**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

The definitions and interpretation commencing on page 7 of this Circular apply *mutatis mutandis* to this cover.

If you are in any doubt as to the action you should take in relation to this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional adviser immediately.

**Action required:**

If you have disposed of all your Shares in Afdawn, please forward this Circular and accompanying Form of Instruction and Form of Proxy to the purchaser of such Afdawn Shares or to the CSDP, Broker, banker or other agent through whom the disposal was effected.

Shareholders are also referred to page 4 of this Circular which sets out the detailed action required by both Certificated and Dematerialised Shareholders.

**AFRICAN DAWN CAPITAL LIMITED**

(Incorporated in the Republic of South Africa)
(Registration number 1998/020520/06)
Shares code: ADW ISIN: ZAE000060703
("**Afdawn**" or "**the Company**")

# CIRCULAR TO SHAREHOLDERS

regarding:

- **a partially underwritten renounceable Rights Offer by Afdawn, of 508 184 155 new ordinary shares with a par value of R0,01 each, to Afdawn Shareholders recorded in the Register at the close of business on Thursday, 20 March 2014, at a Subscription Price of 8 cents per Rights Offer Share, in the ratio of 1 Rights Offer Share for every 1 Afdawn Share held;**
- **a Specific Issue of up to a maximum of 50 000 000 ordinary shares at 8 cents per share to the Underwriter, being a related party of Afdawn, as defined in terms of the Listings Requirements, as the Underwriter is an associate of a director of Afdawn.**

and incorporating:

- **a notice of general meeting of Afdawn Shareholders relating to the Specific Issue of shares to the Underwriter.**
- **and enclosing:**
- **a Form of Instruction *(pink)* in respect of a Letter of Allocation providing for the acceptance and/or renunciation and/or sale of all or part of the Rights Offer Entitlement embodied in the Letter of Allocation in terms thereof for the use of Certificated Shareholders only;**
- **a form of proxy *(yellow)*, only for use by Certificated Shareholders and Dematerialised Shareholders with "Own-name" Registration; and**
- **Revised Listings Particulars in respect of the Company.**

| | |
|---|---|
| **Rights Offer opens at 09:00 on** | **Monday, 24 March 2014** |
| **Rights Offer closes at 12:00 on** | **Friday, 4 April 2014** |

All the advisers, whose names and reports are included in this Circular, have given and have not, prior to publication of this Circular, withdrawn their written consents for the inclusion of their names and reports in the form and context in which they appear.

| **Corporate Adviser and Transaction Designated Adviser** | **Independent Reporting Accountants** |
|---|---|
| PSG CAPITAL | Grant Thornton<br>An instinct for growth™ |

Date of issue: 17 March 2014

This Circular is available in English only. Copies of this Circular may be obtained at the registered office of the Company and the Corporate Adviser and Transaction Designated Adviser, whose addresses are set out in the "Corporate Information" section of this Circular from Monday, 17 March 2014 to Friday, 4 April 2014 (both days inclusive) and is also available on the website of Afdawn at www.afdawn.co.za from Monday, 17 March 2014. A copy of this Circular, together with the Form of Instruction and other requisite documents referred to in section 99(4)(b) and regulation 50 of the Act, were lodged and approved by the JSE. A copy of the Circular will be filed with the Commission after approval by the JSE.

This Circular incorporates revised listing particulars and is issued in compliance with the Listing Requirements, for purposes of providing information to the public with regard to the Company.

**DISCLAIMER**

All transactions arising from the provisions of this Circular and the Form of Instruction shall be governed by and be subject to the laws of South Africa. The Rights Offer may be affected by the laws of the relevant jurisdictions of foreign Shareholders. Such foreign Shareholders should inform themselves about and observe any applicable legal requirements of such jurisdictions in relation to all aspects of this Circular that may affect them, including the Rights Offer. It is the responsibility of any foreign Shareholder to satisfy himself/herself as to the full observation of the laws and regulatory requirements of the relevant jurisdiction in connection with the Rights Offer, including the obtaining of any governmental, exchange control or other consent or the making of any filings which may be required, the compliance with other necessary formalities, the payment of any issue, transfer or other taxes or requisite payments due in such jurisdiction. The Rights Offer is further subject to any other applicable laws and regulations, including the Exchange Control Regulations. Any foreign Shareholder who is in doubt as to his/her position, including without limitation his/her tax status, should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

## CORPORATE INFORMATION

**Directors**

JS van der Merwe (*chairman*) *
HH Hickey *#
WJ Groenewald (acting CEO)
V Lessing (*lead independent director*) *#
JK van Zyl *#

** Non-executive*
*# Independent*

**Corporate Adviser and Transaction Designated Adviser**

PSG Capital Proprietary Limited
(Registration number 2006/015817/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

and

1st Floor, Building 8
Inanda Greens Business Park
54 Wierda Road West
Wierda Valley
Sandton, 2196
(PO Box 650957, Benmore, 2010)

**Transfer Secretaries**

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

**Registered Address of Afdawn**

1st Floor, Quadrum 4
Quadrum Office Park
50 Constantia Boulevard
Constantia Kloof, Ext 28, 1709
(PO Box 5455, Weltevreden Park, 1715)

**Company Secretary and Registered Address**

W Somerville
1st Floor, Quadrum 4
Quadrum Office Park
50 Constantia Boulevard
Constantia Kloof, Ext 28, 1709
(PO Box 5455, Weltevreden Park, 1715)

**Date and place of incorporation of Afdawn**

12 October 1998
Johannesburg, South Africa

**Independent Reporting Accountants and Auditors**

Grant Thornton (Jhb) Inc.
(Registration number 1994/001166/21)
137 Daisy Street
Corner Grayston Drive
Sandown, Johannesburg, 2196
(Private Bag X28, Benmore, 2010)

**Banker**

ABSA Bank Limited
Retail and Business Bank division
2nd floor, ABSA Towers East
170 Main Street, Johannesburg, 2001
(PO Box 7735, Johannesburg, 2000)

## FORWARD LOOKING-STATEMENT DISCLAIMER

The definitions and interpretation commencing on page 7 of this Circular apply to this forward-looking statement disclaimer.

This Circular contains statements about Afdawn and/or the Afdawn Group that are or may be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipate", "intend", "foresee", "forecast", "likely", "should", "planned", "may", "estimated", "potential" or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Afdawn cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which Afdawn operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions made by Afdawn, as communicated in publicly available documents by Afdawn, all of which estimates and assumptions, although Afdawn believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not occur. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in such statements or assumptions include other matters not yet known to Afdawn or not currently considered material by Afdawn.

Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only on the date on which such forward-looking statement is made. New factors that could cause the business of Afdawn not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. Afdawn has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.

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## ACTION REQUIRED BY SHAREHOLDERS IN RELATION TO THE RIGHTS OFFER

The definitions and interpretation commencing on page 7 of this Circular apply, *mutatis mutandis,* to this section.

**Please take careful note of the following provisions regarding the action required by Afdawn Shareholders:**

1. If you are in any doubt as to what action to take, you should consult your CSDP, Broker, banker, attorney, accountant or other professional adviser.
2. If you have disposed of all your Shares in Afdawn, please forward this Circular and accompanying Form of Instruction to the purchaser of such Shares or to the CSDP, Broker, banker or other agent through whom the disposal was effected.
3. Shares in companies listed on the JSE can no longer be traded on the JSE unless they have been Dematerialised onto the Strate system. It is therefore suggested that Certificated Shareholders Dematerialise their Documents of Title and replace them with electronic records of ownership. In this regard, Shareholders may contact either a CSDP or Broker, details of which are available from Strate at liaisondesk@strate.co.za or telephone (011) 759 5300 or facsimile (011) 759 5503.
4. Certificated Shareholders wishing to Dematerialise their Shares are advised that the Dematerialisation process can take between 1 (one) and 10 (ten) days, depending on the volumes being processed at the time.

**Shareholders who have Dematerialised their Afdawn Shares**

Shareholders on the Company's share Register who have Dematerialised their Shares:

1. will **NOT** receive a "printed" Form of Instruction, but will have their accounts updated with their Rights Offer Entitlement by their CSDP or Broker;
2. should timeously instruct their CSDP or Broker as to whether they wish to subscribe for all or part or their Rights Offer Entitlement, or sell all or part of their Rights Offer Entitlement or renounce all or part of their Rights Offer Entitlement, in the manner and time stipulated in the Custody Agreement;
3. who do not issue instructions to their CSDP or Broker, will result in the CSDP or Broker acting in accordance with the Custody Agreement; and
4. should note that Afdawn assumes no responsibility and will not be held liable for any failure on the part of their CSDP or Broker to notify them of the Rights Offer and to receive instruction in regard thereto.

**Shareholders who have not Dematerialised their Afdawn Shares**

Certificated Shareholders:

1. will have their Letter of Allocation created in electronic form with Computershare Investor Services to ensure that Certificated Shareholders have the same rights and opportunities in respect of the Rights Offer as those who have already Dematerialised their Afdawn Shares;
2. will receive a printed Form of Instruction in relation to the Letter of Allocation, providing for the sale of all, or part of, the rights embodied in the Form of Instruction, the subscription for Rights Offer Shares in terms thereof, or the renunciation of their rights and must act in accordance with the instructions thereon; and
3. who wish to subscribe for all of the Rights Offer Entitlement, must complete Blocks 5 and 6 of the Form of Instruction in accordance with the instructions contained therein, attach their cheques for the appropriate amount and lodge same with the Transfer Secretaries as set out below.

| ***Delivered to*** | ***or*** | ***Posted to:*** |
|---|---|---|
| African Dawn Capital Limited<br>c/o Computershare Investor Services Proprietary Limited<br>Ground Floor, 70 Marshall Street<br>Johannesburg, 2001 | | African Dawn Capital Limited<br>c/o Computershare Investor Services Proprietary Limited<br>PO Box 61763<br>Marshalltown, 2107 |

so as to reach the Transfer Secretaries by no later than 12:00 on Friday, 4 April 2014;

4. will receive Certificated share certificates in respect of the Rights Offer Shares;
5. will only be able to trade their Rights Offer Shares on the JSE once they have been Dematerialised; this could take between 1 (one) and 10 (ten) days, depending on the volume being processed at the time;
6. who wish to **sell** all or part of the rights allocated to them in terms of the Rights Offer must complete the relevant section of the enclosed Form of Instruction (Form A) and return it to the Transfer Secretaries in accordance with the instructions contained therein so as to reach the Transfer Secretaries by no later than 12:00 on Friday, 28 March 2014. Computershare Investor Services will endeavour to procure the sale of the Rights Offer Entitlement on the JSE on behalf of such certificated rights recipients and will remit the proceeds in accordance with the payment instructions reflected in the Form of Instruction, net of brokerage charges and associated expenses. Neither Computershare Investor Services nor any Broker appointed by it will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such sales, the price obtained or any failure to sell such rights; and
7. who wish to renounce their Rights Offer Entitlement in favour of any named Renouncee must complete Form B on the enclosed Form of Instruction and the Renouncee must complete Form C on the enclosed Form of Instruction and return it to the Transfer secretaries in accordance with the instructions contained therein so as to reach the Transfer Secretaries by no later than 12:00 on Friday, 4 April 2014, together with a cheque or bankers draft for the appropriate amount.

## ACTION REQUIRED BY SHAREHOLDERS IN RELATION TO THE GENERAL MEETING

The definitions and interpretation commencing on page 7 of this Circular apply, *mutatis mutandis,* to this section.

**Action required by Shareholders:**

1. If you have disposed of all of your Afdawn Shares, please forward this document to the purchaser of such Afdawn Shares or to the Broker, banker or other agent through whom such disposal was effected.
2. Certificated and "Own-name" Dematerialised Shareholders who are unable to attend the General Meeting to be held at 10:00 on Tuesday, 15 April 2014, in the boardroom of the Company at First Floor, Quadrum 4, Quadrum Office Park, 50 Constantia Boulevard, Constantia Kloof, Extension 28, South Africa, and wish to be represented thereat, must complete and return the attached form of proxy in accordance with the instructions contained therein to the Transfer Secretaries of Afdawn, being Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), so as to be received by them no later than 10:00 on Friday, 11 April 2014.
3. Dematerialised Shareholders, other than those with "Own-name" Registration, must inform their CSDP or Broker of their intention to attend the General Meeting in order for such CSDP or Broker to be able to issue them with the necessary letters of representation to enable them to attend such meeting or, alternatively, should they not wish to attend the General Meeting, they should provide their CSDP or Broker with their voting instructions. This must be effected in terms of the agreement entered into between the Shareholder and his/her CSDP or Broker.

## DEFINITIONS AND INTERPRETATION

In this Circular, unless otherwise stated or the context so requires, the words in the first column have the meanings stated opposite them in the second column, words in the singular shall include the plural and *vice versa,* words denoting one gender include the other and expressions denoting natural persons include juristic persons and associations of persons:

| | |
|---|---|
| "the Act" | the Companies Act No. 71 of 2008, as amended and its Regulations; |
| "Altx" | the Alternative Exchange of the JSE; |
| "Afdawn" or "the Company" | African Dawn Capital Limited (registration number 1998/020520/06), a public company, incorporated in accordance with the laws of South Africa; |
| "Afdawn Group" or "Group" | Afdawn and its Subsidiaries; |
| "AGM" | Annual General Meeting of the Company; |
| "Bayhill" | Bayhill Investments Proprietary Limited (registration number 2010/010715/07), a private company incorporated in accordance with the laws of South Africa, whose shareholders are Mr RJ Anderson and Mr I Benatar; |
| "Board of Directors" or "the Board" or "the Directors" | the present Board of directors of Afdawn, further details of whom appear in paragraph 10 and Part A of **Annexure 6** of this Circular; |
| "Broker" | any person registered as a "*broking member (equities)*" in terms of the Rules of the JSE and in accordance with the provisions of the Financial Markets Act; |
| "CEO" | chief executive officer; |
| "CFO" | chief financial officer; |
| "Certificated Shareholders" | Shareholders who have not Dematerialised their Afdawn share certificates in terms of Strate; |
| "Certificated Shares" | Shares which have not yet been Dematerialised, title to which is represented by a share certificate or other Document of Title; |
| "the/this Circular" | this circular issued to Shareholders of Afdawn on Monday, 17 March 2014, and the annexures hereto; |
| "Company Secretary" | W Somerville; |
| "the Commission" or "CIPC" | Companies and Intellectual Property Commission; |
| "the Common Monetary Area" | South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland; |
| "Computershare Investor Services" | Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated in accordance with the laws of South Africa; |
| "cps" | cents per share; |
| "Corporate Adviser and Transaction Designated Adviser" | PSG Capital Proprietary Limited (registration number 2006/015817/07), a private company incorporated in accordance with the laws of South Africa; |
| "CSDP" | Central Securities Depository Participant as defined in the Financial Markets Act; |

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|---|---|
| "Custody Agreement" | the agreement which regulates the relationship between the CSDP or Broker and each beneficial holder of Dematerialised Shares; |
| "Dematerialisation" | the process by which Certificated Shares are converted to an electronic form as uncertificated shares and recorded in the sub-register of shareholders maintained by a CSDP; |
| "Dematerialised Shareholders" | Shareholders holding Dematerialised Shares; |
| "Dematerialised Shares" | Shares which have been incorporated into the Strate system and which are no longer evidenced by certificates or other physical Documents of Title; |
| "Designated Bank Account" | the bank account, the details of which will be provided on request from the corporate actions department of Computershare Investor Services, contactable during ordinary business hours on +27 (0) 861100634; |
| "Documents of Title" | share certificates, certified transfer deeds, balance receipts or any other documents of title to Certificated Shares acceptable to Afdawn; |
| "Dumont" | Dumont Healthcare Proprietary Limited (registration number 1997/003295/07), a private company incorporated in accordance with the laws of South Africa, a wholly-owned subsidiary of Afdawn; |
| "Earnings Per Share" or "EPS" | Earnings attributable to each Afdawn Share, calculated by dividing the Group's profit attributable to Shareholders by the weighted average number of Afdawn Shares in issue; |
| "EFT" | Electronic Funds Transfer; |
| "Elite" | Elite Group Proprietary Limited (registration number 1998/006045/07), a private company incorporated in accordance with the laws of South Africa, a wholly-owned subsidiary of Afdawn; |
| "Exchange Control Regulations" | the Exchange Control Regulations of South Africa; |
| "Financial Markets Act" or "FM Act" | the Financial Markets Act, No. 19 of 2012; |
| "Flagship" | Flagship IP Flexible Value Fund, a unit trust fund, with:<br>(a) IP Management Company Proprietary Limited (registration number 2007/017601/07) acting as its unit trust management company, which unit trust management company's shareholders are MiPlan Proprietary Limited, MitonOptimal Holdings Proprietary Limited, Flagship Asset Management Proprietary Limited, Seven Seasons Trading 132 Proprietary Limited and Mr Brett Paton; and<br>(b) Flagship Asset Management Proprietary Limited (registration number 2000/029112/07) acting as the fund manager, which fund manager's shareholders are the Paul Floquet Trust, the Simon Hudson Family Trust and Mr NRO Brown; |
| "Flowerdew" | Flowerdew 182 CC (registration number 2009/071741/23), a close corporation incorporated in accordance with the laws of the Republic of South Africa, whose sole shareholder is Mr I Benatar; |
| "Form of Instruction" | the enclosed form of instruction in respect of a Letter of Allocation *(pink)* reflecting the entitlement of Certificated Shareholders and on which Certificated Shareholders must indicate to the Transfer Secretaries whether they wish to take up, renounce or sell all or part of their rights; |
| "General Meeting" | the General Meeting of ordinary Shareholders convened in terms of the notice accompanying this Circular, to be at 10:00 on Tuesday, 15 April 2014, in the boardroom of the Company at First Floor, Quadrum 4, Quadrum Office Park, 50 Constantia Boulevard, Constantia Kloof, Extension 28, South Africa; |

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| "HBD Business Holdings" | HBD Business Holdings Proprietary Limited (registration number 2000/017726/07), a private company incorporated in accordance with the laws of South Africa; |
| "Headline Earnings Per Share" | EPS adjusted in terms of Circular 2/2013 issued by The South African Institute of Chartered Accountants; |
| "IFRS" | International Financial Reporting Standards; |
| "Independent Reporting Accountants and Auditors" or "Grant Thornton" | Grant Thornton (Jhb) Inc. (registration number 1994/001166/21), a company incorporated in accordance with the laws of South Africa; |
| "Irrevocable Undertakings to Follow" | the irrevocable undertakings signed by VaalMac Investments (on 5 February 2014), Bayhill (on 17 January 2014), Flowerdew (on 17 January 2014), Shock Proof Investments (on 20 February 2014), Flagship (on 13 February 2014), Mr NRO Brown (on 13 February 2014), T-Tow Investments (on 18 February 2014) and the L&C Trust (on 18 February 2014), in terms of which they undertake to follow their respective rights to subscribe for Rights Offer Shares in terms of the Rights Offer; |
| "Irrevocable Undertaking to Underwrite" | the irrevocable undertaking signed by VaalMac Investments on 5 February 2014 in terms of which it undertakes to partially underwrite the Rights Offer; |
| "JIBAR | the mid-market rate for deposits in Rand for the succeeding period of three months as it appears at approximately 11:00 Johannesburg time on the Reuters Screen, SAFEY page on the relevant date, or if, for any reason, such rate does not appear on the SAFEY page of the Reuters Screen on the relevant date, the arithmetic mean of the mid-market deposit rates for ZAR denominated deposits for a period of three months in the Johannesburg Inter Bank Offer Market as quoted by ABSA Bank Limited, Nedbank Limited, FirstRand Bank Limited, The Standard Bank of South Africa Limited and Investec Bank Limited ("**Reference Banks**"), or those of the Reference Banks from whom the party or parties are able to obtain quotes at approximately 11:00 Johannesburg time on such date; |
| "JSE" | the JSE Limited (registration number 2005/022939/06), a public company incorporated in accordance with the laws of South Africa and licensed as an exchange in terms of the Financial Markets Act; |
| "Knife Capital" | Knife Capital Proprietary Limited (registration number 2009/020346/07), a private company incorporated in accordance with the laws of South Africa, whose shareholders are JK van Zyl, E van Heerden and A Böhmert; |
| "Knife Capital Acquisition" | the acquisition by Afdawn of 100% of the share capital of Knife Capital, being a Category 2 acquisition in terms of the JSE Listings Requirements; |
| "Knife Capital Acquisition Agreement" | the agreement entered into on 12 December 2013, as amended on 17 February 2014 for the acquisition by Afdawn of 100% of the share capital of Knife Capital; |
| "Knife Capital Acquisition Shares" | the 100 000 000 Afdawn Shares to be issued by Afdawn pursuant to the Knife Capital Acquisition; |
| "Last Practicable Date" | Monday, 24 February 2014, being the last practicable date prior to the finalisation of this Circular; |
| "L&C Trust" | the trustees for the time being of the L&C Trust (master's reference number T226), which trust has the following trustees: JC van Niekerk, JC van Niekerk (Snr), WL van Niekerk and JD Luttig; |

| | |
|---|---|
| "Letter/s of Allocation" | the renounceable (nil paid) letters of allocation issued by Afdawn in electronic form conferring the right to subscribe for Rights Offer Shares pursuant to the Rights Offer; |
| "Listings Requirements" or "the JSE Listings Requirements" | the Listings Requirements of the JSE; |
| "Memorandum of Incorporation" or "MOI" | the memorandum and incorporation of the Company; |
| "NHFC" | the National Housing Finance Corporation, a development finance institution established by the South African government in 1996; |
| "Non-resident" | a person whose registered address is outside the Common Monetary Area; |
| "Offer Period" | the period of the Rights Offer, opening at 09:00 on Monday, 24 March 2014, and closing at 12:00 on Friday, 4 April 2014; |
| "Own-name Registration" or "Own-name Shareholders" | Shareholders who hold Shares that have been Dematerialised and are recorded by the CSDP in the sub register kept by the CSDP in the name of such Shareholder; |
| "Prime Rate" | means the rate of interest (nominal annual compounded monthly in arrears) from time to time published by ABSA Bank Limited as its prime overdraft lending rate (a certificate from any manager of that bank, whose appointment or authority need not be proved, as to the prime rate at any time and the usual way in which it is calculated and compounded at such time shall, in the absence of manifest or clerical error, be final and binding; |
| "Rand" or "R" | South African Rand; |
| "Record Date" – when used with regards to Letters of Allocation" | 12:00 on Friday, 4 April 2014, being the last day for Shareholders and/or their Renouncees to be recorded in the Register of Afdawn in order to be entered to subscribe for the Rights Offer Shares; |
| "Record Date" – when used with regards to Rights Offer Entitlement | close of business on Thursday, 20 March 2014, being the last day for Shareholders to be recorded in the Register of Afdawn in order to be entitled to participate in the Rights Offer; |
| "Register" | the register of Afdawn Shareholders; |
| "Renouncee" | the person in whose favour a Shareholder of Afdawn, who has received a Letter of Allocation, has renounced their Rights Offer Entitlement; |
| "Revised Listing Particulars" | the revised listing particulars for Afdawn issued in terms of the Listing Requirements as set out in **Annexure 10**; |
| "Rights Offer Entitlement" | a Shareholder's entitlement to subscribe for new shares in the Company in the ratio of 1 Rights Offer Share for every 1 Afdawn Share held on the Record Date, which entitlement arises as a result of the Rights Offer; |
| "Rights Offer Shares" | the 508 184 155 Afdawn Shares with a par value of R0.01 each, to be issued in the share capital of Afdawn pursuant to the Rights Offer; |
| "Rights Offer" | the renounceable rights offer by Afdawn to its Shareholders of the Rights Offer Shares at a subscription price of 8 cents per Rights Offer Share and in the ratio of 1 Rights Offer Share for every 1 Afdawn Share held on the Record Date; |
| "Rights Participant" | a Shareholder entitled to participate in the Rights Offer; |
| "SENS" | Stock Exchange News Service of the JSE; |
| "Shareholders" or "Afdawn Shareholders" | the registered holders of Afdawn Shares; |

| | |
|---|---|
| "Shares" or "Afdawn Shares" | ordinary shares with a par value of R0.01 each in the authorised and issued share capital of Afdawn; |
| "Shock Proof Investments" | Shock Proof Investments 20 Proprietary Limited (registration number 2003/023481/07), a private company incorporated in accordance with the laws of South Africa, whose shareholders are Mr A Roux, Mr HM Franckeiss, Mr WJ Groenewald, Mr JG van Schalkwyk, the Rumar Trust and the JG van Schalkwyk Trust; |
| "South Africa" | the Republic of South Africa; |
| "Specific Issue" | the specific issue of the Specific Issue Shares to the Underwriter at an issue price of 8 cents per Specific Issue Share, provided that the number of Shares issued to the Underwriter in terms of the Specific Issue shall be decreased by each Share acquired by the Underwriter by virtue of being the underwriter of the Rights Offer; |
| "Specific Issue Shares" | a maximum of 50 000 000 Afdawn Shares to be issued by the Company pursuant to the Specific Issue; |
| "Strate" | the settlement and clearance system used by the JSE, managed by Strate Limited (registration number 1998/022242/06), a public company duly incorporated in South Africa and which company is a registered Central Securities Depository in terms of the Financial Markets Act; |
| "Subscription Price" | 8 cents per Rights Offer Share, payable on the subscription for the Rights Offer Shares; |
| "Subsidiary" | a subsidiary as defined in the Act; |
| "T-Tow Investments" | T-Tow Investments CC (registration number 99/60962/23), a close corporation incorporated in accordance with the laws of South Africa, whose members are JC van Niekerk, J van Niekerk and JC van Niekerk (Jnr); |
| "the Transfer Secretaries" | Computershare Investor Services; |
| "the Underwriter" | VaalMac Investments in respect of 50 000 000 Rights Offer Shares; |
| "Underwritten Shares" | the 50 000 000 Rights Offer Shares underwritten by the Underwriter in terms of the Irrevocable Undertaking to Underwrite; and |
| "VaalMac Investments" | VaalMac Investments Proprietary Limited (registration number 1996/008486/07), a private company incorporated in accordance with the laws of South Africa, 100% of the shares in which are owned JS van der Merwe and accordingly an associate of JS van der Merwe and a related party of Afdawn. |

## SALIENT DATES AND TIMES RELATING TO THE RIGHTS OFFER AND THE SPECIFIC ISSUE

The definitions and interpretation commencing on page 9 of this Circular apply, *mutatis mutandis*, to this section.

| | **2014** |
|---|---|
| Rights Offer Finalisation announcement released on SENS | Monday, 10 March |
| Last day to trade in Afdawn Shares in order to settle trades by the Record Date for the Rights Offer and to qualify to participate in the Rights Offer *(cum* entitlement) on | Thursday, 13 March |
| Listing of and trading in the Letters of Allocation on the JSE under the JSE code ADWN and ISIN ZAE000188124 commences at 09:00 on | Friday, 14 March |
| Afdawn Shares commence trading *ex*-rights on the JSE at 09:00 on | Friday, 14 March |
| Circular, Form of Instruction, Notice of General Meeting and Form of Proxy posted to Shareholders on | Monday, 17 March |
| Abridged Revised Listings Particulars released on SENS on | Monday, 17 March |
| Record Date for purposes of determining the Afdawn Shareholders entitled to participate in the Rights Offer at the close of business on | Thursday, 20 March |
| Rights Offer opens at 09:00 on | Monday, 24 March |
| Holders of Dematerialised Afdawn Shares will have their accounts at their CSDP or Broker automatically credited with their Letters of Allocation on | Monday, 24 March |
| Holders of Certificated Afdawn Shares will have their Letters of Allocation credited to an electronic register at the Transfer Secretaries on | Monday, 24 March |
| Last day to trade in Afdawn Shares in order to be eligible to vote at the General Meeting | Friday, 28 March |
| Last day to trade in Letters of Allocation in order to settle trades by the Record Date for the Rights Offer and participate in the Rights Offer at the close of business on | Friday, 28 March |
| Last day for Form of Instruction to be lodged with the Transfer Secretaries by holders of Certificated Afdawn Shares wishing to **sell** all or part of their Rights Offer Entitlement by 12:00 on | Friday, 28 March |
| Listing and trading of Rights Offer Shares commences on the JSE at 09:00 on | Monday, 31 March |
| Record date to vote at General Meeting | Friday, 4 April |
| Last day for Form of Instruction to be lodged with the Transfer Secretaries by holders of Certificated Afdawn Shares wishing to **subscribe** for or **renounce** all or part of their Rights Offer Entitlement by 12:00 on (see note 2) | Friday, 4 April |
| Rights Offer closes at 12:00 and payment to be made on | Friday, 4 April |
| Record Date for Letters of Allocation on | Friday, 4 April |
| CSDP/Broker accounts credited with Rights Offer Shares and debited with any payments due in respect of holders of Dematerialised Rights Offer Shares on | Monday, 7 April |
| Rights Offer Shares certificates in terms of the Rights Offer posted to holders of Certificated Rights Offer Shares on or about | Monday, 7 April |
| Results of Rights Offer released on SENS on | Monday, 7 April |
| Form of Proxy to be lodged by 10:00 | Friday, 11 April |
| General Meeting to be held at 10:00 to approve Specific Issue | Tuesday, 15 April |
| Results of General Meeting released on SENS | Tuesday, 15 April |
| Issue of Specific Issue Shares (if applicable) | Tuesday, 22 April |

**Notes:**

1. All times referred to in the announcement are local times in South Africa.
2. Holders of Dematerialised Afdawn Shares are required to notify their CSDP or Broker of the action they wish to take in respect of the Rights Offer in the manner and by the time stipulated in the agreement governing the relationship between the Afdawn Shareholder and his CSDP or Broker.
3. Afdawn share certificates may not be Dematerialised or rematerialised between Friday, 14 March 2014 and Thursday, 20 March 2014, both days inclusive.
4. CSDPs effect payment in respect of holders of Dematerialised Rights Offer Shares on a delivery *versus* payment basis.
5. To the extent that the rights are accepted, Dematerialised Shareholders will have their accounts at their CSDP automatically credited with their rights and Certificated Shareholders will have their rights credited to an account at Computershare Investor Services.
6. Rights Offer share certificates to be issued in terms of the Rights Offer will be posted to persons entitled thereto, by registered post, at the risk of the Certificated Shareholders concerned.

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

**Directors**

JS van der Merwe (*chairman*) *
HH Hickey *#
WJ Groenewald (*acting CEO*) *
V Lessing (*lead independent director*) *#
JK van Zyl *#

* *Non-executive*
# *Independent*

# CIRCULAR TO SHAREHOLDERS

1. **INTRODUCTION AND PURPOSE OF THE CIRCULAR**

1.1 It was announced on SENS on Friday, 13 December 2013 that Afdawn intends to raise R40 654 732.40 from its Shareholders by way of a partially underwritten renounceable Rights Offer in terms of which Afdawn will offer a total of 508 184 155 Rights Offer Shares to Afdawn Shareholders.

1.2 In terms of the Rights Offer, Afdawn Shareholders recorded in the Register at the close of trade on Thursday, 20 March 2014, will be entitled to subscribe for Rights Offer Shares on the basis of 1 Rights Offer Share for every 1 Afdawn Share held, at a subscription price of 8 cents per Rights Offer Share. Only whole numbers of Shares will be issued and Afdawn Shareholders will be entitled to a rounded number of Shares once the ratio has been applied.

1.3 Afdawn received the Irrevocable Undertakings to Follow from VaalMac Investment, Bayhill, Flowerdew, Shock Proof Investments, Flagship, Mr NRO Brown and the L&C Trust stipulating that they will follow their respective rights in terms of the Rights Offer. The detail of the Irrevocable Undertakings to Follow is disclosed in paragraph 4.3 to this Circular. Full detail of the Underwriter is disclosed in paragraph 4.4 and **Annexure 7** to this Circular.

1.4 In addition, the Underwriter has agreed to underwrite 50 000 000 of the Rights Offer Shares.

1.5 In order to ensure that the Underwriter obtains a meaningful stake in Afdawn if insufficient Shares are obtained as part of the underwriting, Afdawn has agreed to propose the Specific Issue of Shares to the Underwriters. In the event that the Specific Issue is approved by Shareholders at the General Meeting then the Company will issue up to a maximum of 50 000 000 Afdawn Shares to the Underwriter, provided that the maximum number of Shares issued to the Underwriter shall be decreased by each Share acquired by the Underwriter by virtue of being an underwriter of the Rights Offer.

1.6 The purpose of this Circular and Form of Instruction is to furnish Afdawn Shareholders with information concerning the Rights Offer and the Specific Issue and the implications thereof in accordance with the Act and the Listings Requirements of the JSE.

1.7 As the Rights Offer will result in Afdawn issuing a maximum number of Afdawn Shares equating to approximately 100% of its issued ordinary share capital, Afdawn is required in terms of the Listings Requirements to issue revised listings particulars. The Revised Listings Particulars are included in **Annexure 9** of this Circular.

2. **PURPOSE OF THE RIGHTS OFFER**

2.1 As announced on SENS on 10 April 2013 and 15 October 2013, the Board decided to change the strategic vision of the Company to become an active investment holding company, acquiring shareholdings in entrepreneurial companies with a strong innovation drive. In terms of the new strategy, the Company will seek to acquire interests in companies which are in proven growth phases and will assist these companies to enhance their capabilities in order to accelerate their long term sustainable growth.

2.2 In order to successfully implement its new strategic vision, Afdawn would either have to develop or acquire a range of capabilities in order to turn investment opportunities into successful investments.

2.3 In pursuit of this new strategy and in order to acquire the necessary capabilities required to implement the strategy, the Company entered into the Knife Capital Acquisition. Full details of the Knife Capital Acquisition are set out in the SENS Announcements dated Friday, 13 December 2013 and Tuesday, 18 February 2014, copies of which are attached hereto as **Annexure 10**.

2.4 The purpose of the Rights Offer is to provide Afdawn with additional capital in order to further pursue its new strategic vision.

2.5 The strong corporate and operational management acumen within Knife Capital will ensure that newly raised capital will be applied to enhance shareholder value within Afdawn.

3. **NATURE OF BUSINESS AND PROSPECTS**

3.1 It is the intention of the Company to dispose of its existing business units in due course, subject to favourable market conditions. Following the successful implementation of the Knife Capital Acquisition, Knife Capital will form the first asset acquired in pursuance of the Company's new strategic vision.

3.2 **Knife Capital**

3.2.1 Knife Capital focuses on investing in high growth, high impact technology-enabled businesses in South Africa and other frontier economies across Sub-Saharan Africa. Knife Capital manages HBD Business Holdings' South African portfolio of investments. Knife Capital provides consulting, training and business acceleration services to high-growth early-stage ventures in Southern Africa and is committed to creating African success stories and filling critical gaps in the local entrepreneurial ecosystem. In addition, Knife Capital is deeply involved in skills-, technology- and knowledge transfer initiatives to groom skilled entrepreneurs as the future leadership class of Africa. Knife Capital has also partnered with the UCT Graduate School of Business to present an executive education programme known as Find-Make-Grow-Realise: Investing in early-stage growth companies. This will provide Afdawn with valuable deal flow and network opportunities.

3.2.2 Knife Capital has established the Grindstone Accelerator which will assist high-growth innovative companies to become sustainable and fundable. This is been done *via* a range of products and services designed to build a foundation for growth, create relevant business networks and enable these companies to take advantage of market access opportunities. The SMEInsight proprietary tool (which is an actionable, light-touch diagnostic tool to access small and medium enterprises' businesses for targeted strengthening and positioning for growth) is used to assess participant companies for fundability and to provide the relevant management teams with the insights required to make informed decisions in order to address weaknesses in their businesses that constrain growth, evaluate strategic options and the underlying resource requirements of their businesses (such as access to customers, partners, skills or funding and market positioning) and to access networks and business development strategies, both locally and internationally. This will improve the quality of deal flow for potential investment opportunities for Afdawn.

3.2.3 Knife Capital is an ideal fit for Afdawn in light of its new strategic vision. Knife Capital has an envious investment record that includes successful international exits. The Knife Capital team has proven investment and growth enabling skills diversified across all investment phases. Knife Capital has a deep local and international network in the investment industry and of value-adding service providers. The structured and disciplined investment process and the business building capabilities of Knife Capital will ensure the required return on capital is achieved by Afdawn.

3.2.4 Knife Capital will also contribute to the Afdawn business model through additional revenue streams earned from the HBD Business Holdings investment agreement in the form of management fees and carried interest, the tuition fees from the executive education programme and consulting fees and transactional fees from the Grindstone Accelerator.

3.2.5 It is anticipated that underlying opportunities will present themselves to Knife Capital (and Afdawn, post implementation of the Knife Capital Acquisition) through the Grindstone

Accelerator process, which is based on a rigorous selection process followed by a lengthy period of getting to know the businesses and the management teams of the participant companies, while working on the participant companies' growth strategies. The unique inside and close relationships that will develop between Knife Capital and the participant companies will provide opportunities to Knife Capital to invest in the most promising of these participants.

3.2.6 In addition, the Knife Capital due diligence process, deal structuring and closing capabilities will assist Afdawn in quantifying the strengths and shortcomings of potential investment opportunities and through a process of milestone investing, will ensure that investment risks are reduced.

3.2.7 The Knife Capital Acquisition Agreement was subject to several conditions precedent as set out in the announcements attached hereto as Annexure 10. It is recorded that as at the Last Practicable Date the only outstanding conditions precedent were the following:

3.2.7.1 the Afdawn board approving a detailed budgeted forecast of income and expenses for the 24-month period from the Effective Date (as defined in the Knife Capital Agreement) by no later than the Effective Date (as defined in the Knife Capital Agreement);

3.2.7.2 WJ Groenewald signing a three-year service contract with Afdawn by no later than the Effective Date as defined in the Knife Capital Agreement;

3.2.7.3 JS van der Merwe agreeing to be the non-executive chairman of Afdawn for a period of six months after the Effective Date as defined in the Knife Capital Agreement; and

3.2.7.4 The conclusion of employment and service agreements of at least five years with each of the Knife Capital Vendors by no later than the Effective Date as defined in the Knife Capital Agreement.

### 3.3 Existing Business Units from which the Company will disinvest in the near future

3.3.1 The existing business of the Company consists of the following established business units:

3.3.1.1 Micro and personnel finance through Elite;

3.3.1.2 Medical aid discounting;

3.3.1.3 Collections, in support of its loan book. Elite runs a collections department which deals with recoveries, tracing, collections and all related legal work; and

3.3.1.4 Properties in possession acquired as a result of exercising securities held in respect of defaulting loans and includes rental earning properties.

## 4. PARTICULARS OF THE RIGHTS OFFER

### 4.1 Terms of the Rights Offer

4.1.1 Afdawn Shareholders recorded in the Register at the close of business on Friday, 4 April 2014, are offered a total of 508 184 155 Rights Offer Shares at a subscription price of 8 cents per Rights Offer Share and in the ratio of 1 Rights Offer Share for every 1 Afdawn Share held, on the terms and conditions as set out herein and in the accompanying Form of Instruction.

4.1.2 The subscription price represents the 30-day volume weighted average traded price of Afdawn as at Friday, 13 December 2013, the day of the release of the Rights Offer declaration announcement on SENS and a 12.5% premium to the 30-day volume weighted average traded price of Afdawn as at 26 November 2013, the day the Rights Offer was approved by the Board. Afdawn will raise a maximum amount of R40 654 732.40 in terms of the Rights Offer.

4.1.3 The Record Date for purposes of determining which Shareholders are entitled to participate in the Rights Offer is Thursday, 20 March 2014.

4.1.4 Upon their issue, the Rights Offer Shares will rank *pari passu* in all respects with the existing ordinary Shares of Afdawn.

