directors to the board. The bulk of the new funding will be utilised to significantly grow the business through expanding its loan book. This is expected to have a positive impact on revenue and cash flows of the business. The directors believe that this quantum of funding is sufficient to reverse the company's current loss-making position. With the new funding in place the directors expects net cash flow received (Loans Paid Back Less Loans Extended) of the Elite business to increase by in the region of R25m over 12 months starting November 2024. The net cash flow received is expected to be in the region of R32m the following 12 months (in other words 24 months from November 2024). Management has already raised and received R 5.9 million after year end over and above the R20million noted above. |
| Afdawns ability to pay ongoing operational expenses. | Directors and various parties have provided and continue to provide funding and other ongoing operational expenses. Management are investigating other opportunities for revenue growth. With additional funding expanding the Elite debtors book. | The directors are currently sourcing additional funding for further growth within the Group. Afdawn's wholly owned subsidiary, Elite Group, will be able to grow its debtors book and generate cashflows to cover the Groups operating expenses including Afdawn. Four new clients were signed post year end. Management of Afdawn are still exploring other business activities for further revenue generation. The group is expected to receive R506,851 as part of the TERS refund. R211,484 has already been received subsequent to year-end. |
| The group borrowers recalling loans in the short term. | Of the R33.51million borrowings that are due in the current period, management estimates R17.63 million not to be called by borrowers in short term period and to be renewed beyond the next financial year. Management are also engaged in getting new lenders with longer terms as well as negotiating with current lenders to extend short term borrowings for longer period. | A total of R17.63 million of the loans have been approached to not recall loans before the next reporting date. This includes the Caleo loan program refer to note 17. New lenders have advanced funds of R3.8million, post year end up until the date of this report. A total of R1.5 million has been called up until the reporting date. Based on the historic data on loan repayments, the repayments of the capital portion of the loans are expected to be within the range of 10%. |

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Directors' Report

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.

3. Events after reporting date

All events subsequent to the date of the consolidated and separate annual financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

A term sheet has been signed by an investor that will contribute R5 million in the form of a subscription for 50% of the share capital in Elite Group (Pty) Ltd and a R15 million long term loan (with a repayment starting in 7 years). The contract expires if not signed by the directors of African Dawn Capital Limited before 30 September 2024. Afdawn does not anticipate losing control of Elite Group (Pty) Ltd once the term sheet is effective as they will be able to appoint the majority of the directors to the board.

On 25 September 2024, Elite Group Two (Pty) Ltd received a notice from the National Credit Regulator (NCR), relating to non-compliance with the National Credit Act (NCA). The NCR stated that the entity has failed to comply with the legal obligations to submit the entity's statutory returns and reports to the NCR as required in terms of Regulation 62 to 68 of the NCA and the conditions of registrations, which must be complied with in terms of section 52(5) (c) of the Act.

The entity is required to submit all outstanding reports and returns to the NCR within a period of 10 working days from the date of the notice. Failure to comply may lead to the cancellation of the entity's registration with the NCR.

As at the date of the approval of the Annual Financial Statements by the Board of Directors, and as at the signing of the Auditors Report, Elite Group (Pty) Ltd has not yet received a notice from the NCR, however due to the company failing to submit the prescribed reports and returns it may also receive a similar notice.

The directors are engaging with the NCR for an extension in the submission deadline to avoid the cancellation of the registration and are putting remedies in place to address non-compliance. The directors are confident that the cancellation of the registration will be avoided.

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the company.

4. Directors' interest in shares

As at 29 February 2024, the directors of the company held direct and indirect beneficial interests in 39.37% (2023 40.25%) of its issued ordinary shares, as set out below.

Interests in shares

| Director | 2024 | 2023 | 2024 | 2023 |
|--------------|----------------|----------------|-------------------|-------------------|
| | Direct | Direct | Indirect | Indirect |
| J Slabbert # | 190,200 | 190,200 | 28,050,000 | 27,300,000 |
| G Hope | 58,750 | 58,750 | - | - |
| S Blieden ~ | - | - | 636,469 | 636,469 |
| | <u>248,950</u> | <u>248,950</u> | <u>28,686,469</u> | <u>27,936,469</u> |

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:

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Directors' Report

| 2024 | Direct | Indirect | Total | % Held |
|--------------|----------------|-------------------|-------------------|--------------|
| J Slabbert # | 190,200 | 28,050,000 | 28,240,200 | 38.42 |
| G Hope | 58,750 | - | 58,750 | 0.08 |
| S Blieden ~ | - | 636,469 | 636,469 | 0.87 |
| | <u>248,950</u> | <u>28,686,469</u> | <u>28,935,419</u> | <u>39.37</u> |

| 2023 | Direct | Indirect | Total | % Held |
|--------------|----------------|-------------------|-------------------|--------------|
| J Slabbert # | 190,200 | 27,300,000 | 27,490,200 | 39.26 |
| G Hope | 58,750 | - | 58,750 | 0.08 |
| S Blieden ~ | - | 636,469 | 636,469 | 0.91 |
| | <u>248,950</u> | <u>27,936,469</u> | <u>28,185,419</u> | <u>40.25</u> |

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

~ S Blieden's shareholding is held indirectly through Caleo Afdawn Limited Liability Partnership.

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

Directors contracts are disclosed in related parties note 29.

5. Authorised and issued share capital

For details on the issue of new shares refer to note 15.

6. 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.

7. Dividend

No dividend was declared or paid to the shareholder during the current or prior year.

8. Directors

The directors of the company during the year and up to the date of this report are as follows:

| Directors | Office | Designation |
|----------------|--|---------------------------|
| Mr. J Slabbert | Chair and Interim Chief Executive Officer (CEO) | Executive |
| Mr. G Hope | Chief Financial Officer (CFO) | Executive |
| Mr. S Blieden | Chair - Social and ethics Committee | Non - Executive |
| Mr. B Stagman | Chair Remunerations Committee and Audit & risk Committee | Independent non-executive |

Meetings held by the board

| Member | 26-Jul-23 | 28-Nov-23 |
|----------------|-----------|-----------|
| Mr. J Slabbert | Yes | Yes |
| Mr. G Hope | Yes | Yes |
| Mr. S Blieden | Yes | Yes |
| Mr. B Stagman | Yes | Yes |

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Directors' Report

9. Secretary

The group's designated secretary is Statucor (Pty) Ltd.

Details of the company secretary is as follows:

| | |
|-------------------------------|---|
| Name: | Statucor (Pty) Ltd |
| Secretary's business address: | 2nd Floor, Block D The Boulevard Office Park Searle Street Woodstock 7925 |

10. Major transactions, events and disclosure changes

The major transactions and events during the year were:

- The subsidiary YueDiligence (Pty) Ltd was disposed of for R280,000.
- Related party transactions note 29 of the financial statements.

11. Special resolutions

The special resolutions set out below were passed at the Annual General Meeting ("AGM") held on 29 September 2023.

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

12. Independent Auditors

We recommended to the shareholders that PKF Octagon Inc. be appointed in office as auditors of Afdawn in terms of the Companies Act. Refer to the Audit and Risk committee report.

Independent Auditor's Report

To the shareholders of African Dawn Capital Limited

Opinion

We have audited the consolidated and separate financial statements of African Dawn Capital Limited (the Group and Company) set out on pages 19 to 89 which comprise the consolidated and separate statement of financial position as at 29 February 2024, consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of African Dawn Capital Limited as at 29 February 2024, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 32 of the consolidated and separate financial statements which indicates that the Group incurred a loss after tax of R 14.63 million (2023: R 16.15 million). As at year ended 29 February 2024, the Group had accumulated losses of R 383.47 million (2023: R 368.84 million), and the Company had accumulated losses of R 336.06 million (2023: R 330.48 million). Furthermore, the Group's total liabilities exceed its total assets by R 54.23 million (2023: R 41.01 million) and the Company's total liabilities exceed its total assets by R 6.82 million (2023: R 2.64 million). In addition, the Group's current liabilities exceed the current assets by R 31.52 million (2023: R24.13 million) and the Company's current liabilities exceed the current assets by R 4.31 million (2023: R1.86 million)

As stated in note 32, these events and conditions, along with other matters as set forth in this note, indicate that a material uncertainty exists that may cast significant doubt on the Group and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

The key audit matters relate to the consolidated and separate financial statements.

| Key Audit Matter | How our audit addressed the key audit matter |
|--|---|
| <p>Valuation of Trade Receivables (note 8 & 35)</p> <p>As at February 2024, trade receivables amounting to R21.03 million (2023: R 27.42 million) were recognised in the consolidated financial statements prior to an impairment allowance of R12.55 million (2023: R18.05 million) being recognised.</p> <p>The trade receivables are individually significant and the expected credit losses impairment calculations are inherently judgemental in nature and require the use of statistical models incorporating data and assumptions which are not always observable.</p> <p>Management applies professional judgement in developing the credit impairment models. The areas of significant judgement applied by management in the expected credit losses calculation include the following:</p> <ul style="list-style-type: none"> - Utilizing criteria for a significant increase in credit risk relating to Stage 1 and Stage 2 credit exposures; - Using techniques to determine the probability of default and loss given default; - Determining and weighting of assumptions used in the forward-looking macro-economic model to account for the uncertainty - Incorporating the forward-looking macro-economic inputs into the significant increase in credit risk assessment and expected credit losses calculations - For Stage 3 exposure, the assumptions used for estimating the recoverable amounts and timing of future cash flows of individual exposures classified as non-performing loans. <p>An independent expert was appointed by management to assist with the calculation of the <i>IFRS 9 – Financial Instruments</i> Expected Credit Losses relating to the valuation of trade receivables.</p> <p>We have determined this to be a key audit matter due to the significant judgement and uncertainty relating to determining the expected credit losses.</p> | <p>We have performed the following audit procedures to assess the reasonability of the expected credit losses impairment:</p> <ul style="list-style-type: none"> - Gaining an understanding of management's criteria for a significant increase in credit risk and assessment of the three-stages of credit risk - Assessing the appropriateness of the Group's approach for estimating expected credit losses and assessing its compliance with IFRS 9. - Evaluating the appropriateness of the use of the general approach in estimating the expected credit losses. - Assessing the relevance and reliability of the information produced by the management expert by: <ul style="list-style-type: none"> o Evaluating the competence, capabilities and objectivity of the management expert; o Obtaining an understanding of the work performed by the management expert; and o Evaluating the appropriateness of the management expert's work - Testing the work performed by the management expert by evaluating the reasonability of the inputs used specifically relating to: <ul style="list-style-type: none"> o Historical loss rates o Exposure at default o Probability of default o Credit conversion factor o Discount rate o Loss given default - Reperforming the calculations performed by the management expert to verify the mathematical accuracy thereof. <p>Furthermore, we have assessed the adequacy of the disclosure of trade receivables and the related impairment allowance in terms of IFRS 9.</p> <p>In terms of our audit procedures performed we concluded that our audit procedures appropriately address the key audit matter.</p> |
| <p>Valuation of Investment in Subsidiaries (note 7)</p> <p>In terms of the requirements of <i>IAS36: Impairment of Assets</i>, the Company is required to annually assess the carrying value of the investments in subsidiaries for impairment when there is an indicator of impairment.</p> <p>In addition, management's assessment process for determining the recoverable amount is complex and highly judgmental and is based on assumptions, specifically related to forecasting future cashflows of the subsidiaries and applying the appropriate discount rate which are affected by expected future market or economic conditions.</p> | <p>We have performed the following audit procedures to consider the appropriateness of management's judgement and estimation used in their annual impairment test:</p> <ul style="list-style-type: none"> - Reviewed the model for compliance with IAS36: Impairment of Assets; - Verified the mathematical accuracy and appropriateness of the methodology applied in the underlying model and calculations; - Verified the accuracy and relevance of the input data provided by management based on our knowledge of the business and industry; |

| | |
|---|---|
| <p>We have determined this to be a key audit matter due to the judgement required by management in preparing the discounted cash flow models to determine the recoverable amount of the investment in subsidiaries.</p> | <ul style="list-style-type: none"> - Evaluated the cash flow projections and the process by which they were developed, compared the cash flows to the latest Board approved budgets, and assessed the historical accuracy and reasonableness of the budgeting process; - Assessed the key assumptions applied by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of each subsidiary; and - Performed a sensitivity analysis of the key assumptions applied in the model and considered the potential impact of reasonably possible downside changes in these key assumptions. <p>Furthermore, we have assessed the adequacy of the disclosure relating to the assumptions which the outcome of the annual impairment test is most sensitive to. Accordingly, those disclosures that have the most significant effect on determining the recoverable amount of the investments.</p> <p>In terms of our audit procedures performed we concluded that our audit procedures appropriately address the key audit matter.</p> |
|---|---|

Other matters

We draw attention to the matters below as disclosed in note 36 of the consolidated and separate financial statements. Our audit opinion is not modified in respect of these matters.

In terms of the JSE Listing requirements paragraph 3.15 & 3.16 every issuer is required to release a results announcement within 3 months and distribute an annual report (including the notice of annual general meeting) within 4 months of its financial year end. An announcement regarding the late publication and consequent suspension was published on SENS on 19 July 2024 by African Dawn Capital Limited.

In terms of the JSE Listing requirements paragraph 21.5(i) African Dawn Capital Limited must implement the King IV Code through application of the King IV Code disclosure and application regime. As at year end 29 February 2024, African Dawn Capital Limited has not complied with the requirements set out in Principle 7.8 of King IV which states that the governing body should consist of majority of non-executive members most of whom should be independent.

Emphasis of matter: Subsequent Event

We draw attention to Note 31 of the financial statements, which indicates that a term sheet has been signed by an investor that will contribute R5 million in the form of subscription of 50% of the share capital in Elite Group (Pty) Ltd, as well as that Elite Group (Pty) Ltd and Elite Group Two (Pty) Ltd are non-compliant with Regulation 62 to 68 and section 52(5) of the National Credit Act. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "African Dawn Capital Limited Consolidated and Separate Annual Financial Statements for the year ended 29 February 2024", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Annual Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PKF Octagon Incorporated has been the auditor of African Dawn Capital Limited for 3 years.



