AFRICAN DAWN
CAPITAL LIMITED

Audited Condensed Consolidated Statements for the year ended 28 February 2013

AFRICAN DAWN CAPITAL LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1998/020520/06)
JSE Code: ADW
ISIN: ZAE000060703
"the company" or "the group" or "Afdawn"

Audited Condensed Consolidated Statements of Financial Position for the year ended 28 February 2013

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(Incorporated in the Republic of South Africa)
(Registration number 1998/020520/06)
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Audited Condensed Consolidated Statements of Financial Position for the year ended 28 February 2013

	Year ended 28-Feb-13 R`000 (Audited)	Year ended 29-Feb-12 R`000 (Audited)
Non-current assets	**3,329**	**1,439**
Property, plant and equipment	899	770
Intangible assets	1,792	-
Other financial assets	638	669
Current assets	**114,084**	**120,849**
Property in possession	21,335	25,662
Other financial assets	300	300
Current tax receivable	95	9,713
Trade and other receivables	208,815	246,902
Impairment on trade receivables	(125,475)	(177,179)
Net trade and other receivables	83,340	69,723
Cash and cash equivalents	9,014	15,451
Non-current assets held for sale	**4,129**	**-**
Total assets	**121,542**	**122,288**
Capital and reserves	**63,251**	**65,361**
Share capital	284,634	284,634
Reserves	-	97
Accumulated (loss)	(221,383)	(219,370)
Non-current liabilities	**22,682**	**21,608**
Borrowings	22,366	21,590
Finance lease obligation	316	18
Current liabilities	**35,609**	**35,319**
Finance lease obligation	77	35
Operating lease obligation	195	-
Borrowings	7,292	5,484
Current tax payable	18,709	20,064
Trade and other payables	9,336	9,736
Total liabilities	**58,291**	**56,927**
Total equity and liabilities	**121,542**	**122,288**
Ordinary shares in issue (`000)	**508,184**	508,184
Net asset value per share (cents)	**12.5**	12.9
Net tangible asset value per share	**12.2**	12.9

Audited Condensed Consolidated Statements of Financial Position for year ended 28 February 2013

	Year ended 28-Feb-13 R`000 (Audited)	Year ended 29-Feb-12 R`000 (Audited)
Revenue	**33,533**	**31,472**
Cost of sales	(399)	(407)
Gross profit	33,134	31,065
Other income	2,770	22,622
Operating and other expenses	(35,721)	(39,962)
Operating profit	183	13,725
Investment revenue	620	309
Finance cost	(2,286)	(3,151)
(Loss) / Profit before taxation	(1,483)	10,883
Taxation	(627)	(478)
(Loss) / Profit for the period	**(2,110)**	**10,405**
Weighted number of shares	**508,184**	**332,838**
Number of issued shares	**508,184**	**508,184**
Basic (loss)/earnings per share from continuing and discontinuing operations	(0.42)	3.23
Diluted (loss)/earnings per share from continuing operations	(0.24)	2.79
Headline (loss)/earnings per share from continuing and discontinuing operations	(0.40)	3.06
Diluted headline (loss)/earnings per share from continuing and discontinuing operations	(0.26)	2.72
Reconciliation of headline earnings		
Basic (loss)/earnings	(2,110)	10,763
Non-recurring adjustments		
Profit on sale of subsidiary	-	(1,021)
Loss/(profit) on disposal of property, plant and equipment	(24)	2
Impairment of property, plant and equipment	**110**	249
Impairment of non current asset held for sale	-	188
Headline (loss)/earnings	(2,024)	10,181

Audited Condensed Consolidated Statements of other Comprehensive Income for the year ended 28 February 2013

	Year ended 28-Feb-13 R`000 (Audited)	year ended 29-Feb-12 R`000 (Audited)
(Loss)/Profit for the year	(2,110)	10,763
Other comprehensive income:	-	-
Total comprehensive income	(2,110)	10,763
Attributable to		
(Loss)/Profit from continuing operations	(2,110)	10,405
(Loss/)Profit from discontinued operation	-	358
Owners of the parent	(2,110)	10,763