4.1.5 The Letters of Allocation in respect of the Rights Offer are negotiable and will be listed on the JSE on Friday, 14 March 2014 under the JSE code ADWN and ISIN ZAE000188124. The Rights Offer Shares cannot be traded before such Shares are listed on the JSE on Monday, 31 March 2014.

4.1.6 The Rights Offer does not constitute an offer in any area of jurisdiction in which it is illegal to make such an offer and in such circumstances, this Circular and accompanying Letter of Allocation are distributed for information purposes only.

4.1.7 The enclosed Form of Instruction contains details of the rights to which holders of Certificated Shares are entitled, as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those rights. Holders of Dematerialised Shares will be advised of the rights to which they are entitled as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those rights by their CSDP or Broker in terms of the Custody Agreement entered into between such Dematerialised Shareholders and their CSDP or Broker.

4.1.8 The Subscription price is payable in full, in Rand, by qualifying Shareholders holding Certificated Shares on acceptance of the Rights Offer. CSDP's will make payment, on a delivery versus payment basis, in respect of qualifying Shareholders holding Dematerialised Shares who have accepted the Rights Offer. Qualifying Shareholders holding Dematerialised Shares who have accepted the Rights Offer must ensure that the necessary funds are deposited with the relevant CSDP or Broker, as the case may be.

4.1.9 The Rights Offer is partially underwritten by the Underwriter as detailed in paragraph 4.4 of this Circular.

4.2 **Opening and closing dates of the Rights Offer**

The Rights Offer will open at 09:00 on Monday, 24 March 2014, and will close at 12:00 on Friday, 4 April 2014.

4.3 **Minimum subscription and irrevocable undertaking**

4.3.1 The Rights Offer is partially underwritten by the Underwriter as detailed in paragraph 4.4 of this Circular, and is not conditional on any minimum subscription being obtained.

4.3.2 VaalMac Investments, Bayhill, Flowerdew, Shock Proof Investments, Flagship, Mr NRO Brown, T-Tow Investments and the J&C Trust have provided Afdawn with the Undertakings to Follow in terms of which they undertake to follow all of their rights in terms of the Rights Offer and to subscribe for all the Afdawn Shares to which they are entitled. In terms of the Irrevocable Undertakings to Follow, VaalMac Investments, Bayhill, Flowerdew, Shock Proof Investments, Flagship, Mr NRO Brown, T-Tow Investments and JC and the J&C Trust have agreed to follow their rights entitlement in terms of the Rights Offer as set out below:

| Name of Shareholder | Number of ordinary Shares held in Afdawn before the Rights Offer | Number of Rights Offer Shares | Percentage of Rights Offer Shares | Number of ordinary Shares held in Afdawn after the Rights Offer |
|---|---|---|---|---|
| VaalMac Investments | 11 428 572 | 11 428 572 | 2.2 | 22 857 144 |
| Flowerdew | 20 000 000 | 20 000 000 | 3.9 | 40 000 000 |
| Bayhill | 10 250 000 | 10 250 000 | 2.0 | 20 500 000 |
| Shock Proof Investments | 25 172 959 | 24 621 428 | 3.9 | 49 794 387 |
| Flagship | 25 000 000 | 25 000 000 | 4.9 | 50 000 000 |
| Mr NRO Brown | 40 000 000 | 40 000 000 | 7.9 | 80 000 000 |
| T-Tow Investments | 7 715 070 | 2 450 000 | 0.5 | 10 165 070 |
| J&C Trust | 3 750 000 | 3 750 000 | 0.7 | 7 500 000 |
| **Total** | **143 316 601** | **137 500 000** | **26.0** | **280 816 601** |

4.4 **Underwriting**

4.4.1 The Underwriter has agreed to underwrite a maximum of 50 000 000 Rights Offer Shares, equivalent to 9.8% of the Rights Offer Shares, to the extent that Afdawn Shareholders other than VaalMac do not follow their rights.

4.4.2 In terms of the underwriting agreement, there will be an underwriting fee of R80 000, equal to 2% of the value of the Underwritten Shares payable by the Company to the Underwriter with no additional commission being payable.

4.4.3 The Directors, after due and careful enquiry are of the opinion that the Underwriter has sufficient resources to meet its financial commitments in terms of the underwriting agreement.

4.4.4 No securities are offered as a preferential right to any person, other than as contemplated by virtue of the offer being a Rights Offer.

4.5 **Entitlement**

4.5.1 Shareholders will have the right to subscribe for 1 Rights Offer Share for every 1 Afdawn Share held on the Record Date.

4.5.2 The entitlement of a Certificated Shareholder as reflected in the appropriate block in the Form of Instruction which accompanies and forms part of this Circular, is dependent on their existing holdings at the close of business on Thursday, 20 March 2014.

4.5.3 Shareholders are referred to the table of entitlement set out in **Annexure 4** for their entitlement to the Rights Offer Shares.

4.5.4 Excess applications for Rights Offer Shares will not be allowed as per paragraph 4.9.

4.5.5 Certificated Shareholders will have their Rights Offer Entitlement credited to an account in electronic format held at the Company's Transfer Secretaries, which will be administered by the Company's Transfer Secretaries on their behalf. The enclosed Form of Instruction reflects the Rights Offer Shares for which the Certificated Shareholder is entitled to subscribe. The procedures that these Shareholders should follow for the acceptance, sale or renunciation of their Rights Offer Entitlements are reflected in the Form of Instruction.

4.5.6 Dematerialised Shareholders will have their Rights Offer Entitlements credited to their account by their appointed CSDP or Broker, in electronic form. The CSDP or Broker will advise Dematerialised Shareholders of the procedure they need to follow for the acceptance, sale or renunciation of their Rights Offer Entitlement in accordance with their Custody Agreements.

4.5.7 The Letters of Allocation to which the Form of Instruction relates are negotiable and may be traded on the JSE.

4.6 **Procedure for acceptance of the Rights Offer**

Full details of the procedure for acceptance by Certificated Shareholders are contained in paragraph 3 of the accompanying Form of Instruction or in the case of Dematerialised Shareholders, as advised by their CSDP or Broker.

The following should be noted:

4.6.1 acceptances are irrevocable and may not be withdrawn; and

4.6.2 Dematerialised Shareholders must contact their CSDP or Broker with regard to the procedure to be followed for acceptance of their Rights Offer Entitlement and must act in accordance with the instructions received from their CSDP or Broker.

4.6.3 Certificated Shareholders should note the following:

4.6.3.1 acceptances by Certificated Shareholders may only be made by means of the accompanying Form of Instruction;

4.6.3.2 any instruction to sell or renounce all or part of the Rights Offer Entitlement must be done in accordance with the requirements set out in paragraph 4.7 below and may only be made by means of the accompanying Form of Instruction;

4.6.3.3 Certificated Shareholders who wish to subscribe for only a portion of their Rights Offer Entitlement must indicate the number of Rights Offer Shares for which they wish to subscribe on the accompanying Form of Instruction;

4.6.3.4 payment of the Rand value of the subscription price may be made:

4.6.3.5 by cheque (crossed "not transferable" and with the words "or bearer" deleted) payable to "**African Dawn Capital Limited – Rights Offer**";

4.6.3.5.1 by banker's draft (drawn on a registered bank) payable to "**African Dawn Capital Limited – Rights Offer**"; or

4.6.3.5.2 by EFT into the Designated Bank Account (details of which is available from the corporate actions department of Computershare Investor Services, contactable during ordinary business hours on +27 (0) 861100634);

4.6.3.6 properly completed Forms of Instruction together with the cheque, or banker's draft or EFT swift reference number (in accordance with paragraph 4.6.3.4 above) must be received from Certificated Shareholders by the Transfer Secretaries at the address referred to in paragraph 4.8.2 by not later than 12:00 on Friday, 4 April 2014. Certificated Shareholders are advised to take into consideration postal delivery times when posting their Form of Instruction, as no postal deliveries will be accepted after 12:00 on Friday, 4 April 2014. Each cheque or banker's draft will be deposited immediately upon receipt for collection;

4.6.3.7 payment referred to in paragraph 4.6.3.4 will, when the cheque or banker's draft has been paid and/or the EFT cleared into the Designated Bank Account, constitute an irrevocable acceptance of the Rights Offer upon the terms and conditions set out in this Circular and the accompanying Form of Instruction and may not be withdrawn. Should any cheque or banker's draft be subsequently dishonoured, Afdawn may, in its sole discretion, and without prejudice to any rights that the Company may have, regard the Form of Instruction as null and void or take such steps in regard thereto as they deem fit; and

4.6.3.8 if any Form of Instruction and cheque, banker's draft or EFT is not received as set out above, the Rights Offer Entitlement will be deemed to have been declined by the Shareholder to whom the Form of Instruction is addressed and the right to subscribe for the Rights Offer Shares offered to such Shareholder or renounced in favour of his/her Renouncee in terms of such Form of Instruction, will lapse, no matter who then holds it.

**Please note that should your cheque, banker's draft or EFT swift reference number not accompany the Form of Instruction, the Transfer Secretaries will treat your application as invalid.**

4.7 **Renunciation or sale of Rights Offer Entitlement**

4.7.1 Dematerialised Shareholders must contact their CSDP or Broker with regard to the procedure to be followed in respect of the sale or renunciation of their Rights Offer Entitlement.

4.7.2 Certificated Shareholders who wish to sell all or part of their Rights Offer Entitlement as reflected in the Form of Instruction, must complete **Form A** of the Form of Instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein, to be received by no later than 12:00 on Friday, 28 March 2014. The Transfer Secretaries will endeavour to procure the sale of the Rights Offer Entitlement on the JSE on behalf of such Certificated Shareholder and will remit the proceeds in accordance with the payment instructions reflected in the Form of Instruction, net of brokerage charges and associated expenses. Neither the Transfer Secretaries, any Broker appointed by them nor Afdawn will have any obligation nor will any of these parties be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such sales, the price obtained, or any failure to sell such Rights Offer Entitlement. References in this paragraph to Certificated Shareholders include references to the person or persons executing the Form of Instruction and any person or persons on whose behalf such person or persons executing the Form of Instruction is/are acting and in the event of more than one person executing the Form of Instruction, the provisions of this paragraph shall apply to them, jointly and severally.

4.7.3 Certificated Shareholders who do not wish to sell all or part of their Rights Offer Entitlement as reflected in the Form of Instruction and who do not wish to subscribe for any of the Rights Offer Shares offered in terms of the Form of Instruction, but who wish to renounce their Rights Offer Entitlement, must complete **Form B** of the Form of Instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein to be received by no later than 12:00 on Friday, 28 March 2014.

4.7.4 Certificated Shareholders who wish to sell or all part of their Rights Offer Entitlement will be liable to pay Strate costs to the Transfer Secretaries.

4.8 **Payment**

4.8.1 Payment of the Rand value of the subscription price may be made:

4.8.1.1 by cheque (crossed "not transferable" and with the words "or bearer" deleted) payable to "**African Dawn Capital Limited – Rights Offer**";

4.8.1.2 by banker's draft (drawn on a registered bank) payable to "**African Dawn Capital Limited – Rights Offer**"; or

4.8.1.3 by EFT into the Designated Bank Account (details of which is available from the corporate actions department of Computershare Investor Services, contactable during ordinary business hours on +27 (0) 861100634);

4.8.2 A cheque, a banker's draft or EFT swift reference number for the amounts payable in accordance with paragraph 4.8.1 above, together with a properly completed Form of Instruction, must be lodged by Certificated Shareholders with the Transfer Secretaries, as follows:

| ***Delivered to:*** | ***or*** | ***Posted to:*** |
|---|---|---|
| Computershare Investor Services Proprietary Limited | | Computershare Investor Services Proprietary Limited |
| Ground Floor | | PO Box 61763 |
| 70 Marshall Street | | Marshalltown |
| Johannesburg, 2001 | | 2107 |

***Faxed to: (only in the case where payment is by way of EFT)***

African Dawn Capital Limited
c/o Computershare Investor Services Proprietary Limited
+27 (0) 116885210

so as to be received by no later than **12:00** on Friday, 4 April 2014.

4.8.3 Please note that the Transfer Secretaries will affect delivery of share certificates against payment and should a cheque, banker's draft or EFT swift reference number not accompany the Form of Instruction, the application will be treated as invalid.

4.8.4 No acknowledgement of receipt will be given for a cheque, banker's draft or EFT received in accordance with the Rights Offer.

4.8.5 "Blocked Rand" may be used by emigrants and non-residents of the common monetary area for payment in terms of the Rights Offer. In this regard, reference should be made to paragraph 4.10, which deals with Exchange Control Regulations.

4.8.6 Dematerialised Shareholders must timeously instruct their CSDP or Broker as to the action they must take to enable the CSDP or Broker to act on their behalf in terms of the agreement entered into between such Dematerialised Shareholders and the CSDP or Broker.

4.9 **Excess applications for Rights Offer Shares**

Excess applications for Rights Offer Shares will not be allowed. Any Rights Offer Shares that are not accepted, renounced or sold shall revert back to the Underwriter.

4.10 **Exchange Control Regulations**

4.10.1 The following guideline is not a comprehensive statement of Exchange Control Regulations. If Shareholders or their Renouncees are in any doubt as to the action they must take, they are advised to consult their professional advisers immediately.

4.10.2 In terms of the Exchange Control Regulations, Non-residents, excluding former residents of the common monetary area will be allowed to:

4.10.2.1 take up the Rights Offer Entitlement allocated to them in terms of the Rights Offer;

4.10.2.2 purchase Letters of Allocation on the JSE; and

4.10.2.3 subscribe for Rights Offer Shares arising in respect of the Letters of Allocation purchased on the JSE,

provided payment is received either through normal banking channels from abroad or from a non-resident account.

4.10.3 All applications by Non-residents for the above purposes must be made through an authorised dealer in foreign exchange. Electronic statements issued in terms of Strate and any Rights Offer Share certificates issued pursuant to such applications will be endorsed "**non-resident**".

4.10.4 Where a Rights Offer Entitlement in terms of the Rights Offer falls due to a former resident of the common monetary area, which Rights Offer Entitlement is based on shares blocked in terms of the Exchange Control Regulations, emigrant blocked funds may be used to take up these Rights Offer Shares and may be used to:

4.10.4.1 take up the Rights Offer Entitlement allocated to them in terms of the Rights Offer;

4.10.4.2 purchase Letters of Allocation on the JSE; and

4.10.4.3 subscribe for the Rights Offer Shares arising in respect of the Letters of Allocation purchased on the JSE.

4.10.5 All applications by emigrants using blocked funds for the above purposes must be made through the authorised dealer in South Africa controlling their blocked assets. Share certificates issued to such emigrants will be endorsed "**non-resident**" and placed under the control of the authorised dealer through whom the payment was made. The proceeds due to emigrants from the sale of Letters of Allocation, if applicable, will be returned to the authorised dealer for credit to such emigrants' blocked accounts. Electronic statements issued in terms of Strate and any Rights Offer Share certificates issued pursuant to blocked Rand transactions will be endorsed "**non-resident**" and placed under the control of the authorised dealer through whom the payment was made. The proceeds arising from the sale of Letters of Allocation or arising from the sale of blocked Rights Offer Shares will be credited to the blocked accounts of the emigrant concerned.

4.10.6 Any Shareholder resident outside the common monetary area who receives this Circular and Form of Instruction, should obtain advice as to whether any governmental and/or any other legal consent is required and/or any other formality must be observed to enable such a subscription to be made in terms of such Form of Instruction.

4.10.7 A new share certificate issued pursuant to the Rights Offer to an emigrant will be endorsed "**non-resident**" and forwarded to the address of the relevant authorised dealer controlling such emigrant's blocked assets for control in terms of the Exchange Control Regulations. Where the emigrant's Shares are in Dematerialised form with a CSDP or Broker, a statement issued in terms of Strate will be despatched by the CSDP or Broker to the address of that emigrant in the records of such CSDP or Broker.

4.10.8 The Rights Offer does not constitute an offer in any jurisdiction in which it is illegal to make such an offer and this Circular and Form of Instruction should not be forwarded or transmitted by you to any person in any territory other than where it is lawful to make such an offer.

4.10.9 The Rights Offer Shares have not been and will not be registered under the Securities Act of the United States of America. Accordingly, the Rights Offer Shares may not be offered, sold, resold, delivered or transferred, directly or indirectly, in or into the United States or to, or for the account or benefit of, United States persons, except pursuant to exemptions from the Securities Act. This Circular and the accompanying documents are not being, and must not be, mailed or otherwise distributed or sent in, into or from the United States. This Circular does not constitute an offer of any securities for sale in the United States or to United States persons.

4.10.10 The Rights Offer contained in this Circular does not constitute an offer in the District of Colombia, the United States, the Dominion of Canada, the Commonwealth of Australia, Japan or in any other jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. Non-qualifying Shareholders should consult their professional advisers to determine whether any governmental or other consents are required or other formalities need to be observed to allow them to take up the Rights Offer, or trade their entitlement. Shareholders holding Afdawn Shares on behalf of persons who are non-qualifying Shareholders are responsible for ensuring that taking up the Rights Offer, or trading in their entitlements under that offer, do not breach regulations in the relevant overseas jurisdictions.

4.11 **South African law**

All transactions arising from the provisions of this Circular and the accompanying Form of Instruction shall be governed by and be subject to the laws of South Africa.

4.12 **Tax consequences**

Shareholders are advised to consult their professional advisers regarding the tax implications of the Rights Offer.

4.13 **Documents of title**

4.13.1 Share certificates to be issued to Certificated Shareholders pursuant to the Rights Offer will be posted to persons entitled thereto by registered post, at the risk of the Shareholders concerned, on or about Monday, 7 April 2014.

4.13.2 Certificated Shareholders recorded on the Company's Register receiving new Certificated Shares must note that they will not be able to trade such Shares on the JSE until these Shares have been Dematerialised, which could take between 1 (one) and 10 (ten) days, depending on the volumes being processed at the time.

4.13.3 Dematerialised Shareholders will have their accounts updated at their CSDP or Broker in respect of the Rights Offer Shares to be issued to them on or about Monday, 7 April 2014.

4.13.4 CSDPs will effect payment on a "delivery *versus* payment method" in respect of the holders of Dematerialised Afdawn Shares.

## 5. SPECIFIC ISSUE OF SHARES

### 5.1 Rationale and details relating to the Specific Issue of Shares

5.1.1 It was announced on SENS on 13 December 2013, that Afdawn intends to raise R40 654 732.40 from its Shareholders by way of a partially underwritten renounceable rights offer in terms of which Afdawn will issue a total of 508 184 155 Rights Offer Shares to Afdawn Shareholders.

5.1.2 The Underwriter has agreed to underwrite a maximum of 50 000 000 Rights Offer Shares.

5.1.3 In order to ensure that the Underwriter obtains a meaningful stake in Afdawn if insufficient Shares are obtained as part of the underwriting, Afdawn has agreed to propose the Specific Issue of Shares to the Underwriter. In the event that the Specific Issue is approved by Shareholders at the General Meeting then the Company will issue up to a maximum of 50 000 000 Afdawn Shares to the Underwriter, provided that the maximum number of Shares issued to the Underwriter shall be decreased by each Share acquired by the Underwriter by virtue of being an underwriter of the Rights Offer.

5.1.4 The issue price of the Specific Issue of Shares, being 8 cents per Specific Issue Share, represents the 30-day volume weighted average trading price of Afdawn shares as at 13 December 2013.

5.1.5 The number of Shares issued in terms of the Specific Issue will be reduced by the number of shares that the Underwriter acquires in terms of the Rights Offer and as Underwriter to the Rights Offer.

5.1.6 The Specific Issue of Shares to the Underwriter is an issue of shares to a related party of Afdawn, as defined in terms of the Listings Requirements, since the Underwriter is an associate of JS van der Merwe who is a director and shareholder of Afdawn. The Specific Issue Shares are not issued at a discount to the 30-day volume weighted average trading price of Afdawn shares as at 13 December 2013 and will accordingly not require a fairness opinion.

5.2 **Conditions precedent to the Specific Issue of Shares**

The Specific Issue of Shares to the Underwriter is subject to the fulfilment of the condition precedent that the approval by the requisite majority of Shareholders in the General Meeting is obtained.

5.3 **General Meeting**

5.3.1 In terms of the Listings Requirements, a 75% majority of votes of all Shareholders present or represented by proxy at the General Meeting must be obtained in respect of the ordinary resolution to approve the Specific Issue.

5.3.2 In terms of the Listings Requirements and provisions of the Act, Shares held by the Underwriter and its associates will be excluded from voting on the resolutions required to authorise the Specific Issue.

## 6. REVISED LISTINGS PARTICULARS

The Rights Offer will result in Afdawn issuing Afdawn Shares equating to a maximum of 100% of its issued ordinary share capital at the time of the issue. Afdawn is accordingly required to issue Revised Listings Particulars in terms of the Listings Requirements, which Revised Listings Particulars form **Annexure 9** of this Circular.

## 7. JSE LISTINGS

The JSE has granted listings for:

7.1 Nil paid Letters of Allocation in respect of 508 184 155 Rights Offer Shares from the commencement of trade on Friday, 14 March 2014, to the close of trade on Friday, 28 March 2014, both days inclusive;

7.2 508 184 155 Rights Offer Shares from the commencement of trade on Monday, 31 March 2014; and

7.3 up to a maximum of 50 000 000 Afdawn Shares from the commencement of trade on Tuesday, 22 April 2014, which Shares are to be issued in terms of the Specific Issue.

## 8. FINANCIAL AND OTHER INFORMATION

8.1 **Historical financial information**

8.1.1 A report of historical financial information of Afdawn, showing the audited financial results of the Company for the financial years ended 28 February 2012 and 2013, is presented in **Annexure 1** of the Circular, and is the responsibility of the Directors of Afdawn.

8.1.2 In addition, a report of historical financial information of Afdawn, showing the financial results of the Company for the six-month periods ending 31 August 2012 and 31 August 2013 is presented in **Annexure 1** of the Circular, and is the responsibility of the Directors of Afdawn.

8.2 ***Pro forma* financial information**

8.2.1 The *pro forma* statement of financial position for Afdawn at 31 August 2013 and statement of comprehensive income for the six months ended 31 August 2013, the preparation of which is the responsibility of the Directors, is set out in **Annexure 2**.

8.2.2 The *pro forma* financial information should be read in conjunction with the Independent Reporting Accountants' report thereon as set out in **Annexure 3**.

8.2.3 The *pro forma* statement of financial position and statement of comprehensive income have been prepared for illustrative purposes only to provide information as to how the Knife

Capital Acquisition, Rights Offer and Specific Issue might have impacted on the financial position of the Group. Because of its nature, the *pro forma* statement of financial position and statement of comprehensive income may not fairly present the Group's statement of comprehensive income, financial position, changes in equity, results of operations or cash flows after the Knife Capital Acquisition, Rights Offer and Specific Issue.

8.2.4 The pro forma statements have been prepared for two possible scenarios.

8.2.5 Scenario 1: The Rights Offer is assumed to be fully subscribed with the Underwriter taking up its full 50 000 000 shares in the Specific Issue. This scenario reflects the maximum capital that can be raised in terms of the Rights Offer and the Specific Issue.

8.2.6 Scenario 2: Capital of R15 million is raised in the Rights Offer with the Underwriter taking up 50 000 000 shares as part of the Rights Offer and no Specific Issue is required. This scenario reflects the minimum capital expected to be raised in terms of the Rights Offer and the Specific Issue.

8.2.7 ***Scenario 1 pro forma financial effects:***

| | Unaudited financial information before the Knife Capital Acquisition, Rights Offer and Specific Issue | *Pro forma* adjustments for Rights Offer | *Pro forma* adjustments for Specific Issue | Pro forma adjustments for Knife Capital Acquisition | *Pro forma* financial information after the Knife Capital Acquisition, Rights Offer and Specific Issue | Percentage change % |
|---|---|---|---|---|---|---|
| Net asset value per share (cents) | 11,7 | (2.0) | (0.1) | – | 9,6 | (17.9) |
| Net tangible asset value per share (cents) | 11,2 | (1.7) | (0.1) | (0.8) | 8,6 | (23.2) |
| Basic loss per share (cents) | (0,81) | 0.48 | 0.02 | (0.02) | (0,33) | 59.3 |
| Diluted loss per share (cents) | (0,56) | 0.33 | - | (0.02) | (0,25) | 55.4 |
| Basic headline loss per share (cents) | (0,75) | 0.45 | 0.02 | (0.02) | (0,30) | 60.0 |
| Diluted headline loss per share (cents) | (0,52) | 0.31 | 0.01 | (0.02) | (0,22) | 57.7 |
| **Number of shares issued ('000)** | | | | | | |
| Basic | 508 184 | 508 184 | 50 000 | 100 000 | 1 166 368 | 130 |
| Diluted | 601 613 | 508 184 | 50 000 | 100 000 | 1 259 797 | 109 |
| **Weighted average number of shares issued ('000)** | | | | | | |
| Basic | 508 184 | 508 184 | 50 000 | 100 000 | 1 166 368 | 130 |
| Diluted | 601 613 | 508 184 | 50 000 | 100 000 | 1 259 797 | 109 |

**Notes and assumptions:**

1. The Before the Rights Offer, Specific Issue and Knife Capital Acquisition column has been extracted from the unaudited published interim financial information of Afdawn for the six months ended 31 August 2013.
2. Cash received from the Rights Offer of R40.655 million is based on the Rights Offer being fully subscribed through the issue of 508 184 155 Afdawn shares at 8 cents per Rights Offer Share.
3. Transaction costs of R1.5 million, as detailed in paragraph 11 of this Circular, have been allocated to the share premium in accordance with IAS 32.
4. Cash received from the Specific Issue of R4 million, in terms of which 50 000 000 Afdawn shares are issued to the Underwriter at 8 cents per share.
5. The results for Knife Capital have been extracted from Knife Capital's statement of financial position and statement of comprehensive income in its reviewed financial statements for the 6 month period ended 30 June 2013, without adjustment. The financial statements were reviewed by Mazars in accordance with International Standards on Review Engagements 2400.
6. The Knife Capital Acquisition by Afdawn of 100% of the share capital of Knife Capital is assumed to be settled through the issue of 100 000 000 Afdawn shares issued at 10 cents per share. The Group accounts for business combinations using the acquisition method of accounting in accordance with IFRS 3. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued.
7. Afdawn management have undertaken a preliminary purchase price allocation to determine the recognition and classification of the excess of the purchase price paid in

the Knife Capital Acquisition over the identifiable net assets acquired. As a result of the preliminary purchase price allocation management has recognised intangible assets arising as a result of the Knife Capital Acquisition and it was determined that no goodwill was included. Afdawn's accounting policy in respect of intangible assets is to account for all business combinations by applying the acquisition method in accordance with IFRS 3. The preliminary allocation of the purchase price was based upon a preliminary valuation and the estimates and assumptions are subject to change within the purchase price allocation period (being one year from the acquisition date). These changes may affect the intangible assets recorded. It is currently assumed that no amount will be allocated to goodwill as part of the preliminary purchase price allocation exercise. The amortisation of intangible assets arising as a result of the Knife Capital Acquisition has been calculated after assessing the useful life of the intangible assets based on a preliminary valuation and estimate. The significant judgments used related to the write off period of the intangible assets. Amortisation is provided on a straight-line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed every period end. Afdawn will undertake a final purchase price allocation relating to such intangible assets and goodwill at Knife Capital's next year-end, which will be 28 February 2015.

8. Management intend to utilise the Rights Offer and the Specific Issue proceeds for investment opportunities, however as no investment opportunities in this regard have been identified, it is assumed that the proceeds from the Rights Offer and the Specific Issue have been invested in a short term call account for the 6 month period of the pro forma accounts earning interest at 3.5% per annum, being the interest rate currently achieved on excess funding.
9. All adjustments are expected to have a continuing effect other than interest received on the proceeds of the Rights Offer and the Specific Issue.
10. The diluted earnings per share and diluted headline earnings per share figures are calculated based on the diluted weighted average number of shares in issue of Afdawn at 31 August 2013 and assume that 508 184 155 Afdawn shares issued in terms of the Rights Offer, 50 000 000 Afdawn shares issued to the Underwriter in terms of the Specific Issue and 100 000 000 Afdawn shares are issued in terms of the Knife Capital Acquisition. The Rights Offer, Specific Issue and the Knife Capital Acquisition have no further dilutionary effects on Afdawn.

8.2.8 ***Scenario 2 pro forma financial effects:***

| | **Unaudited financial information before the Knife Capital Acquisition, Rights Offer and Specific Issue** | ***Pro forma* adjustments for Rights Offer** | ***Pro forma* Adjustments for Specific Issue** | ***Pro forma* adjustments for Knife Capital Acquisition** | ***Pro forma* financial information after the Knife Capital Acquisition Rights Offer and Specific Issue** | **Percentage change %** |
|---|---|---|---|---|---|---|
| Net asset value per share (cents) | 11,7 | (1.3) | – | – | 10,4 | (11) |
| Net tangible asset value per share (cents) | 11,2 | (1.1) | – | (1.2) | 8,9 | (21) |
| Basic loss per share (cents) | (0,81) | 0.26 | – | 0.01 | (0,54) | 33.3 |
| Diluted loss per share (cents) | (0,56) | 0.16 | – | (0.01) | (0,41) | 26.8 |
| Basic headline loss per share (cents) | (0,75) | 0.24 | – | – | (0,51) | 32.0 |
| Diluted headline loss per share (cents) | (0,52) | 0.16 | – | (0.01) | (0,37) | 28.8 |
| **Number of shares issued ('000)** | | | | | | |
| Basic | 508 184 | 187 500 | – | 100 000 | 795 684 | 56.6 |
| Diluted | 601 613 | 187 500 | – | 100 000 | 889 113 | 47.8 |
| **Weighted average number of shares issued ('000)** | | | | | | |
| Basic | 508 184 | 187 500 | – | 100 000 | 795 684 | 56.6 |
| Diluted | 601 613 | 187 500 | – | 100 000 | 889 113 | 47.8 |

**Notes and assumptions:**

1. The Before the Rights Offer, Specific Issue and Knife Capital Acquisition column has been extracted from the unaudited published interim financial information of Afdawn for the six months ended 31 August 2013.
2. Cash received from the Rights Offer of R15 million is based on 187 500 000 Afdawn shares being issued through the Rights Offer at 8 cents per Rights Offer Share.
3. Transaction costs of R1.5 million, as detailed in paragraph 11 of this Circular, have been allocated to the share premium in accordance with IAS 32.
4. No cash is assumed to be received from the Specific Issue, as the Underwriter will receive its shares as part of the Rights Offer.
5. The results for Knife Capital have been extracted from Knife Capital's statement of financial position and statement of comprehensive income in its reviewed financial statements for the 6 month period ended 30 June 2013, without adjustment. The financial statements were reviewed by Mazars in accordance with International Standard on Review Engagements 2400.
6. The Knife Capital Acquisition by Afdawn of 100% of the share capital of Knife Capital is assumed to be settled through the issue of 100 000 000 Afdawn shares issued at 10 cents per share. The group accounts for business combinations using the acquisition method of accounting in accordance with IFRS 3. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued.
7. Afdawn management have undertaken a preliminary purchase price allocation to determine the recognition and classification of the excess of the purchase price paid in the Knife Capital Acquisition over the identifiable net assets acquired. As a result of the preliminary purchase price allocation management has recognised intangible assets arising as a result of the Knife Capital Acquisition and it was determined that no goodwill was included. Afdawn's accounting policy in respect of intangible assets is to account for all business combinations by applying the acquisition method in accordance with IFRS 3. The preliminary allocation of the purchase price was based upon a preliminary valuation and the estimates and assumptions are subject to change within the purchase price allocation period (being one year from the acquisition date). These changes may affect the intangible assets recorded. It is currently assumed that no amount will be allocated to goodwill as part of the preliminary purchase price allocation exercise. The amortisation of intangible assets arising as a result of the Knife Capital Acquisition has been calculated after assessing the useful life of the intangible assets based on a preliminary valuation and estimate. The significant judgements used related to the write off period of the intangible assets. Amortisation is provided on a straight-line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed every period end. Afdawn will undertake a final purchase price allocation relating to such intangible assets and goodwill at Knife Capital's next year-end, which will be 28 February 2015.
8. Management intend to utilise the Rights Offer and Specific Issue proceeds for investment opportunities, however as no investment opportunities in this regard have been identified, it is assumed that the proceeds from the Rights Offer and the Specific Issue have been invested in a short term call account for the 6 month period of the pro forma accounts earning interest at 3.5% per annum, being the interest rate currently achieved on excess funding.
9. All adjustments are expected to have a continuing effect other than interest received on the proceeds of the Rights Offer and Specific Issue.
10. The diluted earnings per share and diluted headline earnings per share figures are calculated based on the diluted weighted average number of shares in issue of Afdawn at 31 August 2013 and assume that 187 500 000 Afdawn shares issued in terms of the Rights Offer, no shares issued to the Underwriter in terms of the Specific Issue and 100 000 000 Afdawn shares are issued in terms of the Knife Capital Acquisition. The Rights Offer, Specific Issue and the Knife Capital Acquisition have no further dilutionary effects on Afdawn.

9. **SHARE CAPITAL**

9.1 The authorised and issued share capital of Afdawn, before and after the Rights Offer, Specific Issue and Knife Capital Acquisition based on Scenario 1 set out in paragraph 8.2.7 above, is set out below:

| | **R'000** |
|---|---|
| ***Authorised*** | |
| 5 000 000 000 ordinary shares with a par value of R0,01 each | 50 000 |
| ***Issued before the Rights Offer, Specific Issue and Knife Capital Acquisition*** | |
| 508 184 155 ordinary shares with a par value of R0,01 each | 5 074 |
| **Share Premium** | 292 392 |
| ***Treasury Shares** | (12 832) |
| ***Issued for the Rights Offer at 8 cents each*** | |
| 508 184 155 ordinary shares with a par value of R0,01 each | 5 082 |
| **Share Premium** | 35 573 |
| ***Treasury Shares** | – |
| ****Issued for the Specific Issue at 8 cents each*** | |
| Up to a maximum of 50 000 000 ordinary shares with a par value of R0,01 each | 500 |
| **Share Premium** | 3 500 |
| ***Treasury Shares** | – |
| ***Issued for the Knife Capital Acquisition at 10 cents each*** | |
| 100 000 000 ordinary shares with a par value of R0,01 each | 1 000 |
| **Share Premium** | 9 000 |
| **Treasury Shares** | – |
| ***Issued after the Rights Offer, Specific Issue and Knife Capital Acquisition*** | |
| Up to a maximum of 1 166 368 310 ordinary shares with a par value of R0,01 each | 11 656 |
| **Share Premium** | 340 465 |
| **Treasury Shares** | (12 832) |

**Note:**

* Afdawn has 3 268 236 shares held in treasury, as at the Last Practicable Date.

* Assuming maximum number of 50 000 000 Shares issued in terms of the Specific Issue.

9.2 The authorised and issued share capital of Afdawn, before and after the Rights Offer, Specific Issue and Knife Capital Acquisition based on Scenario 2 set out in paragraph 8.2.8 above, is set out below:

| | **R'000** |
|---|---|
| ***Authorised*** | |
| 5 000 000 000 ordinary shares with a par value of R0,01 each | 50 000 |
| ***Issued before the Rights Offer, Specific Issue and Knife Capital Acquisition*** | |
| 508 184 155 ordinary shares with a par value of R0,01 each | 5 074 |
| **Share Premium** | 292 392 |
| ***Treasury Shares** | (12 832) |
| ***Issued for the Rights Offer at 8 cents each*** | |
| 187 500 000 ordinary shares with a par value of R0,01 each | 1 875 |
| **Share Premium** | 13 125 |
| ***Treasury Shares** | – |
| ***Issued for the Knife Capital Acquisition at 10 cents each*** | |
| 100 000 000 ordinary shares with a par value of R0,01 each | 1 000 |
| **Share Premium** | 9 000 |
| **Treasury Shares** | – |
| ***Issued after the Rights Offer, Specific Issue and Knife Capital Acquisition*** | |
| Up to a maximum of 795 684 155 ordinary shares with a par value of R0,01 each | 7 949 |
| **Share Premium** | 314 517 |
| **Treasury Shares** | (12 832) |

**Note:**

* Afdawn has 3 268 236 shares held in treasury, as at the Last Practicable Date.

* Assuming no Shares issued in terms of the Specific Issue and 187 500 000 Shares issued in terms of the Rights Offer.

9.3 **Shareholders owning more than 5% in the issued share capital**

9.3.1 At the Last Practicable Date, the following Shareholders, other than the Directors of the Company, to the best of the Directors' knowledge and belief, are beneficially interested in 5% or more of the issued share capital of Afdawn.

| **Name of Shareholder** | **Number of Shares held** | **Percentage held** |
|---|---|---|
| Sandown Capital Proprietary Limited | 79 700 000 | 15.7 |
| Mr NRO Brown | 40 000 000 | 7.9 |

9.3.2 Following the Rights Offer, Specific Issue and Knife Capital Acquisition, the following Shareholders, other than the Directors of the Company, to the best of the Directors' knowledge and belief, will be beneficially interested in 5% or more of the issued share capital of Afdawn:

| **Name of Shareholder** | **Number of Shares held** | **Percentage held** |
|---|---|---|
| Sandown Capital Proprietary Limited | 159 400 000 | 13.7 |
| Mr NRO Brown | 80 000 000 | 6.9 |

**Note:**

1. The above information is based on the assumption that all Shareholders follow their rights in terms of the Rights Offer and that the total number of Shares issued in terms of the Rights Offer amounts to 508 184 155.
2. The above information is based on the assumption that the maximum number of 50 000 000 Shares are issued to the Underwriters in terms of the Specific Issue.

## 10. DIRECTORS

### 10.1 Directors' information of Afdawn and its major subsidiary

| Director | Age | Capacity | Business address |
|---|---|---|---|
| JS van der Merwe | 66 | Chairman of Afdawn | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |
| HH Hickey | 60 | Independent non-executive director of Afdawn | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |
| WJ Groenewald | 47 | Acting CEO of Afdawn | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |
| V Lessing | 59 | Lead independent non-executive director | 8th Floor, Zeeland House<br>7 – 9 Heerengracht Street<br>Cape Town<br>8001<br>(PO Box 27671, Rhine Road 8050) |
| JK van Zyl | 39 | Independent non-executive director of Afdawn | Unit E5B, Century Square<br>Heron Crescent<br>Century City<br>7441 |
| GE Stoop | 54 | CEO of Elite | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |
| DD Breedt | 58 | Executive director of Elite | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |
| DA Turner | 50 | Executive director of Elite | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |

10.1.1 Brief profiles on each of the Directors are included in Part A of **Annexure 6** to this Circular. A complete list of other directorships of the Directors is included in Part A of **Annexure 6**. All Directors are South African citizens.

10.1.2 None of the Directors have been convicted of an offence involving dishonesty, declared bankrupt, insolvent or entered into voluntary compromises or arrangements, nor have they been publicly criticised by any statutory or regulatory authorities or disqualified by a court from acting as a director, manager or conducting the affairs of a company.

10.1.3 There were no receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any compromise with creditors generally or any class of creditors, where any Director is or was a director with an executive function of such company at the time of, or within 12 months preceding such events.

10.1.4 All of the above Directors have completed directors' declarations in terms of Schedule 21 of the JSE Listings Requirements relating to the appointment of new directors. Copies of the declarations are available for inspection in terms of paragraph 20 below.