PKF Octagon Inc
Director: WM Wasowicz
Registered Auditor
Johannesburg
26 September 2024

African Dawn Capital Limited

(Registration Number 1998/020520/06)

Consolidated and Separate Annual Financial Statements for the year ended 29 February 2024

Statements of Financial Position

| Figures in R `000 | Notes | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|--------------------------------------|-------|-----------------|-----------------|-----------------|-----------------|
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 5 | 2,181 | 1,351 | - | - |
| Intangible assets | 6 | 688 | 317 | - | - |
| Investments in subsidiaries | 7 | - | - | 5,745 | 7,460 |
| Goodwill | 11 | 500 | 500 | - | - |
| Total non-current assets | | 3,369 | 2,168 | 5,745 | 7,460 |
| Current assets | | | | | |
| Trade and other receivables | 8 | 8,672 | 9,610 | - | - |
| Other receivables | 12 | 833 | 1,666 | 833 | 1,666 |
| Loan to group companies | 13 | - | - | - | 116 |
| Cash and cash equivalents | 14 | 730 | 1,106 | - | 16 |
| Total current assets | | 10,235 | 12,382 | 833 | 1,798 |
| Total assets | | 13,604 | 14,550 | 6,578 | 9,258 |
| Equity and liabilities | | | | | |
| Equity | | | | | |
| Issued capital | 15 | 29,438 | 28,038 | 29,438 | 28,038 |
| Share premium | 15 | 299,796 | 299,796 | 299,796 | 299,796 |
| Accumulated loss | | (383,468) | (368,842) | (336,055) | (330,478) |
| Total equity | | (54,234) | (41,008) | (6,821) | (2,644) |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Borrowings | 17 | 24,841 | 18,465 | 8,260 | 8,247 |
| Lease liabilities | 18 | 1,244 | 584 | - | - |
| Total non-current liabilities | | 26,085 | 19,049 | 8,260 | 8,247 |
| Current liabilities | | | | | |
| Trade and other payables | 16 | 7,110 | 3,934 | 3,605 | 1,416 |
| Current tax liabilities | 10 | 270 | 390 | 270 | 390 |
| Borrowings | 17 | 33,511 | 30,874 | 1,226 | 1,150 |
| Lease liabilities | 18 | 824 | 612 | - | - |
| Loan from director | 19 | 38 | 699 | 38 | 699 |
| Total current liabilities | | 41,753 | 36,509 | 5,139 | 3,655 |
| Total liabilities | | 67,838 | 55,558 | 13,399 | 11,902 |
| Total equity and liabilities | | 13,604 | 14,550 | 6,578 | 9,258 |

African Dawn Capital Limited

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Consolidated and Separate Annual Financial Statements for the year ended 29 February 2024

Statements of Profit or Loss and Other Comprehensive Income

| Figures in R `000 | Notes | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|--|-------|-----------------|-----------------|-----------------|-----------------|
| Commission, Administration and other revenue | 20 | 4,465 | 3,824 | 1,080 | 1,920 |
| Interest income | 20 | 10,970 | 10,940 | 1,598 | 1,450 |
| Other income | 21 | 233 | 75 | - | 6 |
| Employee benefits expense | 22 | (7,240) | (8,429) | (989) | (1,044) |
| Depreciation | 5 | (876) | (714) | - | - |
| Amortisation | 6 | (118) | (51) | - | - |
| Impairment of investments | 7 | - | - | (1,715) | - |
| Impairment trade and other receivables reversed/(raised) | 35 | (2,780) | (4,477) | - | - |
| Impairment group loans | 13 | - | - | (1,182) | (880) |
| Other operating expenses | 24 | (9,417) | (9,105) | (2,579) | (1,834) |
| Impairment reversal | 23 | 280 | - | 280 | - |
| Loss from operating activities | 24 | (4,483) | (7,937) | (3,507) | (382) |
| Finance costs | 25 | (10,143) | (7,862) | (2,070) | (2,132) |
| Loss before tax | | (14,626) | (15,799) | (5,577) | (2,514) |
| Income tax expense | 26 | - | (353) | - | (353) |
| Loss for the year | | (14,626) | (16,152) | (5,577) | (2,867) |
| Loss per share from operations | | | | | |
| Basic and diluted loss per share (c) | 27 | (20.3) | (24.5) | | |

African Dawn Capital Limited

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Consolidated and Separate Annual Financial Statements for the year ended 29 February 2024

Statements of Changes in Equity - Group

| Figures in R `000 | Issued capital | Share premium | Total Share Capital | Accumulated loss | Total |
|---------------------------------------|----------------|----------------|---------------------|------------------|-----------------|
| Balance at 1 March 2022 | 25,492 | 300,433 | 325,925 | (352,690) | (26,765) |
| Changes in equity | | | | | |
| Loss for the year | - | - | - | (16,152) | (16,152) |
| Total comprehensive loss for the year | - | - | - | (16,152) | (16,152) |
| Issue of equity | 2,546 | (637) | 1,909 | - | 1,909 |
| Balance at 28 February 2023 | 28,038 | 299,796 | 327,834 | (368,842) | (41,008) |
| Balance at 1 March 2023 | 28,038 | 299,796 | 327,834 | (368,842) | (41,008) |
| Changes in equity | | | | | |
| Loss for the year | - | - | - | (14,626) | (14,626) |
| Total comprehensive loss for the year | - | - | - | (14,626) | (14,626) |
| Issue of equity | 1,400 | - | 1,400 | - | 1,400 |
| Balance at 29 February 2024 | 29,438 | 299,796 | 329,234 | (383,468) | (54,234) |
| Notes | 15 | 15 | 15 | | |

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Consolidated and Separate Annual Financial Statements for the year ended 29 February 2024

Statements of Changes in Equity - Company

| Figures in R `000 | Issued capital | Share premium | Total Share Capital | Accumulated loss | Total |
|---------------------------------------|----------------|----------------|---------------------|------------------|----------------|
| Balance at 1 March 2022 | 25,492 | 300,433 | 325,925 | (327,611) | (1,686) |
| Changes in equity | | | | | |
| Loss for the year | - | - | - | (2,867) | (2,867) |
| Total comprehensive loss for the year | - | - | - | (2,867) | (2,867) |
| Issue of equity | 2,546 | (637) | 1,909 | - | 1,909 |
| Balance at 28 February 2023 | 28,038 | 299,796 | 327,834 | (330,478) | (2,644) |
| Balance at 1 March 2023 | 28,038 | 299,796 | 327,834 | (330,478) | (2,644) |
| Changes in equity | | | | | |
| Loss for the year | - | - | - | (5,577) | (5,577) |
| Total comprehensive loss for the year | - | - | - | (5,577) | (5,577) |
| Issue of equity | 1,400 | - | 1,400 | - | 1,400 |
| Balance at 29 February 2024 | 29,438 | 299,796 | 329,234 | (336,055) | (6,821) |
| Note | 15 | 15 | 15 | | |

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Consolidated and Separate Annual Financial Statements for the year ended 29 February 2024

Statements of Cash Flows

| Figures in R `000 | Notes | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|---|-------|----------------|-----------------|-----------------|-----------------|
| Net cash flows used in operations | 33 | (1,979) | (3,247) | (2,706) | (887) |
| Interest paid | | (7,250) | (7,706) | (641) | (2,132) |
| Income taxes paid | 34 | (159) | (51) | (159) | (51) |
| Net cash flows used in operating activities | | (9,388) | (11,004) | (3,506) | (3,070) |
| Cash flows from / (used in) investing activities | | | | | |
| Loan repayment | | 279 | - | 280 | - |
| Proceeds from sales of property, plant and equipment | | - | 6 | - | 6 |
| Purchase of property, plant and equipment | | (18) | (116) | - | - |
| Purchase of intangible assets | | (489) | - | - | - |
| Proceeds from other receivables | | 833 | 834 | 833 | 834 |
| Business acquired | | - | (1,700) | - | - |
| Loan advanced to group companies | | - | - | (833) | (892) |
| Repayment of loan to group companies | | - | - | 2,607 | 2,221 |
| Cash flows from / (used in) investing activities | | 605 | (976) | 2,887 | 2,169 |
| Cash flows from financing activities | | | | | |
| Proceeds from issuing shares | 15 | 1,400 | 1,909 | 1,400 | 1,909 |
| Proceeds from borrowings | 17.2 | 14,656 | 19,040 | - | 75 |
| Repayments of borrowings | 17.2 | (6,033) | (7,692) | (100) | (300) |
| Repayment of lease liabilities | 18.2 | (773) | (603) | - | - |
| Repayment of lease interest | 18.2 | (146) | (156) | - | - |
| Loan received from director | 19.2 | 224 | 44 | 224 | 44 |
| Repayment of loan from director | 19.2 | (921) | (831) | (921) | (831) |
| Cash flows from financing activities | | 8,407 | 11,711 | 603 | 897 |
| Net decrease in cash and cash equivalents | | (376) | (269) | (16) | (4) |
| Cash and cash equivalents at beginning of the year | | 1,106 | 1,375 | 16 | 20 |
| Cash and cash equivalents at end of the year | 14 | 730 | 1,106 | - | 16 |

African Dawn Capital Limited

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Consolidated and Separate Annual Financial Statements for the year ended 29 February 2024

Accounting Policies

1. Summary of accounting policies

The consolidated and separate financial statements of the Group and company have been prepared in accordance with International Financial Reporting Standards (IFRS) the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of South Africa (Act 71 of 2008).

The consolidated and separate financial statements have been prepared using the historical cost basis, as modified for certain items measured at fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

In preparing these consolidated and separate financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. These matters are addressed in note 3.

2. Basis of preparation and material accounting policy information

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Subsidiaries

Subsidiaries are entities controlled by the Group. 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 financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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Consolidated and Separate Annual Financial Statements for the year ended 29 February 2024

Accounting Policies

Basis of preparation and material accounting policy information continued...

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-controlling interest (“NCI”) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

2.2 Property, plant and equipment

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

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss:

| Item | Average useful life |
|--|---------------------|
| Land and buildings - right-of-use assets | Per lease term |
| Furniture and fixtures | 4 - 10 years |
| Motor vehicles | 5 - 10 years |
| Office equipment | 3 - 10 years |
| IT equipment | 3 - 5 years |

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

If the recoverable amount is less than the carrying amount then the carrying amount is impaired in line with the impairment policy - refer to note 2.7

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

2.3 Intangible assets

Computer software - internally generated

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product for use;
- there is an ability to use the software product;
- adequate technical, financial and other resources to complete the development and to use or;
- the software will be used in operations to generate income as it is developed; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs.

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Consolidated and Separate Annual Financial Statements for the year ended 29 February 2024

Accounting Policies

Basis of preparation and material accounting policy information continued...

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.

Subsequent to initial recognition these intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognized, generally in profit or loss of the cost of the intangible assets, on a straight-line basis, to their estimated residual values over the estimated useful lives as follows:

| Item | Average usefule life |
|------------------------|----------------------|
| Micro finance software | 5 - 10 years |

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

Any gain or loss on disposal of an intangible asset is recognised in profit or loss.

2.4 Financial instruments

Loans advanced including group loans

Classification and measurement

Loans are initially recognised at fair value.

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

Loans for which no repayment terms have been set are regarded as being repayable on demand. These loans are discounted at their effective interest rate of 0%.

Impairment

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

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

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

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Consolidated and Separate Annual Financial Statements for the year ended 29 February 2024

Accounting Policies

Basis of preparation and material accounting policy information continued...

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

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

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

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

Impairment of loans with no fixed terms of repayment:

For loans receivable with no fixed terms of repayment, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date.

If the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the probability of default is usually small and the expected credit loss is immaterial as a result. If the borrower could not repay the loan if demanded at the reporting date, the group considers the expected manner of recovery to measure expected credit losses. This includes a 'repay over time' strategy.

If the recovery strategies indicate that the lender would fully recover the outstanding balance of the loan, the expected credit loss is limited to the effect of discounting the amount due on the loan (at the loan's effective interest rate, which is regarded as 0% if the loan is interest free) over the period until cash is realised. If the effective interest rate is 0%, and all strategies indicate that the lender would fully recover the outstanding balance of the loan, no impairment loss is recognised.

If the full balance of the loan cannot be recovered over time, a loss allowance is recognised.

Write off

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

Borrowings and other loans

Classification

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

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Accounting Policies

Basis of preparation and material accounting policy information continued...

Recognition and measurement

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

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

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

Consulting fees directly linked to interest payments are included in the profit or loss in finance costs as the related interest is realised.

Debt raising fees are being amortized over the expected manner in which the directors believe the fee will be realised. The debt raising fees will be amortised over the estimated realisation period and included in finance costs in profit or loss.

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 35 for details of risk exposure and management thereof.

Derecognition

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

Trade and other receivables

Trade receivables are grouped as indicated in note 35.

Classification

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

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition. Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the impairment trade and other receivables raised and reversed line.

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Accounting Policies

Basis of preparation and material accounting policy information continued...

Cash and cash equivalents

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

Trade and other payables

Classification

Trade and other payables (note 16) excluding VAT and amounts received in advance, are classified as financial liabilities.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial

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

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

Trade and other payables expose the company to liquidity risk. For details of risk exposure and management thereof - refer to note 35.

2.5 Tax

Income tax

Income tax expense comprises current and deferred tax.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

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

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Basis of preparation and material accounting policy information continued...

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2.6 Group as a lessee

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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Accounting Policies

Basis of preparation and material accounting policy information continued...

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise and lease payments on the optional renewal period if the Group is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise a purchase or extension option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in property, plant and equipment and lease liabilities separately in the statement of financial position.

2.7 Impairment of non-financial assets

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

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

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

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

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Accounting Policies

Basis of preparation and material accounting policy information continued...

2.8 Share Capital and share premium

The Group entered into an equity-settled share-based payment arrangement in 2020 whereby a raising fee on borrowings advanced to the Group was settled by the issuing of equity in the Company. The equity instruments granted vested upon condition that the funding has been provided per the agreement, which it has, and the full value of the share-based payment was recognised shortly after grant date. The increase in equity was recognised immediately as share capital. The raising fee, as well as the corresponding increase in equity were measured at the fair value of the raising fee (service received) at grant date. No subsequent adjustments are made to the value of this share-based payment after grant date.

Ordinary shares and share premium are classified as equity.

Ordinary shares are recognised at par value and presented as “Share Capital”. Any amount received from the issue of shares in excess of par value is presented as “Share Premium” in equity. Where shares are issued at less than par value the difference between par value and proceeds received is recognised and presented in “Share Premium”.

Share-based payments to non-employees share based payments to non-employees are accounted for at the fair value of the identifiable goods or services received at the time of receiving those goods and services. If the fair value of the equity instruments issued materially exceed the value of the identifiable goods or services received, management considers whether unidentifiable goods or service has been or will be received as part of the share-based payment transaction. Unidentified goods and services received are measured at the grant date fair value of the equity instruments granted. Where unidentified goods or services are related to obtaining a loan, they are treated as part of the debt raising cost. Incremental cost directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

2.9 Revenue

Revenue comprises the following services rendered which have been recognised in accordance with IFRS 15:

- Commission income; and
- Income from the rendering of services and management fees;

All contracts are limited to a maximum length of 3-6 months so an estimate of the transaction price would not include an estimation of variable considerations that are constrained.

- Administration fees;
- Origination fees; and
- Interest income is recognised in accordance with IFRS 9.

Interest income on trade receivables and originating fees, which are considered to be an integral part of the financial asset, is recognised in accordance with IFRS 9 as it is an integral part of the financial instrument.

Revenue is measured at the amount that the group expects to be entitled and excludes amounts to be collected on behalf of third parties.

The Group has applied the practical expedient for the effect of a financing component where the Group expects, at contract inception, that the period between when the Group recognises revenue and when the customer pays for the good or service will be one year or less.

The Group applies the revenue recognition criteria set out below to each separately identifiable component of a revenue transaction. The consideration received from these multiple-component transactions is allocated to each separately identifiable component in proportion to their relative standalone selling prices.

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Basis of preparation and material accounting policy information continued...

Commission income

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

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

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

Revenue is recognised on insurance commission at a point in time when the insurance premiums are sold.

Revenue on collection commission is recognised when the services have been finalised.

Administration fee income

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

Interest income

Interest income is recognised in profit or loss using the effective interest method. Interest income is recognised on micro-financing debtors, which are measured at amortised cost and classified as trade receivables.

For financial assets that have become credit-impaired subsequent to initial recognition (categorised as stage 3), interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Origination fees on loans granted

These fees are charged upfront, are capitalised into the loan, and are primarily based on the cost of granting the loan to the individual. These origination fees are considered an integral part of the loan agreement and are accounted for over the shorter of the original contractual term and the actual term of the loan using the effective interest method. Related transaction costs are also deferred and recognised as an adjustment to the effective interest rate.

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

Rendering of services and management fee

The Group generates revenue from consulting and advisory services. Consideration received for these services is recognised as the service is incurred, and is recognised as revenue in the period when the service is performed.

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Accounting Policies

Basis of preparation and material accounting policy information continued...