Audited Condensed Consolidated Statements of Changes in Equity for the year ended 28 February 2013

	Share Capital	Share Premium	Reserves+ Other NDR	Retained Earnings	Ordinary Shareholders Equity
Balance at 28 Feb 2011	2,221	253,886	105	(230,133)	26,079
Issue of ordinary share during Rights Issue	2,853	25,674	-	-	28,527
Total comprehensive income for 2012 year	-	-	-	10,763	10,763
Transfer from insurance reserves	-	-	(8)	-	(8)
Balance at 29 Feb 2012	5,074	279,560	97	(219,370)	65,361
Total comprehensive (loss)/income for year	-	-	-	(2,110)	(2,110)
Transfer from insurance reserves	-	-	(97)	97	-
Balance at 28 Feb 2013	**5,074**	**279,560**	**-**	**(221,383)**	**63,251**

Audited Condensed Consolidated Statements of Cash Flow for the year ended 28 February 2013

	Year ended 28-Feb-13 R`000 (Audited)	Year ended 29-Feb-12 R`000 (Audited)
Cash inflow/(outflow) flow from operating activities	(6,020)	9,448
Cash inflow/(outflow) from investing activities	(2,443)	2,694
Cash inflow/(outflow) from financing activities	2,026	(4,569)
Net cash (outflow)/inflow for the year	(6,437)	7,573
Cash and cash equivalents at beginning of year	**15,451**	7,878
Cash and cash equivalents at end of year	9,014	15,451

Basis of preparation and statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"),the Companies Act, and the JSE Listing Requirements and the SAICA Financial Reporting guides as issued by the Accounting Practice Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council. The consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis other than financial assets designated as at fair value through profit and loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The preparation of the group`s consolidated year end results for financial year ended 28 February 2013 was supervised by the acting Financial Director of the group (appointed full time 10 April 2013), Mr. T.F Kruger.

The Audited condensed consolidated interim financial statements was prepared by E Nel CA(SA) and supervised by the acting financial director, T Kruger CA(SA).

Audit opinion

These results have been audited by the group's independent auditors, Grant Thornton. Their unmodified audit report is available for inspection at the registered offices of the group. The auditor's report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors work, they should obtain a copy of that report together with the accompanying financial information from the registered offices of the group. Any reference to future financial performance included in this announcement, has not been Audited or reported on by the group`s independent auditors.

Notes to the Audited Condensed Consolidated Financial Statements

REPORTING ENTITY

African Dawn Capital Limited is a public company incorporated and domiciled in the Republic of South Africa, with its registered office situated at: 1st Floor, Quadrum 4, Quadrum Office Park, 50 Constantia Boulevard, Constantia Kloof. African Dawn Capital Limited's shares are listed on the Alt-X of the JSE Limited ("JSE"). The core business of African Dawn Capital is specialized financial services segmented as bridging finance, personal short term unsecured finance and other financial services, including debt collections and debt management services. The financial statements for the year ended 28 February 2013 comprise the company and its subsidiaries. The operating results of the company and group are set out in the attached statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cashflow and the explanatory notes.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Audited condensed financial information are consistent with those of the annual financial statements for the year ended 29 February 2012. For a full list of standards and interpretations which have been adopted we refer you to the 29 February 2012 annual financial statements.

Policies that became effective in 2013 and adopted include:

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7);
IFRIC 19 Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12);
Circular 3/2012 – Headline Earnings.

Below is an extract of the most significant accounting policies of the group.

Financial Instruments - Compounded financial instruments

If the terms of convertible instrument give rise to a non derivative instrument containing both liability and equity components, they are treated as compound financial instruments. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument in its totality and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition, only derecognized on conversion or settlement.

Revenue

Revenue recognition comprises the fair value of the received or receivable consideration for the sale of goods and services, net of value added tax, rebates and discounts and after eliminating sales within the group. Revenue is recognised if it is probable that there are future economic benefits that will flow to the Group and can be reliably measured.

