AFRICAN DAWN CAPITAL LIMITED

Reviewed Condensed Consolidated Statements
for the year ended 28 February 2014

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"

Reviewed Condensed Consolidated Statements of Financial Position for the year ended 28 February 2014

	Year ended 28 February 2014 R'000 (Reviewed)	Year ended 28 February 2013 R'000 (Audited)
Non-current assets	**92**	3,329
Property, plant and equipment	**92**	899
Intangible assets	**–**	1,792
Other financial assets	**–**	638
Current assets	**45,424**	114,084
Property in possession	**24,748**	21,335
Other financial assets	**–**	300
Current tax receivable	**95**	95
Trade and other receivables	149,619	208,815
Impairment on trade receivables	**(130,122)**	(125,475)
Net trade and other receivables	**19,497**	83,340
Cash and cash equivalents	**1,084**	9,014
Non-current assets held for sale	**59,766**	4,129
Total assets	**105,282**	121,542
Capital and reserves	**43,411**	63,251
Share capital	**284,634**	284,634
Accumulated (loss)	**(241,223)**	(221,383)
Non-current liabilities	**8,844**	22,682
Borrowings	**8,844**	22,366
Finance lease obligation	**–**	316
Current liabilities	**32,492**	35,609
Finance lease obligation	**–**	77
Operating lease obligation	**174**	195
Borrowings	**7,893**	7,292
Current tax payable	18,226	18,709
Trade and other payables	**6,198**	9,336
Bank overdraft	**1**	–
Liabilities of disposal group	**20,535**	–
Total liabilities	**61,871**	58,291
Total equity and liabilities	**105,282**	121,542
Net asset value per share (cents)	**8.54**	12.5
Net tangible asset value per share (cents)	**8.54**	12.2

Reviewed Condensed Consolidated Income Statement for the year ended 28 February 2014

	Year ended 28 February 2014 R'000 (Reviewed)	Year ended 28 February 2013 R'000 (Audited)
Revenue	**6,079**	6,458
Cost of sales	**–**	142
Gross profit	**6,079**	6,600
Other income	**34**	570
Operating and other expenses	**(21,474)**	(10,654)
Operating loss	**(15,361)**	(3,484)
Investment revenue	**77**	553
Loss on sale of non-current assets held for sale	**(311)**	–
Finance cost	**(1,124)**	(1,175)
(Loss) before taxation	**(16,719)**	(4,106)
Taxation	**(407)**	(166)
(Loss) from continuing operations	**(17,126)**	(4,272)
Profit/(Loss)from discontinued operations	**(2,714)**	2,162
(Loss) for the year	**(19,840)**	(2,110)
Weighted number of shares	**508,184**	508,184
Basic (loss) per share total (cents)	**(3.90)**	(0.41)
Basic (loss) from continuing operations (cents)	**(3.37)**	(0.83)
Basic (loss) from discontinued operations (cents)	**(0.53)**	0.42
Diluted (loss) per share from continuing operations (cents)	**(3.37)**	(0.84)
Headline (loss) per share total (cents)	**(3.14)**	(0.40)
Headline (loss) per share from continuing operations (cents)	**(2.61)**	(0.82)
Headline (loss) per share from discontinued operations (cents)	**(0.53)**	0.42
Reconciliation of headline (loss)		
Basic profit	**(19,840)**	(2,110)
Non-recurring adjustments		
Impairment of property, plant and equipment and non-current assets held for sale	**3,546**	110
(Profit)/Loss on disposal of property, plant and equipment	**1**	(24)
Loss on disposal of non-current asset held for sale	**311**	–
Headline (loss)	**(15,982)**	(2,024)

Reviewed Condensed Consolidated Statements of Comprehensive Income for the year ended 28 February 2014

	Year ended 28 February 2014 R'000 (Reviewed)	Year ended 28 February 2013 R'000 (Audited)
(Loss) for the year	**(19,840)**	(2,110)
Other comprehensive income:		
Total comprehensive income	**(19,840)**	(2,110)
Attributable to:		
(Loss) from continuing operations	**(17,126)**	(4,272)
(Loss)/Profit from discontinuing operation	**(2,714)**	2,162
Owners of the parent	**(19,840)**	(2,110)
Non-controlling interest	**–**	–

Reviewed Condensed Consolidated Statements of Changes in Equity for the year ended 28 February 2014

	Share capital	Share premium	Total reserves	Accumulated loss	Ordinary Shareholders equity
Balance at 29 February 2012	5,074	279,560	97	(219,370)	65,361
Total comprehensive loss for the 2013 year	–	–	–	(2,110)	(2,110)
Transfer to insurance Reserve	–	–	(97)	97	–
Balance at 28 February 2013	5,074	279,560	–	(221,383)	63,251
Total comprehensive loss for the 2014 year	–	–	–	(19,840)	(19,840)
Balance at 28 February 2014	**5,074**	**279,560**	**–**	**(241,223)**	**43,411**