### 10.2 Interest of Directors

At the Last Practicable Date, the following Directors of Afdawn (and their associates), including Directors who have resigned during the last 18 months, held, in aggregate, directly and indirectly, approximately 11.58% of Afdawn's issued Shares, as follows:

| | Beneficial | | | |
|---|---|---|---|---|
| **Director** | **Direct** | **Indirect** | **Total** | **Percentage held** |
| JS van der Merwe | – | 11 428 572 | 11 428 572 | 2.249 |
| TF Kruger[1] | 22 032 800 | – | 22 032 800 | 4.336 |
| HH Hickey | – | – | – | – |
| WJ Groenewald | 158 100 | 25 172 959 | 25 331 059 | 4.985 |
| V Lessing | – | – | – | – |
| JK van Zyl | – | – | – | – |
| CF Wiese[2] | – | – | – | – |
| GE Stoop[3] | 25 400 | – | 25 400 | 0.005 |
| L Taylor[4] | – | – | – | – |
| WN Luhabe[5] | – | – | – | – |
| **Total** | **22 216 300** | **36 901 531** | **58 817 831** | **11.575** |

**Notes:**

1. TF Kruger **resigned** from the Board with effect from 1 February 2014.
2. CF Wiese **resigned** from the Board with effect from 10 June 2013.
3. GE Stoop **resigned** from the Board with effect from 5 November 2013.
4. L Taylor **resigned** from the Board with effect from 29 May 2013.
5. WN Luhabe **resigned** from the Board with effect from 30 September 2013.

### 10.3 Directors' interests in transactions

Save as disclosed in the table above, by virtue of each Director's (or his associate's) shareholding in Afdawn, no Director of Afdawn has or had any beneficial interest, directly or indirectly, in any transaction which is, or was, material to the business of Afdawn and which was effected by Afdawn during the current financial year or the immediately preceding financial year or in respect of any previous financial year which remains in any respect outstanding or unperformed.

### 10.4 Directors' remuneration and terms of appointment

10.4.1 The remuneration of the Directors of Afdawn will not be varied as a result of the Rights Offer or the Specific Issue as contained in this Circular.

10.4.2 Each of the executive directors has concluded service contracts with terms and conditions that are standard for such appointments, which is available for inspection in terms of paragraph 20 below. The duration of each Director's appointment is determined by such agreement.

10.4.3 For the financial year ended 28 February 2013, emoluments paid to the Directors of Afdawn were as follows:

| | Salary (R) | Directors' fees (R) | Fees for other services (R)## | Provident fund and medical aid contributions (R) | Bonuses (R) | Total (R) |
|---|---|---|---|---|---|---|
| JS van der Merwe* 1 | – | – | – | – | – | – |
| TF Kruger* 2 | 1 700 000 | | – | – | – | 1 700 000 |
| HH Hickey | – | 240 000# | – | – | – | 240 000 |
| WJ Groenewald* 3 | – | 240 000# | – | – | – | 240 000 |
| V Lessing 4 | – | – | – | – | – | – |
| JK van Zyl 5 | – | – | – | – | – | – |
| CF Wiese 6 | – | 240 000# | – | – | – | 240 000 |
| GE Stoop* 7 | 1 526 000 | | – | – | – | 1 526 000 |
| L Taylor 8 | | 240 000# | – | – | – | 240 000 |
| WN Luhabe 9 | | | | | | |
| **Subsidiaries** | | | | | | |
| PJ Bezuidenhout* | 1 608 000 | | | | | 1 608 000 |

## The "other fees" column refers to management, consulting, technical or other fees paid for such services rendered, directly or indirectly, including payments to management companies, a part of which is then paid to a director of the Company. No such other fees were paid to directors for the financial year ended 28 February 2013.

# Revised non-executive directors fees of R120 000 per annum were approved at the Company's annual general meeting of 15 October 2013.

**Notes:**

1. JS van der Merwe was **appointed** to the Board with effect from 10 April 2013, he **stepped down** as CEO on 24 February 2014 but remained the chairman of the Company.
2. TF Kruger **resigned** from the Board with effect from 1 February 2014.
3. WJ Groenewald was **appointed** as acting CEO on 24 February 2014.
4. V Lessing was **appointed** to the Board with effect from 29 May 2013.
5. JK van Zyl was **appointed** to the Board with effect from 29 May 2013.
6. CF Wiese **resigned** from the Board with effect from 10 June 2013.
7. GE Stoop **resigned** from the Board with effect from 5 November 2013.
8. L Taylor **resigned** from the Board with effect from 29 May 2013.
9. WN Luhabe **resigned** from the Board with effect from 30 September 2013.

* Executives

10.4.4 Save for the emoluments listed in the table above, no other remuneration or benefits were made or accrued to the Directors for the financial year ended 28 February 2013, including sums paid by way of expense allowances, other material benefits or any commission, gain or profit sharing arrangements.

10.4.5 Afdawn currently has no share incentive scheme.

10.4.6 Afdawn has not paid any amounts (whether in cash or in securities), nor given any benefits to any Directors or to any company in which Directors are beneficially interested, or to any partnership, syndicate or other association of which the Directors are members, or to any Director as an inducement to become a director or otherwise, or otherwise for services rendered by Directors or by the associate company or associate entity in connection with the promotion or formation of the Company or any of its Subsidiaries, in the three years preceding the Last Practicable Date.

### 10.5 Executive management

The full names, current functions and addresses of the senior management of Afdawn other than the executive directors are set out below:

| Full name and nationality | Age | Capacity | Business address |
|---|---|---|---|
| WJ Groenewald | 47 | acting CEO[1] | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |
| TF Kruger [2] | 47 | financial director | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |
| GE Stoop | 54 | CEO of Elite | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |

1. WJ Groenewald was appointed as acting CEO from 24 February 2014.
2. TF Kruger **resigned** from the Board with effect from 1 February 2014, he will be assisting the Company until he is replaced by E van Heerden after the implementation of the Knife Capital Transaction.

## 11. ESTIMATED EXPENSES OF THE RIGHTS OFFER AND SPECIFIC ISSUE

11.1 The estimated expenses of the Rights Offer and Specific Issue, excluding VAT are as follows:

| Nature of Expense | Paid/Payable to | R'000 |
|---|---|---|
| Documentation fee, project management, Corporate Adviser and transaction Designated Adviser fee | PSG Capital | 1 050 |
| JSE listing fee | JSE | 13 |
| JSE documentation fee | JSE | 58 |
| Printing, publication and distribution | Ince | 95 |
| Independent Reporting Accountants and Auditors | Grant Thornton | 80 |
| Transfer Secretaries | Computershare Investor Services | 25 |
| Exchange Control Fees | ABSA Bank | 10 |
| Strate | Strate | 15 |
| Underwriting fee | Underwriter | 80 |
| Contingency | | 74 |
| **Estimated total cost** | | 1 500 |

11.2 The expenses of the Rights Offer and Specific Issue will be written off against the share premium.

## 12. OPINIONS AND RECOMMENDATIONS

### 12.1 Rights Offer

12.1.1 The Board of Directors have considered the terms and conditions of the Rights Offer and believe that such terms and conditions are fair to Afdawn Shareholders. The Directors are of the opinion that the future prospects of the business of the Company are sound.

12.1.2 Shareholders are recommended to consult their professional advisers regarding the action to be taken in relation to the Rights Offer.

12.2 **Specific Issue**

12.2.1 The Underwriter is a shareholder of Afdawn and is regarded as a related party of Afdawn, as defined in terms of the Listings Requirements of the JSE and the Specific Issue of Shares is done at the volume weighted average traded price of Afdawn for the 30 trading days preceding Friday, 13 December 2013.

12.2.2 The Board of Directors have considered the terms and conditions of the Specific Issue and believe that such terms and conditions are fair insofar as Afdawn Shareholders are concerned. The Directors are also of the opinion that the future prospects of the business of the Company are sound.

12.2.3 In accordance with the Listings Requirements, the Underwriter (and its associates) will not be able to vote at the General Meeting at which the resolution authorising the Specific Issue will be considered. Shareholders are further recommended to consult their professional advisers regarding the action to be taken in relation to the Specific Issue.

## 13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of Afdawn, whose names are given in paragraph 10 and Part A of **Annexure 6** of this Circular, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the JSE Listings Requirements.

## 14. ADVISERS' CONSENTS

Each of the reporting accountants and advisers, whose names appear on the inside front cover have consented in writing to act in the capacity stated and to the inclusion of their names and, where applicable, reports, in this Circular in the form and context in which they appear and have not withdrawn their consent prior to the publication of this Circular.

## 15. MATERIAL CONTRACTS

Save for the Knife Capital Acquisition Agreement and the two material contracts listed below, there has been no other material contracts entered into by the Company or the Group, other than in the ordinary course of business, in the two years prior to the date of the Circular, that contains an obligation or settlement that is material to Afdawn at the Last Practicable Date.

15.1 A settlement agreement was entered into between Nexus Personnel Finance Proprietary Limited ("**Nexus**") (a wholly owned subsidiary of Afdawn) and the NHFC on 30 May 2011, in terms of which an amount of R5 million became payable by Nexus in October 2013. Nexus is currently in negotiations with the NHFC to extend the payment terms of the settlement agreement.

15.2 The agreement entered into between Elite and Sandown Capital Proprietary Limited ("**Sandown**") which was effective from 11 July 2011, as amended 23 August 2012 and 15 April 2013, ("**Sandown Agreement**"):

15.2.1 In terms of the Sandown Agreement, Sandown undertook to provide Elite Group Two Proprietary Limited ("**Elite Group 2**") (a wholly-owned subsidiary of Sandown) with a loan to the maximum value of R10 million ("**the Sandown Loan**") and Elite undertook to manage the short term personal loan business of Elite Group 2 on behalf of Sandown, including the sourcing of potential clients. As compensation for such management services, Elite is entitled to a monthly management fee of 10% of the total income of Elite Group 2 capped at a maximum of R50 000 per month as well as to 50% of the after tax profits of Elite Group 2.

15.2.2 On 15 April 2013 an addendum to the Sandown Agreement was signed in terms of which Sandown undertook to provide additional loan financing to Elite Group 2 to the value of R15 million, which will be available in tranches of R5 million per month with effect from 1 May 2013. The repayment of the additional loans will be settled by no later than 25 July 2013 and interest will be paid monthly at the rate of three months JIBAR plus 10% per annum, calculated monthly in arrears.

15.2.3 It was decided that no new loans will be granted by Elite Group 2 from 31 July 2014 and Elite will be retained to manage and collect the remaining loan book of Elite Group 2 so as to repay the outstanding loans owed by Elite Group 2 to Sandown.

## 16. ADEQUACY OF WORKING CAPITAL

After considering the effect of the proposed Rights Offer and Specific Issue, the Directors of Afdawn are of the opinion that the working capital available to the Afdawn Group is sufficient for the Afdawn Group's present requirements for at least the next 12 months after the date of issue of this Circular.

## 17. LITIGATION STATEMENT

17.1 Save for as set out below, the Group is not party to any other legal or arbitration proceedings, nor, as far as the Directors of the Group are aware are there any legal or arbitration proceedings pending or threatened against the Group, which may have, or have had in the 12 months preceding the date of this Circular, a material effect on the Group's financial position other than those that arise in the normal course of business in recovering funds.

17.2 The Group is party to the following legal or arbitration proceedings:

17.2.1 As stated in the 2010, 2011 and 2012 annual reports of the Group, Allegro Holdings Proprietary Limited ("**Allegro**"), a former subsidiary of the Company, was placed in curatorship in 2009 at which point 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.

17.2.2 The Company's auditors raised reportable irregularities during the audit for the year ended 28 February 2010 including irregularities in the affairs of the subsidiary Nexus Personnel Finance Proprietary Limited, irregularities in the completion and filing of income tax returns and the payment of income tax, misrepresentation of the Group financial statements for the years ended February 2008 and 2009 and shares being issued for which payment had not been received. Subsequent to the irregularities being raised by the auditors the Board mandated Romlab Consultants CC, a firm of specialist forensic accountants, to conduct a forensic investigation into the Afdawn Group. Issues identified during the forensic investigation were reported to the Financial Services Board, the South African Police Services and the JSE. Afdawn is co-operating with the relevant authorities in the ongoing investigations.

## 18. CORPORATE GOVERNANCE

The Board of Directors are committed to the principles of openness, integrity and accountability and the provision of timeous, meaningful reporting to stakeholders. A corporate governance report addressing the guiding principles as set out in the Code of Corporate Practice and Conduct as contained in the King III Report on Corporate Governance ("**the King Code III**"), together with details of Afdawn's application of the various principles of the King Code III as required by the Listings Requirements, is set out in **Annexure 5** attached to and forming part of this Circular.

## 19. DIRECTORS' AUTHORITY TO ISSUE SHARES IN TERMS OF SECTION 41(3) OF THE ACT

19.1 Section 41(3) of the Act requires that Shareholders approve, by way of a special resolution, an issue of shares if the voting power of the class of shares that are issued will be equal to or exceed 30% of the voting power of all the shares of that class held by Shareholders immediately before the issue.

19.2 Pursuant to the Rights Offer, Specific Issue and Knife Capital Acquisition, it is envisaged that the abovementioned 30% threshold of the voting power of the ordinary shares will be exceeded. Accordingly, the requisite authority was obtained from Shareholders at the general meeting held on Tuesday, 21 January 2014.

## 20. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection at the registered office of Afdawn and at PSG Capital's offices in Johannesburg and Stellenbosch at the address indicated in the corporate information section of this Circular, during normal business hours, from the date of this Circular, being Monday 17 March 2014 up to and including Friday 4 April 2014:

20.1 the Memorandum of Incorporation of Afdawn, as well as the memoranda of incorporation of the Subsidiaries;

20.2 the audited financial statements of Afdawn for the financial years ended 28 February 2012 and 28 February 2013;

20.3 the published interim financial statements of Afdawn for the six-month periods ended 31 August 2012 and 31 August 2013;

20.4 letters of consent from each of the advisers referred to in paragraph 13;

20.5 the report of the Independent Reporting Accountants' to Afdawn on the pro forma financial information as set out in **Annexure 3**;

20.6 the Irrevocable Undertaking to Underwrite;

20.7 the Irrevocable Undertakings to Follow;

20.8 the Knife Capital Acquisition Agreement, as amended;

20.9 the settlement agreement entered into between Nexus Personnel Finance Proprietary Limited and the NHFC on 30 May 2011, referred to in paragraph 14;

20.10 the agreement entered into between Elite and Sandown Capital Proprietary Limited which was effective from 11 July 2011 (as amended on 23 August 2012 and 15 April 2013), referred to in paragraph 15

20.11 this Circular, the Form of Instruction and the Form of proxy;

20.12 power of attorneys signed by the Directors; and

20.13 service contracts of Executive Directors of Afdawn.

**SIGNED ON 3 MARCH 2014 AT JOHANNESBURG BY WJ GROENEWALD FOR AND ON BEHALF OF ALL THE OTHER DIRECTORS OF AFRICAN DAWN CAPITAL LIMITED, IN TERMS OF POWERS OF ATTORNEY GRANTED TO HIM BY SUCH DIRECTORS**

**WJ GROENEWALD**
*Acting Chief Executive Officer*

Johannesburg

# HISTORICAL FINANCIAL INFORMATION OF AFRICAN DAWN CAPITAL LIMITED

## A FINANCIAL YEAR-END

### BASIS OF PREPERATION

The consolidated statements of financial position, statements of comprehensive income, statements of changes in equity, cash flow statements and notes of Afdawn for the financial years ended 28 February 2012 and 28 February 2013 have been extracted and compiled from the audited consolidated annual financial statements of Afdawn. The preparation of this **Annexure 1** is the responsibility of the Directors of Afdawn.

The historical financial information of Afdawn was audited by Grant Thornton and was reported on without qualification for all of the aforementioned financial periods.

The historical financial information of Afdawn has been extracted from the published results of Afdawn for the financial years ended 29 February 2012 and 28 February 2013. This historical information is the responsibility of the directors of Afdawn.

## COMMENTARY ON RESULTS

### The local market

Economic growth in South Africa slowed to 0.9% in the first quarter, the weakest pace since the 2009 recession. The Rand has dropped 16% against the dollar this year, the worst performer among 16 major currencies tracked by Bloomberg.

The unsecured lending space has been widely covered in the media and this market has come under pressure as the consumer battles the debt trap resulting in higher bad debts being reported. It is clear that the preceding period saw the market players compete on affordability criteria rather than pricing. Subsequently the market significantly tightened their affordability criteria in response to the increasing bad debts. Total unsecured credit fell to R22,6 billion at the end of March, from a peak of R29,1 billion three months earlier, and the proportion of non-performing loans is increasing, according to South Africa's National Credit Regulator.

### Elite

Elite has maintained good market creditability and exceptional systems in the unsecured lending space. Elite group is also expanding its horizons through collections of unsecured finance, and medical aid financing opportunities. The period under review remained challenging given the events that had transpired in the economy, 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 R3,8 million (2012: R1,47 million). 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.

### Debt management

During the 2012 financial year the Board approved a new strategy for the bridging finance business to focus on collecting the internal book and pursue third party mandates. The internal bridging business remains a collection book which has proved extremely complicated to collect as the back end of the collection book is penetrated. No new loans have been provided. Securing third party collection mandates proved difficult as Afdawn did not pose the appropriate BEE credentials. We continued to collect on behalf of a hedge fund for a management fee. The strategic viability of the business was reconsidered and alternatives were explored to ensure profitability or eliminating the cost associated with the collections. It was subsequently decided to discontinue the debt management collection business.

### Subsequent to year end

A new strategy was formulated by the Board with a new vision with the following steps to be undertaken.

1. Further capabilities will be acquired and institutionalised, which will include deal sourcing and structuring capabilities, investee mentorship programmes, the setting up of an investment fund and co-investment

alliances. To this end we draw shareholders attention to the cautionary announcement dated 18 November 2013.

2. The disposal of non-core legacy assets and conversion thereof into cash is of paramount importance;
3. The company will disinvest from its exposure to the unsecured lending as per its new business model and will actively pursue appropriate buyers for Elite Group. This decision was made by the Board subsequent to 31 August 2013;
4. New permanent capital is a prerequisite in fulfilling our new vision. Exciting new alliances will drive the investment pipeline. Shareholders will have the opportunity to participate in the new strategy through a proposed rights offer; and
5. Afdawn will be rebranded to articulate the vision and strategy in a visual manner.
6. There have been no significant changes in the property, plant and equipment since the publication of the Annual Financial Statements.

## STATEMENTS OF FINANCIAL POSITION

| | Notes | 2013 R'000 | 2012 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 899 | 770 |
| Intangible assets | 5 | 1 792 | – |
| Other financial assets | 8 | 638 | 669 |
| | | 3 329 | 1 439 |
| **Current assets** | | | |
| Properties in possession | 9 | 21 335 | 25 662 |
| Other financial assets | 8 | 300 | 300 |
| Current tax receivable | 18 | 95 | 9 713 |
| Trade and other receivables | 10 | 83 340 | 69 723 |
| Cash and cash equivalents | 11 | 9 014 | 15 451 |
| | | 114 084 | 120 849 |
| **Non-current assets held for sale** | 12 | 4 129 | – |
| **Total assets** | | 121 542 | 122 288 |
| **Equity and liabilities** | | | |
| Equity | | | |
| Share capital | 13 | 284 634 | 284 634 |
| Reserves | 15 | – | 97 |
| Accumulated loss | | (221 383) | (219 370) |
| | | 63 251 | 65 361 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 16 | 22 366 | 21 590 |
| Finance lease obligation | 17 | 316 | 18 |
| | | 22 682 | 21 608 |
| **Current liabilities** | | | |
| Borrowings | 16 | 7 292 | 5 484 |
| Current tax payable | 18 | 18 709 | 20 064 |
| Finance lease obligation | 17 | 77 | 35 |
| Operating lease liability | 28 | 195 | – |
| Trade and other payables | 19 | 9 336 | 9 736 |
| | | 35 609 | 35 319 |
| **Total liabilities** | | 58 291 | 56 927 |
| **Total equity and liabilities** | | 121 542 | 122 288 |
| Net asset value per share (cents) | | 11,7 | 12,9 |
| Net tangible asset value per share (cents) | | 11,2 | 12,9 |

## STATEMENTS OF COMPREHENSIVE INCOME

| | Notes | 2013 R'000 | 2012 R'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 22 | 33 533 | 31 472 |
| Cost of sales | | (399) | (407) |
| Gross profit | | 33 134 | 31 065 |
| Other income | 38 | 2 770 | 22 622 |
| Operating expenses | 23 | (35 721) | (39 962) |
| Operating profit (loss) | 23 | 183 | 13 725 |
| Investment revenue | 24 | 620 | 309 |
| Finance costs | 25 | (2 286) | (3 151) |
| (Loss) Profit before taxation | | (1 483) | 10 883 |
| Taxation | 26 | (627) | (478) |
| (Loss) Profit from continuing operations | | (2 110) | 10 405 |
| Profit from discontinued operations | 39 | | 358 |
| (Loss) Profit for the year | | (2 110) | 10 763 |
| Other comprehensive income | | – | |
| Total comprehensive (loss) income | | (2 110) | 10 763 |
| **Attributable to:** | | | |
| *Owners of the parent:* | | | |
| (Loss) Profit for the year from continuing operations | | (2 110) | 10 405 |
| Profit for the year from discontinued operations | | | 358 |
| (Loss) Profit for the year attributable to owners of the parent | | (2 110) | 10 763 |

## STATEMENT OF CHANGES IN EQUITY

| | Share capital R'000 | Share premium R'000 | Total share capital R'000 | Insurance Reserve in Cell Captive R'000 | Accumulated loss R'000 | Total equity R'000 |
|---|---|---|---|---|---|---|
| Balance at 1 March 2011 | 2 221 | 253 886 | 256 107 | 105 | (230 133) | 26 079 |
| Profit for the year | – | – | – | – | 10 763 | 10 763 |
| Other comprehensive income | – | – | – | – | – | – |
| Total comprehensive income for the year | – | – | – | – | 10 763 | 10 763 |
| Transfer from insurance reserve | – | – | – | (8) | – | (8) |
| Issue of ordinary shares during rights issue | 2 853 | 25 674 | 28 527 | – | – | 28 527 |
| Total contributions by and distributions to owners of the company recognised directly in equity | 2 853 | 25 674 | 28 527 | (8) | – | 28 519 |
| **Balance at 1 March 2012** | **5 074** | **279 560** | **284 634** | **97** | **(219 370)** | **65 361** |
| Loss for the year | – | – | – | – | (2 110) | (2 110) |
| Total comprehensive loss for the year | – | – | – | – | (2 110) | (2 110) |
| Transfer from insurance reserve | – | – | – | (97) | 97 | – |
| Total contributions to owners of the company recognised directly in equity | – | – | – | (97) | 97 | – |
| **Balance at 28 February 2013** | **5 074** | **279 560** | **284 634** | **–** | **(221 383)** | **63 251** |
| Notes | 13 | 13 | 13 | 15 | | |

## STATEMENTS OF CASHFLOWS

| | Notes | 2013 R'000 | 2012 R'000 |
|---|---|---|---|
| **Cash (outflows) inflows from operating activities** | | | |
| Cash generated (used in)/from operations | 30 | (12 791) | 13 544 |
| Interest income | | 620 | 309 |
| Finance costs | | (1 485) | (3 151) |
| Tax received (paid) | 31 | 7 636 | (1 211) |
| Net cash generated (utilised in)/by operating activities | | (6 020) | 9 491 |
| **Cash inflows (outflows) from investing activities** | | | |
| Purchase of property, plant and equipment | 4 | (696) | (194) |
| Sale of property, plant and equipment | 4 | 55 | 8 |
| Purchase of other intangible assets | 5 | (1 802) | – |
| Sale of businesses | | – | 1 757 |
| Sale of non-current assets held for sale | 12 | – | 1 012 |
| Sale of (other asset) Property in possession | 9 | – | 68 |
| Net cash investing activities | | (2 443) | 2 651 |
| **Cash inflows (outflows) from financing activities** | | | |
| Proceeds from shares issued | 13 | – | 28 152 |
| Net proceeds from convertible bonds | 13 | – | 6 200 |
| Increase (decrease of borrowings) | 16 | 1 783 | (38 788) |
| Finance lease payments | | 340 | (125) |
| Transfer from insurance reserve | | (97) | (8) |
| Net cash from financing activities | | 2 026 | (4 569) |
| Total cash movement for the year | | (6 437) | 7 573 |
| Cash at the beginning of the year | | 15 451 | 7 878 |
| Total cash at the end of the year | 11 | 9 014 | 15 451 |

## ACCOUNTING POLICIES

### 1. BASIS OF PREPARATION AND PRESENTATION OF GROUP AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements have been prepared in accordance with IFRS, the requirements of the Companies Act, the JSE Listing Requirements and the SAICA Financial Reporting guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council. The consolidated and separate financial statements are prepared in accordance with the going concern principle under the historical cost basis, other than financial instruments. The accounting policies have been consistently applied to all the years presented unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a high degree of judgment, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 34.

### 2. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS APPLICABLE TO THE COMPANY

#### 2.1 Standards and interpretations effective and adopted in the current year

A number of new standards, amendments to standards and interpretations issued are effective for Groups' accounting periods beginning on or after 1 March 2012 and therefore adopted in the current year:

**Disclosures – Transfers of financial assets (amendments to IFRS 7): (effective 1 March 2012)**

The amendment requires additional quantitative and qualitative disclosures in respect of risk exposures arising from transferred financial assets. The amendments include a requirement to disclose by class of asset: the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's statement of financial position. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Comparative disclosures are not required for any period beginning before the effective date.

The amendment had no impact on the Group.

**Deferred Tax: Recovery of underlying assets (amendments to IAS 12): (effective 1 March 2012)**

The amendment introduces an exception to the existing principle for the measurement of the deferred tax assets or liabilities arising on investment properties measured at fair value. The rebuttable presumption is that investment properties measured at fair value are recovered entirely through disposal. The rebuttable presumption also applies to the deferred tax liabilities or assets that arise from investment properties acquired in a business combination, if the acquirer subsequently uses the fair value model to measure these investment properties. The amendments also incorporate SIC-21 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders (SIC-21) into IAS 12, and therefore the remaining guidance contained in SIC-21 is withdrawn accordingly. The amendment is applied retrospectively.

The amendment had no impact on the Group.

***Circular 3/2012 – Headline earnings: (effective 31 July 2012)***

The amendments to the circular indicate that changes in the deferred tax balance resulting from the use of a different tax rate, which relates to items that are excluded from headline earnings in the current or previous reporting periods, are also excluded from headline earnings. The amendments to the circular also indicate that compensation from third parties for property, plant and equipment which were impaired, lost or given up, are considered to be re-measurements of an asset and are excluded from headline earnings.

The amendments have had a minimal impact on the financial statements of the Group. Refer to note 30 for the required disclosures on Headline Earnings.

## 2.2 Standards and Interpretations not yet effective and not adopted

A number of new standards, amendments to standards and interpretations issued are effective for the Groups' financial results beginning on or after 1 March 2013 and therefore not yet effective for the current reporting period. The Group has chosen not to early adopt the following standards and interpretations in preparing these consolidated financial statements:

**Amendments to IFRS 7 Disclosures – Offsetting financial assets and financial liabilities (effective 1 March 2013) ***

The amendments require the disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. These disclosures are intended to facilitate comparison between entities preparing IFRS financial statements and entities preparing financial statements under US generally accepted accounting principles (GAAP). An entity shall provide the disclosures required by these amendments retrospectively. This amendment will result in additional disclosures being presented in the consolidated financial statements of the Group.

**IFRS 9 Financial instruments (effective 1 March 2015) ***

This new standard is to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and de-recognition of financial assets and liabilities. The following are the main changes from IAS 39:

Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.

Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value. Under certain circumstances, financial assets may be designated as at fair value. For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.

Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.

Financial liabilities shall not be reclassified.

Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on de-recognition of the investment. The election may be made per individual investment.

IFRS 9 does not allow for investments in equity instruments to be measured at cost.

The classification categories for financial liabilities remain unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

**IFRS 10 Consolidated financial statements (effective 1 March 2013) ***

Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and separate financial statements (2008) (IAS 27) and SIC-12. The standard sets out how to apply the control principle to voting rights, circumstances involving agency relationships and circumstances when the investor has control over specified assets of the investee. Consolidation principles have remained unchanged and are now incorporated as part of IFRS 10. The standard is required to be applied retrospectively and will impact comparative information.

**IFRS 11 Joint arrangements (effective 1 March 2013) ***

IFRS 11 supersedes IAS 31 and SIC-13 Jointly controlled entities – non-monetary contributions by ventures (SIC-13). The new standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations, and then accounting for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations (rights to assets and obligations) or joint ventures (rights to net assets). The proportionate consolidation method for accounting for joint ventures has now been eliminated and all joint ventures will be equity accounted. The standard is required to be applied retrospectively and will impact comparative information.

**IFRS 12 Disclosure of interests in other entities (effective 1 March 2013) ***

Requires extensive disclosures relating to an entity's interest in a subsidiary, joint arrangement, associates, jointly controlled entities and unconsolidated structured entities. Disclosure should enable a user to evaluate the nature of the risks associated with the interest in these entities and are intended to assist users to understand the effects of an entity's interest in other entities on its financial position, financial performance and cash flows. The standard is required to be applied retrospectively and will impact comparative information.

**IFRS 13 Fair value measurement (effective 1 March 2013) ***

Replaces guidance on fair value measurement in existing IFRS accounting standards by providing a single source of guidance to prescribe how fair value should be measured. The standard requires (with some exceptions) entities to classify fair value measurements into a 'fair value hierarchy' based on the nature of the inputs. The standard also requires entities to make various disclosures depending on the nature and level of the fair value measurement.

**Revised IAS 27 Separate financial statements (effective 1 March 2013) ***

The revised IAS 27 now only deals with the requirements for separate financial statements, and the requirements for consolidated financial statements are now contained in IFRS 10. The standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9. The standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements. The standard may be applied to an earlier accounting period; however this fact must be disclosed.

**Revised IAS 28 Investments in Associates and joint ventures (effective 1 March 2013) ***

This standard supersedes IAS 28 and prescribes the accounting for investments in associates, and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied. It also prescribes how investments in associates and joint ventures should be tested for impairment.

**Amendment to IAS 32 – Offsetting financial assets and financial liabilities (effective 1 March 2014)** *

The offsetting requirements in IAS 32 have been retained, such that a financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity currently has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendment to IAS 32 provides more application guidance on when the criterion for offsetting would be considered to be met. An entity shall apply the amendments retrospectively and early application is permitted. If an entity applies these amendments from an earlier date, it shall disclose that fact and shall also make the disclosures required by IFRS 7: Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7).

**Amendments to IAS 1 Presentation of financial statements (effective 1 March 2013) ***

When an entity provides comparative information that goes beyond the minimum requirements in the current period, it would be clarified that comparative information is required for all amounts reported, with comparatives for narrative and descriptive information being included where this is relevant to understanding the current period financial statements. Where an entity changes accounting policies, or makes retrospective restatements or reclassifications and such changes have a material effect on the statement of financial position, an opening statement of financial position would be required as at the beginning of the required comparative period but related notes would not be required.

** Management is in the process of assessing the impact of the amendments and standards on the results of the Group.*

## 3. ACCOUNTING POLICIES

The accounting policies below have been consistently applied to the current year and comparative figures, unless otherwise stated. The policies have consistently been applied throughout the Group.

### 3.1 Basis of consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition to the effective date of disposal, as appropriate. Subsidiaries are de-consolidated from the date that control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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. For further analysis of the discontinued operation and disposal, refer to note 39.

### 3.3 Property, plant and equipment

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

All fixed assets are shown at cost, less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items and the cost to bring it into use.

Items of property, plant, and equipment should be recognised as assets when it is probable that the future economic benefits associated with the asset will flow to the entity, and the cost of the asset can be measured reliably.

This recognition principle is applied to all property, plant, and equipment costs at the time they are incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

All other repairs and maintenance expenditures are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

| | |
|---|---|
| Furniture and fixtures | 4 – 6 years |
| Motor vehicles | 5 years |
| Office equipment | 3 – 5 years |
| IT equipment | 3 – 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

3.4 **Intangible assets**

**Computer software**

Computer software is carried at cost less accumulated amortisation and impairment losses. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Costs to acquire the computer software licenses for development purposes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Cost associated with computer software development (software development employee costs, developers consulting fees and an appropriate portion of relevant overheads) activities that are directly associated with the production of identifiable and unique software products are considered for capitalisation as intangible asset, if the following criteria are met;

If development costs can be measured reliably, completion of the development of the software is technically and commercially feasible, the Group can demonstrate that the intangible asset will be used to generate future economic benefits, the Group intends to and has sufficient resources to complete development and to use the asset, and the Group can demonstrate the ability to use or sell the intangible asset.

Other development expenditure which does not meet the above requirements is recognised in the profit and loss component of the income statement.

Amortisation on computer software is calculated from date of use by applying the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Micro Finance Software: | 5 years |
| Medical Finance Software: | 5 years |

The asset's useful lives are annually reviewed and adjusted where appropriate.

3.5 **Properties in possession**

Repossessed properties acquired in exchange for loans as part of an orderly realisation are reported in property in possession under the inventory assets class, as they are held for sale in the ordinary course of business. The repossessed properties are recognised when the risks and rewards of the properties have been transferred to the Group. The corresponding loans are derecognised when the Group becomes the owner of the property. The property acquired is initially recorded at cost which is the lower of its fair value (less costs to sell) and the carrying amount of the loan (net of impairment) at the date of transferring ownership. It is subsequently measured at the lower of the carrying amount and its net realisable value. 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 profit/(loss). Gains or losses on disposal of repossessed properties are reported in other operating income or operating expenditure.

### 3.6 Non-current assets held for sale

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

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

### 3.7 Financial instruments

#### Initial recognition and measurement of financial instruments

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments. The Group classifies financial instruments on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value. For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument. Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

#### Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

*Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. They are included in current assets, except for maturities greater than 12 months after the period end date, these are classified as non-current assets on the face of statement of financial position.

*Held-to-maturity investments*

The Group currently has no held-to-maturity investments. Held-to-maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and re-categorised as available-for-sale. Held to maturity instruments are measured subsequently at amortised cost using the effective interest method. The balances are reviewed for impairment at each reporting date.

*Available for sale financial assets*

The Group currently has no available-for-sale financial assets. Available-for-sale financial assets are non derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. These financial assets include both debt and equity instruments. Available for sale assets are measured at fair value, gains and losses on subsequent measurement is recognised in other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss.

**Classification and subsequent measurement of financial liabilities**

*Financial liabilities at amortised cost*

Liabilities held at amortised cost are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest rate method. Any differences (other than transaction charges) between net proceeds and the redemption value are recognised in the income statement over the period of the borrowing using the effective yield method.

*Other financial liabilities*

Included within this class of financial liabilities are trade and other payables, provisions and group loans payable that will be settled in cash and cash equivalents. Trade and other payables and group loans payable are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest rate method.

*Compounded financial instruments*

If the terms of convertible instruments that give rise to a non derivative instrument containing both the liability and equity component, they are treated as compounded 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.

*De-recognition of financial assets and liabilities*

Financial assets are derecognized when the contractual rights to the cash flow from the financial asset expire, or when the financial asset and substantial risk and rewards are transferred. The financial liabilities are derecognised when it is extinguished, discharged, cancelled or expires.

*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 assets or group of financial assets are impaired. The different criteria to determine the impairment is for each asset class as follows; (for detail see note 36)

Loans and receivables: Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that the specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment. (Refer to the impairment per category policy note for the category basis)

Held-to-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 flows. 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 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 reserves in equity.

*Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Deferred loan income reduces the outstanding loans and receivables balance on the basis that the revenue will be recognised over the terms of the loans.

3.8 **Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents comprise cash on hand, deposits held on call with banks, other short term, highly liquid investments with original maturities of three months or less and bank overdrafts.

3.9 **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 changes 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 on a collective receivable.

**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 identified at individual asset. 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 formulas 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 receivable**

Substantial receivables, especially relating to property bridging transactions are assessed on an individual basis. The impairments are 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 realised within three month 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 creditability, ageing of last receipt, arrears amount, settlement agreement, status of process to be followed to pursue future cashflows, age of borrower, economical status, repayment instalment. 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.

**Loan write-offs**

The outstanding balances (net of amount owed and related impairment) of clients are continuously followed up and assessed for successful repayment. Credit managers have the mandate to write balances off once all avenues for collections have been explored and found to be unsuccessful.

### 3.10 Share capital, reserves, treasury shares and dividends

Ordinary shares are classified as equity. Share capital represents the nominal value of shares issued. Share premium includes any premiums received on the issue of share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Other components of equity includes:

- Insurance reserves – Contractual percentage of received insurance premiums kept as reserve, see note 16
- Convertible instrument reserve – Equity portion of compounded financial instrument (Convertible Bonds)

Any dividend distribution payable to equity shareholders is included in other liabilities when the dividends have been approved prior to the reporting date.

Unissued shares: At the annual general meeting an amount of 5% (2012: 5%) of the issued ordinary share capital at the time of the meeting were placed under the control of the directors until the next annual general meeting.

### 3.11 Tax

**Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**Deferred tax assets and liabilities**

Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

**Withholding tax**

Prior to 1 April 2012, distributions of dividends was subject to secondary tax on companies (STC), this expense was per the applicable tax law and was disclosed as part of the tax expense in the income statement.

Subsequent to 1 April 2012, STC was replaced by a withholding tax on the declaration of dividends or deemed dividends (as defined in the Tax Act). The new withholding tax is not a tax for the company.

### 3.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**Finance leases – lessee**

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

**Operating leases – lessor**

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

**Operating leases – lessee**

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

### 3.13 Revenue

Revenue recognition comprises the fair value of the received or receivable consideration for the rendering of services, net of value added tax 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.

**Sales of services**

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

**Interest income**

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.

**Rental revenue**

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.

3.14 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the executive management committee that makes strategic decisions. As the internal reporting is not done geographically and there is no significant geographic split in the business, the segments are indicated in operational segments only.

3.15 **Earnings per share**

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

3.16 **Insurance cell captive**

**Consolidation**

The cell captive arrangement with Guardrisk Insurance Company Limited ("**Guardrisk**") has been created through the acquisition of the share capital of the cell captive from Guardrisk. The Group as the cell's shareholders is allocated the economic benefits from the underwriting and investment activities in the cell. Conversely, the Group, as the cell's owner, is accountable for any losses to the extent that the cell has funds available for offset against losses. Future profits that arise in the cell or recapitalisation by the cell owner (that is the obligation of the Group as the cell's owner) will be utilised to offset losses in excess of the funds available. The cell arrangement enables the Group to provide the opportunity to its own client base to purchase branded short term insurance, covering the product, where an existing insurance policy cannot be ceded to the Group as security for the amount borrowed.

The cell arrangement enables the Group to purchase a cell in the registered insurance company (Guardrisk) which undertakes the professional insurance and financial management of the cell, including underwriting, reinsurance, claims management, actuarial and statistical analyses, investment of funds and accounting services.

**Premiums**

Premium income relates to premiums received and accrued for on insurance contract business entered into during the year, irrespective of whether the risk cover in terms of that contract relates in whole or in part to later accounting periods, together with any adjustments to premiums recognised in prior accounting periods and changes to the unearned premium liability. Premiums are shown gross of commission payable to intermediaries and management fees payable to underwriting managers and exclude value added taxation levied on premiums, where applicable.

Premiums are recognised as revenue (earned premiums) proportionally over the period of cover provided by the insurance contract. The portion of premium received on in force contracts that relates to unexpired risks, at the statement of financial position date, is reported as the unearned premium liability. The liability is generally calculated on a time proportionate basis.

**Claims**

Claims paid are recognised in the statement of comprehensive income and consist of claims and related expenses paid in the year and changes in the provision for outstanding claims together with any other adjustments to claims estimates from previous years.