The Group determines the stage of completion by considering both the nature and timing of the services provided and its customer's pattern of consumption of those services, based on historical experience. The stage of completion is determined with reference to services provided in relation to the total services to be provided as agreed between the parties.

2.10 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Short-term employee benefits

Compensation paid to employees for the rendering of services are recognised at the undiscounted amount paid or expected to be paid in the accounting period in which the services were rendered.

Where employees accumulate entitlement for paid absences, an expense is recognised as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. In the case of non-accumulating paid absences, the expense is recognised only when the absences occur.

The expected cost of profit-sharing and bonus payments are recognised when there is a present legal or constructive obligation to make such payments as a result of past events, and a reliable estimate of the obligation can be made. A present obligation exists when there is no realistic alternative but to make the payments.

2.11 Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in an acquisition of a business (acquiree) comprises the fair values of the assets transferred, the liabilities assumed, the equity interests issued by the group and the fair value of any contingent consideration arrangements. If the contingent consideration is classified as equity, it is not subsequently remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of contingent consideration are recognised in the income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

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
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are measured in accordance with that standard.

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Accounting Policies

Basis of preparation and material accounting policy information continued...

Goodwill

Goodwill in a business combination is recognised at the acquisition date when the consideration transferred, and the recognised amount of non-controlling interests exceed the fair value of the net identifiable assets of the entity acquired. If the consideration transferred is lower than the fair value of the identifiable net assets of the acquiree (a bargain purchase), the difference is recognised in the income statement. The gain or loss arising on the disposal of an entity is calculated after consideration of attributable goodwill.

2.12 Borrowing costs

Interest expense is recognised in the income statement for all instruments measured at amortised cost using the effective interest rate method. Interest expense is recognised separately from other fair value movements.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The original effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial liability. When calculating the original effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options). The calculation includes all fees paid or received between parties to the agreement that are an integral part of the effective interest rate.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Significant judgements and sources of estimation uncertainty

When preparing these consolidated and separate financial statements, management and the board make a number of judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The following are the most significant judgements, estimates and assumptions that have been made in preparing the financial statements.

Significant judgements

3.1.1 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.

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Accounting Policies

Critical accounting estimates and judgements continued...

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

- Financial statements should be prepared on a going concern basis unless it is intended to liquidate the entity or to cease trading or there is no realistic alternative but to do so.
- In considering whether the going concern assumption is appropriate, all available information is taken into account, including information about the foreseeable future.
- Where there are material uncertainties relating to events or conditions which may cast doubt upon the ability to continue as a going concern, those uncertainties should be disclosed.
- The material uncertainties relating to events or conditions which may cast doubt upon the ability to continue as a going concern are outlined in the table included in the directors report. The table also outlines the actions being taken to manage these uncertainties and also the current status of these uncertainties and actions.

We draw attention to the consolidated and separate financial statements which indicates that the Group incurred a loss after tax of R14.63 million (2023:R 16.15million). As at 29 February 2024, the Group and Company had accumulated losses of, Group R383.47million (2023:R368.84million), Company R336.06million (2023:R330.48million). Furthermore, the Group's total liabilities exceed its total assets by R54.23million (2023: R41.01million) and the Company's total liabilities exceeds its total assets by R6.82million (2023: R2.64million). In addition, the Group's current liabilities exceed the current assets by R31.52 (2023:R24.13million) and the Company's current liabilities exceed the current assets by R4.31 million (2023: R1.86million).

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Accounting Policies

Critical accounting estimates and judgements continued...

| UNCERTAINTY | ACTION | STATUS |
|--|---|--|
| Operating losses incurred by the group over the last four years and potential future operating losses in the future. Furthermore, the group's total liabilities exceed its total assets by R54.23million resulting in solvency issues. | Additional funding and equity investment to be obtained in the group. | The directors are in the process of raising additional capital to continue to fund growth across the group. A term sheet has been signed by an investor that will contribute R5 million in the form of subscription for 50% of the share capital in Elite Group (Pty) Ltd and a R15 million long term loan (with repayment starting after 7 years). The contract expires if not signed by the directors of African Dawn Capital Limited before 30 September 2024. Afdawn does not anticipate losing control of Elite Group (Pty) Ltd once the term sheet is effective as they will be able to appoint the majority of the directors to the board. The bulk of the new funding will be utilised to significantly grow the business through expanding its loan book. This is expected to have a positive impact on revenue and cash flows of the business. The directors believe that this quantum of funding is sufficient to reverse the company's current loss-making position. With the new funding in place the directors expects net cash flow received (Loans Paid Back Less Loans Extended) of the Elite business to increase by in the region of R25m over 12 months starting November 2024. The net cash flow received is expected to be in the region of R32m the following 12 months (in other words 24 months from November 2024). Management has already raised and received R 5.9 million after year end over and above the R20million noted above. |
| Afdawns ability to pay ongoing operational expenses. | Directors and various parties have provided and continue to provide funding and other ongoing operational expenses. Management are investigating other opportunities for revenue growth. With additional funding expanding the Elite debtors book. | The directors are currently sourcing additional funding for further growth within the Group. Afdawn's wholly owned subsidiary, Elite Group, will be able to grow its debtors book and generate cashflows to cover the Groups operating expenses including Afdawn. Four new clients were signed post year end. Management of Afdawn are still exploring other business activities for further revenue generation. The group is expected to receive R506,851 as part of the TERS refund. R211,484 has already been received subsequent to year-end. |
| The group borrowers recalling loans in the short term. | Of the R33.51million borrowings that are due in the current period, management estimates R17.63 million not to be called by borrowers in short term period and to be renewed beyond the next financial year. Management are also engaged in getting new lenders with longer terms as well as negotiating with current lenders to extend short term borrowings for longer period. | A total of R17.63 million of the loans have been approached to not recall loans before the next reporting date. This includes the Caleo loan program refer to note 17. New lenders have advanced funds of R3.8million, post year end up until the date of this report. A total of R1.5 million has been called up until the reporting date. Based on the historic data on loan repayments, the repayments of the capital portion of the loans are expected to be within the range of 10%. |

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Accounting Policies

Critical accounting estimates and judgements continued...

3.1.2 Share-based payments to non-employees

Determining the fair value of goods and services received in a share-based payment transaction with non-employees where the counterparty does not regularly provide such goods and services require management to make judgments in determining the fair value of the identifiable goods or services received. If the fair value of the equity instruments issued exceeds the value of the identifiable goods and services received, management considers whether unidentified goods or services are or will also be received as part of the transaction. Determining the nature and expected timing of receiving the unidentified goods or services requires significant judgment.

Where the judgements applied to the share-based payment are provided is detailed in note 15.

3.1.3 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 amounts of assets.

The assets that have been tested for impairment and the specific estimates and assumptions included in the following notes:

- Investment in subsidiaries - refer to note 7.
- Right-of-use assets - refer to note 5.
- Property, plant and equipment - refer to note 5.
- Intangible assets - refer to note 6.

3.1.4 Loss allowance of trade receivables in Elite

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

In determining the loss allowance, 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 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.

For details on the accounting policy regarding the impairment of loans refer to note 35.

For further information on the specific estimates and assumptions used to assess the recoverability of trade receivables refer to note 35.

3.1.5 Modelling assumptions for trade and other receivables

In terms of IFRS 9, all loans and advances are assessed at each reporting date to determine whether there has been a significant increase in credit risk ("SICR") at each reporting date. In cases where SICR has occurred an impairment equal to the lifetime expected credit loss (ECL) is recognised. Loans are split into 12 month expected credit loss and lifetime expected credit loss categories.

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Accounting Policies

Critical accounting estimates and judgements continued...

The Company considers the following to be SICR events: An assessment of the credit quality of the client after inception of the loan indicates an increase in credit risk. For intercompany loans this might include advances where the counterparty has not made payments, mainly due to deterioration in the financial health of the company, based on forecast information and the net asset value of the companies. For trade receivables this occurs when a debtor is more than 75 days overdue. A SICR event is also noted if a trade receivables loan did not have a performing status for the last 6 months; at any time during the last 6 months, any one of the trade receivables loans were restructured or the trade receivable was referred to the debt review process; or subsequent to a claim made on the credit life insurance policy, the outstanding balances on the client's loans are not zero.

The trade receivables represent short term financing. An expected credit loss will therefore always be lifetime expected credit losses for trade receivables. Risk assessment is however applied in determining whether The debt falls into current receivables, collection receivables and legal receivables.

For a description of the trade receivables groupings refer to note 35.

The allocation of trade receivables to these groups result in shared credit characteristics within the groups.

Forward-looking information

It is a fundamental principle of IFRS 9 that the loss allowance recognised by the Group should take into account changes in the economic environment in the future. To capture the effects of changes to the economic environment management have taken into consideration market forward-looking impairment rates applied and benchmarked this against their own assessments. Three economic scenarios (negative, baseline and positive scenario) are taken into account when calculating future expected credit losses. The probability of each scenario is determined by management estimation, and are factored into the calculation of the probability of default ("PD"), exposure at default ("EAD"), and the loss given default ("LGD") within the ECL calculation.

3.1.6 Useful lives of property, plant and equipment and intangible assets

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

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

4. Changes in accounting policies and disclosures

4.1 Standards and Interpretations effective and adopted in the current year

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Application of the above standards did not impact these consolidated and separate annual financial statements.

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Accounting Policies

Changes in accounting policies and disclosures continued...

4.2 New standards and interpretations not yet adopted

The company has not applied the following new, revised or amended pronouncements that have been issued by the IASB as they are not yet effective for the annual financial year beginning 1 March 2023 (the list does not include information about new requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to the company). The directors anticipate that the new standards, amendments and interpretations will be adopted in the company's consolidated and separate annual financial statements when they become effective. The company has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

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Notes to the Consolidated and Separate Annual Financial Statements

Figures in R `000

5. Property, plant and equipment

Balances at year end and movements for the year

| | Leasehold property | Motor vehicles | Fixtures and fittings | Office equipment | Computer equipment | Total |
|---|--------------------|----------------|-----------------------|------------------|--------------------|--------------|
| Reconciliation for the year ended 29 February 2024 - Group | | | | | | |
| Balance at 1 March 2023 | | | | | | |
| At cost | 2,622 | 642 | 241 | 639 | 593 | 4,737 |
| Accumulated depreciation | (1,561) | (479) | (229) | (601) | (516) | (3,386) |
| Carrying amount | 1,061 | 163 | 12 | 38 | 77 | 1,351 |
| Movements for the year ended 29 February 2024 | | | | | | |
| Additions from acquisitions | 1,688 | 1 | - | 13 | 4 | 1,706 |
| Depreciation | (807) | (4) | (8) | (18) | (39) | (876) |
| Property, plant and equipment at the end of the year | 1,942 | 160 | 4 | 33 | 42 | 2,181 |
| Closing balance at 29 February 2024 | | | | | | |
| At cost | 2,602 | 616 | 241 | 648 | 578 | 4,685 |
| Accumulated depreciation | (660) | (456) | (237) | (615) | (536) | (2,504) |
| Carrying amount | 1,942 | 160 | 4 | 33 | 42 | 2,181 |

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Property, plant and equipment continued...

Reconciliation for the year ended 28 February 2023 - Group

Balance at 1 March 2022

| | | | | | | |
|--------------------------|------------|------------|-----------|-----------|-----------|--------------|
| At cost | 1,708 | 642 | 348 | 596 | 523 | 3,817 |
| Accumulated depreciation | (919) | (464) | (337) | (575) | (488) | (2,783) |
| Carrying amount | 789 | 178 | 11 | 21 | 35 | 1,034 |

Movements for the year ended 28 February 2023

| | | | | | | |
|---|--------------|------------|-----------|-----------|-----------|--------------|
| Additions from acquisitions | 914 | 1 | 3 | 42 | 71 | 1,031 |
| Depreciation | (642) | (16) | (2) | (25) | (29) | (714) |
| Property, plant and equipment at the end of the year | 1,061 | 163 | 12 | 38 | 77 | 1,351 |

Closing balance at 28 February 2023

| | | | | | | |
|--------------------------|--------------|------------|-----------|-----------|-----------|--------------|
| At cost | 2,622 | 642 | 241 | 639 | 593 | 4,737 |
| Accumulated depreciation | (1,561) | (479) | (229) | (601) | (516) | (3,386) |
| Carrying amount | 1,061 | 163 | 12 | 38 | 77 | 1,351 |

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6. Intangible assets

Reconciliation of changes in intangible assets

| | YueDiligence software | Micro finance software | Total |
|---|--------------------------|---------------------------|------------|
| Reconciliation for the year ended 29 February 2024 - Group | | | |
| Balance at 1 March 2023 | | | |
| At cost | 332 | 1,113 | 1,445 |
| Accumulated amortisation | (332) | (796) | (1,128) |
| Carrying amount | - | 317 | 317 |
| Movements for the year ended 29 February 2024 | | | |
| Acquisitions through internal development | - | 489 | 489 |
| Amortisation | - | (118) | (118) |
| Disposals | - | - | - |
| Intangible assets at the end of the year | - | 688 | 688 |
| Closing balance at 29 February 2024 | | | |
| At cost | - | 1,452 | 1,452 |
| Accumulated amortisation | - | (764) | (764) |
| Carrying amount | - | 688 | 688 |
| Reconciliation for the year ended 28 February 2023 - Group | | | |
| Balance at 1 March 2022 | | | |
| At cost | 332 | 1,113 | 1,445 |
| Accumulated amortisation | (332) | (745) | (1,077) |
| Carrying amount | - | 368 | 368 |
| Movements for the year ended 28 February 2023 | | | |
| Amortisation | - | (51) | (51) |
| Intangible assets at the end of the year | - | 317 | 317 |
| Closing balance at 28 February 2023 | | | |
| At cost | 332 | 1,113 | 1,445 |
| Accumulated amortisation | (332) | (796) | (1,128) |
| Carrying amount | - | 317 | 317 |

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7. Investments in subsidiaries

7.1 Investments in subsidiaries

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries.

The principal place of business and incorporation for all subsidiaries is South Africa.

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

The carrying amounts of investments in subsidiaries were assessed for impairment at the reporting date and impaired as indicated.

Any impairment loss recognised by the company is eliminated in consolidation so are not included in the segment report.

7.1.1 Details of the group's material subsidiaries at the end of the reporting period are as follows:

| Name of subsidiary | Principal activity | Place of incorporation and business |
|--|--------------------|-------------------------------------|
| YueDiligence Proprietary Limited* | Dormant | Western Cape |
| African Dawn Wheels Proprietary Limited** | Dormant | Gauteng |
| African Dawn Debt Management Proprietary Limited | Dormant | Gauteng |
| Elite Group Proprietary Limited | Unsecured lending | Gauteng |
| Elite Group Two Proprietary Limited | Dormant | Gauteng |

7.1.2 Voting rights and interest held for these subsidiaries are as follows:

| | Interest 2024 | Voting rights 2024 | Interest 2023 | Voting rights 2023 |
|--|------------------|-----------------------|------------------|-----------------------|
| YueDiligence Proprietary Limited* | 0.00% | 0.00% | 100.00% | 100.00% |
| African Dawn Wheels Proprietary Limited** | 100.00% | 100.00% | 100.00% | 100.00% |
| African Dawn Debt Management Proprietary Limited | 100.00% | 100.00% | 100.00% | 100.00% |
| Elite Group Two Proprietary Limited | 100.00% | 100.00% | 100.00% | 100.00% |
| Elite Group Proprietary Limited | 100.00% | 100.00% | 100.00% | 100.00% |

* - The subsidiary YueDiligence Proprietary Limited was sold during the year refer to note 30.