Reviewed Condensed Consolidated Statements of Cash Flows for the year ended 28 February 2014

	Year ended 28 February 2014 R'000 (Reviewed)	Year ended 28 February 2013 R'000 (Audited)
Cash flow from operating activities	**(10,448)**	(6,020)
Cash flow from investing activities	**(1,393)**	(2,443)
Cash flow from financing activities	**3,910**	2,026
Net cash flow for the year	**(7,930)**	(6,437)
Cash and cash equivalents at beginning of the year	**9,014**	15,451
Cash and cash equivalents at end of the year	**1,084**	9,014

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 Listings 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 2014 was supervised by the Financial Director of the group appointed 27 March 2014, Mr EA van Heerden.

These results have been reviewed by the group's independent auditors, Grant Thornton. Their unmodified review conclusion is available for inspection at the registered office of the group. The auditors' 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 office of the group. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the group's independent auditors.

Notes to the Reviewed 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 specialised 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 2014 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 cash flow and the explanatory notes.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial information are consistent with those of the annual financial statements for the year ended 28 February 2014.

Policies that became effective in 2014 and adopted include:

Amendments to IFRS 7 Disclosure to Financial Instruments

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interest in Other Entities

IFRS 13 Fair Value Measurement

IAS 27 Separate Financial Statements

IAS 32 Offsetting Financial Assets and Financial Liabilities

IAS 1 Presentation of Financial Statements

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

Discontinued operations

A discontinued operation is a component of the group that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations.

A discontinued operation is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with view to resale.

The profit or loss from discontinuing operations, including prior years' components of profit or loss, is presented in a single amount in the income statement.

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 remeasured subsequent to initial recognition, only derecognised 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 recognised in profit and loss.

Available for sale financial assets: If the fair value cannot be estimated reliably the impairment charges are recognised in profit or loss. All other available for sale assets are measured at fair value, gains and losses from movement in fair value is recognised 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 cash flows. 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 reorganisation. 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 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.

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 cash flows, 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 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 February 2014 R'000	28 February 2013 R'000
Net movement in impairment	**4,647**	(51,704)

Note:

The movement in the impairment was accounted for as follows:

- A reversal through profit and loss of R 1,5 million (2013: R3,2 million).
- A write off against gross debtors (already provided for) of R6,1 million (2013: R48,5 million).

The total amount of write offs written off through profit and loss amounted to R1,9 million (2013: R1,8 million).

As the personal loans segment has been classified as held for sale no provisioning details are indicated.

DISCONTINUED OPERATIONS

The board decided to sell the Elite Group Proprietary Limited subsidiary and its subsidiary Elite Group Cell No. 00181 Proprietary Limited. The board was busy negotiating with potential buyers at 28 February 2014 so the assets and liabilities of the related companies have been reclassified as non-current asset held for sale. Management have also discontinued operations in African Dawn Debt Management Proprietary Limited and Nexus Personnel Finance Proprietary Limited and a decision has been taken to cease operation.

PROPERTY IN POSSESSION

The company perfected its security over properties to enable value realisation in future period through sale. In the period the Almika 81 Property that had been classified as non-current asset held for sale was transferred back to property in possession asset class as the sales agreement fell through. The Green Oaks property remains in this class and is being managed for rental income, until further development is possible.

	28 February 2014 R'000	28 February 2013 R'000
Almika 81 Properties (Proprietary) Limited – Benoni, Gauteng	**7,029**	–
Green Oaks – Centurion, Gauteng	**28,241**	28,248
Impairment adjustment	**(10,522)**	(6,913)
Total	**24,748**	21,335

SEGMENTAL INFORMATION

Figures in ZAR thousands

28 Feb 2014	**Bridging finance**	**Personal and short term**	**Other head office**	**Total**
Revenue, other income and interest	678	–	5,512	6,190
Continued operations profit/loss for year	(7,005)	–	(10,121)	(17,126)
Discontinued operations profit/loss for year	(1,966)	(730)	(18)	(2,714)
Net asset value	(32,334)	(3,829)	79,574	43,411

28 Feb 2013	**Bridging finance**	**Personal and short term**	**Other head office**	**Total**
Revenue, other income and interest	2,252	–	5,329	7,581
Continued operations profit/loss for year	(9,424)	–	5,152	(4,272)
Discontinued operations profit/loss for year	(2,118)	3,983	297	2,162
Net asset value	(34,378)	(3,100)	100,729	63,251

Other notes

1. **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.