The provision for outstanding claims comprises the company's estimate of the undiscounted ultimate cost of settling all claims incurred but unpaid at the statement of financial position date, whether reported or not, and related internal and external claims handling expenses. Related anticipated reinsurance recoveries are disclosed separately as assets. These estimated reinsurance and other recoveries are assessed in a manner similar to the assessment of the claims outstanding.

Monthly financial accounts are prepared by Guardrisk and regular actuarial valuations are performed for each cell captive to monitor the financial soundness of the cell.

## NOTES TO THE FINANCIAL STATEMENTS

### 4. PROPERTY, PLANT AND EQUIPMENT

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Cost R'000 | Accumulated depreciation and impairments R'000 | Carrying value R'000 | Cost R'000 | Accumulated depreciation and impairments R'000 | Carrying value R'000 |
| **Group** | | | | | | |
| Furniture and fixtures | 866 | (770) | 96 | 1 234 | (1 029) | 205 |
| Motor vehicles | 782 | (310) | 472 | 562 | (470) | 92 |
| Office equipment | 284 | (247) | 37 | 677 | (599) | 78 |
| IT equipment | 1 095 | (801) | 294 | 2 035 | (1 640) | 395 |
| **Total** | **3 027** | **(2 128)** | **899** | **4 508** | **(3 738)** | **770** |

**Reconciliation of property, plant and equipment Group 2013**

| | Opening balance R'000 | Additions R'000 | Disposals R'000 | Impairment (loss)/ Reversed R'000 | Depreciation R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| Furniture and fixtures | 205 | – | (30) | 21 | (100) | 96 |
| Motor vehicles | 92 | 454 | – | – | (74) | 472 |
| Office equipment | 78 | 4 | – | – | (45) | 37 |
| IT equipment | 395 | 238 | – | (131) | (208) | 294 |
| **Total** | **770** | **696** | **(30)** | **(110)** | **(427)** | **899** |

**Reconciliation of property, plant and equipment Group 2012**

| | Opening balance R'000 | Additions R'000 | Disposals R'000 | Disposal through business combinations R'000 | Write off R'000 | Depreciation R'000 | Impairment loss R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|---|
| Furniture and fixtures | 285 | – | (3) | (16) | (10) | (51) | – | 205 |
| Motor vehicles | 213 | – | – | (55) | – | (66) | – | 92 |
| Office equipment | 259 | 32 | – | (99) | (43) | (71) | – | 78 |
| IT equipment | 835 | 162 | (5) | (54) | – | (347) | (19) | 395 |
| Computer software | 12 | – | – | (12) | – | – | – | – |
| Medical equipment | 684 | – | – | (684) | – | – | – | – |
| | 2 288 | 194 | (8) | (920) | (53) | (535) | (19) | 770 |

The impairment loss in computer software in 2012 relates to software that was developed for a property transfer bridging project that has been delayed indefinitely. The future economic benefits were reassessed and the impairment was accounted for against profit and loss in the statement of comprehensive income.

The write off relates to smaller assets that are no longer in a usable condition. The total impairment and write off of property plant and equipment for the period is R110 912 (2012: R249 500) and has been processed through profit and loss as indicated in note 23.

Motor vehicles with a cost of R753 241 (2012: R533 449) are held as security under the finance lease indicated in note 17.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

## 5. INTANGIBLE ASSETS

| Group 2013 | Cost R'000 | Accumulated amortisation R'000 | Carrying Value R'000 | Cost R'000 | Accumulated amortising R'000 | Carry Value R'000 |
|---|---|---|---|---|---|---|
| Micro finance software | 829 | (10) | 819 | – | – | – |
| Medical finance software | 973 | – | 973 | – | – | – |
| **Total** | **1 802** | **(10)** | **1 792** | **–** | **–** | **–** |

| Reconciliation of Group – 2013 | Opening Balance R'000 | Additions R'000 | Amortisations R'000 | Total R'000 |
|---|---|---|---|---|
| Micro finance software | – | 829 | (10) | 819 |
| Medical finance software | – | 973 | – | 973 |
| **Total** | **–** | **1 802** | **(10)** | **1 792** |

The computer software relate to internally generated computer systems that were specifically developed to support and upkeep the unsecured and medical finance business model. The costs are amortised over the period of the expected use from the related project on a straight-line basis. The net value is reviewed for impairment on an annual basis.

Included in computer software is the cost of R1 441 991 (2012: R0) attributable to software, relating to an asset under construction and not yet amortised.

6. **INVESTMENTS IN SUBSIDIARIES**

| Name of company | Held by | % Voting power 2013 | % Voting power 2012 | Share of profit (loss) R'000 |
|---|---|---|---|---|
| ABC Cashplus Financial Services Proprietary Limited | | 100 | 100 | – |
| ABC Cashplus (Randburg) Proprietary Limited | * | 100 | 100 | (2) |
| African Dawn Kwazulu Natal Proprietary Limited | ** | 100 | 100 | (6) |
| African Dawn Property Transfer Finance 1 Proprietary Limited | | 100 | 100 | (170) |
| African Dawn Property Transfer Finance 2 Proprietary Limited | | 100 | 100 | (9 248) |
| African Dawn Debt Management Proprietary Limited | # | 100 | 100 | (2 118) |
| African Dawn Property Transfer Finance 5 Proprietary Limited | | 100 | 100 | – |
| African Dawn Social Education Proprietary Limited | | 100 | 100 | (31) |
| African Dawn Wheels Proprietary Limited | | 100 | 100 | 469 |
| African Dawn Wheels Operations Proprietary Limited | | 100 | 100 | (19) |
| Alibstar Investments Proprietary Limited | *** | 100 | 100 | (5) |
| Almika Properties 81 Proprietary Limited | | 100 | 100 | (72) |
| Amalgum Investments 138 Proprietary Limited | X | 100 | 100 | (2) |
| Bhenka Financial Services Proprietary Limited | | 100 | 100 | (24) |
| Elite Group Proprietary Limited | | 100 | 100 | 2 884 |
| Candlestick Park Proprietary Limited | | 100 | 100 | 416 |
| Elatiflash Proprietary Limited | *** | 100 | 100 | (5) |
| Elite Group 1 Proprietary Limited | * | 100 | 100 | – |
| Elite Group Cell No. 00181 Proprietary Limited | * | 100 | 100 | 302 |
| Nexus Personnel Finance Proprietary Limited | | 100 | 100 | 1 097 |
| Nexus Personnel Finance 2 Proprietary Limited | | 100 | 100 | – |
| African Dawn Investments Proprietary Limited | o | – | 100 | – |

[#] African Dawn Debt Management Proprietary Limited was formerly known as African Dawn Property Transfer Finance 4 Proprietary Limited.

[X] Amalgum Investments 138 Proprietary Limited shares were transferred to African Dawn Capital in 2013. The shares were previously held by African Dawn Property Transfer Finance 2 Proprietary Limited.

[o] Company was dormant and has been deregistered during the year.

All subsidiaries are incorporated in South Africa and are owned by African Dawn Capital Limited except the companies indicated above are owned by:

* Elite Group Proprietary Limited

** Bhenka Financial Services Proprietary Limited

*** African Dawn Property Transfer Finance 2 Proprietary Limited

The carrying amounts of the subsidiaries are shown net of impairment losses. The carrying amounts of investments were reassessed for impairment at year end and were found to be in line with value of the underlying companies.

The indicated holding percentage is based only on shareholding between the holding company and the subsidiary.

All the subsidiaries have a year-end that coincides with African Dawn Capital Limited except Elite Group Cell No. 00181 Proprietary Limited which has a March year end.

7. **LOANS TO (FROM) GROUP COMPANIES**

Loans to between group companies are eliminated on consolidation.

## 8. OTHER FINANCIAL ASSETS

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| Receivables | | |
| Elite Rustenburg Purchaser | 938 | 969 |
| Non-current assets | | |
| Loans and receivables | 638 | 669 |
| Current assets | | |
| Other receivables | 300 | 300 |
| | 938 | 969 |

The subsidiary "Elite Rustenburg Mines Proprietary Limited" was sold in 2011 financial year for a total of R1 223 000 repayable at R25 000 per month. The outstanding balance is recoverable by way of a renegotiated settlement agreement, stipulating renegotiated repayment terms with additional security for Afdawn. The amount does not attract interest. Receivables are subsequently measured at amortised cost. The effective market rate of prime was used. The balance was evaluated for impairment and the security held has sufficient value to cover the outstanding balance.

The security on the receivable is an unsecured debtors book that is being collected by Elite and all collections is to the benefit of Elite.

The loans are assessed for recoverability on a monthly basis by the credit committee, and impairments are made accordingly.

During the current year the balance outstanding was decreased due to payments received as well as collections on the unsecured debtors book.

## 9. PROPERTIES IN POSSESSION

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| Almika Properties 81 Proprietary Limited, Benoni, Gauteng | – | 7 029 |
| Greenoaks – Centurion, Gauteng | 44 415 | 44 372 |
| Greenoaks – Praesidium share of property | (16 167) | (15 926) |
| Erf 1593 – 1599 Volksrust, Mpumalanga | – | 709 |
| | 28 248 | 36 184 |
| Impairment allowance | (6 913) | (10 522) |
| Carry value | 21 335 | 25 662 |

- The Almika Properties 81, Benoni property has been put on the market for sale and prospective buyers have been identified by management. The property has been reclassified as non-current asset held for sale in the current year.
- The Greenoaks Centurion property has continued to operate as a residential housing complex within a subsidiary pending the outcome of legal proceedings. On a monthly basis the credit committee reviews the facts surrounding this property in order to decide the next steps. The increase in value of the Greenoaks Centurion property was due to the installation of separate water meters to the value of R42 469 in total. The movement in the Praesidium share of the property to the value of R240 673, related to 50% contributions made with regards to expenses incurred by Candlestick.
- Erf 1593 – 1599 Volksrust consists of adjacent properties that were security against a loan in the Bridging Finance division. A prospective buyer has been identified during the current financial year. The property has been reclassified as non-current asset held for sale.
- Property in possession that was sold at a profit of R68 254 during the 2012 year was recognised in profit and loss as indicated in note 23.

The asset class allows for realisation through sale.

## 10. TRADE AND OTHER RECEIVABLES

| | 2013<br>R'000 | 2012<br>R'000 |
|---|---|---|
| Trade receivables | 205 097 | 244 043 |
| Impairment allowance | (125 475) | (177 179) |
| Deposits | 124 | – |
| VAT | 502 | 263 |
| Other receivables | 3 092 | 2 596 |
| | 83 340 | 69 723 |

Refer to notes 34 for a detailed analysis of the trade debtors.

Trade and other receivables are held as loans and receivables net of impairments.

Trade receivable with regards to Nexus Personnel Finance Proprietary Limited to the net value of R7,1 million (2012: R8,9 million) has been ceded as security on borrowings related to the National Housing Fund Corporation as indicated in note 16.

## 11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

| | 2013<br>R'000 | 2012<br>R'000 |
|---|---|---|
| Cash on hand | 435 | 249 |
| Bank balances | 5 501 | 7 264 |
| Other cash and cash equivalents | 3 078 | 7 938 |
| | 9 014 | 15 451 |

***Cash and cash equivalents***

Cash and cash equivalents are classified as loans and receivables.

***Other cash and cash equivalents***

Other cash and cash equivalents relates to monies held in trust.

## 12. NON-CURRENT ASSETS HELD FOR SALE

During the current financial year, properties held as security over debtor's balances were perfected and sales agreements were later entered into for the sale of the properties. The transfer of ERF 149 Anzac will be completed when the bond registration for the buyer is registered. An offer to purchase was received on Erf 1593 – Erf 1599 Volksrust, and the transaction will be completed in the normal course of business.

**Assets and liabilities**

| | 2013<br>R'000 | 2012<br>R'000 |
|---|---|---|
| Non-current assets held for sale | | |
| Erf 1593 – Erf 1599 Volksrust, Mpumalanga | 709 | – |
| Erf 149 Anzac, Benoni | 3 420 | – |
| | 4 129 | – |

There are two properties held for sale and consist of:

A partially developed land at Erf 149 Anzac, Extension 2, Benoni, Gauteng and Erf 1593 – Erf 1599 Volksrust Township, Extension 2, Mpumalanga.

13. **SHARE CAPITAL**

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **Authorised** | | |
| 5 000 000 000 Ordinary shares of 1 cent each | 5 000 000 | 5 000 000 |

The total shares in issue as at 28 February 2013 amounted to 508 184 155.

Reconciliation of value of shares issued:

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| Opening balance | 284 634 | 256 107 |
| Shares issues in terms of rights offer | – | 25 000 |
| Shares for cash | – | 3 527 |
| | 284 634 | 284 634 |
| Issued | | |
| Ordinary | 5 074 | 5 074 |
| Share premium | 292 392 | 292 392 |
| Treasury shares | (12 832) | (12 832) |
| | 284 634 | 284 634 |

As part of the capital raising completed on 31 October 2011, two convertible bonds were issued which are convertible into ordinary share capital at the option of the holder's after three years from the commencement date. Further details on the convertible bonds are disclosed in note 14.

The transaction costs that are directly attributable to the raising of equity in 2012 was R937 473 after capitalising costs of R470 893 on initial recognition of the convertible bonds. An additional cost of R373 500 paid in Afdawn shares was paid to the underwriters in terms of their underwriters agreement.

14. **CONVERTIBLE BOND TERMS**

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

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

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

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

| Sandown Convertible Bond | 2013 R'000 | 2012 R'000 |
|---|---|---|
| Opening balance | 4 273 | 10 000 |
| Repaid portion acknowledged | – | (8 000) |
| Capital drawn | 5 500 | 2 500 |
| Cost of loan capitalised | – | (402) |
| Interest raised | 892 | 175 |
| Effective interest adjustment | (91) | – |
| | 10 574 | 4 273 |
| **STRB Lewende Trust (previously PCI convertible bond)** | | |
| Opening balance | 1 653 | 1 700 |
| Repaid portion acknowledged | (194) | (52) |
| Cost of loan capitalised | – | (68) |
| Interest raised | 194 | 73 |
| Effective interest adjustment | (32) | – |
| | 1 621 | 1 653 |

## 15. INSURANCE RESERVE

Elite Group Proprietary Limited provides short-term insurance policies through a Guardrisk cell captive. The Financial Services Board (FSB) issued a board notice effective 1 January 2012 which has the effect of lowering the calculations of the capital adequacy. The outcome of this new calculation has resulted in the insurance reserve to be released as it is no longer required.

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| Opening balance | 97 | 105 |
| Transfer from reserve | (97) | (8) |
| | – | 97 |

## 16. BORROWINGS

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **Held at amortised cost** | | |
| *National Housing Finance Corporation ("NHFC")* | | |
| The loan has been renegotiated in the previous year. In terms of the new agreement the loan is interest free and is repayable in October 2013. The loan is secured by a cession on the Nexus Personnel Finance Proprietary Limited debtors. The loan originated as funding for incremental loans in 2004 raised as trade debtors. The loan is secured on the debtors book that the funds were used to fund and are secured to the extent of the loan against the same debtors. If the loan became due in the current financial year it would be paid from trade debtors collections or debtors to the value would be handed over to NHFC per the cession. | 5 000 | 5 000 |

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| *Rural Housing Finance Corporation ("RHFC")* | | |
| The loan is repayable between 1 and 2 years and interest is levied at prime. The loan is secured by a cession over the associated debtors. African Dawn Capital Limited has provided a guarantee over the loan facility. The loan originated as funding for incremental loans raised as trade debtors. The loan is secured on the debtors book that the funds were used to fund and are secured to the extent of the loan against the same debtors. The loan became due in the 2014 year and was settled in the normal course of business. | 1 291 | 3 943 |
| *Convertible Bond – Liability portion of compound instrument – Sandown Capital Proprietary Limited* | | |
| The conversion period is 36 months from date of issue, conversion price R0.14, Interest levied at JIBAR on-three month discount + 600 basis points. Refer to note 14 and 15 for further details. The bond has no further security beyond the issue of ordinary shares in Afdawn. The bond arose as part of the recapitalisation and rights issue in 2011. The bond remains in its pre-conversion period during the next period with only interest repayable in cash. | 10 574 | 4 273 |
| *Convertible Bond – liability portion of compound instrument – STRB Lewende Trust* | | |
| The conversion period is 36 months from date of issue, conversion price R0.14, Interest levied at JIBAR on three-month discount + 600 basis points. Refer to note 14 and 15 for further details. The bond has no further security beyond the issue of ordinary shares in Afdawn. The bond arose as part of the recapitalisation and rights issue in 2011. The bond remains in its pre conversion period during the next period with only interest repayable in cash. | 1 621 | 1 653 |
| *Nedbank Mortgage bond* | | |
| The loan is secured on fixed property. Interest is levied at prime -0.5% and the loan is repayable in instalments of R168 450 per month. The bond arose as part of a property in possession transaction. Refer to note 10, Greenoaks. The monthly instalments are funded through the cash generated through operations at Greenoaks. If the bond became due in the next period the balance on the loan would be settled on the sale of the property as per the registered mortgage over the property. | 11 172 | 12 205 |
| | 29 658 | 27 074 |
| **Non-current liabilities** | | |
| At amortised cost | 22 366 | 21 590 |
| **Current liabilities** | | |
| At amortised cost | 7 292 | 5 484 |
| | 29 658 | 27 074 |

**Sensitivity analysis**

The analysis shows the effect that a change in the repo rate would have had on profits for the year if rates increased by 1% or decreased by 1%.

| | Balance R | Profit effect at Repo +1% R | Profit effect at Repo -1% R |
|---|---|---|---|
| Interest bearing borrowings excludes Nexus | 24 658 102 | 246 658 | (246 658) |

## 17. FINANCE LEASE OBLIGATION

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **Minimum lease payments due** | | |
| – within one year | 139 | 39 |
| – in second to fifth year inclusive | 316 | 19 |
| | 455 | 58 |
| *Less:* Future finance charges | (62) | (5) |
| **Present value of minimum lease payments** | 393 | 53 |
| Non-current liabilities | 316 | 18 |
| Current liabilities | 77 | 35 |
| | 393 | 53 |

It is Group policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was one to five years and the average effective borrowing rate was 10% (2012: 10%).

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

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

## 18. CURRENT TAX (PAYABLE) RECEIVABLE

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| Current tax payable | (18 709) | (20 064) |
| Current tax receivable | 95 | 9 713 |
| | (18 614) | (10 351) |

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 are required to be assessed by SARS. We are in the process of submitting our documentation as set out in section 200 and 201 of the Income Tax Act, which will enable the tax matters to be settled.

Where assessments have been completed successfully in the Group the correct asset or liability has been raised. Where assessments are still being finalised a conservative estimate of the correct assessment has been provided.

## 19. TRADE AND OTHER PAYABLES

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| Trade payables | 1 838 | 1 500 |
| VAT | 5 392 | 5 287 |
| Accrued leave pay | 856 | 896 |
| Accrued expense | 993 | 1 812 |
| Deposits received | 257 | 241 |
| | 9 336 | 9 736 |

Trade and other payables are classified as liabilities and are measured at amortised cost.

## 20. FINANCIAL ASSETS BY CATEGORY

| Group – 2013 | Loans and receivables R'000 | Total R'000 |
|---|---|---|
| Other financial assets | 938 | 938 |
| Trade and other receivables | 83 340 | 83 340 |
| Cash and cash equivalents | 9 014 | 9 014 |
| | 93 292 | 93 292 |

| Group – 2012 | Loans and receivables R'000 | Total R'000 |
|---|---|---|
| Other financial assets | 969 | 969 |
| Trade and other receivables | 69 723 | 69 723 |
| Cash and cash equivalents | 15 451 | 15 451 |
| | 86 143 | 86 143 |

In the current period there were no Group assets held at fair value, either designated upon initial recognition of held for trading.

## 21. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

| Group – 2013 | Financial liabilities at amortised cost R'000 | Total R'000 |
|---|---|---|
| Non-current borrowings | 22 682 | 22 682 |
| Current borrowings | 7 564 | 7 564 |
| Trade and other payables | 9 336 | 9 336 |
| | 39 582 | 39 582 |
| **Group – 2012** | | |
| Non-current borrowings | 21 608 | 21 608 |
| Current borrowings | 5 519 | 5 519 |
| Trade and other payables | 9 736 | 9 736 |
| | 36 863 | 36 863 |

## 22. REVENUE

| | | |
|---|---|---|
| Rendering of services | 1 731 | 1 748 |
| Rental income | 4 721 | 4 259 |
| Interest received | 27 081 | 25 465 |
| | 33 533 | 31 472 |

For more details refer to the segmental report note 36.

## 23. OPERATING PROFIT (LOSS)

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| Premises | | |
| *Contractual amounts | 4 056 | 3 524 |
| Equipment | | |
| *Contractual amounts | 630 | 699 |
| | 4 686 | 4 223 |
| Profit on sale of property, plant and equipment | (25) | (2) |
| Profit on sale of business | – | – |
| Loss on sale of non-current asset held for sale | – | 188 |
| Profit on sale of property in possession | – | (68) |
| Reversal impairment on trade and other receivables | (3 759) | (9 250) |
| Bad debts written off | 1 829 | 9 593 |
| Legal fees | 2 091 | 3 627 |
| Impairment and write off on property, plant and equipment | 110 | 250 |
| Impairment on trade and other receivables | 654 | – |
| Amortisation of intangible assets | 10 | – |
| Depreciation on property, plant and equipment | 427 | 535 |
| Employee costs | 18 578 | 19 524 |

There were no impairments to property in possession recognised during the year.

## 24. INVESTMENT REVENUE INTEREST REVENUE

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| Cash and cash equivalents | 620 | 309 |

## 25. FINANCE COSTS

| | | |
|---|---|---|
| Finance leases | 31 | 8 |
| Bank | 21 | 1 |
| RHLF interest | 279 | 1 064 |
| NHFC interest | – | 706 |
| STRB convertible bond interest | 162 | 73 |
| Sandown convertible bond interest | 801 | 175 |
| Nedbank bond interest | 968 | 1 081 |
| Other interest paid | 24 | 43 |
| | 2 286 | 3 151 |

## 26. TAXATION

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **Major components of the tax expense** | | |
| **Current** | | |
| Local income tax – current period | 627 | – |
| Local income tax – recognised in current tax for prior periods | – | 478 |
| | 627 | 478 |

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **Reconciliation of the tax expense** | | |
| Reconciliation between accounting profit and tax expense | | |
| Accounting (loss)/profit | (1 483) | 10 883 |
| Tax at the applicable rate of 28% (2012: 28%) | – | 3 047 |
| **Tax effect of adjustments on taxable income** | – | – |
| Deferred tax on asset not raised | 1 042 | – |
| Tax losses utilised | – | (3 047) |
| Under provision for income tax in prior years | 627 | 478 |
| | 627 | 478 |

## 27. AUDITORS' REMUNERATION

| | | |
|---|---|---|
| Fees | 915 | 337 |
| Adjustment for previous year | – | 534 |
| | 915 | 871 |

## 28. OPERATING LEASE

During the current financial year due to the restructuring within the Group all the companies in the Group reallocated to new premises where directors entered into a new three-year lease. For the period and future periods there are no contingent rents or sublease agreements. All the leases relate to premises in Gauteng and KwaZulu-Natal including Micro Finance front offices.

Future minimum operating lease payments are as follows:

**The Group's future minimum operating lease payments are as follows:**

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| – Within one year | 3 074 | 1 782 |
| – Second to fifth year | 2 874 | 1 595 |
| | 5 948 | 3 377 |

## 29. BASIC (LOSS) EARNINGS PER SHARE (CENT)

**Basic (loss) earnings per share**

Basic (loss) earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the Company, obtained from the profit and loss component of the statement of comprehensive income, by the weighted average number of ordinary shares in issue during the year.

**Basic (loss) or profit earnings per share**

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| From continuing operations (cents per share) | (0,42) | 3,12 |
| From discontinuing operations (cents per share) | – | 0,11 |
| | (0,42) | 3,23 |

Basic (loss) earnings per share was based on profit or (loss) of (R2 110 000) (2012: R10 762 902) and a weighted average number of ordinary shares of 508 184 155 (2012: 332 838 235).

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| Reconciliation of (loss) or profit for the year to basic (loss) earnings | | |
| (Loss) or profit for the year attributable to equity holders of the parent | (2 110) | 10 405 |
| *Adjusted for:* | | |
| (Loss) of profit from discontinued operations | – | 358 |
| Total basic earnings | (2 110) | 10 763 |
| **Reconciliation of shares in issue to weighted average number of shares** | **2013** | **2012** |
| Shares | 508 184 155 | 222 926 236 |
| Weighted issue shares through rights issue and theoretical *ex* rights value per share | – | 109 911 999 |
| | 508 184 155 | 332 838 235 |

The rights offer closed on 28 October 2011 at which time the Afdawn shares traded at 13 cents translating into a discount of 23% over the rights issue price of 10 cents.

The conversion of the convertible bonds are not mandatory, and the option to convert lies with the holders only after the passage of time. The outstanding shares are therefore not regarded as a contingently issuable share and not included in the weighted average number of shares.

**Diluted (loss) earnings per share**

Diluted (loss) earnings per share are determined by adjusting the profit or loss attributable to ordinary equity holders and the weighted average number of ordinary shares in issue for the effects of all dilutive potential ordinary shares.

Dilution is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

Details on the terms and conditions on convertible bonds that could be converted in ordinary share are set out in note 14.

Diluted (loss) earnings per share

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| From continuing operations (cents per share) | (0.24) | 2.79 |

Diluted (loss) earnings per share was based on (losses) earnings of (R1 423 427) (2012: R10 538 761) and a weighted average number of ordinary shares of 595 291 297 (2012: 378 408 853).

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **Reconciliation of basic earnings to earnings used to determine diluted (loss) earnings per share** | | |
| Basic (loss) earnings | (2 110) | 10 405 |
| *Adjusted for:* | | |
| Interest on convertible debentures | 954 | 186 |
| Tax relating to interest on convertible bond | (267) | (52) |
| | (1 423) | 10 539 |

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **Reconciliation of weighted average number of ordinary shares used for (loss) earnings per share to weighted average number of ordinary shares used for diluted (loss) earnings per share** | | |
| Weighted average number of ordinary shares used for basic (loss) earnings per share | 508 184 155 | 222 926 236 |
| *Adjusted for:* | | |
| Weighted issued shares through rights issue and theoretical ex rights value shares | – | 109 911 999 |
| Dilutionary effect of convertible bonds | 87 107 142 | 45 570 618 |
| | 595 291 297 | 378 408 853 |

There are no other instruments that are dilutive or anti dilutive for the period. There were no transactions subsequent to year end that would have a significant effect on the number of ordinary or potential ordinary shares.

**Headline (loss) earnings and diluted headline (loss) earnings per share**

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| Headline (loss) or profit earnings per share (cents) | (0,40) | 3,06 |
| Diluted headline (loss) earnings per share (cents) | (0,26) | 2,72 |
| **Reconciliation between (loss) or profit and headline (loss) earnings** | | |
| Basic (loss) earnings | (2 110) | 10 763 |
| *Adjusted for:* | | |
| (Loss) or profit on sale of subsidiary | – | (1 021) |
| Impairment and write off of property, plant and equipment | 110 | 249 |
| (Loss) or profit on sale of property, plant and equipment | (24) | 2 |
| (Loss) or profit on sale of non-current assets held for sale | – | 188 |
| | (2 024) | 10 181 |
| **Reconciliation between diluted (loss) earnings and diluted headline (loss) earnings** | | |
| Diluted (loss) earnings | (1 423) | 10 897 |
| *Adjusted for:* | | |
| (Loss) or profit on sale of subsidiary | – | (1 021) |
| Impairment and write off of property, plant and equipment | 110 | 249 |
| (Loss) or profit on sale of property, plant and equipment | (24) | 2 |
| (Loss) or profit on sale of non-current assets held for sale | – | 188 |
| | (1 337) | 10 315 |

The net assets value per share at 28 February 2013 is 12,45 cents (2012: 12,9 cents).

Tangible net asset value per share at 28 February 2013 is 12,09 cents (2012: 12,9 cents).

**Dilutionary effect of a fully subscribed R10 million convertible bond**

Should the acknowledgement of debt be fully repaid and the dilutionary effect of the full R10 million convertible bond get applied to the diluted earnings per share, the diluted earnings per share would be 2,51 cents based on an illustrative earnings of R10,5 million and an illustrative weighted average number of shares of 419 287 128.

| | 2013 | 2012 |
|---|---|---|
| **Reconciliation of basic (loss) earnings to illustrative earnings** | | |
| Basic (loss) earnings for continued operations | – | 10 405 |
| *Adjusted for:* | | |
| Adjusted for illustrative interest paid | – | (180) |
| Interest on convertible bond | – | 439 |
| Tax relating to interest on convertible bond | – | (123) |
| | – | 10 541 |
| **Reconciliation of weighted average number of shares used for diluted (loss) earnings per share to illustrative share** | | |
| Weighted average number of ordinary shares used for basic (loss) earnings per share | – | 332 838 235 |
| Adjusted for dilutionary effect of convertible bonds | – | 86 448 893 |
| | – | 419 287 128 |

## 30. CASH GENERATED FROM (USED IN) OPERATIONS

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| (Loss) profit before taxation | (1 483) | 10 883 |
| *Adjusted for:* | | |
| Depreciation and amortisation | 427 | 535 |
| (Profit) on sale of property, plant and equipment | (25) | (2) |
| Rights issue underwriters cost share to profit and loss | – | 375 |
| Interest received | (620) | (309) |
| Finance costs | 2 286 | 3 151 |
| Fait value adjustments | 31 | 43 |
| Impairment loss and write off of property, plant and equipment | 110 | 250 |
| Movements in operating lease assets and accruals | 195 | – |
| Movements in provisions | – | (12 484) |
| Other non-cash items | 305 | – |
| Profit on sale of subsidiary | – | (358) |
| Change in working capital: | | |
| Properties in possession | – | (318) |
| Trade and other receivables | (13 617) | 13 758 |
| Trade and other payables | (400) | (1 980) |
| | (12 791) | 13 544 |

## 31. TAX REFUND (PAID)

| | | |
|---|---|---|
| Balance at beginning of the year | (10 351) | (11 084) |
| Current tax for the year recognised in profit or loss | (627) | (478) |
| Balance at end of the year | 18 614 | 10 351 |
| | 7 636 | (1 211) |

## 32. RELATED PARTIES

Relationships

| | |
|---|---|
| Significant Shareholder | Sandown Capital Proprietary Limited |
| Prescribed officer | PJ Bezuidenhout, Dr.GE Stoop (till date of appointment as director 23 May 2012) |

| | |
|---|---|
| Managed companies | African Dawn Property Transfer Finance 3 Proprietary Limited |
| | Elite Group Two Proprietary Limited |
| Subsidiaries | Please refer to note 6 for a list of subsidiaries. |

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **Related party balances** | | |
| **Loan accounts – Owing (to) by related parties** | | |
| Gambassi Tiles Proprietary Limited | – | (1 000) |
| African Dawn Property Transfer Finance 2 Proprietary Limited | – | 1 000 |
| PCI Fintrade Proprietary Limited | – | 1 716 |
| African Dawn Capital Limited | – | (1 716) |
| Sandown Capital Proprietary Limited | 10 574 | 4 710 |
| Elite Group Proprietary Limited | (10 574) | (4 710) |
| Elite Group Proprietary Limited | 4 | (106) |
| Elite Group Two Proprietary Limited | (4) | 106 |
| Subsidiary balances are disclosed in note 7 | | |
| There are no other related party balances outstanding. | | |
| **Related party transactions** | | |
| **Rent (received from) paid to related parties** | | |
| African Dawn Capital Limited | (1 304) | – |
| Elite Group Proprietary Limited | 978 | – |
| African Dawn Debt Management Proprietary Limited (formerly PTF4) | 326 | – |
| **Administrative fees paid to (received from) related parties** | | |
| Candlestick Park Investments Proprietary Limited | 450 | 600 |
| African Dawn Capital Limited | (450) | (600) |
| African Dawn Wheels Proprietary Limited | 360 | 360 |
| African Dawn Capital Limited | (360) | (360) |
| African Dawn Debt Management Proprietary Limited (formerly PTF4) | (270) | – |
| African Dawn Limited | 270 | – |
| Sandown Capital Proprietary Limited (See Note 33) | 100 | – |
| Commissions (received from) paid to related parties | | |
| Elite Group Proprietary Limited | (554) | (878) |
| African Dawn Wheels Proprietary Limited | 85 | 118 |
| Nexus Personnel Finance Proprietary Limited | 469 | 760 |
| Key Management | | |
| C van den Berg | – | 960 |
| PJ Bezuidenhout | 1 608 | 1 608 |
| Dr GE Stoop | – | 1 396 |
| Employee 1 | 768 | – |
| Employee 2 | 632 | – |

## 33. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS

**Executive**

| | Emoluments | Expense allowance | Medical aid | Leave paid out | Total |
|---|---|---|---|---|---|
| TF Kruger | 1 700 | – | – | – | 1 700 |
| GE Stoop | 1 052 | 267 | 73 | 134 | 1 526 |
| | 2 752 | 267 | 73 | 134 | 3 226 |

| 2012 (R'000) | Emoluments | Total |
|---|---|---|
| TF Kruger | 1 701 | 1 701 |
| PC Gordon | 1 668 | 1 668 |
| | 3 369 | 3 369 |

| **Non-executive** | | |
|---|---|---|
| **2013 (R'000)** | **Directors' fees** | **Total** |
| L Taylor | 240 | 240 |
| CF Wiese | 240 | 240 |
| HH Hickey | 240 | 240 |
| WJ Groenewald* | 140 | 140 |
| WJ Groenewald paid to Sandown Capital Proprietary Limited* | 100 | 100 |
| | 960 | 960 |

| 2012 (R'000) | Directors' fees | Total |
|---|---|---|
| L Taylor | 240 | 240 |
| CF Wiese | 240 | 240 |
| HH Hickey | 245 | 245 |
| WJ Groenewald | 69 | 69 |
| | 794 | 794 |

**Note:**

* Effective 1 October 2012 the monthly fee of R20 000 was paid to Sandown Capital Proprietary Limited, hence the R240 000 was paid in part to Sandown Capital Proprietary Limited, (R100 000) and directly to WJ Groenewald (R140 000) (also see Note 32)

## 34. RISK MANAGEMENT

### Risk management

The risks that the Group faces are centrally managed at head office, in close cooperation with the Board of Directors, who is ultimately responsible for the management of risk. The Board has established a Risk Committee, which is responsible in aiding the Board to identify risk, analyse the identified risks, set appropriate risk limits, identify and implement controls to mitigate the risks to acceptable limits. Risks management is further aided by recording risks on a risk register and nominations of sub committees to manage specific risks, such as monthly credit committee to aid in management of credit risk.

Significant risks that the Group is exposed to:

- Liquidity risk (a financial risk)
- Interest rate risk (a financial risk)
- Credit risk (a financial risk)
- Market risk
- Capital adequacy risk

### Liquidity risk (Financial risk)

Liquidity risk is the risk that the Group might be unable to meet its repayment obligations arising from its liabilities and operational payables. The Group conservatively manages its liquidity needs by monitoring known scheduled debt repayments, expected receipts per settlement agreements, forecasted capital advances as well as forecast cash inflows and outflows due in day-to-day business. The management of liquidity enables the Group to maintain sufficient cash reserves and funding from committed facilities. Liquidity needs are monitored in various time frames, short-term (based on a day-to-day and week-to-week basis) on a rolling 12 months projection and long-term (needs for a semi annual and annual lookout period) on a forecasted model. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available cash are expected to be sufficient over the outlook period. The Group's objective for the period was to be cash conscious and conservative, to repay outstanding debt per settlement agreements and use excess cash for growth.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables included collections per agreed settlement agreements relating to debt being collected and contractual amounts due within six months from short term unsecured finance.

The Group liquidity limits require the holding of cash and available reserves, the statement of financial position has a surplus cash balance at 28 February 2013, largely due to the remaining cash from the capital raised through the rights issue, convertible bonds and collections of assets in the normal course of business.

The table below analyses the Group's liabilities into relevant maturity buckets based on the remaining contractual period at reporting date. The payment of tax liability is still based on indicators and no formal committed repayment due to settlement agreement awaiting final assessment from SARS. The analysis is based on the earliest date on which the Group can be required to pay and is not necessarily the date at which the Group is expected to pay. The analysis of cash flows will not agree directly with the balances on the balance sheet and therefore the analysis of the discounts have been provided for each maturity period.

| | **Current within 6 months** | **Current within 6 to 12 months** | **Non-current 2 to 5 years** | **After 5 years** |
|---|---:|---:|---:|---:|
| Borrowings | 1 712 | 5 580 | 17 836 | 4 500 |
| Lease commitments | 136 | 136 | 316 | – |
| Trade and other payables | 6 083 | 3 253 | – | – |
| Tax | 9 307 | 9 307 | – | – |
| | 17 238 | 18 276 | 18 152 | 4 500 |

**Interest rate risk (Financial risk)**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument (financial asset or financial liability) will fluctuate because of changes in market interest rates. The Group manages the risk by minimising the effect of long term borrowings linked to prime by keeping the rate at a lower rate to the interest that is charged to debtors. At 28 February 2013, the Group is exposed to changes in market interest rates (Prime) through borrowings at variable interest rates linked to prime. The current effect of interest rate risk is assessed as being immaterial, supported by the fact that that the Group's borrowings and receivables are subject to similar interest rate risks. The table in note 16 illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-1% on liabilities. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. The effect on the assets of an increase or decrease in the prime interest rate by 1% is calculated as profit R1 215 420 or loss (R1 215 420) respectively.

**Credit risk (Financial risk)**

Credit risk is the risk that a counterparty fails to repay interest, capital or otherwise to fulfil their contractual obligation under loan agreements or other credit facilities arising from advances made by the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, investment in bonds.

The Group's core business revolves around providing unsecured credit to emerging and middle market consumers, this in its nature involves assuming higher levels of credit risk. Therefore credit risk is the single biggest financial risk and therefore managed in detail and on a day to day level with formalized monthly credit meetings.

To accept increased credit risk, an appropriate premium is priced into each credit product to ensure that acceptable returns are generated for shareholders. Credit risk premiums are based on expected probability of defaults and estimated recoveries from defaulters.

Credit risk for individuals are mitigated by granting of loans as far as possible to individuals where repayment is received from debit order deductions or payroll deductions. The creditworthiness of all applicants is evaluated in accordance with the National Credit Act and granting of loans is only made to individuals that pass the creditworthiness of NCR and company developed risk and repayment criteria.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

| **Financial instrument** | **2013** | **2012** |
|---|---|---|
| Other financial assets | 938 | 969 |
| Intercompany receivables | – | – |
| Trade and other receivables | 83 340 | 69 722 |
| Cash and cash equivalents | 9 014 | 15 451 |
| Total | 93 292 | 86 142 |

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The maximum exposure to credit risk at the reporting date is the fair value of each class of loan and receivable mentioned.

Some of the unimpaired trade receivables are past due as at the reporting date. Information on financial assets past due but not impaired are as follows:

| | **2013** | **2012** |
|---|---|---|
| 1 month past due | 4 887 | 1 293 |
| 2 months past due | 1 724 | 905 |
| 3 months past due | 2 096 | 728 |
| 4 months past due | 18 751 | 27 982 |
| | 27 458 | 30 908 |

The difference between the total above and total carry amount of receivables is the current portion that is not past due and not impaired.

The Group holds security in the Bridging Finance segment of R30,47 million. The security values are used as part of the allowance for impairment policy.