** - The subsidiary African Dawn Wheels Proprietary Limited which was dormant at year end and was subsequently deregistered.

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Investments in subsidiaries continued...

7.1.3 Summarised financial information for investment in subsidiaries

| | Elite Group (Pty) Ltd | Elite Group Two (Pty) Ltd | African Dawn Debt Management (Pty) Ltd | Total | |
|--------------------------------|--------------------------|------------------------------|---|---------------------------|--------------|
| At 29 February 2024 | | | | | |
| Cost | 8,322 | 0 | 0 | 8,322 | |
| Accumulate impairment | | | | | |
| Opening accumulated impairment | (862) | - | - | (862) | |
| Impairments (raised)/reversed | (1,715) | - | - | - | |
| Closing balance at 29 February | (2,577) | - | - | (2,577) | |
| Book Value | 5,745 | 0 | 0 | 5,745 | |
| At 28 February 2023 | | | | | |
| | Elite Group (Pty) Ltd | Elite Group Two (Pty) Ltd | African Dawn Debt Management (Pty) Ltd | YueDiligence (Pty) Ltd | Total |
| Cost | 8,322 | 0 | 0 | 3,055 | 11,377 |
| Accumulated impairment | | | | | |
| Opening accumulated impairment | (862) | 0 | 0 | (3,055) | (3,917) |
| Impairments (raised)/reversed | - | - | - | - | - |
| Closing balance at 28 February | (862) | 0 | 0 | (3,055) | (3,917) |
| Book value | 7,460 | 0 | 0 | - | 7,460 |

The subsidiaries above with no cost or impairment were incorporated by Afdawn with a share capital of R100.

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Investments in subsidiaries continued...

7.1.4 Impairment testing

Investments in subsidiaries are tested for impairment by analysing each investment's recoverable amount when there is an indication of impairment. As targeted revenue for the reporting period was not achieved the subsidiaries were tested for impairment.

The recoverable amount of the investments has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. This growth rate does not exceed the long-term average growth rate in which the businesses operates in.

YueDiligence was dormant and fully impaired before being sold so no impairment valuation has been performed.

Elite Group (Pty) Ltd did not perform to the budgeted growth after generating ongoing losses, and therefore management followed a conservative approach when testing for impairment. This resulted in the investment being impaired by R1.715 million (2023: Rnil) bring the asset value to R5,745 million.

The group obtained additional funding which was used to increase the capacity of the Elite lending book.

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

| Key Assumptions used for value in use calculations 2024 | Elite |
|---|--------|
| Compounded annual revenue increase % | 10.60% |
| Long term loan growth rate % | 9.00% |
| Compounded annual total operating costs increase % | 6.00% |
| Pre-taxation discount rate (Weighted average cost of capital ("WACC") Rate) | 32.88% |
| Key Assumptions used for value in use calculations 2023 | |
| Compounded annual revenue increase % | 8.60% |
| Long term loan growth rate % | 6.00% |
| Compounded annual total operating costs increase % | 5.50% |
| Pre-taxation discount rate (Weighted average cost of capital ("WACC") Rate) | 31.80% |

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|-------------------|---------------|---------------|-----------------|-----------------|
|-------------------|---------------|---------------|-----------------|-----------------|

8. Trade and other receivables

Trade and other receivables comprise:

| | | | | |
|--|--------------|--------------|---|---|
| Trade receivables | 21,025 | 27,422 | - | - |
| Loss allowance | (12,545) | (18,047) | - | - |
| Trade receivables - net | 8,480 | 9,375 | - | - |
| Deposits | 191 | 185 | - | - |
| VAT | 1 | 50 | - | - |
| Total trade and other receivables | 8,672 | 9,610 | - | - |

Exposure to risk

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

Details of credit risk are included in the financial instruments and risk management note 35.

Exposure to interest rate risk

Financial risk management details of interest rate risk management for amounts due from trade and other receivables are detailed in note 35.

Fair value of trade and other receivables

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

Trade receivable with a carrying amount of R19,256,000 (2023:R18,760,000) have been ceded in terms of borrowings agreements. Refer to note 35.

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|--|---------------|---------------|-----------------|-----------------|
| 9. Deferred tax | | | | |
| Reconciliation of movement in deferred tax: | | | | |
| Temporary difference income received in advance | (29) | (11) | - | - |
| Temporary difference on leave pay accrual | (34) | (198) | - | - |
| Deferred initiation fees | 179 | - | - | - |
| Impairment of investments | - | - | (401) | - |
| Temporary difference on intangible assets | - | 14 | - | - |
| Temporary difference on other accruals | - | - | - | - |
| Temporary difference on ECL provision | (887) | 337 | - | - |
| Temporary difference right-of-use assets | (227) | (76) | - | - |
| Temporary difference lease payments | 223 | 87 | - | - |
| Temporary difference provisions | 754 | - | - | - |
| Temporary difference on assessed losses | 21 | (153) | 401 | - |
| | - | - | - | - |
| Deferred tax balances: | | | | |
| Deferred tax liabilities | | | | |
| Intangible assets | - | (89) | - | - |
| Right-of-use assets | (524) | (297) | - | - |
| Deferred tax assets | | | | |
| Income received in advance | 6 | 36 | - | - |
| Leave pay accrual | 154 | 189 | 30 | 30 |
| Deferred initiation fees | 179 | - | - | - |
| Impairment on investments | - | - | 696 | 1,097 |
| Trade and other receivables loss allowance | 2,050 | 2,008 | - | - |
| Lease liability | 558 | 335 | - | - |
| Provisions | 754 | - | - | - |
| Deferred tax asset not expected to be utilised | (3,177) | (2,182) | (726) | (1,127) |
| | - | - | - | - |

Deferred tax assets amounting to R 28,895,098 (2023:R24,561,979) for the group and R 5,589,380 (2023:R4,883,754) for the company are not recognised above in the light of the losses in the current and prior reporting period

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|-------------------|---------------|---------------|-----------------|-----------------|
|-------------------|---------------|---------------|-----------------|-----------------|

10. Current tax assets and liabilities

Current tax assets and liabilities comprise the following balances

| | | | | |
|---------------------------------------|-------|------|-------|------|
| Assessed tax | | | | - |
| Opening balance | 390 | - | 390 | - |
| Assessments | - | 353 | - | 353 |
| Interest and penalties on assessments | 39 | 88 | 39 | 88 |
| Less payments made | (159) | (51) | (159) | (51) |
| Sars income tax liabilities | 270 | 390 | 270 | 390 |

The liability relates to income tax due to SARS in relation to a dispute over capital losses claimed in the 2016 assessment, that was under Alternative Dispute Resolution (“ADR”) which has been resolved and resulted in an assessment for income tax of R352,749.

11. Goodwill

11.1 Goodwill comprise the following balances

The group acquired a branch in Port Shepstone from Alibirops 1023 CC t/a L&I Financial Services as of 1 May 2022. The acquisition was structured as a purchase of assets rather than the purchase of shares. As at the effective date the group has taken over the operation of the Port Shepstone Branch as a credit provider. The acquisition had been accounted for as a business in terms of IFRS3. The branch was purchased for R1.7million and assets at fair value of R1.2million including the debtors book, other small assets and staff were taken over as at the date of acquisition. The month to month property lease was taken over by the group. The acquisition resulted in goodwill due to growth prospects through an expanded product range realised by merging the operations with the Elite Group systems, being broken down below:

| | | |
|------------------------|---------|---------|
| Cash paid for purchase | 1,700 | 1,700 |
| Assets acquired | (1,200) | (1,200) |
| | 500 | 500 |

11.2 Movements in impairment of goodwill are as follows:

Impairment testing

For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the operations of the branch in which the goodwill arises as set out below, and is compared to its recoverable value. The goodwill is in the Micro finance segment.

| Key assumptions used for value in use calculations | | |
|--|--------|--------|
| Compounded annual revenue increase % | 10.60% | 8.60% |
| Long term long growth rate % | 9.00% | 6.00% |
| Compounded annual total operating costs increase % | 6.00% | 5.50% |
| Pre-taxation discount rate (WACC Rate) | 32.88% | 31.80% |

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|-------------------|---------------|---------------|-----------------|-----------------|
|-------------------|---------------|---------------|-----------------|-----------------|

12. Other receivables

During the 2021 financial period the Group issued additional shares in the subsidiary Property Transfer Finance Proprietary Limited ("PTF2") which made the company an associate company. There was a loan to PTF2 of R2.9 million. Repayments have been received on the loan as indicated below, in terms of the repayment plan which will result in the 20% shareholding reverting back to the majority shareholder on settlement.

12.1 Other receivables incorporates the following balances:

| | | | | |
|----------------------|-----|-------|-----|-------|
| PTF2 loan receivable | 833 | 1,666 | 833 | 1,666 |
|----------------------|-----|-------|-----|-------|

12.2 Movements in net asset value of other receivables are as follows:

| | | | | |
|------------------------------|---------|---------|---------|---------|
| At the beginning of the year | (1,666) | (2,900) | (1,666) | (2,900) |
| Repayment received | 833 | 1,234 | 833 | 1,234 |
| At the end of the year | (833) | (1,666) | (833) | (1,666) |

Other receivables credit risk is grouped as indicated in note 35 other receivables. Management have assessed the probability of default based on the repayment history and do not believe an impairment is necessary.

13. Loan to group companies

13.1 Loan to group companies comprises the following balances

| | | |
|--|---------------|---------------|
| YueDiligence (Pty) Ltd | - | 653 |
| African Dawn Wheels (Pty) Ltd | - | 421 |
| African Dawn Debt Management (Pty) Ltd | 14,244 | 14,244 |
| Elite Group (Pty) Ltd | 30,998 | 29,932 |
| | 45,242 | 45,250 |
| Expected Credit Loss ("ECL") | (45,242) | (45,134) |
| | - | 116 |
| Non-current assets | - | - |
| Current assets | - | 116 |
| | - | 116 |

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Loan to group companies continued...

13.2 Movements in impairment of loan to group companies are as follows:

| | | |
|-------------------------------|---------------|---------------|
| At the beginning of the year | 45,134 | 44,254 |
| Written off during the year | (1,074) | - |
| Net remeasurement | 1,182 | 880 |
| At the end of the year | 45,242 | 45,134 |

Breakdown of net carrying amount

| Company 2024 | Gross Carrying Amount | Loss Allowance | Written off/ Sold | Net Carring Amount |
|--|-----------------------------|-------------------|----------------------|--------------------------|
| YueDiligence (Pty) Ltd | 653 | - | (653) | - |
| African Dawn Wheels (Pty) Ltd | 421 | - | (421) | - |
| African Dawn Debt Management (Pty) Ltd | 14,244 | (14,244) | - | - |
| Elite Group (Pty) Ltd | 30,998 | (30,998) | - | - |
| | 46,316 | (45,242) | (1,074) | - |
| Company 2023 | | | | |
| YueDiligence (Pty) Ltd | 653 | (653) | - | - |
| African Dawn Wheels (Pty) Ltd | 421 | (421) | - | - |
| African Dawn Debt Management (Pty) Ltd | 14,244 | (14,244) | - | - |
| Elite Group (Pty) Ltd | 29,932 | (29,816) | - | 116 |
| | 45,250 | (45,134) | - | 116 |

All the loans are unsecured, interest free and have no fixed terms of repayment but remain repayable on demand, except as indicated below.

The loans are sub-ordinated to the extent that the subsidiaries' liabilities exceed the assets in favour of other creditors of the subsidiaries for as long as the subsidiaries' liabilities exceeds the assets limited to the loans actual balance.

Expected credit loss - loans to group companies

The recoverability of the loans has been assessed based on the net asset value of the subsidiary. The net asset value is calculated by deducting the subsidiary's total liabilities from its total assets. Where the liabilities of these companies exceed the assets, and the disposal of assets would not be sufficient to settle all the liabilities the loan has been fully impaired. The impairment loss was calculated by allocating the value of the assets to other creditors first in settlement of those liabilities. The remaining assets were allocated to African Dawn Capital Limited and the impairment was calculated by deducting the remaining value of the asset from the loan balance. The loans have been assessed as non-performing.

All the above loans are classified as stage 2 and stage 3, under performing in both 2024 and 2023. The expected credit loss on stage 2 loans has been calculated based on the lifetime expected credit losses ("ECL"). The stage 3 loans and ECL of the entire loan balance .

The ECL is calculated taking into account the net asset value of the subsidiaries which take into account the ECL calculation of the subsidiary's financial assets.

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|-------------------|---------------|---------------|-----------------|-----------------|
|-------------------|---------------|---------------|-----------------|-----------------|

Loan to group companies continued...

The ECL on the financial assets of the subsidiaries took into account the same assumptions as disclosed in note 35. This is considered to increase the credit risk of the company, but advances are still expected to be recovered through a debt management process.

The assets of Elite are substantially the group's trade and other receivables whose characteristics are encompassed in note 35. In the other subsidiaries there are no substantial assets. Therefore these assets are not subject to frequent change.

14. Cash and cash equivalents

Cash and cash equivalents included in current assets:

| Cash | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|---------------------------------|---------------|---------------|-----------------|-----------------|
| Cash on hand | 39 | 72 | - | - |
| Balances with banks | 572 | 1,034 | - | 16 |
| | 611 | 1,106 | - | 16 |
| Other cash and cash equivalents | 119 | - | - | - |
| | 730 | 1,106 | - | 16 |

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|-------------------|---------------|---------------|-----------------|-----------------|
|-------------------|---------------|---------------|-----------------|-----------------|

15. Issued capital

Authorised and issued share capital

Issued

| | | | | |
|---|------------|------------|------------|------------|
| 125,000,000 Ordinary shares of 40c each | 50,000,000 | 50,000,000 | 50,000,000 | 50,000,000 |
|---|------------|------------|------------|------------|

The total shares in issue as at 29 February 2024 amounted to 73,511,608 (2023: 70,011,608)

Reconciliation of number of shares in issue

| | | | | |
|-----------------------------|---------------|---------------|---------------|---------------|
| Balance at 1 March | 70,012 | 63,647 | 70,012 | 63,647 |
| Share issue 17 May 2023* | 1,500 | - | 1,500 | - |
| Share issue 30 August 2023* | 2,000 | - | 2,000 | - |
| Share issue 20 October 2022 | - | 6,365 | - | 6,365 |
| | 73,512 | 70,012 | 73,512 | 70,012 |

Share value reconciliation R'000

| | | | | |
|------------------------------|----------------|----------------|----------------|----------------|
| Balance at 1 March | 327,834 | 325,925 | 327,834 | 325,925 |
| Share issue 17 May 2023* | 600 | - | 600 | - |
| Share issue 30 August 2023* | 800 | - | 800 | - |
| Share issue 20 October 2022 | - | 1,909 | - | 1,909 |
| Shares outstanding - closing | 329,234 | 327,834 | 329,234 | 327,834 |
| Share premium | 299,796 | 299,796 | 299,796 | 299,796 |
| Ordinary shares at 40c | 29,438 | 28,038 | 29,438 | 28,038 |
| | 329,234 | 327,834 | 329,234 | 327,834 |

* The shares issued during the current year were done at 40c per share in terms of the directors general authority to issue shares.

The group has adopted a zero cost option plan which is a share incentive scheme to assist with the retention of senior management was passed at the AGM held on 29 September 2023. The scheme authorised the issue of 9,000,000 zero cost shares that at the Boards discretion will be issued to senior staff based on existing remuneration and strategic importance to the group, limited to a maximum of 4,000,000 shares per staff member. No shares have been issued as at the reporting date and no obligation has been recognised so no adjustments have been made to the earnings per share calculation.