Interest income is recognised on a time proportion basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period of the asset or liability. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates the cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.
When a receivable is impaired, the group reduces the carrying amount to its recoverable amount – being the estimated future cash flow discounted at original effective interest rate of the instrument – and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost recovery basis as conditions warrant.
The Group earns fee income from customers for: credit transactions, related card fees, legal charges and loan servicing activities. Transaction and services fees are recognised when the service are provided.
Dividend income is recognised when the right to receive payment is established.
The initial amount of revenue agreed in the contract and any variations in the contract to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.
Gains or losses on disposal of repossessed properties are reported in (Loss)/Profit.

Properties in possession

Repossessed properties acquired in exchange for loans as part of an orderly realisation are reported in property in possession under the property and possession assets class, as they are held for sale in the ordinary course of business. The repossessed properties are recognised when the risks and rewards of the properties have been transferred to the group. The corresponding loans are derecognised when the group becomes the owner of the property. The property acquired is initially recorded at cost which is the lower of its fair value (less costs to sell) and the carrying amount of the loan (net of impairment) at the date of transferring ownership. It is subsequently measured at the lower of the carrying amount and its net realisable value.
No depreciation is charged in respect of these properties. Any subsequent write down of the acquired property to net realisable value is recognised in profit or loss. Any subsequent increase in the net realisable value, to the extent that it does not exceed the cumulative write down, is also recognised in impairments. Gains or losses on disposal of repossessed properties are reported in other operating income or operating expenditure.

Financial Instruments - Impairment of financial assets

All financial assets except for those at fair value through profit and loss are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that the financial asset or group of financial assets are impaired. The different criteria to determine the impairment is for each asset class as follows:
Loans and receivables: Individual significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by references explained in the impairment policy.
Held till maturity investments: if there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flow. Any changes to the carrying amount of the investment, including impairment losses are recognized in profit and loss.
Available for sale financial assets. If the fair value cannot be estimated reliably the impairment charges are recognized in profit or loss. All other available for sale assets are measured at fair value, gains and losses from movement in fair value is recognized in other comprehensive income and reported as being available for sale reserve in equity.

Significant judgements and sources of estimation uncertainty

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

Impairment on trade and other receivables

The estimation of allowances for impairments is inherently uncertain and depends on many factors. These factors include general economic conditions, structural changes within industries, changes in individual customer circumstances. There are also other external factors such as legal requirements, regulatory specifications and governmental policies that if changed can have a significant effect on the allowances.
Trade and other receivables are stated net of impairments. The impairments are either made on an individual receivable or impairment on collective receivables.
Trade and other receivables are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition. The event would be the loss making event and would adversely affect the recoverability and reliability of the expected future cashflows. These events include, but are not limited to:
Breach of contract: default or delinquency in interest or principal payments, instalment past due date is considered a breach of contract and would affect the reliability to measure future cash flows;
Significant financial difficulty of borrower, directly communicated to Afdawn or probable that borrower will enter bankruptcy or financial re-organisation. Data indicating that there is a quantifiable decrease in the estimated future cash flow and recoverability of a grouping of assets, although not yet indentified at individual asset level. These include fraud at agent levels, adverse change of payment status of groups, local and national conditions relating to identifiable groups.
Indication of decrease in value of security held, especially indicators that would adversely affect the value of properties held as security relating to property bridging finance.

The group formally assesses its receivable portfolio for impairment on a monthly basis based on formulated impairment formulae and judgement. The extent to which the current carrying value exceeds the estimated recoverable amount of advances is classified as impairment. Impairments made on individual receivables: Substantial receivables, especially relating to property bridging transactions are assessed on an individual basis. The impairments were calculated, based on an approved impairment policy. The impairments were made on judgements and formulated calculations. The impairments were made by taking the following into consideration for each receivable: credibility of borrower, security held, value of security, repayment history, sureties signed and agreed settlement terms. The individual receivable values are assessed to be at least the security value that can be realized within 3 months in an active market.