The credit risk for cash and cash equivalents and money market funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Credit quality of trade and other receivables (Past due and current)

| | **2013** | **2012** |
|---|---|---|
| **Past due and current gross debtors value** | | |
| New customers (less than six months) | 24 081 | 3 841 |
| Customers more than six months with no defaults | 1 587 | 3 514 |
| Customers more than six months with some defaults but recovered | 18 671 | 19 502 |
| Customers more than six months with some defaults not yet recovered | 160 758 | 217 186 |
| Other | 3 718 | 2 859 |
| | 208 815 | 246 902 |
| **Impairments of receivables** | | |
| Opening balance | 177 179 | 200 665 |
| Provision for impairment | 640 | 11 033 |
| Amount written off as uncollectable/utilised | (48 585) | (1 900) |
| Unused provision reversed | (3 759) | (26 539) |
| Discontinued operations | – | (6 080) |
| | 125 475 | 177 179 |

| | 2013 | 2012 |
|---|---|---|
| **Breakdown of impairments – movement** | | |
| Individual impairments | 145 | 6 161 |
| Collective impairments | 495 | 4 874 |
| Individual impairments reversed | (1 196) | (14 363) |
| Collective impairments reversed | (1 421) | (12 178) |
| Amount provided for written off as uncollectable/utilised | (49 727) | (1 900) |
| Discontinued operations | – | (6 080) |
| | (51 704) | (23 486) |
| **Aged impaired receivables** | | |
| 1 month past due | 37 | 700 |
| 2 months past due | 55 | 1 023 |
| 3 – 6 months past due | 296 | 3 422 |
| Over 6 month past due | 125 087 | 172 034 |
| | 125 475 | 177 179 |

**Market price risk**

Market price risk is the risk that the value of a financial asset will fluctuate as a result of changes in the market prices or changes in the market interest rates. The Group is currently exposed to a market price risk that will determine the ways of settlement of the convertible bonds in future periods. Other market risks are not deemed to be significant.

**Capital adequacy risk**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 16 and 17 cash and cash equivalents disclosed in note 11, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt: equity ratio.

The CellCaptive (Insurance) is subject to capital requirements in line with the Insurance Act. The Statutory Capital Adequacy Requirement is the additional amount required, over and above the actuarial liabilities, to enable the company to meet material deviations in the main parameters affecting the life assuror's business. The company has complied with these requirements during the year.

## 35. EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any matter or circumstance arising subsequent to the end of the financial year that would require reporting, other than those highlighted in the Directors' Report highlighted in point 1. Refer to note 11 of the Directors' Report.

## 36. SEGMENTAL REPORT

| 2013 | Bridging finance R'000 | Personal and short term R'000 | Other and head office R'000 | Total R'000 |
|---|---|---|---|---|
| Revenue – from continued operations | 1 878 | 26 113 | 5 542 | 33 533 |
| Other income | – | 1 122 | 1 648 | 2 770 |
| Interest received | 443 | – | 177 | 620 |
| Debtors impairments and write off | 9 708 | (361) | (10 623) | (1 276) |
| Interest paid | – | 1 111 | 1 174 | 2 285 |
| Impairment of property, plant and equipment | – | – | 110 | 110 |
| Depreciation | 7 | 338 | 82 | 427 |
| Discontinued operations | – | – | – | – |
| Segmental (loss) profit | (11 542) | 3 982 | 5 450 | (2 110) |
| Total (loss) profit | (11 542) | 3 982 | 5 450 | (2 110) |
| Net asset value | (34 378) | (3 100) | 100 729 | 63 251 |
| Gross debtors | 55 667 | 100 795 | 52 353 | 208 815 |
| Debtors provision | (37 451) | (40 436) | (47 588) | (125 475) |
| Net debtors | 18 216 | 60 359 | 4 765 | 83 340 |
| Property in possession | – | – | 21 335 | 21 335 |
| Cash and cash equivalents | 4 415 | 1 566 | 3 033 | 9 014 |
| 3rd Party assets | 23 451 | 63 713 | 32 586 | 119 750 |
| Intercompany assets | 4 572 | 2 288 | 103 001 | 109 861 |
| Intangible assets | – | 1 792 | – | 1 792 |
| Total assets | 28 023 | 67 793 | 135 587 | 231 403 |
| 3rd Party liabilities | (606) | (27 891) | (29 794) | (58 291) |
| Intercompany liabilities | (61 795) | (43 002) | (5 064) | (109 861) |
| Total liabilities | (62 401) | (70 893) | (34 858) | (168 152) |
| 2012 | | | | |
| Revenue – from continued operations | 1 628 | 24 884 | 4 959 | 31 471 |
| Other income | 82 | 9 341 | 13 199 | 22 622 |
| Interest received | 150 | – | 159 | 309 |
| Interest paid | – | 1 995 | 1 156 | 3 151 |
| Debtors impairments and write off | (7 392) | 1 020 | 6 715 | 343 |
| Impairment of property, plant and equipment | 195 | – | 55 | 250 |
| Depreciation | 6 | 331 | 198 | 535 |
| Segmental (loss) profit | 5 311 | 9 165 | (4 071) | 10 405 |
| Discontinued operations | – | – | 358 | 358 |
| Total (loss) profit | 5 311 | 9 165 | (3 713) | 10 763 |
| Net asset value | (22 837) | (7 082) | 95 280 | 65 361 |
| Gross debtors | 108 326 | 87 054 | 51 822 | 247 202 |
| Debtors provision | (86 483) | (42 504) | (48 192) | (177 179) |
| Net debtors | 21 843 | 44 550 | 3 630 | 70 023 |
| Property in possession | 709 | – | 24 953 | 25 662 |
| Cash and cash equivalents | 5 092 | 3 148 | 7 211 | 15 451 |
| 3rd Party assets | 36 669 | 49 000 | 36 619 | 122 288 |
| Intercompany assets | 13 430 | – | 90 888 | 104 318 |
| Total assets | 50 099 | 49 000 | 127 506 | 226 605 |
| 3rd Party liabilities | (306) | (24 975) | (31 646) | (56 927) |
| Intercompany liabilities | (73 188) | (31 130) | – | (104 318) |
| Total liabilities | (73 494) | (56 105) | (31 646) | (161 245) |

## BRIDGING FINANCE SEGMENT

Current risk management

Credit risk management is overseen by the Credit Committee.

The Credit Committee's composition includes a cross section of management as well as an independent Non-Executive Director:

- Chief Executive Officer
- Managing Director – Personal and shortterm loans
- Managing Director – Debt management
- Independent Non-Executive Director
- Group Legal Advisor (Invitee)

**The Credit Committee endeavours to meet monthly in order to evaluate the following:**

- The Collection Books
- New Business – Loans
- Provisioning and Provision Policy
- Credit Policy

During the 2013 Financial Year, the committee met 10 times in this financial period. For the 2012 Financial Year, the committee met nine times.

Credit Management Approach for Debt Management – New Loans

| | |
|---|---|
| **D** | Deal Origination |
| **E** | Loan Application |
| **A** | Credit Verification |
| **L** | Credit Assessment and Preliminary Approval |
| | Credit Committee |
| **C** | Approved Loans: |
| **O** | • Finalising Legal Document |
| **N** | • Compliance Checklist |
| **T** | • Pay away |
| **R** | • Debtors Management |
| **O** | • Accounting |
| **L** | |
| | **Ongoing Risk Management** |
| **R** | • Maintain Relationship |
| **E** | • Deal Settles |
| **C** | • If not, |
| **O** | • Loan in Default |
| **V** | • Penalty interest and move to non-performing |
| **E** | • In-house Legal Process |
| **R** | • Credit Committee |
| **Y** | • Legal Action |
| | • Provisioning |

### Impairment principles

All loans security values are classified using seven types of impairment principles. Each type of the impairment principles deals with the type of security held, monthly payments history and market valuations.

The security value is established compared to the loan value and the difference is the provision. Any monthly movement is classified as an impairment.

During 2011 interest on all non-performing loans were suspended. All loans are currently in the default collections. The impairments have been reversed due to the following changes in circumstance:

1. Court case won and client repaid;
2. market improvement in value of security held;
3. properties bought in by way of sale in execution; and
4. client started repaying the loan.

**PERSONAL AND SHORT-TERM SEGMENT**

**Debtors book risk management**

Elite manages the risk on the debtors book firstly through application evaluation before any loans are granted, secondly through a receipt management process and lastly with an integrated collection process.

**Application evaluation**

This evaluation process ensures that all loan applications are evaluated, objectively and free of human intervention. A flexible matrix has been designed to cater for different environments. The minimum risk levels acceptable on the matrix are always higher than the requirements of the National Credit Regulator. The current macro-economic environment is creating even more pressure on the granting of credit and it is for this reason that Elite's credit granting is perhaps more conservative than the average micro financier in the market today.

**Debtors receipts management process**

The debtors receipts status is categorised depending on their payment history and follow up information obtained by consultants. There are five categories broken down broadly into 1. Debtors account current 2. Debtors account missed one payment 3. Debtors 60 – 90 days in arrears 4. Debtors 90 to 150 days in arrears 5. Debtors to be transferred to collections.

**Collections process**

Once a debtor is unable to be recovered through the receipts process it is transferred to the debt collections department which traces the clients, establishes the customer status and, if no new payment arrangement is made, engages in legal action to collect the debt.

**Impairment allowances**

The impairment calculation utilises a debtors age analysis. This analysis is scientifically designed based on debtors aging, supported by more than 18 years' experience in the micro finance environment. The impairment calculation is presented for evaluation and approval by the credit committee on a monthly basis.

**Debtors write off**

Due to historic poor application controls in the Elite debtors book several years ago combined with the economic downturn R7,7 million of the 180+ days debtors were deemed to be irrecoverable so Elite management recommended the write-off of the R7,7 million to the Credit Committee in the prior year.

This request was approved and the recommended write off of 180+ days debtors with no payments received was passed. The R7,7 million write-off resulted in a realisation of bad debt allowances that was raised against the same debtors, leaving Elite with a total bad debt allowance of R2,7 million which constitutes 6% of the gross debtors book.

**Segment basis**

The Group consists of companies that specialise in either Bridging Finance , Personal and Short-Term Finance or Rental and other management functions. As the activities of the company are limited to a specified segment the entire company activities are included in each of the above segments. There are no changes in the structure of the segment during the current year.

The Group revenue comprises of a large number of small value customers none of whom account for more than 10% of the Group revenue.

37. **GUARANTEES**

The company has provided a guarantee to Rural Housing Finance Corporation referred to in note 16. In terms of the guarantee African Dawn Capital Limited will assume responsibility for the loan if Elite Group Proprietary Limited defaults on the loan.

38. **OTHER INCOME**

| | **2013 R'000** | **2012 R'000** |
|---|---|---|
| External management fees | 360 | – |
| Profit on settlement of NHFC loan | – | 7 493 |
| Bad debts recovered | 1 844 | 2 033 |
| Reversal of onerous contract provision | – | 12 484 |
| Sundry | 566 | 612 |
| | 2 770 | 22 622 |

39. **PROFIT AND LOSS FROM DISCONTINUED OPERATIONS**

**Dumont Healthcare Proprietary Limited 2012**

| | **2012** |
|---|---|
| Revenue | 3 585 |
| Cost of sales | (574) |
| Employee costs | (2 642) |
| Depreciation | (181) |
| Finance costs | (70) |
| Bad debts | 190 |
| Other income | 14 |
| Other expenses | (985) |
| Loss for the year | (663) |
| Gain on remeasurement on disposal | 1 021 |
| Profit realised on sale of investment | 358 |

Management took the decision to dispose of the Company's shares in the subsidiary Dumont in the previous year. The disposal was concluded at 29 February 2012 when the assets and liabilities of the company valued at R1,5 million. The income and expenses for Dumont for the prior year have been treated as a discontinued operation. The above indicated the statement of comprehensive income for Dumont for the year ended 29 February 2012. The gain on re-measurement was based on the sale of the company at a net asset value of R12,4 million before a provision on the intercompany loan of R11,8 million.

## B INTERIMS

### BASIS OF PREPARATION

The consolidated statements of financial position, statements of comprehensive income, statements of changes in equity, cash flow statements and notes of Afdawn for the six month periods ended 31 August 2012 and 31 August 2013 have been extracted and compiled from the published consolidated interim financial statements of Afdawn. The preparation of this **Annexure 1** is the responsibility of the Directors of Afdawn.

### COMMENTARY ON RESULTS

### THE NEW STRATEGY

The past period concentrated effort on transforming and preparing the company to enable it to execute on the announced change in strategy to become an active investment holding company, without the legacy of the past history. The company will focus on 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 execution of the said strategy will require the support of our major stakeholders together with various regulatory approvals. In meeting with various large shareholders, it was evident that the change in vision and related corporate actions that underpinned the new vision would be formally supported. The Board of Directors of Afdawn will diligently drive certain short-term actions to propel the strategy forward:

1. Further capabilities will be acquired and institutionalised, which will include deal sourcing and structuring capabilities, investee mentorship programmes, the setting up of an investment fund and co-investment alliances. To this end we draw shareholders attention to the cautionary announcement dated 18 November 2013.
2. The disposal of non-core legacy assets and conversion thereof into cash is of paramount importance;
3. The company will disinvest from its exposure to the unsecured lending as per it's new business model and will actively pursue appropriate buyers for Elite Group. This decision was made by the Board subsequent to 31 August 2013;
4. New permanent capital is a prerequisite in fulfilling our new vision. Exciting new alliances will drive the investment pipeline. Shareholders will have the opportunity to participate in the new strategy through a proposed rights offer; and
5. Afdawn will be rebranded to articulate the vision and strategy in a visual manner.

During the period the property transfer collection business ("**Debt Management**") was discontinued and outsourced to a third party which includes management of the discontinued business on a success fee basis. This initiative will see an estimated net cost savings of R1,7 million per annum. The present cost curtailing programmes will be extended with the company establishing a very small head office structure.

It is imperative that we unlock shareholder wealth for all stakeholders through the successful execution of the new vision. We are excited in the strides we have made thus far.

## Condensed Consolidated Statements of Financial Position for the six months ended 31 August 2013

| | **Six months year ended 31-Aug-13 R'000 (Unaudited)** | Six months year ended 31-Aug-12 R'000 (Reviewed) (Restated) | Year ended 28-Feb-13 R'000 (Audited) (Restated) |
|---|---|---|---|
| **Non-current assets** | **4 193** | 2 327 | 3 329 |
| Property, plant and equipment | **1 145** | 979 | 899 |
| Intangible assets | **2 410** | 729 | 1 792 |
| Other financial assets | **638** | 619 | 638 |
| **Current assets** | **111 946** | 120 160 | 114 084 |
| Property in possession | **21 327** | 25 560 | 21 335 |
| Other financial assets | **300** | 300 | 300 |
| Current tax receivable | **95** | 1 639 | 95 |
| Trade and other receivables | **207 078** | 247 256 | 208 815 |
| Impairment on trade receivables | **(125 462)** | (174 362) | (125 475) |
| Net trade and other receivables | **81 616** | 72 894 | 83 340 |
| Cash and cash equivalents | **8 608** | 19 767 | 9 014 |
| Non-current assets held for sale | **3 840** | – | 4 129 |
| **Total assets** | **119 979** | 122 487 | 121 542 |
| Capital and reserves | **59 172** | 65 609 | 63 251 |
| Share capital | **284 634** | 284 634 | 284 634 |
| Accumulated (loss) | **(225 462)** | (219 025) | (221 383) |
| **Non-current liabilities** | **25 635** | 24 862 | 22 682 |
| Borrowings | **25 338** | 24 443 | 22 366 |
| Finance lease obligation | **297** | 419 | 316 |
| Current liabilities | **35 172** | 32 016 | 35 609 |
| Finance lease obligation | **83** | 111 | 77 |
| Operating lease obligation | **195** | – | 195 |
| Borrowings | **8 872** | 4 544 | 7 292 |
| Current tax payable | **18 468** | 18 148 | 18 709 |
| Trade and other payables | **7 554** | 9 213 | 9 336 |
| **Total liabilities** | **60 807** | 56 878 | 58 291 |
| **Total equity and liabilities** | **119 979** | 122 487 | 121 542 |
| Ordinary shares in issue ('000) | **508 184** | 508 184 | 508 184 |
| Treasury shares held ('000) | **3 268** | 3 268 | 3 268 |
| Net number of ordinary shares ('000) | **504 916** | 504 916 | 504 916 |
| Net asset value per share (cents) | **11,7** | 12,9 | 12,5 |
| Net tangible asset value per share | **11,2** | 12,8 | 12,2 |

**Condensed Consolidated Statements of Comprehensive Income for the six months ended 31 August 2013**

| | **Six months year ended 31-Aug-13 R'000 (Unaudited)** | Six months year ended 31-Aug-12 R'000 (Reviewed) (Restated) | Year ended 28-Feb-13 R'000 (Audited) (Restated) |
|---|---|---|---|
| **Revenue** | **18 795** | 16 342 | 33 105 |
| Cost of sales | **(590)** | (464) | (399) |
| Gross profit | **18 205** | 15 878 | 32 706 |
| Other income | **1 275** | 1 557 | 2 770 |
| Operating and other expenses | **(20 257)** | (14 838) | (32 455) |
| Operating (loss)/profit | **(777)** | 2 597 | 3 021 |
| Investment revenue | **80** | 348 | 620 |
| Finance cost | **(2 230)** | (990) | (2 286) |
| (Loss) Profit before taxation | **(2 927)** | 1 955 | 1 355 |
| Taxation | **(268)** | (55) | (627) |
| (Loss) Profit for the period from continuing operations | **(3 195)** | 1 900 | 728 |
| (Loss) for the period from discontinued operations | **(884)** | (1 652) | (2 838) |
| (Loss) Profit for the period | **(4 079)** | 248 | (2 110) |
| **Weighted number of shares** | **508 184** | 508 184 | 508 184 |
| Treasury shares | **3 268** | 3 268 | 3 268 |
| Net weighted number of shares | **504 916** | 504 916 | 504 916 |
| Total Basic earnings/(loss) per share | **(0,81)** | 0,05 | (0,42) |
| Basic (loss) earnings per share from continuing operations | **(0,63)** | 0,38 | 0,14 |
| Basic (loss) per share from discontinuing operations | **(0,18)** | (0,33) | (0,56) |
| Total diluted earnings/(loss) per share | **(0,56)** | 0,10 | (0,24) |
| Diluted (loss) earnings per share from continuing operations | **(0,41)** | 0,43 | 0,32 |
| Diluted (loss) per share from discontinuing operations | **(0,15)** | (0,33) | (0,56) |
| Total Headline (loss)/earnings per share | **(0,75)** | 0,05 | (0,40) |
| Headline (loss) earnings per share from continuing operations | **(0,57)** | 0,10 | (0,24) |
| Headline (loss) per share from discontinuing operations | **(0,18)** | (0,05) | (0,16) |
| Total Diluted headline (loss) earnings per share | **(0,52)** | 0,11 | (0,26) |
| Diluted headline (loss) earnings per share from continuing operations | **(0,37)** | 0,10 | (0,24) |
| Diluted headline (loss) earnings per share from discontinuing operations | **(0,15)** | 0,01 | (0,02) |
| **Reconciliation of headline earnings** | | | |
| Basic (loss) earnings | **(4 079)** | 248 | (2 110) |
| Non-recurring adjustments | | | |
| Loss on disposal of property, plant and equipment | **–** | 16 | **(24)** |
| Impairment of non-current asset held for sale | **289** | – | 110 |
| Headline (loss)/earnings | **(3 790)** | 264 | (2 024) |

**Condensed Consolidated Statements of other Comprehensive Income for the six months ended 31 August 2013**

| | **Six months year ended 31-Aug-13 R'000 (Unaudited)** | Six months year ended 31-Aug-12 R'000 (Reviewed) (Restated) | Year ended 28-Feb-13 R'000 (Audited) (Restated) |
|---|---|---|---|
| **(Loss)/profit for the year** | **(4 079)** | 248 | (2 110) |
| **Other comprehensive income:** | **–** | – | – |
| Total comprehensive (loss) income | **(4 079)** | 248 | (2 110) |
| *Attributable to:* | | | |
| Profit from continuing operations | **(3 195)** | 1 900 | 728 |
| Profit from discontinued operation | **(884)** | (1 652) | (2 838) |
| Owners of the parent | **(4 079)** | 248 | (2 110) |

**Condensed Consolidated Statements of Changes in Equity for the six months ended 31 August 2013**

| | Share capital | Share premium | Reserves+ other NDR | Retained earnings | Ordinary shareholders equity |
|---|---|---|---|---|---|
| **Balance at 29 Feb 2012** | 5 074 | 279 560 | 97 | (219 370) | 65 361 |
| Total comprehensive income for the six months | – | – | – | 248 | 248 |
| Transfer from insurance reserves | – | – | (97) | 97 | – |
| **Balance at 31 Aug 2012** | 5 074 | 279 560 | – | (219 025) | 65 609 |
| Total comprehensive income for the six months | – | – | – | (2 358) | (2 358) |
| **Balance at 28 Feb 2013** | 5 074 | 279 560 | – | (221 383) | 63 251 |
| Total comprehensive income For the six months | – | – | – | (4 079) | (4 079) |
| **Balance at 31 Aug 2013** | **5 074** | **279 560** | **–** | **(225 462)** | 59 172 |

**Condensed Consolidated Statements of Cash Flow for the six months ended 31 August 2012**

| | **Six months year ended 31-Aug-13 R'000 (Unaudited)** | Six months year ended 31-Aug-12 R'000 (Reviewed) (Restated) | Year ended 28-Feb-13 R'000 (Audited) (Restated) |
|---|---|---|---|
| Cash (outflow) inflow from operating activities in continuing operations | **(2 245)** | 5 763 | (3 137) |
| Cash (outflow) from operating activities in discontinuing operations | **(614)** | (1 480) | (2 883) |
| Cash (outflow) from investing activities in continuing operations | **(895)** | (826) | (2 443) |
| Cash inflow from financing activities in continuing operations | **3 348** | 859 | 2 026 |
| Net cash (outflow) inflow for period | **(406)** | 4 316 | (6 437) |
| Cash and cash equivalents at beginning of period | **9 014** | 15 451 | 15 451 |
| Cash and cash equivalents at end of period | **8 608** | 19 767 | 9 014 |

**Condensed Consolidated Statements of Cash Flow for the six months ended 31 August 2012**

| | **Six months year ended 31-Aug-13 R'000 (Unaudited)** | Six months year ended 31-Aug-12 R'000 (Reviewed) (Restated) | Year ended 28-Feb-13 R'000 (Audited) (Restated) |
|---|---|---|---|
| Cash (outflow) inflow from operating activities in continuing operations | **(2 245)** | 5 763 | (3 137) |
| Cash (outflow) from operating activities in discontinuing operations | **(614)** | (1 480) | (2 883) |
| Cash (outflow) from investing activities in continuing operations | **(895)** | (826) | (2 443) |
| Cash inflow from financing activities in continuing operations | **3 348** | 859 | 2 026 |
| Net cash (outflow) inflow for period | **(406)** | 4 316 | (6 437) |
| Cash and cash equivalents at beginning of period | **9 014** | 15 451 | 15 451 |
| Cash and cash equivalents at end of period | **8 608** | 19 767 | 9 014 |

**Basis of preparation**

The condensed interim financial statements are prepared in South African Rands thousands ('000) on the historical-cost basis, except for certain assets and liabilities which are carried at amortised cost, and derivative financial instruments which are stated at their fair value. The financial statements have been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS), IAS 34 as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, the requirements of the South African Companies Act (Act No 71 of 2008), as amended, and the JSE Listings Requirements.

The Group has adopted the following new standards: Amendment to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities, IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, IFRS 12 – Disclosure of Interests in Other Entities, IFRS 13 – Fair Value Measurement, Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income, Amendments to IAS 16 – Property, Plant and Equipment, Amendment to IAS 19 – Employee benefits, Revised IAS 27 and 28 – Investments in Associates and Joint Ventures, Amendments to IAS 32 – Financial Instrument Presentation, Amendments to IAS 34 – Interim Financial Reporting. There was no material impact on the interim financial statements identified based on management's assessment of these standards.

In accordance with IFRS 5(Non-current Assets Held for Sale and Discontinued Operations) the comparative figures have as indicated been restated to account for the discontinued operations.

The condensed interim financial information for the six-month period ended 31 August 2013 were not reviewed or audited by the Group`s auditors, Grant Thornton. The condensed consolidated interim financial statements were prepared by E Nel CA(SA) and supervised by the financial director, T Kruger CA(SA).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**REPORTING ENTITY**

African Dawn Capital Limited is a Company domiciled in South Africa. The reviewed condensed consolidated financial statements of the Company for the six months ended 31 August 2013 comprise the Company and its subsidiaries and the Group`s interests in associates and jointly controlled entities.

**STATEMENT OF COMPLIANCE**

The consolidated interim financial information for the six months ended 31 August 2013, has been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Accounting Standards Board (IASB) and the requirements of the South

African Companies Act. These condensed interim financial statements are presented in compliance with IAS 34 – Interim Financial Reporting as well as SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and should be read in conjunction with the annual financial statements for the year ended 28 February 2013. The results were approved by the Board on 26 November 2013.

**SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the condensed interim financial information are consistent with those of the annual financial statements for the year ended 28 February 2013, other than those mentioned in the basis of preparation above. For a full list of standards and interpretations which have been adopted we refer you to the 28 February 2013 annual financial statements.

**ACCOUNTING ESTIMATES**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Except as described below, in preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation certainty were the same as those that applied to the consolidated financial statements for the six months ended 31 August 2012 and year ended 28 February 2013. During the six months ended 31 August 2013 management reassessed its estimates in respect of the recoverable amount of investments in subsidiaries, the recoverable amount of trade and other receivables (in conjunction with the current economic climate) and deferred tax assets.

**IMPAIRMENTS OF TRADE AND OTHER RECEIVABLES**

The majority of the impairment of trade receivables is based on the underlying security value at the time of reporting. The security values were reassessed at 31 August 2013 and provisions were adjusted accordingly.

| **Impairment** | **31-Aug-13 R'000** | 31-Aug-12 R'000 | 28-Feb-13 R'000 |
|---|---|---|---|
| Movement in impairment provision | **(13)** | (2 817) | (23 486) |

**PROPERTY IN POSSESSION**

The Company perfected its security over properties in order to protect its capital advances in terms of its loans, by taking transfer of ownership. The properties will be developed, where it is considered economically viable, and sold when favourable market conditions exist in order to realise the carrying value thereof.

**SEGMENTAL INFORMATION**

Figures in ZAR thousands

| **31 Aug 2013** | Bridging finance | Personal and short term | Other | Total |
|---|---|---|---|---|
| Revenue from continued operations | 321 | 16 037 | 2 437 | 18 795 |
| Revenue from discontinued operations | 571 | – | – | 571 |
| Net (loss) from continuing operations | (313) | (122) | (2 760) | (3 195) |
| Net (loss) from discontinued operations | (884) | – | – | (884) |
| Net asset value | (35 575) | (1 642) | 96 389 | 59 172 |

| 31 Aug 2012 | Bridging finance | Personal and short term | Other | Total |
|---|---|---|---|---|
| Revenue from continued operations | 1 291 | 12 738 | 2 313 | 16 342 |
| Net profit (loss) from continuing operations | (8 690) | 2 217 | 8 372 | (1 899) |
| Net (loss) from discontinued operations | (1 652) | – | – | (1 652) |
| Net asset value | (33 178) | (3 687) | 102 474 | 65 609 |

## DISCONTINUED OPERATION

Management took the decision to close down a subsidiary African Dawn Debt Management (Pty) Ltd. This was decided to curtail costs as this unit was unable to secure viable mandates to generate income.

**African Dawn Debt Management Proprietary Limited**

**Statement of comprehensive income**

| | **year ended 31-Aug-13 R'000 (Unaudited)** | year ended 31-Aug-12 R'000 (Reviewed) (Restated) | Year ended 28-Feb-13 R'000 (Audited) (Restated) |
|---|---|---|---|
| Revenue | **571** | – | 428 |
| Employee Costs | **(1 209)** | (1 443) | (2 847) |
| Other Operational costs | **(246)** | (209) | (419) |
| (Loss) for the period | **(884)** | (1 652) | (2 838) |
| Statement of financial position | | | |
| **Non-current assets** | **–** | – | **–** |
| **Current assets** | **1 087** | 107 | 1 000 |
| Trade and other receivables | **469** | 19 | 487 |
| Group loan receivable | **502** | – | 513 |
| Cash and equivalents | **116** | 88 | – |
| **Total assets** | **1 087** | 107 | 1 000 |
| **Non-current liabilities** | **–** | – | – |
| Current liabilities | **13 864** | 11 446 | 12 894 |
| Group loan payable | **13 803** | 11 396 | 12 715 |
| Trade and other payables | **61** | 50 | 179 |
| Total liabilities | **13 864** | 11 446 | 12 894 |
| Total equity | **(12 777)** | (11 339) | (11 894) |
| Total equity and liabilities | **1 087** | 107 | 1 000 |

## CHANGES TO THE BOARD OF DIRECTORS

The composition of the Board has changed significantly since the last year end as the company embarked on sourcing the appropriate capabilities at Board level to execute the new vision. On 10 April 2013 TF Kruger stepped down as CEO and was appointed as CFO and on the same date, Mr JS van der Merwe was appointed as executive chairman and CEO. Further changes occurred to the Board with the appointments of Ms WN Luhabe, V Lessing, and JK van Zyl on 29 May 2013. The Board accepted the resignations of L Taylor (29 May 2013), and CF Wiese (10 June 2013). Subsequent to the reporting period Ms WN Luhabe (30 September 2013) and Dr GE Stoop (5 November 2013) resigned.

## SOUTH AFRICAN REVENUE SERVICES ("SARS")

Afdawn continued to work closely with SARS on all aspects relating to our tax position in terms of the agreed action plan with SARS. Documentation as set out in Section 200 of the Income Tax Act, which enables corporate companies to settle their tax obligations with SARS, has been submitted and queries raised by SARS answered. We have vigorously explored and consulted with various independent tax experts to ensure that a beneficial outcome for Afdawn could be achieved. 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") STATUS

Afdawn has concluded a Memorandum of Understanding (28 February 2013) which will facilitate an amicable conclusion to the matter. Progress has been slow in this regard. Thus far the company has not become aware of any information during our deliberations that will alter our conclusion reached previously. 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.

**NATIONAL HOUSING FINANCING CORPORATION ("NHFC")**

In terms of the settlement agreement with the NHFC that was signed on 30 May 2011, Nexus Personnel Finance's ("Nexus") (a wholly-owned subsidiary of Afdawn) facility of R5 million became payable in October 2013 subsequent to reporting date of 31 August 2013. Nexus is currently negotiating extending the terms with the NHFC.

**DIVIDENDS**

No dividends are contemplated for the 2013 financial year.

**PROSPECTS**

The company has embarked on its journey to execute its new vision with passion and anticipation that this will create appeal to the investing community. We remain cognisant of the remaining challenges and believe that prudently constructed plans will prove sustainable.

**NO SIGNIFICANT CHANGES**

There have been no significant changes in circumstance since the Interim financial statements have been issued to the date of the Circular.

# *PRO FORMA* FINANCIAL INFORMATION OF AFDAWN

The *pro forma* financial information of the Group for the 6 months ended 31 August 2013 is set out below. The *pro forma* financial information has been prepared for illustrative purposes only to provide information on how the Knife Capital Acquisition, Rights Offer and Specific Issue might have impacted on the financial position of the Group. The *pro forma* financial information are presented in accordance with the Listings Requirements, the Guide on *Pro Forma* Financial Information issued by SAICA, ISAE 3420 and the measurement and recognition requirements of International Financial Reporting Standards (IFRS).

The *pro forma* financial effects have been presented for illustrative purposes only and, because of their nature may not fairly present Afdawn's financial position or results of operations after the Knife Capital Acquisition, Rights Offer and Specific Issue. The *pro forma* adjustments to the statement of financial position have been calculated on the assumption that the Rights Offer, Specific Issue and Knife Capital Acquisition were implemented on 31 August 2013. The *pro forma* adjustments to the statement of comprehensive income have been calculated on the assumption that the Rights Offer, Specific Issue and Knife Capital Acquisition were implemented on 1 March 2013.

The *pro forma* financial information is presented in a manner that is consistent with the accounting policies of the Group.

The *pro forma* statement of financial position and statement of comprehensive income as set out below should be read in conjunction with the limited assurance report of the Independent Reporting Accountants which is included as **Annexure 3** to this Circular.

The Directors of Afdawn are responsible for the preparation of the *pro forma* financial information.

The *pro forma* statements have been prepared for 2 possible scenarios.

Scenario 1: The Rights Offer is assumed to be fully subscribed and the Underwriter take up its full 50 000 000 shares in the Specific Issue. This scenario reflects the maximum capital that can be raised in terms of the Rights Offer and the Specific Issue.

Scenario 2: Capital of R15 million is raised in the Rights Offer with the Underwriter taking up 50 000 000 shares as part of the Rights Offer and no Specific Issue is required. This scenario reflects the minimum capital expected to be raised in terms of the Rights Offer and the Specific Issue.

## *PRO FORMA* STATEMENT OF FINANCIAL POSITION OF AFDAWN – SCENARIO 1

| | Before the Rights Offer, Specific Issue and Knife Capital Acquisition R'000 | *Pro forma* adjustments for Rights Offer R'000 | *Pro forma* adjustments for Specific Issue R'000 | *Pro forma* after the Rights Offer and Specific Issue R'000 | Knife Capital Results R'000 | Knife Capital Acquisition *pro forma* adjustments R'000 | After the Rights Offer, Specific Issue and Knife Capital Acquisition R'000 |
|---|---|---|---|---|---|---|---|
| ***Notes*** | *1* | *2,3* | *4* | *5* | *6* | *7,8* | *9* |
| **Non-current assets** | **4 193** | **–** | **–** | **4 193** | **239** | **9 681** | **14 113** |
| Property, plant and equipment | 1 145 | – | – | 1 145 | 39 | – | 1 184 |
| Other financial assets | 638 | – | – | 638 | 200 | – | 838 |
| Intangible assets | 2 410 | – | – | 2 410 | – | 9 681 | 12 091 |
| **Current assets** | **111 946** | **40 655** | **4 000** | **156 601** | **424** | **–** | **157 025** |
| Property in possession | 21 327 | – | – | 21 327 | – | – | 21 327 |
| Other financial assets | 300 | – | – | 300 | 115 | – | 415 |
| Current tax receivable | 95 | – | – | 95 | – | – | 95 |
| Gross trade and other receivables | 207 078 | – | – | 207 078 | 109 | – | 207 187 |
| Impairment on trade receivables | (125 462) | – | – | (125 462) | – | – | (125 462) |
| Net trade and other receivables | 81 616 | – | – | 81 616 | 109 | – | 81 725 |
| Cash and cash equivalents | 8 608 | 40 655 | 4 000 | 53 263 | 200 | – | 53 463 |
| Non-current assets held for sale | 3 840 | – | – | 3 840 | – | – | 3 840 |
| **Total assets** | **119 979** | **40 655** | **4 000** | **164 634** | **663** | **9 681** | **174 978** |

| | **Before the Rights Offer, Specific Issue and Knife Capital Acquisition R'000** | ***Pro forma* adjustments for Rights Offer R'000** | ***Pro forma* adjustments for Specific Issue R'000** | ***Pro forma* after the Rights Offer and Specific Issue R'000** | **Knife Capital Results R'000** | **Knife Capital Acquisition *pro forma* adjustments R'000** | **After the Rights Offer, Specific Issue and Knife Capital Acquisition R'000** |
|---|---|---|---|---|---|---|---|
| ***Notes*** | *1* | *2,3* | *4* | *5* | *6* | *7,8* | *9* |
| **Capital and reserves** | **59 172** | **39 155** | **4 000** | **102 327** | **319** | **9 681** | **112 327** |
| Share capital | 284 634 | 39 155 | 4 000 | 327 789 | 1 | 9 999 | 337 789 |
| Retained earnings (Accumulated loss) | (225 462) | – | – | (225 462) | 318 | (318) | (225 462) |
| **Non-current liabilities** | **25 635** | **–** | **–** | **25 635** | **–** | **–** | **25 635** |
| Borrowings | 25 338 | – | – | 25 338 | – | – | 25 338 |
| Finance lease obligation | 297 | – | – | 297 | – | – | 297 |
| **Current liabilities** | **35 172** | **1 500** | **–** | **36 672** | **344** | **–** | **37 016** |
| Finance lease obligation | 83 | – | – | 83 | – | – | 83 |
| Operating lease obligations | 195 | – | – | 195 | – | – | 195 |
| Borrowings | 8 872 | – | – | 8 872 | – | – | 8 872 |
| Current tax payables | 18 468 | – | – | 18 468 | 118 | – | 18 586 |
| Trade and other payables | 7 554 | 1 500 | – | 9 054 | 226 | – | 9 280 |
| **Total Liabilities** | **60 807** | **1 500** | **–** | **62 307** | **344** | **–** | **62 651** |
| **Total Equity and liabilities** | **119 979** | **40 655** | **4 000** | **164 634** | **663** | **9 681** | **174 978** |
| Ordinary shares in issue ('000) | 508 184 | 508 184 | 50 000 | 1 066 368 | – | 100 000 | 1 166 368 |
| Net asset value per share (cents) | 11,7 | (2,0) | (0,1) | 9,6 | (0,9) | 0,9 | 9,6 |
| Net tangible asset value per share (cents) | 11,2 | (1,7) | (0,1) | 9,4 | (0,8) | – | 8,6 |

**Notes to the statement of financial position:**

1. The *Before the Rights Offer, Specific Issue and Knife Capital Acquisition* column has been extracted from the unaudited published interim financial information of Afdawn for the six months ended 31 August 2013.
2. Cash received from the Rights Offer of R40.655 million is based on the Rights Offer being fully subscribed through the issue of 508 184 155 Afdawn shares at 8 cents per Rights Offer Share.
3. Transaction costs of R1.5 million, as detailed in paragraph 11 of the Circular, have been allocated to the share premium in accordance with IAS 32.
4. Cash received from the Specific Issue of R4 million, in terms of which 50 000 000 Afdawn shares are issued to the Underwriter at 8 cents per share.
5. The *pro forma* financial effects after the Rights Offer and the Specific Issue.
6. The results of Knife Capital have been extracted from Knife Capital's statement of financial position in its reviewed financial statements for the period ended 30 June 2013, without adjustment. The financial statements were reviewed by Mazars in accordance with International Standards on Review Engagements 2400.
7. The Knife Capital Acquisition by Afdawn of 100% of the share capital of Knife Capital is assumed to be settled through the issue of 100 000 000 Afdawn shares issued at 10 cents per share. The Group accounts for business combinations using the acquisition method of accounting in accordance with IFRS 3. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued.
8. Afdawn management have undertaken a preliminary purchase price allocation to determine the recognition and classification of the excess of the purchase price paid in the Knife Capital Acquisition over the identifiable net assets acquired. As a result of the preliminary purchase price allocation management has recognised intangible assets arising as a result of the Knife Capital Acquisition and it was determined that no goodwill was included. Afdawn's accounting policy in respect of intangible assets is to account for all business combinations by applying the acquisition method in accordance with IFRS 3. The preliminary allocation of the purchase price was based upon a preliminary valuation and the estimates and assumptions are subject to change within the purchase price allocation period (being one year from the acquisition date). These changes may affect the intangible assets recorded. It is currently assumed that no amount will be allocated to goodwill as part of the preliminary purchase price allocation exercise. The amortisation of intangible assets arising as a result of the Knife Capital Acquisition has been calculated after assessing the useful life of the intangible assets based on a preliminary valuation and estimate. The significant judgments used related to the write off period of the intangible assets. Amortisation is provided on a straight-line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed every period end. Afdawn will undertake a final purchase price allocation relating to such intangible assets and goodwill at Knife Capital's next year-end, which will be 28 February 2015.
9. The *pro forma* financial effects after the Rights Offer, Specific Issue and Knife Capital Acquisition.