16. Trade and other payables

Trade and other payables comprise:

| | | | | |
|--------------------------------|--------------|--------------|--------------|--------------|
| Trade payables | 3,577 | 1,428 | 3,469 | 1,152 |
| Accrued leave pay | 548 | 674 | 108 | 108 |
| Accrued liabilities | 1,362 | 1,687 | 10 | 11 |
| Caleo loan interest accrual | 1,527 | - | - | - |
| Value added tax | 96 | 145 | 18 | 145 |
| Total trade and other payables | 7,110 | 3,934 | 3,605 | 1,416 |

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|--|---------------|---------------|-----------------|-----------------|
| 17. Borrowings | | | | |
| 17.1 Borrowings comprise: | | | | |
| <i>Caleo Afdawn Limited liability partnership</i> | 8,247 | 8,237 | 8,247 | 8,237 |
| Caleo advanced R10million in 2021, the transaction included a loan raising fee paid via the issue of shares with a value of R1.7million including costs. At initial recognition of the loan, a transaction cost (loan raising fee) was capitalised (deducted from) the value of the loan. The net value was subsequently recognised at amortised cost using the effective interest rate. The fees have been capitalised against the loan at original recognition and amortised using the effective interest rate method over the period of the loan. The loan terms are: interest is charged at 15.6% and a 2.4% consulting fees per annum which is an integral part of the effective interest rate, based on the cumulative balance, the loan is unsecured and is repayable after 20 years at the Company's discretion. Interest is paid monthly and if the company chooses to repay the loan within the 20 years, an "early termination penalty" amounting to the interest payable up to the full term of the loan, discounted at 4.5% will apply. | | | | |
| Loan raising fee amortisation recognised through profit and loss | 13 | 10 | 13 | 10 |
| <i>Related parties loans</i> | | | | |
| <i>Related Parties - Unsecured *</i> | 2,428 | 1,770 | - | - |
| The loans bear Interest of 18% per annum. The loans are unsecured and are repayable within 12 months. | | | | |
| <i>Related Parties - Unsecured on demand</i> | 5,296 | 4,600 | 1,226 | 1,150 |
| These loans bear Interest of between 10.5% - 18% per annum. The loans are unsecured and are repayable on demand. | | | | |
| <i>Related Parties - Unsecured long-term</i> | 700 | - | - | - |
| The loans bear Interest of 18% per annum. The loans are unsecured and are repayable within 36 months. | | | | |
| <i>Related Parties - Caleo loan program</i> | 15,130 | 7,291 | - | - |
| The loan bears interest at 15% per annum, is secured by ceded trade receivables of 1.2 times the loan value and are repayable within 3 months (2023: 6 months). | | | | |
| <i>3rd Party loans</i> | | | | |
| <i>Unrelated Parties - Unsecured short-term</i> | 18,005 | 26,431 | - | - |
| These loans bear interest between 10.5% and 18% per annum. The loans are unsecured and repayable within 12 months. | | | | |
| <i>Unrelated Parties - Secured single cover short term</i> | 1,100 | 1,000 | - | - |
| The loans bear Interest at 17% per annum. The loans are secured by trade receivables with a value of the initial capital and are repayable within 12 months. | | | | |

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|---|---------------|---------------|-----------------|-----------------|
| <i>Borrowings continued...</i> | | | | |
| Unrelated Parties - Unsecured long-term | 7,433 | - | - | - |
| These loans bear Interest between 15% and 18% per annum. The loans are unsecured and are repayable between 24 and 36 months | | | | |
| | 58,352 | 49,339 | 9,486 | 9,397 |
| Non-current portion of borrowings | 24,841 | 18,465 | 8,260 | 8,247 |
| Current portion of borrowings | 33,511 | 30,874 | 1,226 | 1,150 |
| | 58,352 | 49,339 | 9,486 | 9,397 |

* Included in related parties - unsecured is a loan from M Slabbert R1,840,000 (2023: R1,770,000) which was indicated as secured in 2023 but should have been classified as unsecured. The error is not material so no retrospective adjustment has been made.

17.2 Cashflow movement

| | | | | |
|-----------------------|---------------|---------------|--------------|--------------|
| Opening balance | 49,339 | 37,555 | 9,397 | 9,556 |
| Cash inflows | 14,656 | 19,040 | - | 75 |
| Cash outflows | (6,033) | (7,692) | (100) | (300) |
| Non-cash transactions | 390 | 436 | 189 | 66 |
| Closing balance | 58,352 | 49,339 | 9,486 | 9,397 |

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|-------------------|---------------|---------------|-----------------|-----------------|
|-------------------|---------------|---------------|-----------------|-----------------|

18. Lease liabilities

18.1 Lease liabilities comprise:

The Group leases several premises in commercial areas. With the exception of short-term leases and leases of low-value assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term.

The Group is prohibited from selling or pledging the underlying leased assets as security. For leases of premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must incur maintenance costs on certain items in accordance with the lease contracts.

Some of the leases include a month-to-month commitment to pay water, electricity and parking. The expenses relating to short-term leases and leases of low-value assets are recognised in profit or loss as part of other operating expenses. Refer to note 24.

The Group has assessed whether lease extension options will be taken up and when it is likely to be renewed the extension has been included in the lease term calculation. There are no significant lease extension options that will be exercised.

The total value of leases that are expected to be extended and included in the lease calculation is R709,017. These relate to leases in Port Shepstone and Rustenburg.

The right-of-use assets have been included as part of property, plant and equipment. Refer to note 5.

| | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|-------------------------|---------------|---------------|-----------------|-----------------|
| Lease obligation | 2,068 | 1,196 | - | - |
| Non-current liabilities | 1,244 | 584 | - | - |
| Current liabilities | 824 | 612 | - | - |
| | 2,068 | 1,196 | - | - |

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|-------------------|---------------|---------------|-----------------|-----------------|
|-------------------|---------------|---------------|-----------------|-----------------|

Lease liabilities continued...

18.2 Reconciliation of lease liabilities:

| | | | | |
|--|-------|-------|---|---|
| Opening balance | 1,196 | 885 | - | - |
| Additional leases entered into - Lago 128 cc - Port Shepstone | - | 914 | - | - |
| Leases extended | 1,688 | | - | - |
| Lease cancelled - Krugersdorp | (43) | | - | - |
| Interest expense | 146 | 156 | - | - |
| Lease payments | (919) | (759) | - | - |
| Closing balance | 2,068 | 1,196 | - | - |
| The maturity analysis for lease liabilities is as follows: | | | | |
| Within 1 year | 1,015 | 712 | - | - |
| Within 2-5 years | 1,371 | 663 | - | - |
| Total undiscounted cashflows | 2,386 | 1,375 | - | - |
| The carrying amount payable which is in default at the end of the reporting period | - | - | - | - |

19. Loan from director

19.1 Loan from director comprises:

| | | | | |
|---|----|-----|----|-----|
| G Hope | 38 | 699 | 38 | 699 |
| The loan bears interest of 15%, is unsecured and repayable on demand. | | | | |
| Non-current liabilities | - | - | - | - |
| Current liabilities | 38 | 699 | 38 | 699 |
| | 38 | 699 | 38 | 699 |

19.2 Cashflow movement

| | | | | |
|-----------------------|-------|-------|-------|-------|
| Opening Balance | 699 | 1,242 | 699 | 1,242 |
| Cash inflows | 224 | 44 | 224 | 44 |
| Cash outflows | (921) | (831) | (921) | (831) |
| Non-cash transactions | 36 | 244 | 36 | 244 |
| Closing balance | 38 | 699 | 38 | 699 |

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|---|---------------|---------------|-----------------|-----------------|
| 20. Revenue | | | | |
| 20.1 Revenue comprises: | | | | |
| Commission income | 1,940 | 1,128 | - | - |
| Administration fee | 2,525 | 2,694 | - | - |
| Consulting and advisory services | - | 2 | 1,080 | 1,920 |
| Revenue recognised in terms of IFRS 15 | 4,465 | 3,824 | 1,080 | 1,920 |
| Interest income using the effective interest rate method: | | | | |
| Interest | 4,025 | 4,106 | 1,598 | 1,450 |
| Loan origination fee | 6,945 | 6,834 | - | - |
| Revenue recognised in terms of IFRS 9 | 10,970 | 10,940 | 1,598 | 1,450 |
| Total revenue | 15,435 | 14,764 | 2,678 | 3,370 |

All the revenue streams recognised in terms of IFRS 15 are recognised over a period of time, except commission income. All revenue is earned within South Africa.

The following tables disaggregates revenue by major products and service lines. The tables also include a reconciliation of the disaggregated revenue with the Group's reportable segments - refer to note 28.

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|-------------------|---------------|---------------|-----------------|-----------------|
|-------------------|---------------|---------------|-----------------|-----------------|

Revenue continued...

20.2 Revenue disaggregated:

| Group 2024 | Segments | | | Total |
|---|----------|---------------|-------------|--------|
| | - | Micro finance | Head office | |
| - Insurance commission | - | 1,738 | - | 1,738 |
| - Other commission relating to insurance premiums | - | 202 | - | 202 |
| Administration fee income | - | 2,525 | - | 2,525 |
| Consulting and advisory services | - | - | - | - |
| Interest income | - | 10,970 | - | 10,970 |
| | - | 15,435 | - | 15,435 |

Group 2023

| | | | | |
|---|---|--------|---|--------|
| Commissions income | | | | |
| - Insurance commission | - | 1,014 | - | 1,014 |
| - Other commission relating to insurance premiums | - | 114 | - | 114 |
| Administration fee income | - | 2,694 | - | 2,694 |
| Consulting and advisory services | 2 | - | - | 2 |
| Interest | - | 10,940 | - | 10,940 |
| | 2 | 14,762 | - | 14,764 |

Company 2024

| | |
|-----------------|--------------|
| Interest income | 1,598 |
| Management fee | 1,080 |
| | <u>2,678</u> |

Company 2023

| | |
|-----------------|--------------|
| Interest income | 1,450 |
| Management fee | 1,920 |
| | <u>3,370</u> |

Company revenue is generated within the Group and is therefore eliminated on consolidation and in the segment report.

21. Other income

Other income comprises:

| | | | | |
|---|------------|-----------|----------|----------|
| Sundry income | 126 | 1 | - | - |
| Profit on sale of Property, plant and equipment | - | 6 | - | 6 |
| Bad debts recovered | 107 | 68 | - | - |
| Total other income | 233 | 75 | - | 6 |

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|-------------------|---------------|---------------|-----------------|-----------------|
|-------------------|---------------|---------------|-----------------|-----------------|

22. Employee benefits expense

Employee benefits expense comprises:

| | | | | |
|--|--------------|--------------|------------|--------------|
| Salaries | 6,871 | 8,051 | 701 | 684 |
| Wages | 27 | - | - | - |
| Directors | 288 | 360 | 288 | 360 |
| Casual wages | 54 | 18 | - | - |
| Total employee benefits expense | 7,240 | 8,429 | 989 | 1,044 |

23. Impairment reversal

Impairment reversal comprise:

| | | | | |
|-----------------------------|-----|---|-----|---|
| Impairment reversal on loan | 280 | - | 280 | - |
|-----------------------------|-----|---|-----|---|

24. Loss from operating activities

Loss from operating activities includes the following separately disclosable items

Other operating expenses

| | | | | |
|----------------------------|-------|-------|-------|-----|
| Auditors remuneration | 1,449 | 1,089 | 1,015 | 609 |
| Consulting fees | 2,256 | 2,151 | 1,014 | 789 |
| Short term leases expensed | 1,180 | 1,345 | - | 27 |
| Commissions | 1,312 | 697 | - | - |

25. Finance costs

Finance costs included in profit or loss:

| | | | | |
|--|---------------|--------------|--------------|--------------|
| Caleo Afdawn limited liability partnership | 1,815 | 1,678 | 1,815 | 1,678 |
| Lease obligations | 146 | 156 | - | - |
| Borrowings | 8,107 | 5,761 | 180 | 187 |
| Loans from directors | 36 | 170 | 36 | 170 |
| Taxation payables | 39 | 97 | 39 | 97 |
| Total finance costs | 10,143 | 7,862 | 2,070 | 2,132 |

26. Income tax expense

26.1 Income tax recognised in profit or loss:

Current tax

| | | | | |
|--------------|---|-----|---|-----|
| Current year | - | 353 | - | 353 |
|--------------|---|-----|---|-----|

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|-------------------|---------------|---------------|-----------------|-----------------|
|-------------------|---------------|---------------|-----------------|-----------------|

Income tax expense continued...

26.2 The income tax for the year can be reconciled to the accounting loss as follows:

| | | | | |
|---|----------|------------|----------|------------|
| Loss before tax from operations | (14,626) | (15,799) | (5,577) | (2,514) |
| Income tax calculated at 27.0%(2023: 28%) | (3,949) | (4,424) | (1,506) | (704) |
| Tax effect of | | | | |
| Non-deductible expenses debt raising fee | 3 | 2 | - | 2 |
| Non-deductible equity accounting | - | 27 | - | 27 |
| Non-deductible impairment reversal | (76) | - | (76) | 247 |
| Tax raised on prior year reassessment* | - | 353 | - | 353 |
| Deferred tax asset not recognised | 4,022 | 4,395 | 1,582 | 428 |
| Tax charge | - | 353 | - | 353 |

The estimated tax loss available for set off against future taxable income for all companies in the Group amounted to R107,232,037 (2023: R 90,970,292). The Company estimated tax loss available for set off against future taxable income is R20,701,409 (2023: R17,902,792).

* The SARS dispute that was under ADR has been resolved and resulted in an assessment for income tax in 2016 of R352,749. Interest on the assessment has been recognised under finance cost note 25.

27. Earnings per share

27.1 Basic earnings per share

| | 2024 c | 2023 c |
|---|--------------|--------------|
| From continued operations (c per share) | (20.3) | (24.5) |
| Reconciliation of loss for the year to basic loss: | R'000 | R'000 |
| Loss from continued operations | (14,626) | (16,152) |
| Basic loss from operations | (14,626) | (16,152) |

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Earnings per share continued...

27.2 Headline earnings per share

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

| | 2024 '000 | 2023 '000 |
|---|---------------|---------------|
| Number of actual ordinary shares in issue - refer to note 15. | 70,012 | 63,647 |
| Ordinary share issue on 20 October 2022 | - | 2,302 |
| Ordinary share issue on 17 May 2023 | 1,188 | - |
| Ordinary share issue on 30 August 2023 | 1,008 | - |
| Weighted average number of shares used for loss and headline loss per share | <u>72,208</u> | <u>65,949</u> |

| | 2024 c | 2023 c |
|---|---------------|---------------|
| Headline loss per share | (20.3) | (24.5) |
| Headline loss per share from continued operations | <u>(20.3)</u> | <u>(24.5)</u> |

| Headline loss from continued operations 2024 '000 | Gross | Tax | Net |
|---|-----------------|-----|-----------------|
| Loss from continued operations | (14,626) | - | (14,626) |
| Headline loss from operations | <u>(14,626)</u> | - | <u>(14,626)</u> |

| Headline loss from continued operations 2023 '000 | Gross | Tax | Net |
|---|-----------------|-----|-----------------|
| Loss from continued operations | (16,152) | - | (16,152) |
| Sales of Property, plant and equipment | (6) | 2 | (4) |
| Loss from continued operations | <u>(16,158)</u> | 2 | <u>(16,156)</u> |

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28. Segment Report

28.1 General information

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 applied in preparing and presenting the consolidated financial statements.

Segment revenue includes inter-segment revenue which amounted to R2,678million (2023:R3,370million).