Impairments made on collective receivables

Due to the vast number and ever changing status of especially short term, unsecured receivables, the impairments are assessed on a collective grouping of receivables. The impairments were calculated, based on an approved impairment policy. The grouping of the receivables are made based on specific criteria of each receivable, these include: borrower credibility, ageing of last receipt, arrears amount, settlement agreement, status of process to be followed to pursue future cashflows, age of borrower, economical status, repayment instalments. The collective receivable balances are impaired by a percentage that was specifically awarded to the receivables within the collection. The percentage was developed with help of specialized external asset valuators and was based on extensive market knowledge, historical default and recovery rates, repayment trends and statistical techniques.
Impairment calculations contain both judgemental and non-judgemental inputs. The extent of judgement utilised in new products is greater than that for older products given the limited historical experience available for the new products.
Receivables older than 90 days become collectable under the legal process of recovery, these receivables fall within a new collection of receivables and approved impairment percentage applied.

Impairment testing

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

IMPAIRMENTS OF TRADE AND OTHER RECEIVABLES

The majority of the impairment of trade receivables is based on default of contractual repayment terms, underlying security value and assessed recoverability at the time of reporting.

Impairment and provisions

	28-Feb-13 R`000	29-Feb-12 R`000
Movement in impairment provision	**(51,704)**	(23,485)

Note:
The movement in the impairment was accounted for as follows:
A reversal through profit and loss of R 3,2 mil (2012: R 9,2 mil)
A write off against gross debtors (already provided for) of R 48,5 mil (2012: R 14,3 mil)

The total amount of write offs written off through profit and loss accounted to R 1,8 mil (2012: R 9,5 mil).

	28-Feb-13 R`000	29-Feb-12 R`000
The movement in the impairments relates to the following:		
Individual impairments	145	6,161
Collective impairments	495	4,874
Individual impairments reversed	(1,196)	(14,363)
Collective impairments reversed	(1,421)	(12,178)
Amounts provided for and written off as uncollectable	(49,727)	(1,900)
Discontinued operations	-	(6,080)

Property in possession

The company perfected its security over properties to enable value realization in future period through sale. In the period two properties met the criteria of Non Current asset held for sale: Volksrust (R709 000) and Almika (R 3 420 000) and were moved out of the Property in Possession asset class. The Green Oaks property remains in this class and is being managed for rental income, until further development is possible.

	28-Feb-13 R`000	29-Feb-12 R`000
Almika Properties (Pty) Ltd – Brakpan, Gauteng	-	7,029
Green Oaks – Centurion Gauteng	28,248	28,446
Erven 1593 to 1599, Volksrust, Mpumalanga	-	709
Impairment adjustment	(6,913)	(10,522)
Total	**21,335**	**25,662**

SEGMENTAL INFORMATION

Figures in ZAR thousands

28 February 2013	Bridging Finance	Personal & Short Term	Other	Total
Income	2,321	27,235	7,367	36,923
Net profit/(loss)	(11,542)	3,982	5,450	(2,110)
Net asset value	(34,378)	(3,100)	100,729	63,251
29 Feb 2012	Bridging Finance	Personal & Short Term	Other	Total
Income	1,861	34,225	18,317	54,403
Net profit/(loss)	5,311	9,165	(3,713)	10,763
Net asset value	(22,837)	(7,082)	95,280	65,361

Other Notes

Corporate governance

The directors and senior management of the group endorse the Code of Corporate Practices and Conduct as set out in the King III report on Corporate Governance. Having regard for the size of the group, the Board is of the opinion that the group complies with the Code as well as with the Listings Requirements of the JSE Limited in all material respects. The group performs regular reviews of its corporate governance policies and practices and strives for continuous improvement in this regard.

Human resources

Ongoing skills and equity activities continue to ensure compliance with current legislation. Plans continue in terms of initiatives embarked upon that contribute to broader skills development and sourcing appropriately qualified staff on an ongoing basis.

Dividend

The company will not pay a dividend for the 2013 financial year.

COMMENTS FROM THE BOARD

Prospects

The board has decided to change the vision of the company to that of an active investment holding company, acquiring shareholding in entrepreneurial companies, with a strong innovation drive and which are in proven growth phases, by enhancing the capabilities of these entities to accelerate long term sustainable growth. To ensure the execution of the changed vision, it is of utmost importance to ensure that the company has the appropriate capabilities and experience, hence we have appointed Mr JS van der Merwe, refer to change in board note below.