## *PRO FORMA* GROUP FINANCIAL STATEMENT OF COMPREHENSIVE INCOME – SCENARIO 1

| | Before the Rights Offer, Specific Issue and Knife Capital Acquisition R'000 | *Pro forma* adjustments for Rights Offer R'000 | *Pro forma* adjustments for Specific Issue R'000 | *Pro forma* after the Rights Offer and Specific Issue R'000 | Knife Capital Results R'000 | Knife Capital Acquisition *pro forma* adjustments R'000 | After the Rights Offer, Specific Issue and Knife Capital Acquisition R'000 |
|---|---|---|---|---|---|---|---|
| ***Notes*** | *1* | *2,3* | *4,5* | *6* | *7* | *8,9* | *10* |
| Revenue | 18 795 | – | – | 18 795 | 1 277 | – | 20 072 |
| Cost of sales | (590) | – | – | (590) | – | – | (590) |
| **Gross profit** | **18 205** | **–** | **–** | **18 205** | **1 277** | **–** | **19 482** |
| Other income | 1 275 | – | – | 1 275 | – | – | 1 275 |
| Operating and other expenses | (20 257) | – | – | (20 257) | (1 101) | (602) | (21 960) |
| **Operating loss** | **(777)** | **–** | **–** | **(777)** | **176** | **(602)** | **(1 203)** |
| Investment revenue | 80 | 685 | 70 | 835 | 4 | – | 839 |
| Finance cost | (2 230) | – | – | (2 230) | (1) | – | (2 231) |
| **Loss before taxation** | **(2 927)** | **685** | **70** | **(2 172)** | **179** | **(602)** | **(2 595)** |
| Taxation | (268) | – | – | (268) | (50) | – | (318) |
| Loss from discontinued operations | (884) | – | – | (884) | – | – | (884) |
| **Loss for the year** | **(4 079)** | **685** | **70** | **(3 324)** | **129** | **(602)** | **(3 797)** |
| Other Comprehensive income/(loss) | – | – | – | – | – | – | – |
| **Total comprehensive loss** | **(4 079)** | **685** | **70** | **(3 324)** | **129** | **(602)** | **(3 797)** |

| | **Before the Rights Offer, Specific Issue and Knife Capital Acquisition R'000** | ***Pro forma* adjustments for Rights Offer R'000** | ***Pro forma* adjustments for Specific Issue R'000** | ***Pro forma* after the Rights Offer and Specific Issue R'000** | **Knife Capital Results R'000** | **Knife Capital Acquisition *pro forma* adjustments R'000** | **After the Rights Offer, Specific Issue and Knife Capital Acquisition R'000** |
|---|---|---|---|---|---|---|---|
| ***Notes*** | *1* | *2,3* | *4,5* | *6* | *7* | *8,9* | *10* |
| Attributed to | | | | | | | |
| Owner of the parent | (4 079) | 685 | 70 | (3 324) | 129 | (602) | (3 797) |
| Non-controlling interest | – | – | – | – | – | – | – |
| Weighted number of shares in issue ('000) | 508 184 | 508 184 | 50 000 | 1 066 368 | 100 000 | – | 1 166 368 |
| Weighted diluted number of shares in issue ('000) | 601 613 | 508 184 | 50 000 | 1 159 797 | 100 000 | – | 1 259 797 |
| Total basic loss per share | (0,81) | 0,48 | 0,02 | (0,31) | 0,04 | (0,06) | (0,33) |
| Basic loss per share from continued operations | (0,63) | 0,40 | 0,00 | (0,23) | 0,03 | (0,05) | (0,25) |
| Basic loss per share from discontinued operations | (0,18) | 0,09 | 0,01 | (0,08) | 0,01 | (0,01) | (0,08) |
| Total diluted loss per share | (0,56) | 0,33 | 0,00 | (0,23) | 0,03 | (0,05) | (0,25) |
| Diluted loss per share continuing operations | (0,41) | 0,25 | 0,01 | (0,15) | 0,02 | (0,05) | (0,18) |
| Diluted loss per share discontinued operations | (0,15) | 0,07 | 0,00 | (0,08) | 0,01 | 0,00 | (0,07) |
| Total headline loss per share | (0,75) | 0,45 | 0,02 | (0,28) | 0,03 | (0,05) | (0,30) |
| Headline loss per share from continued operations | (0,57) | 0,36 | 0,01 | (0,2) | 0,03 | (0,05) | (0,22) |
| Headline loss from discontinued operations | (0,18) | 0,09 | 0,01 | (0,08) | 0,01 | (0,01) | (0,08) |
| Total diluted headline loss per share | (0,52) | 0,31 | 0,01 | (0,20) | 0,03 | (0,05) | (0,22) |
| Diluted headline loss per share continued operations | (0,37) | 0,24 | 0,01 | (0,12) | 0,02 | (0,05) | (0,15) |
| Diluted headline loss per share discontinued operations | (0,15) | 0,07 | 0,00 | (0,08) | 0,01 | 0,00 | (0,07) |

**Notes to the statement of comprehensive income:**

1. The *Before the Rights Offer, Specific Issue and Knife Capital Acquisition* column has been extracted from the unaudited published interim financial information of Afdawn for the six months ended 31 August 2013.
2. It has been assumed that the Rights Offer is fully subscribed through the issue of 508 184 155 Afdawn shares at 8 cents per Rights Offer Share.
3. Management intend to utilise the Rights Offer proceeds for investment opportunities, however as no investment opportunities in this regard have been identified, it is assumed that the proceeds from the Rights Offer have been invested in a short-term call account for the 6 month period of the *pro forma* accounts earning interest at 3.5% per annum, being the interest rate currently achieved on excess funding. Proceeds from the Rights Issue of R39 million at 3.5% for a six-month period is equal to R685 000.
4. The Specific Issue consists of 50 000 000 Afdawn shares issued to the Underwriter at 8 cents per share.
5. Management intend to utilise the Specific Issue proceeds for investment opportunities, however as no investment opportunities in this regard have been identified, it is assumed that the proceeds from the Specific Issue have been invested in a short term call account for the 6 month period of the *pro forma* accounts earning interest at 3.5% per annum, being the interest rate currently achieved on excess funding. Proceeds from the Specific Issue of R4 million at 3.5% for a 6 month period is equal to R70 000.
6. The *pro forma* financial effects after the Rights Offer and Specific Issue.
7. The results of Knife Capital have been extracted from Knife Capital's statement of comprehensive income in its reviewed financial statements for the 6 month period ended 30 June 2013 without adjustment. The financial statements were reviewed by Mazars in accordance with International Standards on Review Engagements 2400.
8. The Knife Capital Acquisition is settled through the issue of 100 000 000 Afdawn shares issued at 10 cents per share.
9. Afdawn management have undertaken a preliminary purchase price allocation to determine the recognition and classification of the excess of the purchase price paid in the Knife Capital Acquisition over the identifiable net assets acquired. As a result of the preliminary purchase price allocation management has recognised intangible assets arising as a result of the Knife Capital Acquisition and it was determined that no goodwill was included. Afdawn's accounting policy in respect of intangible assets is to account for all business combinations by applying the acquisition method in accordance with IFRS 3. The preliminary allocation of the purchase price was based upon a preliminary valuation and the estimates and assumptions are subject to change within the purchase price allocation period (being one year from the acquisition date). These changes may affect the intangible assets recorded. It is currently assumed that no amount will be allocated to goodwill as part of the preliminary purchase price allocation exercise. The amortisation of intangible assets arising as a result of the Knife Capital Acquisition has been calculated after assessing the useful life of the intangible assets based on a preliminary valuation and estimate. The significant judgements used related to the write off period of the intangible assets. Amortisation is provided on a straight-line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed every period end. Afdawn will undertake a final purchase price allocation relating to such intangible assets and goodwill at Knife Capital's next year-end, which will be 28 February 2015.

10 The *pro forma* financial effects after the Rights Offer, the Specific Issue and the Knife Capital Acquisition. All adjustments are expected to have a continuing effect other than interest received on the proceeds of the Rights Offer and the Specific Issue as detailed in notes 3 and 5.

11. The diluted earnings per share and diluted headline earnings per share figures are calculated based on the diluted weighted average number of shares in issue of Afdawn at 31 August 2013 and assume that 508 184 155 Afdawn shares issued in terms of the Rights Offer, 50 000 000 Afdawn shares issued to the Underwriter in terms of the Specific Issue and 100 000 000 Afdawn shares are issued in terms of the Knife Capital Acquisition. The Rights Offer, Specific Issue and the Knife Capital Acquisition have no further dilutionary effects on Afdawn.

## *PRO FORMA* STATEMENT OF FINANCIAL POSITION OF AFDAWN – SCENARIO 2

| | Before the Rights Offer, Specific Issue and Knife Capital Acquisition R'000 | *Pro forma* adjustments for Rights Offer R'000 | *Pro forma* adjustments for Specific Issue R'000 | *Pro forma* after the Rights Offer and Specific Issue R'000 | Knife Capital Results R'000 | Knife Capital Acquisition Proforma adjustments R'000 | After the Rights Offer, Specific Issue and Knife Capital Acquisition R'000 |
|---|---|---|---|---|---|---|---|
| ***Notes*** | *1* | *2,3* | *4* | *5* | *6* | *7,8* | *9* |
| **Non-current assets** | **4 193** | **–** | **–** | **4 193** | **239** | **9 681** | **14 113** |
| Property, plant and equipment | 1 145 | – | – | 1 145 | 39 | – | 1 184 |
| Other financial assets | 638 | – | – | 638 | 200 | – | 838 |
| Intangible assets | 2 410 | – | – | 2 410 | – | 9 681 | 12 091 |
| **Current assets** | **111 946** | **15 000** | **–** | **126 946** | **424** | **–** | **127 370** |
| Property in possession | 21 327 | – | – | 21 327 | – | – | 21 327 |
| Other financial assets | 300 | – | – | 300 | 115 | – | 415 |
| Current tax receivable | 95 | – | – | 95 | – | – | 95 |
| Gross trade and other receivables | 207 078 | – | – | 207 078 | 109 | – | 207 187 |
| Impairment on trade receivables | (125 462) | – | – | (125 462) | – | – | (125 462) |
| Net trade and other receivables | 81 616 | – | – | 81 616 | 109 | – | 81 725 |
| Cash and cash equivalents | 8 608 | 15 000 | – | 23 608 | 200 | – | 23 808 |
| Non-current assets held for sale | 3 840 | – | – | 3 840 | – | – | 3 840 |
| **Total assets** | **119 979** | **15 000** | **–** | **134 979** | **663** | **9 681** | **145 323** |

| | Before the Rights Offer, Specific Issue and Knife Capital Acquisition R'000 | *Pro forma* adjustments for Rights Offer R'000 | *Pro forma* adjustments for Specific Issue R'000 | *Pro forma* after the Rights Offer and Specific Issue R'000 | Knife Capital Results R'000 | Knife Capital Acquisition Proforma adjustments R'000 | After the Rights Offer, Specific Issue and Knife Capital Acquisition R'000 |
|---|---|---|---|---|---|---|---|
| ***Notes*** | *1* | *2,3* | *4* | *5* | *6* | *7,8* | *9* |
| **Capital and reserves** | **59 172** | **13 500** | **–** | **72 672** | **319** | **9 681** | **82 672** |
| Share capital | 284 634 | 13 500 | – | 298 134 | 1 | 9 999 | 308 134 |
| Retained earnings/(Accumulated loss) | (225 462) | – | – | (225 462) | 318 | (318) | (225 462) |
| **Non-current liabilities** | **25 635** | **–** | **–** | **25 635** | **–** | **–** | **25 635** |
| Borrowings | 25 338 | – | – | 25 338 | – | – | 25 338 |
| Finance lease obligation | 297 | – | – | 297 | – | – | 297 |
| **Current liabilities** | **35 172** | **1 500** | **–** | **36 872** | **344** | **–** | **37 016** |
| Finance lease obligation | 83 | – | – | 83 | – | – | 83 |
| Operating lease obligations | 195 | – | – | 195 | – | – | 195 |
| Borrowings | 8 872 | – | – | 8 872 | – | – | 8 872 |
| Current tax payables | 18 468 | – | – | 18 468 | 118 | – | 18 586 |
| Trade and other payables | 7 554 | 1 500 | – | 9 254 | 226 | – | 9 280 |
| **Total liabilities** | **60 807** | **1 500** | **–** | **62 507** | **344** | **–** | **62 651** |
| **Total equity and liabilities** | **119 979** | **15 000** | **–** | **134 979** | **663** | **9 681** | **145 323** |
| Ordinary shares in issue ('000) | 508 184 | 187 500 | – | 695 684 | – | 100 000 | 795 684 |
| Net asset value per share (cents) | 11,7 | (1,3) | – | 10,4 | (1,2) | 1,2 | 10,4 |
| Net tangible asset value per share (cents) | 11,2 | (1,1) | – | 10,1 | (1,2) | – | 8,9 |

**Notes to the statement of financial position:**

1. The *Before the Rights Offer, Specific Issue and Knife Capital Acquisition* column has been extracted from the unaudited published interim financial information of Afdawn for the six months ended 31 August 2013.
2. Cash received from the Rights Offer of R15 million is based on 187 500 000 Afdawn shares being issued through the Rights Offer at 8 cents per Rights Offer Share.
3. Transaction costs of R1.5 million, as detailed in paragraph 11 of the Circular, have been allocated to the share premium in accordance with IAS 32.
4. No cash is received from the Specific Issue as the Underwriter, will receive their shares as part of the Rights Offer.
5. The *pro forma* financial effects after the Rights Offer and Specific Issue.
6. The results for Knife Capital have been extracted from Knife Capital's statement of financial position in its reviewed financial statements for the financial year ended 30 June 2013, without adjustment. The financial statements were reviewed by Mazars in accordance with International Standards on Review Engagements 2400.
7. The Knife Capital Acquisition by Afdawn of 100% of the share capital of Knife Capital is settled through the issue of 100 000 000 Afdawn shares issued at 10 cents per share. The Group accounts for business combinations using the acquisition method of accounting in accordance with IFRS 3. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued.
8. Afdawn management have undertaken a preliminary purchase price allocation to determine the recognition and classification of the excess of the purchase price paid in the Knife Capital Acquisition over the identifiable net assets acquired. As a result of the preliminary purchase price allocation management has recognised intangible assets arising as a result of the Knife Capital Acquisition and it was determined that no goodwill was included. Afdawn's accounting policy in respect of intangible assets is to account for all business combinations by applying the acquisition method in accordance with IFRS 3. The preliminary allocation of the purchase price was based upon a preliminary valuation and the estimates and assumptions are subject to change within the purchase price allocation period (being one year from the acquisition date). These changes may affect the intangible assets recorded. It is currently assumed that no amount will be allocated to goodwill as part of the preliminary purchase price allocation exercise. The amortisation of intangible assets arising as a result of the Knife Capital Acquisition has been calculated after assessing the useful life of the intangible assets based on a preliminary valuation and estimate. The significant judgments used related to the write off period of the intangible assets. Amortisation is provided on a straight-line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed every period end. Afdawn will undertake a final purchase price allocation relating to such intangible assets and goodwill at Knife Capital's next year-end, which will be 28 February 2015.
9. The *pro forma* financial effects after the Rights Offer, Specific Issue and Knife Capital Acquisition.

## *PRO FORMA* GROUP FINANCIAL STATEMENT OF COMPREHENSIVE INCOME – SCENARIO 2

| | Before the Rights Offer, Specific Issue and Knife Capital Acquisition | *Pro forma* adjustments for Rights Offer | *Pro forma* adjustments for Specific Issue | *Pro forma* after the Rights Offer and Specific Issue | Knife Capital Results | Knife Capital Acquisition Pro forma adjustments | After the Rights Offer, Specific Issue and Knife Capital Acquisition |
|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| ***Notes*** | *1* | *2 3* | *4 5* | *6* | *7* | *8 9* | *10* |
| Revenue | 18 795 | – | – | 18 795 | 1 277 | – | 20 072 |
| Cost of sales | (590) | – | – | (590) | – | – | (590) |
| **Gross profit** | **18 205** | **–** | **–** | **18 205** | **1 277** | **–** | **19 482** |
| Other income | 1 275 | – | – | 1 275 | – | – | 1 275 |
| Operating and other expenses | (20 257) | – | – | (20 257) | (1 101) | (602) | (21 960) |
| **Operating loss** | **(777)** | **–** | **–** | **(777)** | **176** | **(602)** | **(1 203)** |
| Investment revenue | 80 | 236 | – | 316 | 4 | – | 320 |
| Finance cost | (2 230) | – | – | (2 230) | (1) | – | (2 231) |
| **Loss before taxation** | **(2 927)** | **236** | **–** | **(2 691)** | **179** | **(602)** | **(3 113)** |
| Taxation | (268) | – | – | (268) | (50) | – | (318) |
| Loss from discontinued operations | (884) | – | – | (884) | – | – | (884) |
| **Loss for the year** | **(4 079)** | **236** | **–** | **(3 843)** | **129** | **(602)** | **(4 315)** |
| Other Comprehensive loss | – | – | – | – | – | – | – |
| **Total comprehensive loss** | **(4 079)** | **236** | **–** | **(3 843)** | **129** | **(602)** | **(4 315)** |

| | Before the Rights Offer, Specific Issue and Knife Capital Acquisition | *Pro forma* adjustments for Rights Offer | *Pro forma* adjustments for Specific Issue | *Pro forma* after the Rights Offer and Specific Issue | Knife Capital Results | Knife Capital Acquisition Pro forma adjustments | After the Rights Offer, Specific Issue and Knife Capital Acquisition |
|---|---|---|---|---|---|---|---|
| | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** |
| ***Notes*** | *1* | *2 3* | *4 5* | *6* | *7* | *8 9* | *10* |
| Attributed to | | | | | | | |
| Owner of the parent | (4 079) | 236 | – | (3 843) | 129 | (602) | (4 315) |
| Non-controlling interest | – | | | – | – | – | – |
| Weighted number of shares in issue ('000) | 508 184 | 187 500 | – | 695 684 | 100 000 | – | 795 684 |
| Weighted diluted number of shares in issue ('000) | 601 613 | 187 500 | – | 789 113 | 100 000 | – | 889 113 |
| Total basic loss per share | (0,81) | 0,26 | – | (0,55) | 0,09 | (0,08) | (0,54) |
| Basic loss per share from continued operations | (0,63) | 0,20 | – | (0,43) | 0,07 | (0,07) | (0,43) |
| Basic loss per share from discontinued operations | (0,18) | 0,05 | – | (0,13) | 0,02 | (0,00) | (0,11) |
| Total diluted loss per share | (0,56) | 0,16 | – | (0,40) | 0,06 | (0,07) | (0,41) |
| Diluted loss per share continuing operations | (0,41) | 0,12 | – | (0,29) | 0,05 | (0,07) | (0,31) |
| Diluted loss per share discontinued operations | (0,15) | 0,04 | – | (0,11) | 0,01 | 0,00 | (0,10) |
| Total Headline loss per share | (0,75) | 0,24 | – | (0,51) | 0,08 | (0,08) | (0,51) |
| Headline loss per share from continued operations | (0,57) | 0,19 | – | (0,38) | 0,08 | (0,09) | (0,39) |
| Headline loss from discontinued operations | (0,18) | 0,05 | – | (0,13) | 0,02 | 0,00 | (0,11) |
| Total diluted Headline loss per share | (0,52) | 0,16 | – | (0,36) | 0,06 | (0,07) | (0,37) |
| Diluted headline loss per share continued operations | (0,37) | 0,12 | – | (0,25) | 0,04 | (0,06) | (0,27) |
| Diluted headline loss per share discontinued operations | (0,15) | 0,04 | – | (0,11) | 0,01 | 0,00 | (0,10) |

**Notes to the statement of comprehensive income:**

1. The *Before the Rights Offer, Specific Issue and Knife Capital Acquisition* column has been extracted from the unaudited published interim financial information of Afdawn for the six months ended 31 August 2013.
2. Cash received from the Rights Offer of R15 million is assumed based on 187 500 000 Afdawn shares being issued through the Rights Offer at 8 cents per Rights Offer Share.
3. Management intend to utilise the Rights Offer proceeds for investment opportunities, however as no investment opportunities in this regard have been identified, it is assumed that the proceeds from the Rights Offer have been invested in a short term call account for the 6 month period of the *pro forma* accounts earning interest at 3.5% per annum, being the interest rate currently achieved on excess funding. Proceeds from the Rights Issue of R13 million at 3.5% for a six-month period is equal to R236 000.
4. None of the Specific Issue shares have been issued to the Underwriter.
5. No income will be generated on the Specific Issue as all shares are issued as part of the Rights Offer.
6. The *pro forma* financial effects after the Rights Offer and Specific Issue.
7. The results of Knife Capital have been extracted from Knife Capital's statement of comprehensive income in its reviewed financial statements for the 6 month period ended 30 June 2013 without adjustment. The financial statements were reviewed by Mazars in accordance with International Standards on Review Engagements 2400.
8. The Knife Capital Acquisition is settled through the issue of 100 000 000 Afdawn shares issued at 10 cents per share.
9. Afdawn management have undertaken a preliminary purchase price allocation to determine the recognition and classification of the excess of the purchase price paid in the Knife Capital Acquisition over the identifiable net assets acquired. As a result of the preliminary purchase price allocation management has recognised intangible assets arising as a result of the Knife Capital Acquisition and it was determined that no goodwill was included. Afdawn's accounting policy in respect of intangible assets is to account for all business combinations by applying the acquisition method in accordance with IFRS 3. The preliminary allocation of the purchase price was based upon a preliminary valuation and the estimates and assumptions are subject to change within the purchase price allocation period (being one year from the acquisition date). These changes may affect the intangible assets recorded. It is currently assumed that no amount will be allocated to goodwill as part of the preliminary purchase price allocation exercise. The amortisation of intangible assets arising as a result of the Knife Capital Acquisition has been calculated after assessing the useful life of the intangible assets based on a preliminary valuation and estimate. The significant judgments used related to the write off period of the intangible assets. Amortisation is provided on a straight-line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed every period end. Afdawn will undertake a final purchase price allocation relating to such intangible assets and goodwill at Knife Capital's next year-end, which will be 28 February 2015.
10. The *pro forma* financial effects after the Rights Offer, Specific Issue and Knife Capital Acquisition. All adjustments are expected to have a continuing effect other than interest received on the proceeds of the Rights Offer and Specific Issue as detailed in notes 3 and 5.
11. The diluted earnings per share and diluted headline earnings per share figures are calculated based on the diluted weighted average number of shares in issue of Afdawn at 31 August 2013 and assume that 187 500 000 Afdawn shares issued in terms of the Rights Offer, no shares issued to the Underwriter in terms of the Specific Issue and 100 000 000 Afdawn shares are issued in terms of the Knife Capital Acquisition. The Rights Offer, Specific Issue and the Knife Capital Acquisition have no further dilutionary effects on Afdawn.

# INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF AFDAWN

The Directors
African Dawn Capital Limited
1st Floor
Quadrum 4
Quadrum Office Park
50 Constantia Boulevard
Constantia Kloof Ext 28
1709

3 March 2014

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF AFRICAN DAWN CAPITAL LIMITED ("AFDAWN" OR "THE COMPANY")**

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of Afdawn by the directors. The *pro forma* financial information, as set out in paragraph 8.2 and Annexure 2 of the circular to Afdawn shareholders to be issued on or about 17 March 2014 ("the circular"), consists of the *pro forma* statement of financial position, the *pro forma* statement of comprehensive income and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited ("JSE") Listings Requirements.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the Rights Offer, Specific Issue and Knife Capital Acquisition, as described in the circular ("the transactions"), on the company's financial position as at 31 August 2013, and the company's financial performance for the period then ended, as if the transactions had taken place at 31 August 2013 for purposes of the *pro forma* statement of financial position and at 1 March 2013 for purposes of the *pro forma* statement of comprehensive income. As part of this process, information about the company's financial position has been extracted by the directors from the company's unaudited published interim financial information for the 6 months ended 31 August 2013.

**Directors' responsibility for the *Pro Forma* Financial Information**

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 8.2 and Annexure 2 of the circular.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Circular* which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

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

**Opinion**

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in paragraph 8.2 and Annexure 2 of the circular.

**Consent**

This report on the unaudited *pro forma* financial information is included solely for the information of the Afdawn shareholders. We consent to the inclusion of our report on the *pro forma* financial information, and the references thereto, in the form and context in which they appear in the circular.

Yours faithfully

**Grant Thornton (Jhb) Inc.**
Ryan Stoler
*Director*
Registration number 1994/001166/21
*Registered Auditors*
*Chartered Accountants (SA)*
137 Daisy Street
Sandown
2196

## TABLE OF ENTITLEMENT

the following table set out the number of Rights Offer Shares to which a Shareholder is entitled:

| Number of Afdawn shares held | Afdawn rights offer entitlement | Number of Afdawn shares held | Afdawn rights offer entitlement | Number of Afdawn shares held | Afdawn rights offer entitlement |
|---:|---:|---:|---:|---:|---:|
| 1 | **1** | 43 | **43** | 85 | **85** |
| 2 | **2** | 44 | **44** | 86 | **86** |
| 3 | **3** | 45 | **45** | 87 | **87** |
| 4 | **4** | 46 | **46** | 88 | **88** |
| 5 | **5** | 47 | **47** | 89 | **89** |
| 6 | **6** | 48 | **48** | 90 | **90** |
| 7 | **7** | 49 | **49** | 91 | **91** |
| 8 | **8** | 50 | **50** | 92 | **92** |
| 9 | **9** | 51 | **51** | 93 | **93** |
| 10 | **10** | 52 | **52** | 94 | **94** |
| 11 | **11** | 53 | **53** | 95 | **95** |
| 12 | **12** | 54 | **54** | 96 | **96** |
| 13 | **13** | 55 | **55** | 97 | **97** |
| 14 | **14** | 56 | **56** | 98 | **98** |
| 15 | **15** | 57 | **57** | 99 | **99** |
| 16 | **16** | 58 | **58** | 100 | **100** |
| 17 | **17** | 59 | **59** | 125 | **125** |
| 18 | **18** | 60 | **60** | 150 | **150** |
| 19 | **19** | 61 | **61** | 175 | **175** |
| 20 | **20** | 62 | **62** | 200 | **200** |
| 21 | **21** | 63 | **63** | 500 | **500** |
| 22 | **22** | 64 | **64** | 1 000 | **1 000** |
| 23 | **23** | 65 | **65** | 5 000 | **5 000** |
| 24 | **24** | 66 | **66** | 10 000 | **10 000** |
| 25 | **25** | 67 | **67** | 20 000 | **20 000** |
| 26 | **26** | 68 | **68** | 50 000 | **50 000** |
| 27 | **27** | 69 | **69** | 100 000 | **100 000** |
| 28 | **28** | 70 | **70** | 200 000 | **200 000** |
| 29 | **29** | 71 | **71** | 300 000 | **300 000** |
| 30 | **30** | 72 | **72** | 400 000 | **400 000** |
| 31 | **31** | 73 | **73** | 500 000 | **500 000** |
| 32 | **32** | 74 | **74** | 1 000 000 | **1 000 000** |
| 33 | **33** | 75 | **75** | 2 000 000 | **2 000 000** |
| 34 | **34** | 76 | **76** | 3 000 000 | **3 000 000** |
| 35 | **35** | 77 | **77** | 4 000 000 | **4 000 000** |
| 36 | **36** | 78 | **78** | 5 000 000 | **5 000 000** |
| 37 | **37** | 79 | **79** | 10 000 000 | **10 000 000** |
| 38 | **38** | 80 | **80** | 50 000 000 | **50 000 000** |
| 39 | **39** | 81 | **81** | | |
| 40 | **40** | 82 | **82** | | |
| 41 | **41** | 83 | **83** | | |
| 42 | **42** | 84 | **84** | | |

# CORPORATE GOVERNANCE REPORT

This **Annexure 5** should be read in conjunction with paragraph 18.

## PART A

### 1. THE BOARD

**Purpose:**

To steer the Group with integrity, through developed policies, strategic decisions, planning, governance, resource allocation, standards of conduct and share and stakeholders relationship management.

**Composition:**

JS van der Merwe (non-executive chairman);

HH Hickey (independent non-executive director);

WJ Groenewald (acting CEO);

V Lessing (lead Independent non-executive director); and

JK van Zyl (independent non-executive director).

TF Kruger (previous executive officer, appointed as financial director on 10 April 2013) resigned from the Board with effect from 1 February 2014. He will still be assisting the Company with their financial functions until he is replaced by E van Heerden after the implementation of the Knife Capital Acquisition.

The composition is the result of compliance with regulations, complexity of the Group, risks and skills needed. Each member deserves their position on the Board with their guidance and expertise highly regarded and collectively acting as a strong and effective committee. The appointments in the period were important to strengthen the Board.

The composition is as a result of a formal process followed by a nomination committee guided by a policy promoting compliance and transparency. The composition of the Board at the Last Practicable Date consists of five members (which will increase to six once E van Heerden has been appointed). One executive (which will increase to two once E van Heerden has been appointed), three independent non-executives and one non-executive (not independent) member. The majority of the Directors are non-executive, with the majority of the latter being independent directors. This ensures balance of power and decision making without one individual having unencumbered power.

The position of the chairman and CEO were separate at year end, with the chairman being an independent, non-executive director. Mr JS van der Merwe then assumed the position of executive chairman, with previous chairman Mr Wiese assuming lead independent non-executive director. Subsequently, V Lessing was appointed lead independent non executive director replacing Mr. Wiese. On 24 February 2014 Mr JS van der Merwe stepped down as CEO, while remaining on in the position of chairman and WJ Groenewald was appointed as the acting CEO. The chairman is re-elected to the position on an annual basis by the Board. The chairman was appointed by the Board and has been assessed and possesses the necessary skills, experience and leadership qualities to steer the Group. The chairman was not a member of the remuneration and nominations committee, but is invited to attend on an *ad-hoc* basis, due to his skills and expertise. The chairman is a permanent invitee to the audit committee. The Board members individually and collectively have the necessary skills, expertise and experience ensuring effective and ethical decision making and strategy outlay.

**Frequency of meetings:**

The Board should meet at least four times per year, but due to *ad hoc* matters, six meetings were held during the financial year ending 28 February 2013.

### Roles and responsibilities

The role of the Board remained to lead and steer the Group towards accomplishing its purpose of creating wealth for its share- and stakeholders. The Board is able to fulfill its function as the members remained committed to the Group and with years of experience and specialised skills, were able to add value and make the required strategic decisions. The Board meets at least four times per annum and when needed and to facilitate any *ad-hoc* strategic input. The focus is kept on Afdawn's core business being financial services, personal loans and managing/collection of debt, subsequent to year end the vision of the Group was however changed.

### The Board leading as an ethical corporate citizen

The Board is ultimately responsible for leadership and governance of the Group, setting the tone at the top that promotes ethical behavior. This remains a critical quality that vests in the Group's leaders. The Board has been able to maintain the Afdawn and Elite brands as credible names in an ever increasing and difficult market. This was accomplished with good governance built on a solid ethical foundation. The Board embraces the principles of the King Report on Governance for South Africa 2009 ("**King Code III**"). The Board is of the opinion that the corporate governance is in line with the Group's size, complexity, risks and objectives. The Board along with management is ever evolving to align it with King Code III compliance. The Board is of the opinion that the Group complies in all material respects with the principles embodied in King Code III and the additional requirements for corporate governance stipulated by the JSE. Where specific principles have not been applied, explanations for these are contained in the table below in **Part B** of this **Annexure 5**.

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

### The Board and our Shareholders

The year under review was difficult, requiring strategic input from major share- and stakeholders. The active inputs and decision making resulted in Afdawn pursuing a new vision and unlocking value with a new business model. The Board has decided to change the vision of the Company to become an active investment holding company acquiring shareholdings in entrepreneurial companies with a strong innovation drive and which are in proven growth phases and subsequently enhancing the capabilities of these entities to accelerate long-term sustainable growth. Shareholders are referred to the SENS announcements dated 10 April 2013 and 15 October 2013 in this regard.

### Assessing and developing our Board

Our newly appointed Board members are formally introduced through a program comprising reading material, interviews with key personnel and an introduction to Afdawn and its operations. In line with the JSE Listings Requirements applicable to Alt$^{X}$ listed companies, all Board members are required to attend the Alt$^{X}$ Directors Induction program ("DIP") presented by Institute of Directors and formally by WITS Business School. Mr WJ Groenewald and Dr GE Stoop attended the program during 2013 and new members are scheduled for the latter part of the 2014 financial year. The performance of each individual Board member and the Board as a whole is assessed internally on an annual basis. Directors are only nominated for re-election after satisfactory performance assessments and outcomes. If areas of additional development are identified, it is managed through either *ad hoc* internal training or specialised training provided by reputable training institutions. Directors' remuneration is aligned with the outcomes of the performance assessments, the performance assessments for 2013 were informal, with formal assessments with specific reference to the CEO and financial director.

### To monitor and keep track of Director dealings

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

2. **REMUNERATION COMMITTEE**

**Purpose:**

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

**Composition:**

The remuneration committee consists of:

HH Hickey, WJ Groenewald, V Lessing,

The remuneration committee should meet at least twice a year. Due to the sensitivity, importance and complexity of remuneration, it is specifically managed by a separate remuneration committee assisted by the human resources department of Afdawn. The remuneration committee consists of two independent non-executive directors and one executive director and the chairman of the committee is not the chairman of the Board. The approved terms of reference of the committee was reviewed in the period under review. The main responsibility of the committee is to approve the remuneration of the executive Board members and significant adjustments to employee remuneration. The executive directors suggest the remuneration of the non-executive directors and this is submitted to Shareholders at the AGM for approval by special resolution.

There has been a minimal increase in one Directors' package, the remaining members received no increase in their packages during the year. The committee felt that the current remuneration of directors were in line with the market, and will ensure that the Group retains the required skills and expertise within the Group. At the Company's AGM held on 15 October 2013 a reduction in the non-executive directors fees from R240 000 to R120 000 per annum was approved.

The remuneration committee is responsible for:

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

The executive directors earn a fixed salary determined by their performance.

Remuneration of non-executive directors is fixed remuneration and they are not paid per meeting attended due to the high number of *ad hoc* meetings. The remuneration philosophy remains one of simplicity, practicality and sustainability which is aligned to market and industry trends. The policy ensures compensation for proven and sustainable performance both over the short and long term. The policies ensure that there are no incentives for risk taking and/or termination of contracts due to changes in management structure within the Group. The current focus remains on costs saving, strict management of cash and building on basics, resulting in no salary increases within the Group other than the one newly appointed Director.

The current executive remuneration consists of:

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

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

3. **NOMINATION COMMITTEE**

**Purpose:**

To nominate and ensure that the Board composition complies with all legal and other requirements and to ensure that the Board possesses the needed skills and knowledge that makes for a collectively effective Board.

**Composition:**

The nomination committee consists of:

HH Hickey, WJ Groenewald, V Lessing

As prescribed, the committee meets at least twice a year, or on an *ad hoc* basis when a nomination is required. The nomination and appointment of members to the Board is done through a formal process, executed by the nomination committee. The committee is combined with the remuneration committee due to the size and complexity of the Board. The nomination committee consists of two independent non-executive directors and one executive director (the CEO). The chairman of the Board is an invitee. Part of the responsibility of the committee is to identify and recommend individuals for vacant positions and also to fill skills shortages on the Board that will enhance the overall governance and leadership of the Board and Group.

During this year, the remuneration committee executed its responsibilities by enhancing the skills of the Board by nominating an additional member who brings specialised skills, experience and knowledge relating to micro finance to the Board. Nominated candidates are screened for knowledge, experience, qualifications, integrity, skills, capability and independence where needed. Only when all requirements are present, will the individual be nominated for election.

The nomination committee ensures that members nominated for election on the audit committee are suitable for the position and that the committee collectively have the required qualifications and experience. All members that are recommended by the nomination committee to the Board are only approved and appointed by the Board by an unanimous Board decision.

4. **GROUP EXECUTIVE COMMITTEES ("EXCO")**

**Purpose:**

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

**Composition:**

WJ Groenewald (acting CEO) and DR GE Stoop

**Frequency of meetings:**

Meetings are held monthly but more recently they were conducted on an *ad hoc* basis as and when required due to the purposeful restructuring of the business to pursue the new strategic vision.

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

- Head office and listed entity: African Dawn Capital Limited;
- Micro finance, front offices, call centre, medical practitioner finance and collections: Elite Group;
- Debt management and commercial collections: African Dawn Debt Management.

The governance of the Group is set at Board level and a high standard is followed through to the Company level. Although all subsidiary companies have a common thread of specialised financial services, each requires their own expertise and therefore consists of separate management teams headed by a division CEO. With the consolidation of offices in the previous year knowledge and skills were shared, paired with seamless communication throughout the Group. Exco meetings are formally minuted and approved. The meetings deal with detailed operational events and practical solutions that are communicated to the Board.

The Board membership of all the subsidiary companies comprises a combination of the Exco members plus two additional directors. There is therefore direct Exco representation on all subsidiary Boards. The Chairman of Afdawn reports and is accountable to the Afdawn Board.

5. **COMPANY SECRETARY**

The Company Secretary is responsible for assisting the Board with administration, application of information regarding the Act, JSE Listing Requirements, directors' responsibilities and powers. The Board is entitled to appoint and remove the Company Secretary. William Somerville of Corporate Statutory Services is the Company Secretary of the Group.

6. **AUDIT AND RISK COMMITTEE (referred to in this Circular as "audit and risk committee" or "audit committee")**

**Purpose:**

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

**Composition:**

HH Hickey (Chairman), V Lessing, JK van Zyl

The audit committee comprises of three independent non-executive directors (HH Hickey, V Lessing and JK van Zyl). The committee is chaired by HH Hickey, who is a Chartered Accountant and highly skilled with extensive experience in various fields, with a strong risk and governance background. Due to the changes in the Act and complexity of IFRS, specialised knowledge is needed from time to time and this is contributed by invitees attending meetings on an *ad-hoc* basis.

**Frequency of meetings:**

Meetings took place four times during the the 2013 financial year and a minimum of two meetings per year are required. The audit and risk committee has an independent role with accountability to both the Shareholders and the Board as per their terms of reference that were approved by the Board. The committee does not assume the function of management which is vested in the executive directors, officers and members of the executive committee, but is notified of any material risks or disagreements with internal and external auditors.

**Roles and responsibilities**

- Integrated and financial reporting

  Review and comment on the annual financial statements, annual integrated report, annual condensed results, interim results, trading update announcement to ensure compliance with International Financial Reporting Standards and the Act; Review and approve the appropriateness of accounting policies, disclosure policies and the effectiveness of internal financial controls; Perform a review of the Group's integrated reporting function and progress and consider factors and risks that could impact on the integrity of the Integrated Annual Report; Recommend the Integrated Annual Report to the Board for approval. Determining the levels of assurance required on integrated and financial reporting.

- Finance function

  Considers the expertise and experience of the financial director; considers the expertise, experience and resources of the Group's finance function; and consider the effectiveness of internal control over finance.

- Internal audit

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

- External audit

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

- Risk management

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

The following risks received detail attention and mention:

- Financial/Liquidity risks,
- Information technology risk
- Human resources risk
- Operational risk
- Legal/compliance risk

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

## 7. RISK MANAGEMENT

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

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

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

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

## 8. SOCIAL AND ETHICS COMMITTEE

During the year a formal social and ethics committee was established with an approved terms of reference. The committee considered matters relating to good corporate citizenship, employment equity, empowerment and socio-economic development and contributing to society in general. The primary purpose of the committee is to ensure the wellbeing of the Company, its employees, stakeholders, clients, society and monitor ethical practices in all areas.