Net revenue represents segment revenue from which inter-segment revenue has been eliminated. Sales between segments are made on a commercial basis. Segment operating loss before capital items represents segment revenue less segment expenses. Segment expenses consisting of operating expenses, depreciation, amortisation and impairment losses have been allocated to the segments to which they relate

The segment assets comprise all assets of the different segments that are employed by the segment and that are either directly attributable to the segment, or can be allocated to the segment on a reasonable basis. The Group's reportable segments are based on the following lines of business:

a. Investment advisory and management - This segment consists of the YueDiligence. YueDiligence provides investment advisory and management services to entrepreneurial and innovative companies. YueDiligence was sold during the current period.

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

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

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

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Segment Report continued...

28.2 Segment revenues

| | | Micro finance | Head office | Total |
|--|---|----------------------|--------------------|--------------|
| Year ended 29 February 2024 | | | | |
| Revenue | | 15,435 | - | 15,435 |
| Other income | | 233 | - | 233 |
| Impairment reversal | | - | 280 | 280 |
| Finance costs | | (8,073) | (2,070) | (10,143) |
| Impairment trade and other receivables | | (2,780) | - | (2,780) |
| Employee costs | | (6,251) | (989) | (7,240) |
| Depreciation | | (876) | - | (876) |
| Other operating expenses | | (6,971) | (2,563) | (9,534) |
| Loss before tax | | (9,283) | (5,342) | (14,625) |
| Tax | | - | - | - |
| Total comprehensive loss | | (9,283) | (5,342) | (14,625) |
| Segment total assets | | 12,770 | 834 | 13,604 |
| Segment total liabilities | | 54,440 | 13,398 | 67,838 |
| Property, plant and equipment acquired | | 18 | - | 18 |
| Lease assets acquired | | 1,688 | - | 1,688 |
| Intangible assets acquired | | 489 | - | 489 |
| | Investment advisory and management | Micro finance | Head office | Total |
| Year ended 28 February 2023 | | | | |
| Revenue | 2 | 14,762 | - | 14,764 |
| Other income | - | 68 | 7 | 75 |
| Finance costs | - | (5,827) | (2,035) | (7,862) |
| Credit losses | - | (1,047) | - | (1,047) |
| Impairment trade and other receivables | - | (3,430) | - | (3,430) |
| Employee costs | - | (7,385) | (1,044) | (8,429) |
| Depreciation | - | (714) | - | (714) |
| Other operating expenses | (48) | (7,188) | (1,920) | (9,156) |
| Loss before tax | (46) | (10,761) | (4,992) | (15,799) |
| Tax | - | - | (353) | (353) |
| Total comprehensive loss | (46) | (10,761) | (5,345) | (16,152) |
| Segment total assets | - | 12,867 | 1,683 | 14,550 |
| Segment total liabilities | - | 43,658 | 11,900 | 55,558 |
| Property, plant and equipment acquired | - | 116 | - | 116 |
| Goodwill | - | 500 | - | 500 |
| Intangible assets acquired | - | - | - | - |

29. Related parties

29.1 Group companies

Subsidiaries

Fellow subsidiary

Refer note 7.1

Elite Group Three Proprietary limited

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Related parties continued...

29.2 Other related parties

| Entity name | Nature of relationship |
|---|--|
| Slabcap Proprietary Limited | Company controlled by a director providing services to the Group |
| Arvesco 153 Proprietary Limited | |
| Gowin Capital Proprietary Limited | |
| Slabcap Investments Proprietary Limited | |
| Caleo Private Equity Proprietary Limited | |
| Caleo Property Investments Proprietary Limited | |
| Caleo Hospitality Investments Proprietary Limited | |
| Caleo Finance Investments Proprietary Limited | |
| Caleo USA Finance Proprietary Limited | |
| Caleo Construction Proprietary Limited | |
| Caleo Consumer Products Proprietary Limited | |
| Caleo SA Finance Proprietary Limited | |
| Caleo Special Situations Proprietary Limited | |
| Caleo Living Proprietary Limited | |
| Caleo Experience Proprietary Limited | |
| CPE Opportunities Proprietary Limited | |
| CPE Investment Portfolio Proprietary Limited | |
| Caleo Renewables Proprietary Limited | |
| Caleo 4PL Proprietary Limited | |
| Elite Group Three Proprietary Limited | |
| EXG Partner Proprietary Limited | |
| Nassau Property Investments Proprietary Limited | |
| Pocketworld Proprietary Limited | |
| Piercore Capital Proprietary Limited | |
| Piercore Capital Investments Proprietary Limited | |
| Piercore Group Holdings Proprietary Limited | |
| Port Shepstone Brick and Tile Company Proprietary Limited | |
| Renovar Renewables Group Proprietary Limited | |
| Renovar Energy Generation Proprietary Limited | |
| Apostolic Church | Director is a member |
| AS Van Der Westhuizen | Key management |
| DD Breedt | Key management (resigned 2023/11/22) |
| R Blieden, S Blieden, A Hudson, M Slabbert, PJ Slabbert | Key management - close relative |
| JC Breedt | Key management - Close relative (resigned 2023/11/22) |
| SM Danker | Key management - Close relative (resigned 2023/02/28) |
| DS Danker | Director (resigned 2023/02/28) |
| Refer to note 19. | Loan from director |
| Refer to directors report | Executive and non-executive directors |

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|-------------------|---------------|---------------|-----------------|-----------------|
|-------------------|---------------|---------------|-----------------|-----------------|

Related parties continued...

29.3 Related parties balances and transactions

Entity name

Related party balances

Loan accounts - Owning (to)/by related parties

| | | | | |
|--|----------|----------|----------|----------|
| Arvesco 153 Proprietary Limited | (225) | (240) | (225) | (240) |
| Slabcap Proprietary Limited | (1,199) | (919) | (1,014) | (919) |
| G Hope | (38) | (699) | (38) | (699) |
| DS Danker | - | (200) | - | - |
| SM Danker | - | (150) | - | - |
| D Breedt | - | (200) | - | - |
| JC Breedt | - | (700) | - | - |
| M Slabbert | (1,840) | (1,770) | - | - |
| R Blieden | (400) | (400) | - | - |
| S Blieden | (1,800) | (1,800) | - | - |
| Investor Piercore Capital (Pty) Ltd | (800) | - | - | - |
| Investor Tiberias Investment Holdings (Pty) Ltd | (320) | - | - | - |
| PJS Investment Holdings (Pty) Ltd | (225) | - | - | - |
| PJ Slabbert | (50) | - | - | - |
| AS vd Westhuizen | (848) | - | - | - |
| Caleo Private Equity Proprietary Limited | (10,000) | (10,000) | (10,000) | (10,000) |
| Apostolic Church | (1,900) | (1,800) | - | - |
| Elite Group Proprietary Limited | - | - | 30,998 | 29,932 |
| Elite Group Two Proprietary Limited | (237) | (221) | - | - |
| YueDiligence Proprietary Limited | - | - | - | (653) |
| African Dawn Wheels Proprietary Limited | - | - | - | (421) |
| African Dawn Debt Management Proprietary Limited | - | - | 14,244 | 14,244 |

Related party balances included in trade payables

| | | | | |
|--------------------------------------|---------|-------|---------|---------|
| Caleo - Finance costs | (1,394) | (272) | (1,394) | (1,931) |
| Non-executive directors fees payable | (742) | (529) | (742) | (204) |

Related party transactions

Administration fees paid to/ (received from) related parties

| | | | | |
|-----------------------|---|----|---------|---------|
| Elite Group (Pty) Ltd | - | - | (1,080) | (1,920) |
| JC Breedt | - | 76 | - | - |
| D Breedt | - | 6 | - | - |

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|--|---------------|---------------|-----------------|-----------------|
| <i>Related parties continued...</i> | | | | |
| Interest paid to/(received from) related parties | | | | |
| Elite Group (Pty) Ltd | - | - | (1,598) | (1,450) |
| G Hope | 36 | 170 | 36 | 170 |
| DS Danker | - | 42 | - | - |
| SM Danker | - | 44 | - | - |
| D Breedt | - | 26 | - | - |
| JC Breedt | - | 88 | - | - |
| M Slabbert | 321 | 250 | - | - |
| R Blieden | 72 | 72 | - | - |
| S Blieden | 325 | 108 | - | - |
| Arvesco 153 (Pty) Ltd | 35 | 33 | 35 | 33 |
| Slabcap (Pty) Ltd | 147 | 154 | 144 | 154 |
| Caleo Afdawn Limited Liability Partnership | 1,815 | 1,678 | 1,815 | 1,678 |
| Employee cost paid to key management including directors - Short term benefits | 2,148 | 1,697 | 768 | 840 |

29.4 Salaries paid to Executive directors and prescribed officers

| | | | | |
|--|--------------|--------------|------------|------------|
| J Slabbert | 840 | - | - | - |
| D Danker | - | 857 | - | - |
| G Hope | 480 | 480 | 480 | 480 |
| AS vd Westhuizen | 540 | - | - | - |
| Total compensation paid to key management personnel | 1,860 | 1,337 | 480 | 480 |

29.5 Salaries paid to Non-Executive directors

| | | | | |
|---------------|------------|------------|------------|------------|
| Mr. S Blieden | 144 | 144 | 144 | 144 |
| Mr. B Stagman | 144 | 144 | 144 | 144 |
| Mr. SM Roper | - | 72 | - | 72 |
| | 288 | 360 | 288 | 360 |

Directors do not receive any other form of compensation.

30. Disposal of controlled entities

30.1 Controlled entities disposed in the current year

100% of the subsidiary YueDiligence Proprietary Limited was sold on 2 March 2023 for R280,000.

30.2 Net cash flow from disposal of subsidiaries

| | | | | |
|---|------------|----------|------------|----------|
| Consideration received in cash | 280 | - | 280 | - |
| Less: cash and cash equivalents over which control was lost | (1) | - | - | - |
| Total net cash flow from disposal of subsidiaries | 279 | - | 280 | - |

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31. Events after the reporting date

All events subsequent to the date of the consolidated and separate annual financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

A term sheet has been signed by an investor that will contribute R5 million in the form of a subscription for 50% of the share capital in Elite Group (Pty) Ltd and a R15 million long term loan (with a repayment starting in 7 years). The contract expires if not signed by the directors of African Dawn Capital Limited before 30 September 2024. Afdawn does not anticipate losing control of Elite Group (Pty) Ltd once the term sheet is effective as they will be able to appoint the majority of the directors to the board.

On 25 September 2024, Elite Group Two (Pty) Ltd received a notice from the National Credit Regulator (NCR), relating to non-compliance with the National Credit Act (NCA). The NCR stated that the entity has failed to comply with the legal obligations to submit the entity's statutory returns and reports to the NCR as required in terms of Regulation 62 to 68 of the NCA and the conditions of registrations, which must be complied with in terms of section 52(5) (c) of the Act.

The entity is required to submit all outstanding reports and returns to the NCR within a period of 10 working days from the date of the notice. Failure to comply may lead to the cancellation of the entity's registration with the NCR.

As at the date of the approval of the Annual Financial Statements by the Board of Directors, and as at the signing of the Auditors Report, Elite Group (Pty) Ltd has not yet received a notice from the NCR, however due to the company failing to submit the prescribed reports and returns it may also receive a similar notice.

The directors are engaging with the NCR for an extension in the submission deadline to avoid the cancellation of the registration and are putting remedies in place to address non-compliance. The directors are confident that the cancellation of the registration will be avoided.

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the company.

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32. 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.

We draw attention to the consolidated and separate financial statements which indicates that the Group incurred a loss after tax of R14.63 million (2023:R 16.15million). As at 29 February 2024, the Group and Company had accumulated losses of, Group R383.47million (2023:R368.84million), Company R336.06million (2023:R330.48million). Furthermore, the Group's total liabilities exceed its total assets by R54.23million (2023: R41.01million) and the Company's total liabilities exceeds its total assets by R6.82million (2023: R2.64million). In addition, the Group's current liabilities exceed the current assets by R31.52 (2023:R24.13million) and the Company's current liabilities exceed the current assets by R4.31 million (2023: R1.86million).

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| | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|--|---------------|---------------|-----------------|-----------------|
|--|---------------|---------------|-----------------|-----------------|

Going concern continued...

| UNCERTAINTY | ACTION | STATUS |
|---|---|---|
| <p>Operating losses incurred by the group over the last four years and potential future operating losses in the future. Furthermore, the group's total liabilities exceed its total assets by R54.23million resulting in solvency issues.</p> | <p>Additional funding and equity investment to be obtained in the group.</p> | <p>The directors are in the process of raising additional capital to continue to fund growth across the group. A term sheet has been signed by an investor that will contribute R5 million in the form of subscription for 50% of the share capital in Elite Group (Pty) Ltd and a R15 million long term loan (with repayment starting after 7 years). The contract expires if not signed by the directors of African Dawn Capital Limited before 30 September 2024. Afdawn does not anticipate losing control of Elite Group (Pty) Ltd once the term sheet is effective as they will be able to appoint the majority of the directors to the board. The bulk of the new funding will be utilised to significantly grow the business through expanding its loan book. This is expected to have a positive impact on revenue and cash flows of the business. The directors believe that this quantum of funding is sufficient to reverse the company's current loss-making position. With the new funding in place the directors expects net cash flow received (Loans Paid Back Less Loans Extended) of the Elite business to increase by in the region of R25m over 12 months starting November 2024. The net cash flow received is expected to be in the region of R32m the following 12 months (in other words 24 months from November 2024). Management has already raised and received R 5.9 million after year end over and above the R20million noted above.</p> |
| <p>Afdawns ability to pay ongoing operational expenses.</p> | <p>Directors and various parties have provided and continue to provide funding and other ongoing operational expenses. Management are investigating other opportunities for revenue growth. With additional funding expanding the Elite debtors book.</p> | <p>The directors are currently sourcing additional funding for further growth within the Group. Afdawn's wholly owned subsidiary, Elite Group, will be able to grow its debtors book and generate cashflows to cover the Groups operating expenses including Afdawn. Four new clients were signed post year end. Management of Afdawn are still exploring other business activities for further revenue generation. The group is expected to receive R506,851 as part of the TERS refund. R211,484 has already been received subsequent to year-end.</p> |
| <p>The group borrowers recalling loans in the short term.</p> | <p>Of the R33.51million borrowings that are due in the current period, management estimates R17.63 million not to be called by borrowers in short term period and to be renewed beyond the next financial year. Management are also engaged in getting new lenders with longer terms as well as negotiating with current lenders to extend short term borrowings for longer period.</p> | <p>A total of R17.63 million of the loans have been approached to not recall loans before the next reporting date. This includes the Caleo loan program refer to note 17. New lenders have advanced funds of R3.8million, post year end up until the date of this report. A total of R1.5 million has been called up until the reporting date.</p> <p>Based on the historic data on loan repayments, the repayments of the capital portion of the loans are expected to be within the range of 10%.</p> |

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|-------------------|---------------|---------------|-----------------|-----------------|
|-------------------|---------------|---------------|-----------------|-----------------|

33. Cash flows from operating activities

| | | | | |
|---|----------------|----------------|----------------|--------------|
| Loss for the year | (14,626) | (16,152) | (5,577) | (2,867) |
| Adjustments for: | | | | |
| Income tax expense | - | 353 | - | 353 |
| Profit on disposal of Property, plant and equipment | - | (6) | - | (6) |
| Finance costs | 10,143 | 7,862 | 2,070 | 2,132 |
| Depreciation and amortisation expense | 994 | 765 | - | - |
| Other Impairment losses | 2,764 | 3,430 | 1,182 | 880 |
| Investments Impairment losses | - | - | 1,715 | - |
| Share-based payments | - | 1,200 | - | - |
| Non-cash directors loans | 36 | 244 | 36 | 244 |
| Non-cash Borrowings | 200 | 436 | - | 66 |
| Impairment reversal | (280) | - | (280) | - |
| Non-cash group loans - management fees* | - | - | (1,242) | (2,323) |
| Non-cash group loans - Interest* | - | - | (1,598) | - |
| Non-cash SARS interest | 39 | 89 | 39 | 89 |
| Change in operating assets and liabilities: | | | | |
| Adjustments for increase in trade accounts receivable | (1,872) | (2,254) | - | - |
| Adjustments for decrease in other receivables | 5 | 38 | - | - |
| Adjustments for increase in trade accounts payable | 909 | 748 | 1,077 | 545 |
| Adjustments for decrease in other operating payables | (291) | - | (128) | - |
| Net cash flows from operations | (1,979) | (3,247) | (2,706) | (887) |

* The prior figures have split into a more detailed non-cashflow categories

34. Income tax paid

Income tax paid

| | | | | |
|---|--------------|-------------|--------------|-------------|
| Amounts (payable) / receivable at the beginning of the year | (390) | 9 | (390) | 9 |
| Amounts payable at the end of the year | 270 | 390 | 270 | 390 |
| Taxation expense | - | (353) | - | (353) |
| Interest expense | (39) | (97) | (39) | (97) |
| | (159) | (51) | (159) | (51) |

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35. Risk management

Risk Management definitions

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

- Credit risk - the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation (debit balances - receivables, bank, debit loans).
- Liquidity risk - the risk that an entity will have difficulties in paying its financial liabilities.
- Market risk - the the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk.
- Capital risk management - the risk that the company maintains a manageable gearing ratio.