The period under review remained challenging, but the unsecured lending business has been able to grow its revenue by 6,4 % year on year and the gross debtors book increased by 43%, the net profit R 3,18 mil (2012: R 1,47 mil). Elite has not relaxed its credit criteria in assessing affordability and would rather retain a healthy credit quality in our book, than chasing loan growth that may ultimately result in higher bad debt in time to come.

Changes to the board of directors

The composition of the board changed since the last year end. Dr GE Stoop was appointed within the 2013 financial year on 23 May 2012 as an executive director. Subsequent to year end on 10 April 2013 TF Kruger stepped down as Chief Executive Officer and was appointed as Financial Director. On 10 April 2013, Mr JS van der Merwe was appointed as executive chairman and CF Wiese assumed the role of lead independent non executive.

South African Revenue Services ("SARS") liability

Afdawn has worked closely with SARS on all aspects relating to a tax position in terms of the agreed action plan with SARS and only a few returns remain outstanding for final assessments by SARS. We are in the process of submitting our documentation as set out in Section 200 of the Income Tax Act, which will enable the tax matters to be finally settled. The SARS liability has been fully provided for in our accounts with regards to returns that have been assessed, disagreements were provided for to the extent of the most likely outcome.

Allegro Holdings Proprietary Limited ("Allegro")

Afdawn has engaged with the Curators of Allegro to explore the possibility that the matter can be settled in some form as the uncertainty impedes Afdawn in sourcing alternative funding outside our regular funders. The company has concluded a Memorandum of Understanding (28 February 2013) that sets out the rules of engagement that will enable us to determine the facts which in turn will facilitate a conclusion to the matter. Thus far the company has not become aware of any information during our deliberations that will alter our conclusion reached previously.

As mentioned in the 2010, 2011 and 2012 Annual Reports, a former subsidiary company Allegro was placed in curatorship in 2009 and was therefore deconsolidated. At that time Allegro was indebted to Afdawn in the amount of R 3.8 million. A Curator has repeatedly made verbal statements regarding a possible claim that he claims to have against Afdawn and/or its subsidiaries. This has been ongoing since early 2010 and, notwithstanding written requests to the Curators, no formal claim has been forthcoming, nor have we been advised of the basis of any claim. The latest CMM curators' reports to the Financial Services Board ("FSB") in November 2011, March 2012 and September 2012, contained no indication of a formal claim against Afdawn.
On 17 April 2012 the Curators lodged a formal claim against Absa and directors within the Allegro group at the time at which the alleged claim arose. To the date of signing this report no claims have been received by Afdawn, nor have we been able to establish any basis for a potential claim against Afdawn and therefore no provisions have been made for any such contingency.

Appreciation

The board extends its appreciation to our management and staff for their efforts during this reporting period. We also thank our customers and suppliers for their continued support.

ADMINISTRATION
African Dawn Capital Limited
("African Dawn" or "the Company" or "the Group")
Registration number: 1998/020520/06
(Incorporated in the Republic of South Africa)
JSE share code: ADW ISIN code: ZAE000060703

Registered office:
1st Floor, Quadrum 4, Quadrum Office Park,
50 Constantia Boulevard, Constantia Kloof Ext 28, 1709
Tel: +27 (11) 475 7465 Fax: +27 (11) 475 7413

Directors:

JS van der Merwe (executive chairman)(appointed 10 April 2013),
TF Kruger (previous chief executive officer, appointed financial director on 10 April 2013),
Dr GE Stoop (executive)(appointed 23 May 2012),
L Taylor (independent non-executive),
CF Wiese (lead independent non-executive),
HH Hickey (independent non-executive),
WJ Groenewald (non-executive)

Company secretary:
W Somerville (on behalf of Corporate Statutory Service Proprietary Limited)

Auditors:
Grant Thornton

Designated Advisor:
Sasfin Capital, a division of Sasfin Bank Limited

Transfer secretaries:
Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg, 2001

Date: 27 May 2013