The social and ethics committee met twice during the year under review and comprised of the following members WJ Groenewald (chairman) and Dr GE Stoop.

**PART B – APPLICATION OF PRINCIPLES IN KING III**

**Preamble**

Afdawn is committed to applying the practices prescribed by the King Code III report and has resolved as a business philosophy to adopt and pursue the same wherever reasonably practical and appropriate to its business. It therefore strives to meet those objectives in accordance with the content of the table below.

1 – Not applied/will not be applied.

2 – In process/partially applied.

3 – Full application.

| | Principle | Stage of maturity | Comments |
|---|---|---|---|
| 1. | **Ethical leadership and corporate citizenship** | | |
| 1.1 | The Board should provide effective leadership based on an ethical foundation | 3 | The Board has been established to steer the Group with integrity, through developed policies, strategic decisions, planning, governance, and resource allocation, standards of conduct and share- and stakeholders relationship management. |
| 1.2 | The Board should ensure that the company is, and is seen to be, a responsible corporate citizen | 3 | The Board is ultimately responsible for leadership and governance of the Group and setting a tone at the top that promotes ethical behavior remains a critical quality that vests in our leaders. The Board has been able to up keep the Afdawn and Elite name as credible names in an ever increasing and difficult market. This was accomplished with good governance built on a solid ethical foundation. The Board embraces the principles of King Code III. The Board is of the opinion that the corporate governance is in line with the Group's size, complexity, risks and objectives. The Board along with management is ever evolving to align it with King Code III compliance |
| 1.3 | The Board should ensure that the company's ethics are managed effectively | 3 | The Board is responsible for crafting, building and sustaining an ethical corporate culture in the Group. It is an imperative that the Group performs all its business in an ethical manner. |
| 2. | **Board and Directors** | | |
| 2.1 | The Board should act as the focal point for and custodian of corporate governance | 3 | The Board has a terms of reference policy setting out its responsibilities and meets regularly to fulfil its duties as set out in the corporate governance report which is included in the Group's annual integrated report. |

| | Principle | Stage of maturity | Comments |
|---|---|---|---|
| 2.2 | The Board should appreciate that strategy, risk, performance and sustainability are inseparable | 3 | The Board is ultimately responsible for leadership, strategy, risk management, and governance of the Group, setting the tone at the top that promotes ethical behavior remains a critical quality that vests in our leaders. In determining the strategy and long term sustainability, the members keep abreast of the concerns and consideration of the impact of its operations on the economy, society and the environment. It remains the Board's goal to positively improve the lives of its customers and other stakeholders. The current focus remains on Shareholders and employees' upliftment and rolling out the new vision and mission of the Company. |
| 2.3 | The Board should provide effective leadership based on an ethical foundation | 3 | The Board provides for effective leadership through a solid grounding in ethics as described in points 1.1 and 1.2 above. |
| 2.4 | The Board should ensure that the company is and is seen to be a responsible corporate citizen | 3 | The Board ensures its profile to be a responsible corporate citizen as described in point 1.2 above. |
| 2.5 | The Board should ensure that the company's ethics are managed effectively | 3 | During the year a formal social and ethics committee was established with an approved charter. The committee considered matters relating to good corporate citizenship, employment equity, empowerment and socio-economic development and contributing to society in general. The primary purpose of the committee is to ensure the wellbeing of the Company, its employees, stakeholders, clients, society and monitor ethical practices in all areas. |
| 2.6 | The Board should ensure that the company has an effective and independent audit committee | 3 | An independent audit committee has been functioning effectively for a number of years now and is more fully addressed in the responses in chapter 3 below. |
| 2.7 | The Board should be responsible for the governance of risk | 3 | The Board is ultimately responsible for the management of risk. Due to the importance and need for good governance it is assisted by the audit and risk committee. The management of risk has included a proactive approach through an implemented system of effective internal controls maintained and constantly improved by competent ethical managers. The management of risk in the Group is more fully described in responses to chapter 4 below. |
| 2.8 | The Board should be responsible for information technology (IT) governance | 2 | There was no separate risk committee and the audit committee assumed the responsibility and task. The responsibilities include, ensuring that management's processes and procedures are adequate to identify, assess, manage and monitor Company specific and Group risks. (*See chapter 5 below.*) |

| | Principle | Stage of maturity | Comments |
|---|---|---|---|
| 2.9 | The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards | 3 | The Board ensures that the Group complies with the applicable laws, rules, codes and standards through the audit committee, who has assumed the task and responsibility. (*See chapter 6 below.*) |
| 2.10 | The Board should ensure that there is an effective risk-based internal audit | 1 | Due to capital and resource constraints, the Company does not have a separate internal audit function. The oversight of internal control remained with the audit committee and the required testing and investigation was performed in-house by competent financial staff. A separate internal audit division with qualified internal auditor will be formalised and implemented in the near future. Managers are urged to identify, report and assist with mitigating controls and procedures to lower the risk to acceptable levels. |
| 2.11 | The Board should appreciate that stakeholders' perceptions affect the company's reputation | 3 | The Board fully appreciates that stakeholders' perceptions affect the Group's reputations as more fully dealt with in chapter 8 below. |
| 2.12 | The Board should ensure the integrity of the company's integrated report | 3 | The Board ensures the integrity of the Group's integrated report as set out in chapter 9 below. |
| 2.13 | The Board should report on the effectiveness of the company's system of internal controls | 3 | The Board reports on the effectiveness of the Company's system of internal control to the extent that it is able to, as described more fully in chapter 7 below. |
| 2.14 | The Board and its directors should act in the best interests of the company | 3 | To ensure that there is no conflict of interest or threat to independence of Board members, the Directors have to declare any and all interests in contracts entered into by them and the Group. The Board members individually and collectively have the necessary skills, expertise and experience ensuring effective and ethical decision making and strategy outlay. Dealings in securities by Directors, senior managers and employees with access to management reports or price sensitive information are controlled and are to be authorised for clearance by the chairman. No trading is allowed during closed periods or when information that could affect the share price is not yet disclosed to the public. |
| 2.15 | The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act. | 3 | The Board monitors on a regular basis whether the Group is able to pay all of its debts as they become due and payable, and whether the Group is solvent. It is not merely quantative considerations but qualitive factors are also considered. The audit committee also accesses the going concern status of the Company and the Group at both year-end and at interim stage. |

| | Principle | Stage of maturity | Comments |
|---|---|---|---|
| 2.16 | The Board should elect a chairman of the Board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the Board | 1 | The position of the chairman and CEO were separate at the 2013 year-end, with the chairman being an independent, non-executive director. Thereafter Mr JS van der Merwe assumed the position of executive chairman and CEO and accordingly Ms V Lessing was appointed in the role of lead independent non-executive director. On 24 February 2014 Mr JS van der Merwe stepped down as CEO, while remaining on in the position of chairman and WJ Groenewald was appointed as the acting CEO. The chairman is re-elected to the position on an annual basis by the Board. The chairman was appointed by the Board through the nominations committee and has been assessed and possesses the necessary skills, experience and leadership qualities to steer the Group. The chairman was not a member of the remuneration and nominations committee, but is invited to attend on an ad-hoc basis, due to his skills and expertise. The chairman is a permanent invitee to the audit committee. The Board members individually and collectively have the necessary skills, expertise and experience ensuring effective and ethical decision making. |
| 2.17 | The Board should appoint the chief executive officer and establish a framework for the delegation of authority | 2 | As mentioned in point 2.16 there is an executive chairman. A delegation of authority has been presented to the Board for approval and will be adopted at the next Board meeting formalising the framework. |
| 2.18 | The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent. | 3 | The composition of the Board is as a result of a formal process followed by a nomination committee guided by a policy promoting compliance and transparency. As at the Last Practicable Date, he Board comprised of five members. One executive, three independent non-executives and one non-executive (not independent) member. The majority of the Directors are non-executive, with the majority of the latter being independent directors. This ensures balance of power and decision making without one individual having unencumbered power. |
| 2.19 | Directors should be appointed through a formal process | 3 | The composition of the Board is derived from a formal process followed by a nomination committee guided by a policy promoting compliance and transparency. As stated in point 2.18 above |

| | Principle | Stage of maturity | Comments |
|---|---|---|---|
| 2.20 | The induction of and ongoing training and development of directors should be conducted through formal processes | 3 | Our newly appointed Board members are formally introduced through a program comprising reading material, interviews with key personnel and introduction to Afdawn and our operations. In line with the JSE Listings Requirements applicable to Altx listed companies, all Board members are required to attend the Alt Directors Induction program ("DIP") presented by Institute of Directors and formally by WITS Business School. Mr WJ Groenewald and Dr GE Stoop attended the program during 2013 and new members are booked for the latter part of 2014 financial year. |
| 2.21 | The Board should be assisted by a competent, suitably qualified and experienced company secretary | 3 | The Company Secretary is responsible for assisting the Board with administration, application of information regarding the Act, JSE Listing Requirements, directors' responsibilities and powers. The Board is entitled to appoint and remove the Company Secretary. William Somerville of Corporate Statutory Services is the Company Secretary of the Group. Prior to the appointment of a company secretary, the Board assisted by the nominations committee, considers and satisfies themselves with the competence, qualifications and experience of the candidate. The Board will at all times ensure that an arms' length relationship is established and maintained as stipulated by the JSE Listing Requirements. |
| 2.22 | The evaluation of the Board, its committees and the individual directors should be performed every year | 3 | The performance of each individual Board member and Board as a collective are assessed internally on an annual basis. Directors are only nominated for reappointment after satisfactory performance assessment and outcomes. If areas of additional development are identified it is managed through either *ad hoc* internal training or specialised training provided by reputable training institutions. |
| 2.23 | The Board should delegate certain functions to well-structured committees without abdicating its own responsibilities | 3 | The charters' terms of reference of each committee are reviewed at least annually and any amendments approved and accepted by the Board. The Board ensures that all committees are appropriately constituted and having regard to the objectives of the Group and any potential risk areas. |
| 2.24 | A governance framework should be agreed between the group and its subsidiary Boards | 2 | In the past due to the size of the Company, the Group managed the operations of the subsidiaries through the executive committee. With the new investment holding company vision for the Group it will become crucial to establish a governance framework that deals with investment holdings be it in the form of subsidiaries or equity investments. The Group envisages that this framework will be implemented soon. |

| | Principle | Stage of maturity | Comments |
|---|---|---|---|
| 2.25 | Companies should remunerate directors and executives fairly and responsibly | 2 | The remuneration committee assists the Board to set a fair remuneration philosophy and apply a policy for the remuneration of Directors and employees of the Group. The remuneration philosophy remains one of simplicity, practicality and sustainability which are aligned to market and industry trends. The policy ensures for compensation for proven and sustainable performance both over the short and long term. The policies ensure that there are no incentives for risk taking and/or termination of contracts due to changes in management structure within the Group. |
| 2.26 | Companies should disclose the remuneration of each individual director and certain senior executives | 3 | Full disclosure of each executive director and non-executive director remuneration and fees are disclosed in detail in the annual integrated report. |
| 2.27 | Shareholders should approve the company's remuneration policy | 3 | The remuneration committee recommends the remuneration of the non-executive directors to the Board and this is then submitted to Shareholders at the AGM for approval by special resolution. |
| **3.** | **Audit Committees** | | |
| 3.1 | The Board should ensure that the company has an effective and independent audit committee (private company exception) | 3 | The audit and risk committee comprises of three independent non-executive directors (HH Hickey (Chairman), V Lessing, JK van Zyl). The audit and risk committee met four times during the period, but as rule meats at least twice per year.<br><br>The audit and risk committee has an independent role with accountability to both the Shareholders and the Board as per their terms of reference that were approved by the Board. The committee does not assume the function of management which is vested in the executive directors, officers and members of the executive committee, but is notified of any material risks or disagreements with external auditors.<br><br>A report of the audit and risk committee is included in the Group's annual integrated report. |
| 3.2 | Audit committee members should be suitably skilled and experienced independent, non-executive directors (subsidiary exception) | 3 | The audit and risk committee is chaired by HH Hickey, who is a Chartered Accountant and highly skilled with extensive experience in various fields, with a strong risk and governance background. Due to the changes in the Act and complexity of International Financial Reporting Standards ("**IFRS**"), specialised knowledge is needed from time to time and this is contributed by invitees attending meetings on an ad-hoc basis. |
| 3.3 | The audit committee should be chaired by an independent non-executive director | 3 | The audit and risk committee is chaired by HH Hickey, who is a Chartered Accountant and is an independent non executive director. |

| | Principle | Stage of maturity | Comments |
|---|---|---|---|
| 3.4 | The audit committee should oversee the integrated reporting (integrated reporting, financial, sustainability and summarised information)<br><br>The audit committee should be responsible for evaluating the significant judgements and reporting decisions affecting the integrated report.<br><br>The audit committee's review of the financial reports should encompass the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive financial information, trading statements, circulars and similar documents. | 3 | The audit and risk committee are responsible for :<br>• the review and oversight of the annual financial statements, annual integrated report, annual condensed results, interim results, and trading update announcement to ensure compliance with International Financial Reporting Standards and the Act;<br>• review of any other intended release of price-sensitive financial information, trading statements, circulars and similar documents;<br>• review and approve the appropriateness of accounting policies, disclosure policies and the effectiveness of internal financial controls;<br>• evaluating the significant judgments and reporting decisions affecting the integrated report.<br>• Perform a review of the Group's integrated reporting function and progress;<br>• consider factors and risks that could impact on the integrity of the Integrated Annual Report; and<br><br>Recommend the Integrated Annual Report to the Board for approval. |
| 3.5 | The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities | 1 | A combined assurance model is not fully implemented. The audit and risk committee does however place reliance on the inputs of management and assurance from the external auditors. As indicated below, the Company does not have a separate internal audit function. |
| 3.6 | The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function | 3 | The audit and risk committee has considered and satisfied itself of the appropriateness of the finance function and experience of the senior members of management responsible for the finance function including the financial director. The result of this review is disclosed in the report of the audit and risk committee in the Group's annual integrated report. |

| | Principle | Stage of maturity | Comments |
|---|---|---|---|
| 3.7 | The audit committee should be responsible for overseeing of internal audit | 2 | Due to capital and resource constraints, the Company does not have a separate internal audit function. The oversight of internal control remained with the audit committee and the required testing and investigation was performed in-house by competent financial staff. A separate internal audit division with qualified internal auditor will be formalized and implemented in the near future. The internal audit tasks remain with the audit committee for time being until the internal audit department will take responsibility of all internal audit matters. Managers are urged to identify report and assist with mitigating controls and procedures to lower the risk to acceptable levels. |
| 3.8 | The audit committee should be an integral component of the risk management process | 3 | The significant risks are formally communicated to the Board (*via* the audit and risk committee), in minutes of meetings and the risk register, which monitors that risks taken are within acceptable tolerance and appetite levels. The risk appetite is the maximum residual risk that Afdawn is willing to take, the parameters being set by business strategies, business models, review and approving budgets, forecasts and monthly management packs. |
| 3.9 | The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process | 3 | The audit and risk committee recommend to the shareholders the appointment, reappointment and removal of the external auditors as contained in the AGM notice. In addition, it will consider and approve the external auditors' terms of engagement, remuneration and independence. |
| 3.10 | The audit committee should report to the Board and shareholders on how it has discharged its duties | 3 | A report of the audit and risk committee is included in the Group's annual integrated report. |
| **4.** | **The governance of risk** | | |
| 4.1 | The Board should be responsible for the governance of risk | 3 | The Board is ultimately responsible for the management of risk. Due to the importance and need for good governance it is assisted by the audit and risk committee. The management of risk has included a proactive approach through an implemented system of effective internal controls maintained and constantly improved by competent ethical managers. The management of risk relies on well-established governance processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting. |

| | Principle | Stage of maturity | Comments |
|---|---|---|---|
| 4.2 | The Board should determine the levels of risk tolerance | 3 | The significant risks are formally communicated to the Board (*via* the audit and risk committee), in minutes of meetings and the risk register, which monitors that risks taken are within acceptable tolerance and appetite levels. The risk appetite is the maximum residual risk that Afdawn is willing to take, the parameters being set by business strategies, business models, review and approving budgets, forecasts and monthly management packs. |
| 4.3 | The risk committee or audit committee should assist the Board in carrying out its risk responsibilities | 3 | The significant risks are formally communicated to the Board (*via* the audit and risk committee), in minutes of meetings and the risk register, which monitors that risks taken are within acceptable tolerance and appetite levels. The risk appetite is the maximum residual risk that Afdawn is willing to take, the parameters being set by business strategies, business models, review and approving budgets, forecasts and monthly management packs. |
| 4.4 | The Board should delegate to management the responsibility to design, implement and monitor the risk management plan | 3 | The risk approach is one of strong corporate oversight, with the executives having proactive participation in managing the risks, sub committees are responsible to identify and contribute to mitigating strategies to manage risk to an acceptable level. Risk management is seen as the responsibility of each and every employee. |
| 4.5 | The Board should ensure that risk assessments are performed on a continual basis | 3 | Risks pertaining to the Group as a whole, but especially focused on liquidity, asset management, credit risk, market risk and human resources, are noted and managed on an in-house risk register. |
| 4.6 | The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks | 3 | The identified risks, their likelihood of occurrence, their severity, mitigating control and the risk management outcome are discussed on a monthly basis. Risks on the register are ranked and prioritized ensuring swift response and intervention to risks outside the Board's tolerance levels. Liquidity risks are managed on a short term, and long term basis ensuring pairing of known cash in and outflows, with predictions of expected cash flows. Credit risk is formally managed by the credit committee, who is tasked with managing advances in such a way to ensure repayment of capital plus earnings, and to assess the outstanding value with expected repayment and manage collections of outstanding debts. |
| 4.7 | The Board should ensure that management considers and implements appropriate risk responses | 3 | The risk approach is one of strong corporate oversight, with the executives having proactive participation in managing the risks, sub committees are responsible to identify and contribute to mitigating strategies to manage risk to an acceptable level. Risk management is seen as the responsibility of each and every employee. |

| | Principle | Stage of maturity | Comments |
|---|---|---|---|
| 4.8 | The Board should ensure continual risk monitoring by management | 3 | Management monitors the risk register and appropriate action plans effectively and continually. The risk indicators are reviewed for appropriateness to ensure that the risk responses are effective and efficient in both design and operation. The process for monitoring risk by management is reported to the Board through the audit committee structure |
| 4.9 | The Board should receive assurance regarding the effectiveness of the risk management process<br>Reports from management to the Board and audit committee provide a balanced assessment of the key risks facing the Group. The risk register is pivotal in this assessment. | 1 | The Group has not complied with this principle in full as mentioned in point 2.7 due to not having an internal audit function. |
| 4.10 | The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders | 2 | The Board has disclosed and discharged its views and responsibility on the effectiveness of the Group's risk management process in the statement of responsibilities of directors in the Group's annual integrated report and furthermore discloses the risks facing the Group and the mitigating actions that will either reduce the probability or lessen the impact thereof. |
| **5.** | **The governance of Information Technology** | | |
| 5.1 | The Board should be responsible for information technology (IT) governance | 3 | There was no separate risk committee and the audit committee assumed the responsibility and task. The responsibilities include, ensuring that management's processes and procedures are adequate to identify, assess, manage and monitor, Company specific and Group risks |
| 5.2 | IT should be aligned with the performance and sustainability objectives of the company | 3 | The Board ensures that the IT strategy supports the Group's strategic and business processes that will encourage efficiency, security and sustainability. |
| 5.3 | The Board should delegate to management the responsibility for the implementation of an IT governance framework | 3 | Management is responsible for the implementation of all structures and processes and mechanism to execute the IT governance framework. An IT committee has been established who regularly monitor and evaluate the IT risks. Feedback is provided to the audit and risk committee. |
| 5.4 | The Board should monitor and evaluate significant IT investments and expenditure | 2 | The Board, through the audit committee, oversees the proper value delivery of IT and monitors that the expected return on investment are derived and protected. |
| 5.5 | IT should form an integral part of the company's risk management | 3 | IT risk forms an integral part of the Group's risk plan and is reported to the Board through the audit and risk committee regularly. |
| 5.6 | The Board should ensure that information assets are managed effectively | 3 | The Board ensures the appropriateness of management information driving systems to produce such information timeously in a suitable manner. |

| | Principle | Stage of maturity | Comments |
|---|---|---|---|
| 5.7 | A risk committee and audit committee should assist the Board in carrying out its IT responsibilities. | 3 | IT risk forms an integral part of the Group's risk plan and is reported to the Board through the audit and risk committee regularly. |
| **6.** | **Compliance with laws, codes, rules and standards** | | |
| 6.1 | The Board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules, codes and standards. | 3 | During the year a formal social and ethics committee was established with an approved charter. The committee considered matters relating to good corporate citizenship, employment equity, empowerment and socio-economic development and contributing to society in general. The primary purpose of the committee is to ensure the wellbeing of the Company, its employees, stakeholders, clients, society and monitor ethical practices in all areas. |
| | The social and ethics committee (a subcommittee of the Board) has established a work plan that will address adherence to all the related laws rules, codes and standards. The progress is reported to the Board regularly. | | |
| 6.2 | The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business | 3 | The Board has a duty to take the necessary steps to ensure that all the appropriate laws, rules, codes, and standards are identified which affect the Group. Processes are in place to ensure that the Board is abreast of the latest changes and probable changes applicable to the business. |
| 6.3 | Compliance risk should form an integral part of the company's risk management process | 3 | Compliance is monitored and managed actively through the risk management framework and regular reporting to the audit and risk committee, and social and ethics committee ensures good governance in the area of compliance. |
| 6.4 | The Board should delegate to management the implementation of an effective compliance framework and processes | 3 | Delegation to management in conjunction with the various sub committees ensures a fully integrated compliance policy(refer to points 6.1 and 6.3) |
| **7.** | **Internal Audit** | | |
| 7.1 | The Board should ensure that there is an effective risk-based internal audit | 1 | The Board is ultimately responsible for the management of risk. Due to the importance and need for good governance it is assisted by the audit and risk committee. The management of risk has included a proactive approach through an implemented system of effective internal controls maintained and constantly improved by competent ethical managers. |

| | Principle | Stage of maturity | Comments |
|---|---|---|---|
| | | | Due to capital and resource constraints, the Company does not have a separate internal audit function. The oversight of internal control remained with the audit committee and the required testing and investigation was performed in-house by competent financial staff or external consultants as required. A separate internal audit division with qualified internal auditor will be formalized and implemented in the near future. The internal audit tasks remain with the audit committee for time being until the internal audit department will take responsibility of all internal audit matters. Managers are urged to identify report and assist with mitigating controls and procedures to lower the risk to acceptable levels. |
| 7.2 | Internal audit should follow a risk-based approach to its plan | 1 | See point 7.1 |
| 7.3 | Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management. | 1 | See point 7.1 |
| 7.4 | The audit committee should be responsible for overseeing internal audit | 2 | The oversight of internal control remained with the audit committee and the required testing and investigation was performed in-house by competent financial staff and external consultants where necessary. |
| 7.5 | Internal audit should be strategically positioned to achieve its objectives | 1 | The Board is ultimately responsible for the management of risk. Due to the importance and need for good governance it is assisted by the audit and risk committee. Furthermore see point 7.1 |
| **8.** | **Governing stakeholder relationships** | | |
| 8.1 | The Board should appreciate that stakeholders' perceptions affect a company's reputation | 3 | The Group acknowledges that communication and the resultant performance through actions will shape the perceptions of stakeholders. Well considered communication remains crucial to manage perceptions. |
| 8.2 | The Board should delegate to management to proactively deal with stakeholder relationships | 3 | The Board encourages constructive engagement aimed at ultimately promoting enhanced levels of corporate governance. |
| 8.3 | The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company | 3 | The Board takes into account, as far as possible all the legitimate interests and expectations of its stakeholders in its decision making taking care to strike an appropriate balance between the various interest groupings. |
| 8.4 | Companies should ensure the equitable treatment of shareholders (only applicable to companies and state owned companies) | 3 | The Board is aware that there are minorities and that all stakeholders should be treated equitably. |
| 8.5 | Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence | 3 | Relationships with stakeholders can only be built and maintained through complete, timeous, honest and relevant information. The success of the Group is fundamentally linked to all our stakeholders. |

| | Principle | Stage of maturity | Comments |
|---|---|---|---|
| 8.6 | The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible | 3 | As part of the Board's duty of care to the Group it vigilantly ensures that all disputes are resolved efficiently and transparently. |
| **9.** | **Integrated reporting and disclosure** | | |
| 9.1 | The Board should ensure the integrity of the company's integrated report. | 3 | The Board ensures that the integrated annual report provides for a holistic representation of the Groups' performance in terms of both its financial performance and its sustainability. The Group has established appropriate controls that ensure the integrity of the integrated report. The Group has implemented a structure that ensures truthful and factual presentation of the Groups' financial affairs. This structure includes the review and consideration of the financial statements by the audit committee and the process ensures independence and competence of the Group's external auditors. |
| 9.2 | Sustainability reporting and disclosure should be integrated with the company's financial reporting | 3 | The annual financial statements are included in the integrated report. The Board has provided commentary on the financial results in the integrated report. The commentary enables the stakeholders to make informed decisions of the Group's value and envisaged prospects. The Board discloses and confirms the Group's going concern status. |
| 9.3 | Sustainability reporting and disclosure should be independently assured | 1 | The Board has decided that there would be no further third-party assurances in respect of the Group's annual integrate report, other than that of the independent auditors. The contents of the report have been reviewed by the audit committee and approved by the Board. |

## INFORMATION ON DIRECTORS

### PART A: INFORMATION OF THE BOARD AS CONSTITUTED AT THE LAST PRACTICAL DATE:

1. **DETAILS OF DIRECTORS OF AFDAWN AND ITS MAJOR SUBSIDIARY**

The names, business addresses and functions of the Directors are detailed below:

| Director | Age | Capacity | Business address |
|---|---|---|---|
| JS van der Merwe | 66 | Chairman of Afdawn | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |
| HH Hickey | 60 | Independent non-executive director of Afdawn | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |
| WJ Groenewald | 47 | Acting CEO of Afdawn | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |
| V Lessing | 59 | Lead independent non-executive director of Afdawn | 8th Floor, Zeeland House<br>7 – 9 Heerengracht Street<br>Cape Town<br>8001<br>(PO Box 27671, Rhine Road, 8050) |
| JK van Zyl | 39 | Independent non-executive director of Afdawn | Unit E5B, Century Square<br>Heron Crescent<br>Century City<br>7441 |
| GE Stoop | 54 | CEO of Elite | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |
| DD Breedt | 58 | Executive director of Elite | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |

| Director | Age | Capacity | Business address |
|---|---|---|---|
| DA Turner | 50 | Executive director of Elite | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |

All Directors are South African citizens.

## 2. ABRIDGED *CURRICULA VITAE* OF DIRECTORS OF AFDAWN AND ITS MAJOR SUBSIDIARY

Brief *curricula vitae* of the directors are set out below:

**Mr JS van der Merwe ("Mac")**

*Chairman*

Mac was appointed to the Board 10 April 2013. Mac was educated as a Mechanical Engineer and has studied Business Management at UNISA. Mac has comprehensive entrepreneurial experience over a period of 30 years. In 1982 he founded and was Managing Director of Park Motors Group, and in 1989 founded VaalMac Engineering in Meyerton and Saldanha. In the 1990's Mac co-founded Skills Accel, a skills development company. In 1995 Mac was responsible for the listing of VaalMac Engineering through a reverse listing of City Investment Holdings and Spicer Mitchell Holdings. One of the paramount ventures was acquiring the controlling shareholding of President Steyn Gold Mine in 1997 and the turnaround of the five shaft operation securing 4 500 jobs. The mine was later listed on the JSE and sold to a Canadian company. Mac's experience in business reaches over start-up businesses to mature profitable projects all within an entrepreneurial framework. Early in 2002 the van der Merwe family bought various hospitality businesses under the banner of the Zorgvliet Group and in 2011 he initiated the development of Community+27, an online community portal, which has recently been completed.

**Mrs HH Hickey ("Hester")**

*Independent Non-Executive Director*

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

**Mr WJ Groenewald ("Jacques")**

*Acting CEO*

Jacques was appointed as a Non-Executive Director on 17 November 2011 and was subsequently appointed as the acting CEO on 24 February 2014. He holds a B Com (Hons) from the University of Stellenbosch. He is an investment professional in the asset management, investment banking and hedge funds industry with 18 years experience.

**Ms V Lessing ("Vanya")**

*Independent Non-Executive Director*

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

**Mr JK van Zyl ("Keet")**

*Independent Non-Executive Director*

Keet was appointed on 29 May 2013. Keet is a 'Venture Catalyst' with extensive high-growth investment experience. He structured various private equity funds in Southern Africa for a US fund-of-funds investor and worked in growth finance at industry-leading companies such as Procter & Gamble, Investec Bank and Here Be Dragons (HBD) Venture Capital – the fund managers behind SA internet billionaire Mark Shuttleworth's successful venture capital fund. He co-founded growth equity fund manager: Knife Capital (where he is a partner and Board member of various portfolio investments) to fund and support knowledge-enabled entrepreneurs. Keet is passionate about building the early-stage funding eco-system in Sub-Saharan Africa. He co-founded business angel investment group AngelHub as well as the new Grindstone business accelerator that will assist SA technology SMEs to become sustainable and fundable. Keet has expansive experience in the total Venture Capital value chain and will bring Venture Capital experiences and skills that will reduce risk and improve desired outcomes in line with the new vision of the Company.

**Dr Eddie Stoop ("Eddie")**

*Chief Executive Officer*

Eddie is an Industrial Psychologist and Management Consultant with a Doctorate in Business Administration. He introduced the Strategic-planning concept to the tertiary institutions in the early 90's and was part of the Presidents special committee on education. During his five-year involvement at UNISA SBL as lecturer and consultant, he led the management team in strategic process and business planning. He was inspirational in negotiations with the Open University, in ensuring new academic products for the changing South African Market. He acted as consultant and marketing executive for RAU (now University of Johannesburg) and the Global University for more than five years. As an independent Consultant and part of the executive team, he was involved in Process Re-engineering projects in organizations such as Mass Stores Group and Transnet, to mention only a few. As Project Manager, he spearheaded numerous multi-million rand, national and international engineering projects in Mozambique, Ghana and China, with great success.

He is currently involved in the Micro Finance environment as CEO of Elite Group. He was the speaker at the BANKSETA opening of the Micro Finance Skills Projects, the most significant development in the Micro Lending Industry since the introduction of the Micro Finance Regulatory Council, now the National Credit Regulator in 2000. He was elected to the African Dawn Board of Directors on 23 May 2012 to 05 November 2013.

**Mr Dahrius Breedt ("Dahrius")**

*Director – Information Technology*

Dahrius started his career in 1981 as junior programmer at Naschem, a division of Denel, and was Senior Programmer by the time he left their employment in 1996. He holds numerous certificates in the following program languages: Natural Addebas, Addebas, Progres & Clarion. He started at Elite Group as Manager of the IT Department on 1 March 1996. He is responsible for the development of the Elite Administration program which has, over the years revolved into one of the leading programs in the micro lending industry. As project leader and IT Manager he developed a state of the art Call Centre administration program, which is one of a kind currently in the industry. He has single handedly developed the Debt Administrator program specifically for the use by Debt Collection companies. The program is fully compliant in accordance to the requirements of the courts and is maintained on a regular basis with all new legislation passed.

Dahrius was appointed as the Director of Information Technology on 1 August 2012 and has since then been responsible for all IT requirements for the group of companies.

**Mr Andy Turner ("Andy")**

*Marketing Director*

Andy completed his BA (Psychology) degree at Stellenbosch University in 1987. He joined MediClinic Hospital Group and ER24 where he quickly excelled to the youngest hospital manager in the group. He spent nine years with the group. In January 2005 he was appointed as the CEO of Lions Rugby Union, where he transformed a struggling rugby union into a winning team with financially sound balance sheets. NuGroup, where Altech NuPay is the major shareholder, canvassed him to join the group as their Business Development Director of five companies from 2007 to 2012. In 2012 he started his own consulting company, Usolwazi Business Solutions, where he consulted to Elite Group for three months. Following his consultation he was appointed as the Marketing Director of Elite Group on 1 August 2012. Andy is also an ex-international rugby referee who refereed 15 tests, 42 Super games and over 175 First Class games being on the IRB Referee panel for nine years. He is the only SA referee who officiated at the Commonwealth Games 1998, Akita World Games 2001, RWC 7's 2001, RWC 2003 and Hong Kong Sevens. Apart from his passion for rugby he is also a keen golfer with a four handicap, ex-Springbok wrestler and Wildlife Photographer. He has been nominated for the SA Sport Hall of Fame.

3. **OTHER DIRECTORSHIPS OF AFDAWN DIRECTORS**

The table below sets out the names of the companies and other entities of which the Directors of Afdawn are or have been directors, members or partners during the five years preceding the Last Practicable Date:

| Director | Name of company or entity | Capacity |
|---|---|---|
| JS van der Merwe | Riviera-on-Vaal Proprietary Limited | Director |
| | Move-on-Up 265 Proprietary Limited | Director |
| | Ronel Strydom Beleggings Proprietary Limited | Director |
| | Susan Straat Beleggings Proprietary Limited | Director |
| | Sure Zorgvliet Travel Proprietary Limited | Director |
| | Vaalmac Investmetns Proprietary Limited | Director |
| | Zorgvliet Farms Proprietary Limited | Director |
| | Zorgvliet Wines Proprietary Limited | Director |
| | LJ Beleggings Proprietary Limited | Director |
| | Zorgvliet Vineyard Lodge and Spa Proprietary Limited | Director |
| | Lineprops 16 Proprietary Limited | Director |
| | Summer Court Estates Proprietary Limited | Director |
| | Uvongo Falls No 22 Proprietary Limited | Director |
| | Investzik Thirteen Proprietary Limited | Director |
| | Investzik Fourteen Proprietary Limited | Director |
| | Investzik Twelve Proprietary Limited | Director |
| | Little Pony Proprietary Limited | Director |
| | The King George Hotel Properties Proprietary Limited | Director |
| | Zorgvliet Property Development Proprietary Limited | Director |
| | Manor House 1692 Proprietary Limited | Director |
| | Zorgvliet Private Residence Club Fractional Sales Proprietary Limited | Director |
| HH Hickey | African Dawn Capital Limited | Director |
| | Agre Insurance Company Proprietary Limited | Director |
| | Metorex Limited | Director |
| | Omnia Holdings Limited | Director |
| | Glenrand MIB Limited | Resigned |
| | MPF Management Services Proprietary Limited | Resigned |
| WJ Groenewald | Elite Group 2 Proprietary Limited | Director |
| | Makalu Capital Proprietary Limited | Director |
| | Shock Proof Investments 20 Proprietary Limited | Director |
| | Exclusive Access Trading 209 Proprietary Limited | Director |
| | SST Rentals Proprietary Limited | Director |
| | Sandown Capital Proprietary Limited | Resigned |
| | Makalu Capital Investments Proprietary Limited | Director |
| | Jamdo Proprietary Limited | Director |
| | African Dawn Property Transfer Finance 1 Proprietary Limited | Director |
| | African Dawn Property Transfer Finance 2 Proprietary Limited | Director |
| | African Dawn Debt Management Proprietary Limited | Director |

| Director | Name of company or entity | Capacity |
|---|---|---|
| | African Dawn Property Transfer Finance 5 Proprietary Limited | Director |
| | Albistar Investments Proprietary Limited | Director |
| | Amalgum Investments 138 Proprietary Limited | Director |
| | Candlestick Park Investments Proprietary Limited | Director |
| | Nexus Personnel Finance Proprietary Limited | Director |
| | African Dawn Kwa-Zulu Natal Proprietary Limited | Director |
| | African Dawn Wheels Proprietary Limited | Director |
| | African Dawn Social Education Proprietary Limited | Director |
| | Bhenka Community Marketing Proprietary Limited (previously Bhenka Financial Services Proprietary Limited) | Director |
| | African Dawn Wheels Operations Proprietary Limited (previously ABC Cashplus Financial Services Proprietary Limited) | Director |
| | Nexus Personnel Finance 2 Proprietary Limited | Director |
| | Candlestick Park Investments Proprietary Limited | Director |
| | African Dawn Investments Proprietary Limited (in the process of being deregistered) | Director |
| | Almika Properties 81 Proprietary Limited | Director |
| | Elatiflash Proprietary Limited | Director |
| V Lessing | Sure Holdings Proprietary Limited | Director |
| | Sure Travel Proprietary Limited | Director |
| | Sure Online Proprietary Limited | Director |
| | Sure Corporate Proprietary Limited | Director |
| | Agent Rewards Proprietary Limited | Director |
| | Wainfleet Trade Proprietary Limited | Director |
| | Association of South African Travel Agents (ASATA) | Director |
| | Worldwide Independent Travel Network (WIN) Limited | Director |
| JK van Zyl | Knife Knowledge Proprietary Limited | Director |
| | Knife Capital Proprietary Limited | Director |
| | Angelhub Proprietary Limited | Resigned |
| | EDH Holdings Proprietary Limited | Director |
| | Aframede Proprietary Limited | Director |
| | Grindstone Accelerator Proprietary Limited | Director |
| | Flightscope Proprietary Limited | Director |
| | EDH Tennis Limited (Incorporated in the United Kingdom) | Director |
| | EDH Doppler Proprietary Limited | Director |
| | OrderTalk Investments Proprietary Limited | Director |
| | CSense Systems Proprietary Limited | Resigned |

**PART B: INFORMATION OF THE BOARD AS WILL BE CONSTITUTED AFTER THE KNIFE CAPITAL ACQUISITION:**

Following the implementation of the Knife Capital Acquisition the Board will be re-constituted as follows:

TF Kruger has resigned from the Board and E van Heerden will be appointed as the financial director. WJ Groenewald is currently the acting CEO and after the implementation of the Knife Capital Acquisition, he will be appointed as permanent CEO,

As a result of the Knife Capital Acquisition, JK van Zyl will become an executive director and will no longer be an independent non-executive director and following the implementation of the Knife Capital Acquisition Andrea Böhmert will be appointed as an executive director.

1. **DETAILS OF DIRECTORS OF AFDAWN AFTER THE KNIFE CAPITAL ACQUISITION IS IMPLEMENTED**

The names, business addresses and functions of the Directors will be detailed below:

| Director | Age | Capacity | Business address |
|---|---|---|---|
| JS van der Merwe | 66 | Non-executive chairman | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |
| HH Hickey | 60 | Independent non-executive director | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |
| WJ Groenewald | 47 | CEO | 1st Floor, Quadrum 4<br>Quadrum Office Park<br>50 Constantia Boulevard<br>Constantia Kloof, Ext 28<br>1709<br>(PO Box 5455, Weltevreden Park, 1715) |
| V Lessing | 59 | Independent non- executive director | 8th Floor, Zeeland House<br>7 – 9 Heerengracht Street<br>Cape Town<br>8001<br>(PO Box 27671, Rhine Road 8050) |
| E van Heerden | 43 | Financial director | Unit E5B, Century Square, Heron Crescent<br>Century City, 7441 |
| JK van Zyl | 39 | Executive director | Unit E5B, Century Square<br>Heron Crescent<br>Century City<br>7441 |
| A Böhmert | 46 | Executive director | Unit E5B, Century Square<br>Heron Crescent<br>Century City<br>7441 |

All directors are South African citizens.