Concentrations of risk - There is a concentration of risk as the majority of the groups lending is to the middle and lower income market, which may affect the credit risk. However, management has somewhat mitigated this by diversifying the granting of loans to individuals, as well as to corporate clients.

Exposure

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

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

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Risk management continued...

Management of risk

Cashflow is monitored very closely on a continuous basis.

Credit risk is very closely managed through an inhouse system developed to assess each applicant credit worthiness beyond the NCA requirements by checking previous credit records from all lenders, with preference for automated debit order processing of repayments.

Analysis of the statement of financial position

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

| Group 2024 | Financial assets at amortised cost | Financial assets at cost less impairment | Financial liabilities at amortised cost | Non-financial instrument | Total |
|---------------------------------|---|---|--|-----------------------------|-----------|
| Property, plant and equipment | - | - | - | 2,181 | 2,181 |
| Intangible assets | - | - | - | 688 | 688 |
| Goodwill | - | - | - | 500 | 500 |
| Trade and other receivables | 8,671 | - | - | 1 | 8,672 |
| Other receivables | 833 | - | - | - | 833 |
| Cash and cash equivalents | 730 | - | - | - | 730 |
| Issued capital | - | - | - | (29,438) | (29,438) |
| Share premium | - | - | - | (299,796) | (299,796) |
| Accumulated loss | - | - | - | 383,468 | 383,468 |
| Borrowings - Non current | - | - | (24,841) | - | (24,841) |
| Lease liabilities - Non current | - | - | (1,244) | - | (1,244) |
| Trade and other payables | - | - | (6,466) | (644) | (7,110) |
| Current tax liabilities | - | - | - | (270) | (270) |
| Borrowings | - | - | (33,511) | - | (33,511) |
| Lease liabilities | - | - | (824) | - | (824) |
| Loan from director | - | - | (38) | - | (38) |

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Risk management continued...

| Group 2023 | Financial assets at amortised cost | Financial assets at cost less impairment | Financial liabilities at amortised cost | Non-financial instrument | Total |
|---------------------------------|---|---|--|-----------------------------|-----------|
| Property, plant and equipment | - | - | - | 1,351 | 1,351 |
| Intangible assets | - | - | - | 317 | 317 |
| Goodwill | - | - | - | 500 | 500 |
| Trade and other receivables | 9,560 | - | - | 50 | 9,610 |
| Other receivables | 1,666 | - | - | - | 1,666 |
| Cash and cash equivalents | 1,106 | - | - | - | 1,106 |
| Issued capital | - | - | - | (28,038) | (28,038) |
| Share premium | - | - | - | (299,796) | (299,796) |
| Accumulated loss | - | - | - | 368,842 | 368,842 |
| Borrowings - Non current | - | - | (18,465) | - | (18,465) |
| Lease liabilities - Non current | - | - | (584) | - | (584) |
| Trade and other payables | - | - | (3,115) | (819) | (3,934) |
| Current tax liabilities | - | - | - | (390) | (390) |
| Borrowings | - | - | (30,874) | - | (30,874) |
| Lease liabilities | - | - | (612) | - | (612) |
| Loan from director | - | - | (699) | - | (699) |

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Risk management continued...

| Company 2024 | Financial assets at amortised cost | Financial assets at cost less impairment | Financial assets at cost less impairment | Non-financial instrument | Total |
|----------------------------|---|---|---|-----------------------------|-----------|
| Investment in subsidiaries | - | 5,745 | - | - | 5,745 |
| Other receivables | 833 | - | - | - | 833 |
| Issued capital | - | - | - | (29,438) | (29,438) |
| Share premium | - | - | - | (299,796) | (299,796) |
| Accumulated loss | - | - | - | 336,055 | 336,055 |
| Borrowings - non current | - | - | (8,260) | - | (8,260) |
| Trade and other payables | - | - | (3,479) | (126) | (3,605) |
| Current tax liabilities | - | - | (270) | - | (270) |
| Borrowings | - | - | (1,226) | - | (1,226) |
| Loan from director | - | - | (38) | - | (38) |

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Risk management continued...

| Company 2023 | Financial assets at amortised cost | Financial assets at cost less impairment | Financial assets at cost less impairment | Non-financial instrument | Total |
|-----------------------------|---|---|---|-----------------------------|-----------|
| Investment in subsidiaries | - | 7,460* | - | - | 7,460 |
| Trade and other receivables | - | - | - | - | - |
| Other receivables | 1,666 | - | - | - | 1,666 |
| Loan to group companies | 116 | - | - | - | 116 |
| Cash and cash equivalents | 16 | - | - | - | 16 |
| Issued capital | - | - | - | (28,038) | (28,038) |
| Share premium | - | - | - | (299,796) | (299,796) |
| Accumulated loss | - | - | - | 330,478 | 330,478 |
| Borrowings - non current | - | - | (8,247) | - | (8,247) |
| Trade and other payables | - | - | (1,163) | (253) | (1,416) |
| Current tax liabilities | - | - | (390) | - | (390) |
| Borrowings | - | - | (1,150) | - | (1,150) |
| Loan from director | - | - | (699) | - | (699) |

* The Investment in subsidiaries has been reclassified to Financial assets at cost from Financial asset at amortised cost.

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Risk management continued...

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

| Group 2024 | Financial assets at amortised cost | Financial assets at cost less impairment | Financial assets at cost less impairment | Total |
|------------------------------|---|---|---|----------|
| Interest income | 10,970 | - | - | 10,970 |
| Finance costs | - | (10,104) | (39) | (10,143) |
| Bad debts written off | - | - | - | - |
| Group 2023 | Financial assets at amortised cost | Financial assets at cost less impairment | Financial assets at cost less impairment | Total |
| Interest income | 10,940 | - | - | 10,940 |
| Finance costs | - | (7,765) | (97) | (7,862) |
| Bad debts written off | - | - | - | - |
| Company 2024 | Financial assets at amortised cost | Financial assets at cost less impairment | Financial assets at cost less impairment | Total |
| Interest income | 1,598 | - | - | 1,598 |
| Finance costs | - | (2,031) | (39) | (2,070) |
| Impairments financial assets | (1,182) | (1,715) | - | (2,897) |
| Company 2023 | Financial assets at amortised cost | Financial assets at cost less impairment | Financial assets at cost less impairment | Total |
| Interest income | 1,450 | - | - | 1,450 |
| Finance costs | - | (2,229) | (97) | (2,326) |
| Impairments financial assets | (880) | - | - | (880) |

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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 loss allowance
- Placing deposits with banks - the maximum exposure to credit risk is the carrying amount of the related financial assets.

Collateral and receivables pledged as security amounts to R19,256,000 (2023: R18,760,000)

The Group and Company did not hold any collateral in 2024 or 2023.

Loss allowance for each class of financial asset:

Group

Trade receivables - refer to note 8.

Other receivables - refer to note 12.

| Carrying amount 2024 | Carrying amount 2023 |
|-------------------------|-------------------------|
| 12,545 | 18,047 |
| - | - |

Company

Loans to group companies - refer to note 13.

Other receivables - refer to note 12.

| Carrying amount | Carrying amount |
|-----------------|-----------------|
| 45,242 | 45,134 |
| - | - |

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Risk management continued...

Trade receivables and other receivables - Loss allowance reconciliation

The movement in the loss allowance for impairment in respect of trade receivables was as follows:

| Group | 2024 | 2023 |
|-----------------------------------|---------|--------|
| Balance on 1 March | 18,047 | 14,617 |
| Net expected credit loss movement | 2,780 | 3,682 |
| Amounts written off | (8,282) | (252) |
| Balance at 28 February | 12,545 | 18,047 |

The ECL has been calculated for each stage of the trade receivables as below:

| 2024 R'000 | Balance at 1 March | Increased ECL | Amount written off | Reversal of ECL | Balance at 29 February |
|--|--------------------|---------------|--------------------|-----------------|------------------------|
| Current receivables | 681 | 493 | - | (311) | 863 |
| Collections and under performing receivables | 9,521 | 4,342 | (95) | (2,123) | 11,645 |
| Legal receivables | 7,845 | 379 | (8,187) | - | 37 |
| Total | 18,047 | 5,214 | (8,282) | (2,434) | 12,545 |

| 2023 R'000 | Balance at 1 March | Increased ECL | Amount written off | Reversal of ECL | Balance at 29 February |
|--|--------------------|---------------|--------------------|-----------------|------------------------|
| Current receivables | 789 | - | - | (108) | 681 |
| Collections and under performing receivables | 5,827 | 8,380 | (209) | (4,477) | 9,521 |
| Legal receivables | 8,001 | 158 | (43) | (271) | 7,845 |
| Total | 14,617 | 8,538 | (252) | (4,856) | 18,047 |

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Risk management continued...

Analysis of financial assets

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

- Current receivables

This includes debtors that are paying within their credit terms as well as those that are up to 90 days overdue. Generally, when contractual payments are more than 75 days overdue the debtor is transferred to the collections book. Debtors whose accounts are more than 30 days past due or when a SICR event has occurred are deemed to have undergone a significant increase in credit risk however these generally remain in 'current receivables' until they are 75 days overdue or where another default event occurs.

- Collections and under-performing receivables

When contractual payments are more than 75 days overdue or where another default event occurs debtors are generally transferred from current receivables to collections and under-performing receivables. These debtors are in default and are considered to be credit-impaired (stage 3). It is the Group's policy to consider a receivable as 'cured' once all outstanding amounts have been settled. The Group will continue to recognise a loss allowance for the debtors in terms of the policy, until all outstanding amounts have been paid. A debtor remains within the relevant category once classified, and cannot move between categories. If there has been subsequent improvement in terms of settlement, the debtor will move between the different aging brackets in the category, however classification doesn't change subsequently.

Credit-impaired debtors will remain in Collections and under-performing receivables' unless they meet the criteria of a "legal receivable", in which case these debtors are transferred to "legal receivable" (refer below). Debtors whose balances are below R2,500 or are currently unemployed are not transferred to the legal book as the legal cost would exceed the value of the loan and are maintained in this category but are handed to an external debt collector until they are 3 years old at which point in time they will be written off. Debtors which are placed under sequestration or are deceased are written off immediately.

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Risk management continued...

- Legal receivables

This 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.

The trade receivables constitute short-term receivables. The advances are for a 3-6 months period and therefore lifetime ECLs will always apply.

The group uses an independent third party to evaluate the ECL. The following was noted in relation to each of the categories of trade receivables as addressed above.

- * On the current book, the ECLs as a percentage of balance increased from 7.26% from 9.85% since the previous reporting period. We believe this is a result of data volatility and it is appropriate to maintain this overall allowance as a percentage of outstanding balance in line with the previous reporting period. This resulted in an upward adjustment to the overall loss allowance of R182,000.
- * We note a relatively big movement in total balance distribution from the current to the collection book over the last reporting period. This is large enough to be concerning and required the necessary review. These statistics suggest that the overall default probability on the book has become higher over the last reporting period.
- * Within the collections book itself, the model is responding to a deteriorating payment experience that may follow in future. This pushed the average ECL as a percentage of outstanding balance on the collections category up to 95.31% (2023: 94.79%). This resulted in an upward adjustment to the overall loss allowance of R2,124,000. This is the main reason for the overall increase in the impairment losses compared to the previous financial reporting period.
- * Within the legal book itself, the model is responding to a potentially deteriorating payment experience that may follow in future. This kept the average ECL as a percentage of outstanding balance on the collections category at 98.00% (2023: 98.00%). This observation is not contradicting to management observations around the financial health statistics and it is reassuring to witness the model responding to the updated data in this manner. The ECLs model appears to be suggesting that there is a possibility that collections on accounts that already form part of the collections book may decline, even though the probability of default may remain stable.

The forward-looking information applied in the ECL determination includes allowances for macro-economic factors and asymmetric risk on the loan book. The Group incorporates future changes in respect of the Consumer Price Index, the petrol price, the unemployment rate, the real wage rate and the real credit extension to households to link these scenarios to probability of default and used to derive a forward-looking ECL.

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Risk management continued...

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

| Analysis of trade receivables: | 2024 | | | 2023 | | |
|--|------------------|--|-----------------|------------------|---|-----------------|
| | % Loss allowance | Estimated gross carrying amount at default | Loss Allowance | % Loss Allowance | Estimate gross carrying amount at default | Loss Allowance |
| <i>Current receivables</i> | | | | | | |
| Current | 4.7 | 7,976 | (376) | 4.5 | 8,690 | (395) |
| 30 days | 20.6 | 234 | (48) | 19.1 | 396 | (76) |
| 60 days | 72.5 | 403 | (292) | 74.6 | 246 | (183) |
| 90 days | 91.4 | 85 | (78) | 68.1 | 29 | (20) |
| 120+ days | 97.0 | 71 | (69) | 57.5 | 13 | (7) |
| <i>Collections and uner-performing receivables</i> | | | | | | |
| Current | 31.6 | 415 | (131) | 31.6 | 334 | (105) |
| 30 days | 46.1 | 53 | (24) | 46.1 | 124 | (57) |
| 60 days | 87.1 | 147 | (128) | 87.1 | 143 | (124) |
| 90 days | 92.1 | 155 | (143) | 92.1 | 332 | (306) |
| 120 days | 98.0 | 174 | (171) | 98.0 | 267 | (262) |
| 120+ days | 98.0 | 11,274 | (11,048) | 98.0 | 8,844 | (8,667) |
| <i>Legal receivables</i> | | | | | | |
| Current | 100.0 | 2 | (2) | 98.0 | 260 | (255) |
| 30 days | 97.8 | 36 | (35) | 98.0 | 15 | (15) |
| 60 days | 0.0 | 0 | (0) | 98.0 | 22 | (22) |
| 90 days | 0.0 | 0 | (0) | 98.0 | 29 | (29) |
| 120 days | 0.0 | 0 | (0) | 0.0 | 0 | (0) |
| 120+ days | 0.0 | 0 | (0) | 98.0 | 7,678 | (7,524) |
| | | <u>21,025</u> | <u>(12,545)</u> | | <u>27,422</u> | <u>(18,047)</u> |

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Risk management continued...