2. **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.

3. **Dividend**

   The company will not pay a dividend for the 2014 financial year.

4. **Post balance sheet events**

   On 29 May 2014 the company has entered into an agreement to dispose of the Elite group of companies. The agreement is subject to the fulfilment of certain suspensive conditions.

Comments from the board

STRATEGIC INTENT

African Dawn Capital Limited (the "company") is an active investment holding company acquiring shareholdings in entrepreneurial companies, with strong innovation drive, which are in proven growth phases by enhancing the capabilities of these entities to accelerate long-term sustainable growth.

The group through its wholly owned subsidiary Elite Group Proprietary Limited ("Elite") provides unsecured personal loans (micro finance).

Effective March 2014, the company acquired 100% of the issued share capital of Knife Capital Proprietary Limited in order to have the intellectual capital, capacity and capabilities to help execute in its vision to become an active investment holding company.

AUTHORISED AND ISSUED SHARE CAPITAL

The authorised ordinary share capital amounts to 5 000 000 000. The issued share capital on 28 February 2014 amounted to 508 184 155. As a result of the rights issue, 272 086 442 new shares were issued on 4 April 2014 at 8 cents per share, including shares paid in terms of the rights offer underwriting agreement as detailed in the circular dated 7 March 2014. The cash generated from the rights issue and guaranteed underwriting allocations amounted to R21,8 million. As a result of the acquisition of Knife Capital (Proprietary) Limited, a further 100 000 000 shares were issued at 10 cents per share on 8 April 2014 in exchange for shares in Knife Capital Proprietary Limited. The number of shares in issue following the conclusion of the rights issue and the Knife Capital acquisition and as at the date of this directors' report is 880 270 597.

ALLEGRO HOLDINGS (PROPRIETARY) LIMITED

As stated in the 2010, 2011,2012 and 2013 annual reports of the group, Allegro Holdings Proprietary Limited ("Allegro"), a former subsidiary of the Company, was placed in curatorship in 2009 at which time Allegro owed the company R3,8 million. To date the company has not received any claims from third parties in relation to Allegro and as the company does not believe that there are any grounds for such claims, no provisions have been made for any such contingency.

BOARD OF DIRECTORS

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

Directors	Office	Designation	Changes
JS van der Merwe	Chairman	Non-executive*	Appointed 10 April 2013
WJ Groenewald	Chief Executive Officer ("CEO")	Executive **	
EA van Heerden	Finance Director	Executive	Appointed 27 March 2014
JK van Zyl		Executive ***	Appointed 28 May 2013
V Lessing		Non-executive independent	Appointed 28 May 2013
HH Hickey	Chair audit committee	Non-executive independent	
TF Kruger	Finance Director	Executive	Resigned 1 February 2014
WN Luhabe		Non-executive independent	Appointed 29 May 2013, resigned 30 September 2013
GE Stoop	Non-executive independent		Resigned 5 November 2013
L Taylor	Non-executive independent		Resigned 29 May 2013
CF Wiese	Non-executive independent		Resigned 10 June 2013
A Bohmert	Executive		Appointed 22 April 2014
SM Roper	Non-executive independent		Appointed 22 April 2014

On 10 April 2013, TF Kruger stepped down as Chief Executive Officer and was appointed as Financial Director on this date and continued in the role until his resignation on 1 February 2014.

On 10 April 2013, JS van der Merwe was appointed as executive Chairman and continued in this role until 24 February 2014 when he became non-executive Chairman.

WJ Groenewald was appointed acting Chief Executive Officer on 24 February 2014 and became permanent Chief Executive Officer on 28 March 2014 subsequent to the Knife Capital Proprietary Limited acquisition becoming effective.

Subsequent to the Knife Capital Proprietary Limited transaction EA van Heerden was appointed Financial Director, JK van Zyl became executive director and Andrea Bohmert was appointed as executive director and SM Roper was appointed as non-executive independent director.

SOUTH AFRICAN REVENUE SERVICES ("SARS") LIABILITY

We have submitted documentation as set out in terms of section 200 of the Income Tax Act, which will enable tax matters to be settled with SARS. The SARS liability has been fully provided for in the accounts.

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. To our shareholders, our gratitude in believing and supporting the rights offer and turnaround story.

ADMINISTRATION

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

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) 325 2716

Directors
WJ Groenewald *(Chief Executive Officer)*
V Lessing *(Independent non-executive)*
JS van der Merwe *(Non-executive Chairman)*
HH Hickey *(Independent non-executive)*
JK van Zyl *(Executive)*
A Bohmert *(Executive)*
SM Roper *(Independent 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: 30 May 2014