Analysis of other receivables:

| | % Loss allowance | Estimated gross carrying amount at default | Loss Allowance | % Loss Allowance | Estimate gross carrying amount at default | Loss Allowance |
|----------------------|------------------|--|----------------|------------------|---|----------------|
| PTF2 loan receivable | - | 833 | - | - | 1,666 | - |

Current receivables:

Current receivables include stage 1 and stage 2 debtors. Debtors accounts that are more than 30 days overdue (significant increase in credit risk - Stage 2) and are included in 'current receivables' have a gross carrying amount of R559,000 (2023: R288,000) and ECLs on this balance have been recognised at R439,000 (2023: R210,000).

Collections:

Collections and under-performing receivables: include stage 2 and stage 3 debtors. Stage 2 debtors included in 'Collections and under-performing receivables' have a gross carrying amount of R944,000 (2023: R1,200,000) and ECLs on this balance have been recognised for at R597,000 (2023:R854,000). Credit-impaired (Stage 3) debtors included in 'Collections and under-performing receivables' have a gross carrying amount of R11,274,000 (2023: R8,844,000) and ECLs on this balance have been provided for at R11,048,000 (2023: R8,667,000). Loans reflected in Collection and under-performing receivables for 120 days and 120+ days represent specific loans made with counterparties loans from the group's micro-lending business. The 120+ day loan has seen a credit deterioration during the current reporting period and therefore a higher loss allowance has been recognised.

Legal receivables:

All debtors in legal receivables have defaulted and are credit-impaired (stage 3). The loans included as part of legal receivables are stage 3 loans and therefore share similar characteristics in terms of probability of default, loss given default and time expected to recover the debtors. Given that these loans have similar characteristics management have applied a constant ECL loss rate to these loans.

Other receivables:

The debtor has remained within the terms of the repayment agreement and there have been no other indicators of a significant increase in credit risk.

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

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Risk management continued...

Credit quality information for financial assets not impaired:

| Group | 2024 | | 2023 | |
|---------------------------|-----------------|----------------|-----------------|----------------|
| | Carrying amount | Credit quality | Carrying amount | Credit quality |
| Cash and cash equivalents | 730 | High | 1,106 | High |
| Other receivables | 833 | Moderate | 1,666 | Moderate |

| Company | 2024 | | 2023 | |
|---------------------------|-----------------|----------------|-----------------|----------------|
| | Carrying amount | Credit quality | Carrying amount | Credit quality |
| Cash and cash equivalents | - | High | 16 | High |
| Other receivables | 833 | Moderate | 1,666 | Moderate |

At the reporting date the credit rating was BB- for the long-term local currency and foreign currency deposit ratings of the major banks in South Africa.

Risk on South African banks is considered negligible as all cash deposits are guaranteed by the SA Reserve Bank and banks are financially sound.

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Risk management continued...

Liquidity risks

Management funds the business by entering into borrowing agreements at a fixed rate with as long repayment terms as possible. The terms are set at rates higher than market rates and are renewed frequently in order make the transaction more attractive.

| Group 2024 | Not later than 1 month | 1 month to 3 months | 3 to 12 months | 1 year to 3 years | Total | Indefinite interest payments* |
|--------------------------|---------------------------|------------------------|-------------------|----------------------|---------------|-------------------------------------|
| Borrowings | 1,101 | 1,326 | 47,166 | 9,615 | 59,208 | - |
| Borrowings - Caleo* | 150 | 300 | 1,350 | 5,400 | 7,200 | 1,800 |
| Loan from director | 38 | - | - | - | 38 | - |
| Trade and other payables | 379 | 35 | 6,053 | - | 6,467 | - |
| SARS Income tax payable | 23 | 45 | 207 | 9 | 284 | - |
| Lease liabilities | 81 | 162 | 726 | 1,099 | 2,068 | - |
| | 1,772 | 1,868 | 55,502 | 16,123 | 75,265 | 1,800 |

| Group 2023 | Not later than 1 month | 1 month to 3 months | 3 to 12 months | 1 year to 3 years | Total | Indefinite interest payments* |
|--------------------------|---------------------------|------------------------|-------------------|----------------------|---------------|-------------------------------------|
| Borrowings | 965 | 1,215 | 43,316 | 876 | 46,372 | - |
| Borrowings - Caleo* | 150 | 300 | 1,350 | 5,400 | 7,200 | 1,800 |
| Loan from director | - | - | 743 | - | 743 | - |
| Trade and other payables | 555 | 284 | 2,276 | - | 3,115 | - |
| SARS Income tax payable | - | - | 414 | - | 414 | - |
| Lease liabilities | 69 | 140 | 503 | 663 | 1,375 | - |
| | 1,739 | 1,939 | 48,602 | 6,939 | 59,219 | 1,800 |

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Risk management continued...

| Company 2024 | Not later than 1 month | 1 month to 3 months | 3 to 12 months | 1 year to 3 years | Total | Indefinite interest payments* |
|--------------------------|---------------------------|------------------------|-------------------|----------------------|---------------|-------------------------------------|
| Borrowings | - | - | 1,226 | - | 1,226 | - |
| Borrowings - Caleo* | 150 | 300 | 1,350 | 5,400 | 7,200 | 1,800 |
| Loan from director | 38 | - | - | - | 38 | - |
| Trade and other payables | 10 | 18 | 3,576 | - | 3,604 | - |
| SARS Income tax payable | 23 | 45 | 207 | 9 | 284 | - |
| | 221 | 363 | 6,359 | 5,409 | 12,352 | 1,800 |

| Company 2023 | Not later than 1 month | 1 month to 3 months | 3 to 12 months | 1 year to 3 years | Total | Indefinite interest payments* |
|--------------------------|---------------------------|------------------------|-------------------|----------------------|---------------|-------------------------------------|
| Borrowings | - | - | 1,150 | - | 1,150 | - |
| Borrowings - Caleo* | 150 | 300 | 1,350 | 5,400 | 7,200 | 1,800 |
| Loan from director | - | - | 699 | - | 699 | - |
| Trade and other payables | - | - | 414 | - | 414 | - |
| SARS Income tax payable | 11 | 145 | 1,260 | - | 1,416 | - |
| | 161 | 445 | 4,873 | 5,400 | 10,879 | 1,800 |

The short-term liquidity obligations will be met through a combination of operations and funding raised.

* The Caleo loan does not have a fixed capital repayment obligation so repayments consist of annual R1,80 million interest payments with no capital payment included until management include it in cashflow budgeting.

Refer to note 3.1.1 going concern for details on the short-term liquidity obligations.

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Risk management continued...

Concentration of risk - There is a concentration liquidity risk as the group depends on borrowings as their primary source of finance. A significant portion of these borrowings are from related parties (who are related to the entity other than by virtue of their funding). In a situation where the lenders are not able to extend funding to the entity, this may affect the entity's liquidity. However, management has mitigated this risk by diversifying its sources of funding to include other unrelated parties. Also, as African Dawn Capital Limited is listed on the JSE, the entity has access to external sources of funding by issuing shares.

Market risk - Interest rate risk

The Group is exposed to interest rate risk on transaction linked to the prime lending rate. The Group fixes the interest rates on all lending to customers in terms of the ("NCA") National Credit Act so revenue will not be affected. The Group mitigates interest rate risk by using fixed interest rates at a higher rate than market rate. The borrowings interest rates are fixed on all borrowings to mitigate the risk on finance costs. As such there is only interest rate risk on the current bank accounts.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole period. A 100 (2023: 100) basis points increase or decrease is used when reporting interest rate risk internally to management and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 (2023: 100) basis points higher or lower and all other variables were held constant, the Groups loss for the period would change by R7,300 (2023: 11,060) Company: R- (2023: R200).

The carrying amount of the net cash and cash equivalents for the Group and Company was R730,000 (2023: R1,106,000) and R0 (2023: R16,000) respectively.

Capital risk management

The group's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the group may adjust the amount of dividends paid to the shareholder, return capital, repurchase shares currently issued, issue new shares, issues of new debt, issues of new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

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Risk management continued...

The capital structure and gearing ratio of the group and company at the reporting date was as follows:

| | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|---------------------------|---------------|---------------|-----------------|-----------------|
| Borrowings | 58,352 | 49,339 | 9,486 | 9,397 |
| Lease liabilities | 2,068 | 1,196 | - | - |
| Loans from directors | 38 | 699 | 38 | 699 |
| SARS income tax liability | 270 | 390 | 270 | 390 |
| Trade and other payable | 7,110 | 3,934 | 3,605 | 1,416 |
| Total borrowings | 67,838 | 55,558 | 13,399 | 11,902 |
| Less cash held | (730) | (1,106) | - | (16) |
| Net borrowings | 67,108 | 54,452 | 13,399 | 11,886 |
| Equity | (54,234) | (41,008) | (6,821) | (2,644) |
| Gearing ratio | -124% | -133% | -196% | -449% |

The borrowings include a loan from Caleo Afdawn Limited Liability Partnership which has a number of terms that place restrictions and requirements on the group these are detailed below:

- The full loan of R10 million will become immediately due if either Caleo or the subsidiary Elite are liquidated, restructured (more than 50% shareholding or voting rights change) or a breach of contract occurs.
- The full loan of R10 million will become immediately due if The group liquidates
- The group is required to take out a key man insurance to cover the loan and costs
- The group is required to change the dividend policy when there is sufficient capital to meet agreed budgeting requirements to two times cover of distributable proceeds.

Management reviews the above covenants on a monthly basis and there has been no breach of the covenant and no indication that they will be breached. Refer to note 3.1.1

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36. Non-compliance

In terms of the JSE Listing requirements paragraph 3.15 & 3.16 every issuer is required to release a results announcement within 3 months and distribute an annual report (including the notice of annual general meeting) within 4 months of its financial year end. An announcement regarding the late publication and consequent suspension was published on SENS on 19 July 2024 by African Dawn Capital Limited.

In terms of the JSE Listing requirements paragraph 21.5(i) African Dawn Capital Limited must implement the King IV Code through application of the King IV Code disclosure and application regime. As at year end 29 February 2024, African Dawn Capital Limited has not complied with the requirements set out in Principle 7.8 of King IV which states that the governing body should consist of majority of non-executive members most of whom should be independent.

This has affected the ability of the group to maintain some of the critical committees including the audit and risk committee and the remuneration committee.

Considering the size of African Dawn Capital Limited and the nature of operations it was not possible for the members to be independent. The governing body is in progress to appoint an additional independent non-executive member. In this process the board will consider the skills, experience, diversity and independence of the current applicants to ensure that an appropriate balance is maintained.

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Shareholders' Analysis

Register date: 24 February 2024

Issued Share Capital: 73,511,608 shares

1. Shareholder spread

| | No. of shareholders | % of type | No. of shares | % of total shares |
|----------------------------|---------------------|------------|-------------------|-------------------|
| 1 - 1000 shares | 9407 | 89.15 | 1,250,719 | 1.70 |
| 1,001 - 10,000 shares | 918 | 8.70 | 2,747,759 | 3.74 |
| 10,001 - 100,000 shares | 184 | 1.74 | 5,666,566 | 7.71 |
| 100,001 - 1,000,000 shares | 34 | 0.32 | 8,538,531 | 11.62 |
| 1,000,001 and over | 9 | 0.09 | 55,308,033 | 75.24 |
| Total | 10,552 | 100 | 73,511,608 | 100 |

2. Distribution of shareholders

| | No. of shareholders | % of type | No. of shares | % of total shares |
|----------------------|---------------------|------------|-------------------|-------------------|
| Banks | 3 | 0.03 | 72,032 | 0.10 |
| Brokers | 16 | 0.15 | 568,748 | 0.77 |
| Close Corporations | 13 | 0.12 | 100,154 | 0.14 |
| Endowment Funds | 4 | 0.04 | 1,305,786 | 1.78 |
| Individuals | 10426 | 98.81 | 22,026,933 | 29.96 |
| Investment Companies | 1 | 0.01 | 2,506 | 0.00 |
| Nominees and Trusts | 40 | 0.38 | 983,302 | 1.34 |
| Other Corporations | 14 | 0.13 | 5,074,995 | 6.90 |
| Pension Funds | 2 | 0.02 | 8,529 | 0.01 |
| Private Companies | 31 | 0.29 | 43,367,985 | 58.99 |
| Public Companies | 2 | 0.02 | 638 | 0.00 |
| Total | 10,552 | 100 | 73,511,608 | 100 |

3. Public/non - public shareholders

| | No. of shareholders | % of type | No. of shares | % Total shares |
|--|---------------------|-------------|-------------------|----------------|
| Non - Public Shareholders | 6 | 0.06 | 41,160,485 | 55.99 |
| Directors of the company | 3 | 0.03 | 1,498,950 | 2.04 |
| Shares held by associates of directors | 1 | 0.01 | 132,152 | 0.18 |
| Strategic Holdings (10% or more) | 2 | 0.02 | 39,529,383 | 53.77 |
| Public Shareholders | 10,546 | 99.94 | 32,351,123 | 44.01 |
| | 10,552 | 100% | 73,511,608 | 100% |

4. Beneficial shareholders holding of 2% or more

| | No. of Shares | % of total shares |
|--|---------------|-------------------|
| Arvesco 153 Pty Ltd | 26,800,000 | 36.46 |
| Caleo Afdawn Limited Liability Partnership | 12,729,383 | 17.32 |
| Independent Municipal and Allied Trade Union | 4,764,692 | 6.48 |
| Mokuoane, M | 4,123,799 | 5.61 |
| Bus Ven Invest No 1499 (Pty) Ltd | 2,000,000 | 2.72 |

5. Breakdown of Non-Public Holdings

| | No. of Shares | % of total shares |
|---|------------------|-------------------|
| <i>Directors of the company</i> | | |
| Slabbert, JL | 1,440,200 | 27.57 |
| The Apostolic Church (Apostle Unity) | 1,250,000 | 1.70 |
| Slabbert, JL | 190,200 | 0.26 |
| Hope, GB | | |
| Hope, GB | 58,750 | 0.08 |
| Total | 58,750 | 0.08 |
| | 1,498,950 | 27.65 |
| <i>Shares held by associates of directors</i> | | |
| Slabbert, PJ | 132,152 | 0.18 |
| Slabbert, PJ | 132,152 | 0.18 |
| Total | 132,152 | 0.18 |






ADW Group AFS 2024 - Final

Final Audit Report

2024-09-26

| | |
|-----------------|--|
| Created: | 2024-09-26 |
| By: | Adrian Wasowicz (adrianw@pkfoctagon.com) |
| Status: | Signed |
| Transaction ID: | CBJCHBCAABAA28KKoZtZtCbwEIYMHuGPJFMdRRtIK7Hn |

"ADW Group AFS 2024 - Final" History

-  Document created by Adrian Wasowicz (adrianw@pkfoctagon.com)
2024-09-26 - 12:51:26 PM GMT
-  Document emailed to Waldek wasowicz (waldek@pkfoctagon.com) for signature
2024-09-26 - 12:51:36 PM GMT
-  Email viewed by Waldek wasowicz (waldek@pkfoctagon.com)
2024-09-26 - 12:58:35 PM GMT
-  Document e-signed by Waldek wasowicz (waldek@pkfoctagon.com)
Signature Date: 2024-09-26 - 12:59:17 PM GMT - Time Source: server
-  Agreement completed.
2024-09-26 - 12:59:17 PM GMT