## 2. ABRIDGED *CURRICULA VITAE* OF PROPOSED NEW DIRECTOR OF AFDAWN

Brief *curricula vitae* of the new proposed directors and members of management are set out below:

**Mr E van Heerden ("Eben")**

*Financial Director*

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

**Ms A Böhmert ("Andrea")**

*Executive Director*

Andrea is a director and shareholder of Knife Capital, a Cape Town based Growth Equity Fund with a successful track record and exiting portfolio companies including Visa and General Electric. Before joining Knife Capital, Andrea was the founder and co-managing partner of Hasso Plattner Ventures Africa Proprietary Limited. Andrea has been actively involved in numerous initiatives aiming to accelerate the African entrepreneurial ecosystem such as Angelhub, South Africa's first structured Angel Investment vehicle, the Bandwidth Barn, South Africa's oldest IT incubator, as Exco member of Silicon Cape, a member of Endeavor VentureCorps and as an Angel Investor in the Google Umbono Incubator Program. Recently, Knife Capital launched its own growth and funding platform or accelerator known as Grindstone, a later-stage business accelerator in Cape Town aimed at assisting entrepreneurs with solving the problems common to scale-ups including: everything from coping with accelerated growth to raising funding, taking advantage of M&A opportunities, securing international partnerships, sharpening their business model and executing on their plan. Previously, Andrea worked at Dimension Data and Siemens, where she was responsible for the corporate strategy for Southern Africa. She holds a Masters degree in Marketing and Management of Technology and Innovation from the Rheinisch Westfälische Technische Hochschule (RWTH) in Aachen, Germany and an MBA from Henley Management College in the United Kingdom.

## INFORMATION ON THE UNDERWRITER

The proposed Rights Offer has been partially underwritten by the Underwriter. Details pertaining to the Underwriter as required by the Listings Requirements are set out below:

**VAALMAC INVESTMENTS:**

1. **NATURE OF BUSINESS**

   Investments

2. **DIRECTORS**

   JS van der Merwe

   M van der Merwe

3. **COMPANY SECRETARY**

   JCB Incorporates
   No. 1 Orwell Park
   2 Orwell Drive
   Three Rivers
   1929

4. **DATE AND PLACE OF INCORPORATION**

   1996
   Vereeniging

5. **REGISTRATION NUMBER**

   1996/008486/07

6. **REGISTERED OFFICE**

   c/o JCB Incorporates
   No. 1 Orwell Park
   2 Orwell Drive
   Three Rivers
   1929

7. **AUDITORS**

   JCB Incorporates
   No. 1 Orwell Park
   2 Orwell Drive
   Three Rivers
   1929

8. **BANKERS**

   First National Bank

9. **AUTHORISED SHARE CAPITAL**

**Ordinary share capital**
100 ordinary shares with a par value of R1,00 each

10. **ISSUED SHARE CAPITAL**

**Ordinary share capital**
100 ordinary shares of R1,00 each

## SHARE TRADING HISTORY OF AFDAWN

The high, low and closing prices of the ordinary shares on the JSE, and the volumes and value traded, quarterly from January 2011 to December 2012, monthly from January 2013 to December 2013 and for each trading day from 1 January 2014 to the Last Practicable Date, were as follows:

| | | Close (cents) | High (cents) | Low (cents) | Value (R) | Volume (shares) |
|---|---|---|---|---|---|---|
| **Quarterly** | March | 9 | 15 | 8 | 2 643 805 | 25 776 918 |
| 2011 | June | 10 | 19 | 8 | 2 310 788 | 21 992 909 |
| | September | 13 | 16 | 9 | 1 114 659 | 10 647 378 |
| | December | 18 | 21 | 9 | 7 754 900 | 52 847 010 |
| | March | 16 | 18 | 14 | 14 777 879 | 99 631 447 |
| 2012 | June | 15 | 22 | 14 | 5 411 077 | 34 214 093 |
| | September | 15 | 17 | 12 | 4 782 339 | 32 480 429 |
| | December | 11 | 16 | 9 | 7 939 767 | 70 481 305 |
| **Monthly** | | | | | | |
| 2013 | January | 9 | 12 | 9 | 889 458 | 9 004 126 |
| | February | 8 | 9 | 7 | 1 151 379 | 14 506 832 |
| | March | 7 | 8 | 6 | 740 050 | 10 976 243 |
| | April | 10 | 11 | 6 | 1 771 388 | 21 532 011 |
| | May | 7 | 10 | 6 | 1 378 407 | 18 005 134 |
| | June | 9 | 11 | 6 | 1 278 578 | 14 652 792 |
| | July | 8 | 10 | 8 | 287 035 | 3 069 866 |
| | August | 7 | 10 | 7 | 520 960 | 6 594 485 |
| | September | 7 | 10 | 5 | 1 081 696 | 15 035 637 |
| | October | 7 | 8 | 6 | 577 368 | 8 362 805 |
| | November | 9 | 10 | 6 | 2 842 770 | 38 101 719 |
| | December | 9 | 10 | 8 | 626 263 | 6 855 256 |

| | | Close (cents) | High (cents) | Low (cents) | Value (R) | Volume (shares) |
|---|---|---|---|---|---|---|
| **Daily** | | | | | | |
| 2014 | 2 January | 9 | 9 | 8 | 63 110 | 724 000 |
| | 3 January | 8 | 9 | 8 | 76 287 | 886 375 |
| | 6 January | 9 | 9 | 8 | 110 958 | 1 346 099 |
| | 7 January | 9 | 9 | 9 | 24 084 | 267 602 |
| | 8 January | 9 | 9 | 8 | 5 484 | 61 867 |
| | 9 January | 9 | 9 | 8 | 30 290 | 371 000 |
| | 10 January | 8 | 9 | 8 | 82 792 | 972 400 |
| | 13 January | 9 | 9 | 9 | 75 663 | 840 711 |
| | 14 January | 9 | 9 | 9 | 5 670 | 63 000 |
| | 15 January | 9 | 9 | 8 | 16 837 | 195 979 |
| | 16 January | 9 | 9 | 9 | 8 706 | 96 744 |
| | 17 January | 10 | 10 | 9 | 19 454 | 209 800 |
| | 20 January | 9 | 10 | 9 | 30 033 | 315 930 |
| | 21 January | 9 | 9 | 8 | 64 872 | 806 284 |
| | 22 January | 9 | 9 | 9 | 18 376 | 204 180 |
| | 23 January | 9 | 9 | 8 | 46 239 | 559 838 |
| | 24 January | 8 | 9 | 8 | 19 634 | 234 803 |
| | 27 January | 8 | 9 | 8 | 7 923 | 93 623 |
| | 28 January | 8 | – | – | – | – |
| | 29 January | 8 | 8 | 8 | 49 704 | 621 300 |
| | 30 January | 9 | 9 | 8 | 68 855 | 793 753 |
| | 31 January | 8 | 8 | 8 | 27 037 | 337 968 |
| | 3 February | 8 | 8 | 8 | 25 661 | 320 766 |
| | 4 February | 8 | 8 | 8 | 18 000 | 225 000 |
| | 5 February | 8 | 8 | 8 | 17 607 | 220 097 |
| | 6 February | 9 | 9 | 7 | 20 911 | 291 956 |
| | 7 February | 9 | – | – | – | – |
| | 10 February | 8 | 9 | 8 | 10 804 | 135 050 |
| | 11 February | 7 | 8 | 7 | 8 091 | 101 764 |
| | 12 February | 7 | – | – | – | – |
| | 13 February | 9 | 8 | 8 | 33 410 | 417 000 |
| | 14 February | 8 | – | – | – | – |

The definitions and interpretation commencing on page 9 of the Circular apply throughout these Revised Listing Particulars.

**AFRICAN DAWN CAPITAL LIMITED**
(Incorporated in the Republic of South Africa)
(Registration number 1998/020520/06)
Shares code: ADW ISIN: ZAE000060703
("**Afdawn**" or "**the Company**")

## REVISED LISTING PARTICULARS

The "Corporate Information" paragraph, set out on the inside cover of this Circular to which these Revised Listing Particulars are attached, is incorporated herein by reference. The definitions and interpretation commencing on page 7 of this Circular apply, *mutatis mutandis*, to these Revised Listings Particulars. The Salient Dates and Times relating to the Rights Offer which appears on page 12 of the Circular, apply to these Revised Listing Particulars.

These Revised Listing Particulars have been prepared on the assumption that the Rights Offer, Specific Issue and Knife Capital Acquisition, as more fully described in the Circular, of which these Revised Listing Particulars form part, have been approved by shareholders (where applicable) and implemented.

These Revised Listing Particulars are prepared and issued in terms of the JSE Listings Requirements. These Revised Listing Particulars are not an invitation to the public to subscribe for securities in Afdawn, but are issued in compliance with the JSE Listings Requirements, for the purpose of providing information to the public and Shareholders with regard to Afdawn.

As at the date of this Circular, the total authorised ordinary share capital of the Company will comprise 5 000 000 000 Afdawn Shares with a par value of R0.01 each. The issued ordinary share capital will comprise of 508 184 155 Afdawn Shares with a par value of R0.01 each. The Company has 3 268 324 treasury shares in issue.

All ordinary Shares in issue rank *pari passu* with each other.

Assuming the Rights Offer is fully subscribed, the Specific Issue and the Knife Capital Acquisition are implemented, the Rights Offer and Specific Issue will involve the issue by Afdawn of a maximum of 558 184 155 Shares, constituting 47.9% of Afdawn's issued ordinary share capital following the Rights Offer, Specific Issue and Knife Capital Acquisition, for an Issue Price of 8 cents per Share, to be made on the issue date.

The Knife Capital Acquisition will involve the issue by Afdawn of 100 000 000 Shares, constituting 8.6% of Afdawn's issued ordinary share capital following the Rights Offer, Specific Issue and Knife Capital Acquisition, for an Issue Price of 10 cents per Share, to be made on the issue date.

The Shares issued in terms of the Rights Offer, Specific Issue and Knife Capital Acquisition will rank *pari passu* with the Company's existing Shares and, without derogating from the generality of the aforesaid, will rank together with the existing ordinary Shares of the Company for distributions.

The total authorised share capital of the Company will remain unchanged following the Rights Offer, Specific Issue and Knife Capital Acquisition. The total value of the Company's issued share capital will be approximately R93 309 464, based on a value of 8 cents per Share.

The allocation of Shares in terms of the Rights Offer will be such that Shareholders will not be allocated a fraction of a Share and as such, any Rights Offer Entitlement(s) to receive a fraction of a Share which if it is less than one-half of a Share, will be rounded down to the nearest whole number or if it is equal to or greater than one-half of a Share but less than a whole Share will be rounded up to the nearest whole number.

Shareholders of Afdawn are advised that their Afdawn Shares will only be traded on the JSE in Dematerialised form and accordingly all Shareholders who elect to receive their Afdawn Shares in certificated form will have to Dematerialise their share certificates in order to trade their Afdawn Shares on the JSE. Such Shareholders must accordingly make arrangements with their CSDP or Broker in terms of the Custody Agreement with their CSDP or Broker.

The Board of Directors of Afdawn, whose names are set out in the *Corporate Information* section of Circular, collectively and individually, accept full responsibility for the accuracy of the information contained herein and certify that, to the best of their knowledge and belief, there are no omissions of facts or considerations which would make any statements of fact or opinion contained in these Revised Listing Particulars false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this these Revised Listing Particulars contain all information required by the JSE Listings Requirements.

The advisers and Transfer Secretaries, whose names are included in these Revised Listing Particulars, have given and have not, prior to registration, withdrawn their written consents to the inclusion of their names in the capacities stated.

An abridged version of these Revised Listing Particulars will be published on SENS and in the Press on Monday, 17 March 2014.

| Corporate Adviser and transaction Designated Adviser | Independent Reporting Accountants |
|---|---|
| PSG CAPITAL | Grant Thornton<br>An instinct for growth™ |

These Revised Listing Particulars are only available in English. Copies may be obtained from the registered offices of Afdawn, the Transfer Secretaries and the Corporate Adviser and Transaction Designated Adviser whose addresses are set out in the "Corporate Information" section of this Circular from Monday, 17 March 2014 to Friday, 4 April 2014 (both days inclusive).

Date of issue: 17 March 2014

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**AFRICAN DAWN CAPITAL LIMITED**
(Incorporated in the Republic of South Africa)
(Registration number 1998/020520/06)
Shares code: ADW ISIN: ZAE000060703
("**Afdawn**" or "**the Company**")

**Directors**
JS van der Merwe (*chairman*) *
HH Hickey *#
WJ Groenewald (CEO)
V Lessing (*lead independent director*) *#
JK van Zyl (*executive*)
E van Heerden (*financial director*)
A Böhmert (*executive*)
***  Non-executive***
***# Independent***

## REVISED LISTINGS PARTICULARS

1. **INTRODUCTION**

1.1 The details of the Rights Offer and Specific Issue are set out in the Circular to which these Revised Listing Particulars are attached.

1.2 As the Rights Offer will result in Afdawn issuing ordinary Shares equating to a maximum of 100% of its issued ordinary share capital, Afdawn is required in terms of the Listings Requirements to issue revised listings particulars.

1.3 The purpose of these Revised Listing Particulars is to inform Shareholders of the effects of the Rights Offer, Specific Issue and Knife Capital Acquisition in terms of the Listings Requirements and, accordingly, have been prepared on the assumption that the Rights Offer, Specific Issue and Knife Capital Acquisition have been approved by Shareholders (if applicable) and successfully implemented.

2. **HISTORY, BACKGROUND AND INCORPORATION**

2.1 Afdawn began life in 1998 as a micro finance Company which, following its listing on the Altx in 2004, grew into a niche finance provider covering micro finance, debtor discounting and structured property finance. Utilising internal expertise, professional advisers, strategic alliances and acquisitions, the Group grew significantly following its listing. With the significant rise in its share price, Afdawn was able to acquire additional businesses and utilise Shareholders funds to grow its loan books.

2.2 Lending was concentrated on individuals and businesses that needed funding to develop, build and grow wealth, on the one hand, and a burgeoning micro finance customer base on the other.

2.3 In 2009 the Group had significant exposure to the property sector where aggressive expansion had been pursued in, mainly, property developments. The Group faltered in 2009 due to the increase in doubtful loans and the associated collapse in the property markets. This impacted significantly on the Group but more so the majority of Afdawn's executive management who, based on the meteoric rise in the share price, had entered into a highly geared single stock structure with Nedbank. The falling Afdawn share price triggered margin calls by Nedbank which, when they were not settled, lead to Nedbank exercising their security and thereby becoming the single biggest Shareholder in Afdawn.

2.4 The majority of the executive directors were subsequently removed from the Board at the Company's AGM in October 2009 and a new Board was constituted.

2.5 The newly constituted Board called for a limited forensic review of the Company and some of its subsidiaries. The scope of the forensic review included:

2.5.1 a review of Nexus Personnel Finance Proprietary Limited, a wholly-owned subsidiary of Afdawn, in particular the possible misappropriation of funds by employees or agents of Nexus;

2.5.2 the possible manipulation of the Afdawn and/or Nexus financial statements for the year ended 28 February 2009;

2.5.3 the dealing in Afdawn shares, and

2.5.4 the possible manipulation of the Afdawn share price.

2.6 The report revealed fraud and mismanagement in Nexus and Afdawn. Afdawn is currently co-operating with the various authorities in their investigations of the Group's Directors and advisers. As part of the normalisation of the business, Grant Thornton was appointed as auditors to the entire Group.

2.7 In July 2010 Nedbank agreed to sell the majority of their shareholding to PCI, with the remaining shares being sold to a fund manager. Shortly thereafter there were further changes to the Board with the appointment in July 2010 of PC Gordon as executive chairman and L Taylor as an independent non-executive Director. TF Kruger was appointed as Financial Director in August 2010. CF Wiese and H Hickey were subsequently appointed to the Board.

2.8 The composition of the Board has changed significantly since the last year-end as the Company embarked on sourcing the appropriate capabilities at Board level to execute the Company's new strategic vision. On 10 April 2013 TF Kruger stepped down as CEO and was appointed as financial director and on the same date Mr JS van der Merwe was appointed as executive chairman. Further changes occurred to the Board with the appointments of Ms WN Luhabe, V Lessing and JK van Zyl on 29 May 2013. Subsequently the Board accepted the resignations of L Taylor (29 May 2013), CF Wiese (10 June 2013), Ms WN Luhabe (30 September 2013), Dr GE Stoop (5 November 2013) and TF Kruger (1 February 2014). On 24 February 2014 Mr JS van der Merwe stepped down as CEO, while remaining on in the position of chairman and WJ Groenewald was appointed as the acting CEO. Details of the current Directors are included in paragraph 4.

2.9 As part of the turnaround, the Group was rationalised into two distinct areas of expertise; personal finance and structured lending. All non-essential subsidiaries were subsequently closed.

2.10 As announced on SENS on 10 April 2013 and 15 October 2013, the Board has subsequently decided to change the strategic vision of the Company to become an active investment holding company, acquiring shareholdings in entrepreneurial companies with a strong innovation drive. In terms of the new strategy the Company will seek to acquire interests in companies which are in proven growth phases and will assist these companies to enhance their capabilities in order to accelerate their long term sustainable growth.

2.11 In pursuit of this new strategy the Company announced the Knife Capital Acquisition. Full details of the Knife Capital Acquisition are set out in the SENS Announcements dated 13 December 2013 and Tuesday, 18 February 2014, copies of which are attached hereto as **Annexure 10**.

2.12 Following the implementation of the Knife Capital Acquisition, WJ Groenewald will be appointed as permanent CEO, E van Heerden will be appointed as the financial director and A Böhmert will be appointed as executive director of Afdawn. As a result of the Knife Capital Acquisition, JK van Zyl will become an executive director and will no longer be an independent non-executive director.

## 3. NATURE OF BUSINESS AND PROSPECTS

3.1 The Company structure is detailed and illustrated in **Appendix 1** to these Revised Listings Particulars.

3.2 It is the intention of the Company to dispose of its existing business units in due course, subject to favourable market conditions. Following the successful implementation of the Knife Capital Acquisition, Knife Capital will form the first asset acquired in pursuance of the Company's new strategic vision.

3.3 **Knife Capital**

3.3.1 Knife Capital focuses on investing in high growth, high impact technology-enabled businesses in South Africa and other frontier economies across Sub-Saharan Africa. Knife Capital manages HBD Business Holdings' South African portfolio of investments. Knife Capital provides consulting, training and business acceleration services to high-growth early-stage ventures in Southern Africa and is committed to creating African success stories and filling critical gaps in the local entrepreneurial ecosystem. In addition, Knife Capital is deeply involved in skills-, technology- and knowledge transfer initiatives to groom skilled entrepreneurs as the future leadership class of Africa. Knife Capital has also partnered with the UCT Graduate School of Business to present an executive education programme known as Find-Make-Grow-Realise: Investing in early-stage growth companies. This will provide Afdawn with valuable deal flow and network opportunities.

3.3.2 Knife Capital has established the Grindstone Accelerator which will assist high-growth innovative companies to become sustainable and fundable. This is being done *via* a range of products and services designed to build a foundation for growth, create relevant business networks and enable these companies to take advantage of market access opportunities. The SME Insight proprietary tool (which is an actionable, light-touch diagnostic tool to access small and medium enterprises' businesses for targeted strengthening and positioning for growth) is used to assess participant companies for fundability and to provide the relevant management teams with the insights required to make informed decisions in order to address weaknesses in their businesses that constrain growth, evaluate strategic options and the underlying resource requirements of their businesses (such as access to customers, partners, skills or funding and market positioning) and to access networks and business development strategies, both locally and internationally. This will improve the quality of deal flow for potential investment opportunities for Afdawn.

3.3.3 Knife Capital is an ideal fit for Afdawn in light of its new strategic vision. Knife Capital has an envious investment record that includes successful international exits. The Knife Capital team has proven investment and growth enabling skills diversified across all investment phases. Knife Capital has a deep local and international network in the investment industry and of value-adding service providers. The structured and disciplined investment process and the business building capabilities of Knife Capital will ensure the required return on capital is achieved by Afdawn.

3.3.4 Knife Capital will also contribute to the Afdawn business model through additional revenue streams earned from the HBD Business Holdings investment agreement in the form of management fees and carried interest, the tuition fees from the executive education programme and consulting fees and transactional fees from the Grindstone Accelerator.

3.3.5 It is anticipated that underlying opportunities will present themselves to Knife Capital (and Afdawn, post implementation of the Knife Capital Acquisition) through the Grindstone Accelerator process, which is based on a rigorous selection process followed by a lengthy period of getting to know the businesses and the management teams of the participant companies, while working on the participant companies' growth strategies. The unique insight and close relationships that will develop between Knife Capital and the participant companies will provide opportunities to Afdawn to invest in the most promising of these participants.

3.3.6 In addition, the Knife Capital due diligence process, deal structuring and closing capabilities will assists Afdawn in quantifying the strengths and shortcomings of potential investment opportunities and through a process of milestone investing, will ensure that investment risks are reduced.

3.4 **Existing Business Units from which the Company will divest in the near future**

3.4.1 The existing business of the Company consists of the following existing business units:

3.4.1.1 Micro and personnel finance through Elite;

3.4.1.2 Medical aid discounting;

3.4.1.3 Collections, in support of the loan book. Elite runs a collections department which deals with recoveries, tracing, collections and all related legal work; and

3.4.1.4 Properties in possession acquired as a result of exercising securities held in respect of defaulting loans and includes rental earning properties.

## 4. MANAGEMENT AND CORPORATE GOVERNANCE

### 4.1 Details and experience of directors

4.1.1 The full names, ages, business address, experience and capacities of the Directors of the Board of Afdawn as constituted at the Last Practical Date are set out in paragraph 10 and Part A of **Annexure 6** of the Circular. Following the implementation of the Knife Capital Acquisition, the Board will be reconstituted as set out in Part B of **Annexure 6** of the Circular. The full names, ages, business address, experience and capacities of the proposed new directors of the Board of Afdawn are set out in Part B of **Annexure 6** of the Circular.

4.1.2 All directors are South African citizens.

4.1.3 Brief profiles and curricula vitae on each of the directors are included in **Annexure 6** to this Circular. A list of other directorships of the directors is also set out in **Annexure 6**.

4.1.4 None of the directors have been convicted of an offence involving dishonesty, declared bankrupt, insolvent or entered into voluntary compromise of arrangements, nor have they been publicly criticised by any statutory or regulatory authorities or disqualified by a court from acting as a director, manager or conducting the affairs of a company.

4.1.5 There were no receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any compromise with creditors generally or any class of creditors, where any director is or was a director with an executive function of such company at the time of, or within 12 months preceding such events.

4.1.6 All of the directors have completed directors' declarations in terms of Schedule 21 of the JSE Listings Requirements relating to the appointment of new directors. Copies of the declarations are available for inspection in terms of paragraph 16 below.

### 4.2 Directors' service contracts

4.2.1 The Company has concluded standard service contracts with its executive directors.

4.2.2 No person or entity has any right relating to the appointment of directors in Afdawn.

4.2.3 Standard restraints of trade have been imposed on the executive directors and the contracts of all executive directors are terminable on notice periods that are standard for such contracts.

### 4.3 Qualification, appointment, voting power, retirement, remuneration and borrowing powers of Directors

4.3.1 The relevant provisions of the Memorandum of Incorporation relating to qualification, appointment, voting powers, retirement, remuneration and borrowing powers of Directors and of the Subsidiaries of Afdawn are set out in **Appendix 4** of these Listings Particulars. The borrowing powers of the Directors are unlimited.

4.3.2 None of the Directors of Afdawn or Elite have:

4.3.2.1 been declared bankrupt, insolvent or have entered into any individual voluntary compromise arrangements;

4.3.2.2 entered into any receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company where such Directors are or were Directors with an executive function during the preceding 12 months;

4.3.2.3 entered into any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such Directors are or were partners during the preceding 12 months;

4.3.2.4 entered into any receiverships of any asset(s) or of a partnership where such Directors are or were partners during the preceding 12 months;

4.3.2.5 been publicly criticised by a statutory or regulatory authority, including recognised professional bodies or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;

4.3.2.6 been involved in any offence of dishonesty, fraud or embezzlement;

4.3.2.7 been removed from an office of trust, on grounds of misconduct or involving dishonesty; and/or

4.3.2.8 been declared by any court order to be delinquent or placed under prohibition or disqualified to act as a director.

4.3.3 The audit committee of Afdawn considered the appointment of TF Kruger as previous financial director and was satisfied that he has the appropriate expertise and experience to be appointed in such capacity. TF Kruger resigned as financial director from 1 February 2014 and will be replaced by E van Heerden once the Knife Capital Acquisition. The audit committee of Afdawn considered the potential appointment of E van Heerden as the next financial director and is satisfied that he has the appropriate expertise and experience to be appointed in such capacity.

4.4 **Directors' emoluments and incentives**

4.4.1 For the financial year ended 28 February 2013, emoluments paid to the directors of Afdawn were as set out in paragraph 10 of the Circular of which these Revised Listings Particulars form part.

4.4.2 Afdawn has not paid any other fees or incurred any fees that are payable to a third party in lieu of Directors' fees.

4.4.3 There will be no variation in the estimated remuneration receivable by any of the Directors as a direct consequence of the Rights Offer or Specific Issue.

4.4.4 Afdawn has not paid any amounts (whether in cash or in securities), nor given any benefits to any Directors or to any company in which Directors are beneficially interested, or to any partnership, syndicate or other association of which the Directors are members, or to any director as an inducement to become a director or otherwise, or for services rendered by Directors, or otherwise for services rendered by Directors or by the associate company or associate entity in connection with the promotion or formation of the company.

4.4.5 The business of Afdawn and its Subsidiaries, or any part thereof, is not managed, or proposed to be managed, by any third party under contract or arrangement.

4.4.6 Neither Afdawn nor its Subsidiaries have provided any security or made any loans to or for the benefit of any director, manager or associate of any director or manager of Afdawn.

4.5 **Directors' interests**

4.5.1 At the Last Practicable Date, the Directors (and their associates), including previous directors of the Company who had resigned in the 18 months prior to the Last Practicable Date, held, in aggregate, directly and indirectly, approximately 9.31% of Afdawn's issued Shares, as more fully set in paragraph 10 of the Circular.

4.5.2 There have been no dealings by the Directors in the Company's Shares in the period between 28 February 2013 and the Last Practicable Date.

4.5.3 Save as referred to in paragraph 4.5.1 above in relation to Shares held in the Company, no Director of Afdawn nor any director of its Subsidiaries, has or had any beneficial interest, directly or indirectly, in any transaction which is, or was, material to the business of Afdawn and which was effected by Afdawn during the current financial year or the immediately preceding financial year or in respect of any previous financial year which remains in any respect outstanding or unperformed.

4.5.4 Afdawn has not paid any amounts (whether in cash or in securities), nor given any benefits to any Directors or to any company in which Directors are beneficially interested, or to any partnership, syndicate or other association of which the Directors are members, or to any Director as an inducement to become a director or otherwise, or otherwise for services rendered by Directors or by the associate company or associate entity in connection with the promotion or formation of the Company or any of its Subsidiaries, in the 3 years preceding the Last Practicable Date.

4.5.5 Save for being a Shareholder of Afdawn, no director or Promoter of Afdawn has had any material beneficial interest, either direct or indirect, in any property acquired or to be acquired by Afdawn.

4.6 **Details of other directorships**

Details of other directorships held by the Directors of Afdawn are contained in **Annexure 6** of the Circular of which these Revised Listings Particulars form part.

4.7 **Directors' responsibility statement**

The Directors of Afdawn, whose names are given in the Corporate Information section of this Circular, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Circular contains all information required by law and the Listings Requirements.

4.8 **Code of corporate practice and conduct**

4.8.1 Afdawn and its Directors are committed to the principles of effective corporate governance and application of the highest ethical standards in the conduct of its business and affairs.

4.8.2 Afdawn is committed to the principles of transparency, integrity and accountability as advocated in the King Code III. Accordingly, Afdawn endorses the King Code III and aims to apply its principles in all sensible and material respects with the spirit and intent thereof in the control, management and direction of the Company in the future.

4.8.3 Details of Afdawn's code of corporate practice and conduct and its application of the King Code III are set out in **Annexure 5** of the Circular of which these Revised Listings Particulars form part.

5. **CAPITAL STRUCTURE**

5.1 **Share capital**

5.1.1 The Share capital of Afdawn at the last Practicable Date before and after the Rights Offer, Specific Issue and Knife Capital Acquisition is set in paragraph 9 of the Circular. As at the Last Practicable Date, the Company has 3 268 324 treasury shares in issue.

5.1.2 During October 2011 the Company issued two separate convertible bonds as set out in more detail in paragraphs 5.6.3 to 5.6.6 below.

5.1.3 No debentures have been created by the Company.

5.1.4 The rights attaching to each of the Shares are set out in **Appendix 4** to these Revised Listing Particulars which rights include, *inter alia,* voting rights, variation of rights, conversion of rights *and* preferential entitlements to distributions in the ordinary course and on winding up for Shareholders.

5.1.5 Any variation in rights attaching to Shares will require the consent of Shareholders in a general meeting in accordance with the Company's Memorandum of Incorporation.

5.1.6 The authorised but unissued capital of the Company is currently under the control of the directors as approved by Shareholders at the AGM held on 15 October 2013, subject to the Listings Requirements.

5.1.7 The Company obtained the authority to issue the Rights Offer Shares in terms of section 41(3) of the Act at the general meeting of Shareholders on Tuesday, 21 January 2014.

5.2 **Alterations to Share capital**

5.2.1 Afdawn may, by a special resolution of its members, from time to time, alter its Share capital.

5.2.2 Afdawn was incorporated with an initial authorised ordinary share capital of 200 000 000 ordinary shares with a par value of R0.01 each on 14 October 1998.

5.2.3 On the 17 June 2011 the CIPC registered an increase in the number of authorised shares of the Company from 500 000 000 to 5 000 000 000 authorised shares. In the last 3 years prior to the Last Practicable Date, there have been no other increases, conversions or subdivisions of the Company's authorised share capital.

5.3 **Issues of Shares**

5.3.1 On incorporation, Afdawn issued and allotted 7 000 000 ordinary shares with a par value of R0.01 per ordinary share to its founding shareholders.

5.3.2 In the last 3 years preceding the Last Practicable Date, Afdawn issued the following Shares:

5.3.2.1 on 31 October 2011, 285 257 919 Shares were issued at 10 cents per Share, to existing Shareholders in terms of a rights offer.

5.3.3 Save for the issues as set out in this paragraph 5.3 and the issues that may be made in terms of the Rights Offer, Specific Issue and Knife Capital Acquisition, no further offers or issues of Shares have been made or are anticipated to be made by any Group company.

5.4 **Repurchases, sub-divisions or consolidations**

There have been no repurchases, sub-divisions or consolidations of Shares undertaken by Afdawn or its subsidiaries, save as is disclosed in paragraph 5.2 and 5.3 above.

5.5 **Unissued Shares**

The Shareholders of Afdawn have, as permitted in terms of the Memorandum of Incorporation, passed the necessary ordinary resolution on 15 October 2013 placing the unissued Shares under the control of the Directors subject to the Listings Requirements and the Act.

5.6 **Voting, variation, conversion and other rights of Shareholders**

5.6.1 The provisions of the Memorandum of Incorporation relating to the voting rights and variation of rights attaching to Shares are set out in **Appendix 4**.

5.6.2 There are currently 3 268 324 treasury Shares in Afdawn:

5.6.3 As part of the capital raising completed on 31 October 2011, the Company issued two convertible bonds to Sandown Capital Proprietary Limited ("**Sandown**") and PCI Fintrade Proprietary Limited ("**PCI**") respectively, which are convertible into Afdawn Shares at the option of the holders after three years from the issue date (being 3 November 2011) ("**Convertible Bonds**"). The holders of the instruments have the ability to redeem the amount owing in cash or convert the amount owing into Afdawn Shares.

5.6.4 The terms of the two bonds are similar, being convertible over 36 months from the date of issue at a conversion price of 14 cents plus any arrears interest at JIBAR plus 600 basis points.

5.6.5 Sandown subscribed for convertible bonds to the value of R10 000 000 which was settled in 2012. Afdawn negotiated with Sandown to repay the unutilised portion of the convertible bond under an acknowledgment of debt agreement. The remaining portion was drawn down in 2013.

5.6.6 The PCI subscribed for convertible bonds to the value of R1 700 000 and the interest has been raised and repaid quarterly in terms of the agreement. During the 2013 financial year, the Board signed a cession that resulted in the PCI convertible bond being transferred to STRB Lewende Trust. The cession stipulates that the new owner has the same rights and responsibilities as the previous owner with all terms and conditions remaining the same.

5.6.7 There are no other preferential conversion or exchange rights to Shares in Afdawn (save as set out in this paragraph 5.6), nor do any Shareholders have any redemption rights or preferential rights to profits or capital.

5.6.8 The rights of Shareholders to participate in dividends, rights to profits or capital, including the rights of Shareholders on liquidation or distribution of capital assets of the Company are determined by the Memorandum of Incorporation and the relevant extracts are set out in **Appendix 4**.

5.7 **Other listings**

The Shares of the Company are not listed on any other stock exchange.

5.8 **Major and controlling Shareholders**

5.8.1 Shareholders who, as at the Last Practicable Date, beneficially held, directly or indirectly, an interest of 5% or more of the Afdawn Shares currently in issue is presented in paragraph 9.3.1 of the Circular of which these Revised Listings Particulars form part. The Shareholders, after the Rights Offer, Specific Issue and Knife Capital Acquisition, who will beneficially hold, directly or indirectly, an interest of 5% or more of the Afdawn Shares in issue at the time is presented in paragraph 9.3.2 of the Circular.

5.8.2 There has been no change in the controlling Shareholder(s) or trading objects of Afdawn from the date of listing to the Last Practicable Date.

5.9 **Options and preferential rights in respect of Shares**

Other than the Convertible Bonds referred to in paragraph 5.6.2 above and save for the Shares that will be issued pursuant to the Rights Offer, Specific Issue and Knife Capital Acquisition, there is no contract or arrangement, either actual or proposed, whereby any option or preferential right of any kind has been or will be given to any person to subscribe for any Shares in the Company or in any of its Subsidiaries.

5.10 **Shares issued other than for cash**

There has been no issue of Shares other than for cash.

## 6. FINANCIAL INFORMATION

6.1 **Dividend and distribution policy**

6.1.1 There are no fixed dates for payment of dividends by the Company.

6.1.2 Afdawn is in a growth phase and therefore no dividends will be paid in the foreseeable future.In terms of the Memorandum of Incorporation, any dividends unclaimed for a period of three years from the date on which they were declared or confirmed (as the case may be) may be declared forfeited by the Directors for the benefit of the Company. The Company will hold monies, other than dividends, due to Shareholders in trust indefinitely until lawfully claimed by the Shareholders.

6.1.3 There are no arrangements under which future dividends have been waived or have been agreed to be waived.

6.2 **Historical financial information and *pro forma* financial effects**

6.2.1 The financial information set out in this Revised Listings Particulars is the responsibility of the Directors of Afdawn.

6.2.2 The audited historical financial information of Afdawn for the financial years ended 28 February 2012 and 28 February 2013 is presented in **Annexure 1** to the Circular of which these Revised Listings Particulars forms part.

6.2.3 The published interim historical financial information of Afdawn for the six month periods ended 31 August 2012 and 31 August 2013 is presented in **Annexure 1** to the Circular of which these Revised Listings Particulars forms part.

6.3 ***Pro forma* financial effects on Afdawn**

The *pro forma* effects of the Knife Capital Acquisition, Rights Offer and Specific Issue on Afdawn are provided in paragraph 8.2 of the Circular of which these Revised Listings Particulars form part and should be read in conjunction with the *pro forma* financial information of Afdawn as set out in **Annexure 2** of the Circular of which these Revised Listings Particulars form part. The independent reporting accountant's report on the *pro forma* financial information appears at **Annexure 3** of the Circular of which these Revised Listings Particulars form part.

6.4 **Material changes**

6.4.1 There have been no material changes in the financial or trading position of the Afdawn Group since 28 February 2013, being the end of the last audited financial period, until the Last Practicable Date.

6.4.2 Other than the change of strategy and vision of the Group to be an active investment holding company as described in paragraph 2.10 above, there have been no material changes in the business of the Afdawn Group during the 5 years preceding the Last Practicable Date.

6.4.3 To the best of the Board's knowledge and belief there has been no controlling Shareholders which have held more than 35% of the issued share capital of the Company in the 5 years preceding the Last Practicable Date.

6.4.4 There have been no changes in the controlling shareholding of any of the Subsidiaries, in the five years preceding the Last Practicable Date or, if any companies became Subsidiaries at any time during such five-year period, then since such date of becoming a Subsidiary, as the case may be.

6.5 **Material commitments, lease payments and contingent liabilities and immovable property held**

6.5.1 As at the Last Practicable Date, Afdawn had no material commitments, lease payments or contingent liabilities.

6.5.2 The details of all immovable property held by the Afdawn Group, including any leasehold property, are set out in **Appendix 5**.

6.6 **Loans and borrowing powers**

6.6.1 No material loans have been made by Afdawn or any of its Subsidiaries to any party other than inter-company loans to Group Companies or in the ordinary course of business as more fully set out in **Appendix 3**.

6.6.2 No material loans have been made to Afdawn or any of its Subsidiaries by any party, other than those set out in **Appendix 2**.

6.6.3 Neither Afdawn nor any of its Subsidiaries have made any loans to or for the benefit of any director, manager or associate of any director or manager of the Afdawn Group.

6.6.4 In terms of the settlement agreement which was entered into between Nexus Personnel Finance Proprietary Limited ("**Nexus**") (a wholly owned subsidiary of Afdawn) and NHFC on 30 May 2011, an amount of R5 million became payable by Nexus in October 2013. Nexus is currently in negotiations with the NHFC to extend the payment terms of the settlement agreement. No repayment of any other loan capital is currently overdue.

6.6.5 The Memorandum of Incorporation of Afdawn provides for unlimited borrowing powers. The unlimited borrowing powers of the Company may accordingly only be varied by special resolution amending the relevant provisions of Afdawn's Memorandum of Incorporation in this regard. The borrowing powers of the Company have not been exceeded in the past three years since the Last Practicable Date. No exchange control or other restrictions have been imposed on the Company or any of its Subsidiaries' borrowings powers in the past three years since the Last Practicable Date.

6.6.6 The borrowing powers of the Directors are set out in **Appendix 4**.

6.6.7 Other than the inter-company loans set out in **Appendix 3**, there are no material inter-Company financial or other transactions. Inter-Company balances before elimination on consolidation are set out in **Appendix 3**.

6.7 **Adequacy of working capital**

The Directors are of the opinion that the working capital available to the Group, both prior and subsequent to the Knife Capital Acquisition, Rights Offer and Specific Issue, is adequate for the requirements of the Group for a minimum period of 12 months from the date of issue of this Circular.

## 7. ACQUISITIONS

Save for the Knife Capital Acquisition, no material acquisitions of immovable properties and/or fixed assets and/or securities and/or business undertakings have occurred in the three years preceding these Revised Listing Particulars, or are intended within the first six months after the Last Practicable Date of these Revised Listing Particulars.

## 8. DISPOSALS

No material disposals of immovable properties and/or fixed assets and/or securities and/or business undertakings have occurred in the three years preceding these Revised Listing Particulars, or are intended within the first six months after the Last Practicable Date of these Revised Listing Particulars.

## 9. SECRETARIAL AND TECHNICAL FEES

During the financial year ended 28 February 2013, Afdawn and its Subsidiaries paid in aggregate R304 465 to third parties in respect of secretarial fees. Over the same period R196 323 was paid in respect of consulting fees. Secretarial fees relate to company secretarial work done by various companies for the Afdawn Group. Consulting fees relate to fees charged in respect of financial and other services performed on behalf of Afdawn.

## 10. PROMOTERS' AND OTHER INTERESTS

10.1 No amounts have been paid by the Company to any promoters within the three years preceding this Circular.

10.2 No promoter has had any material beneficial interest, either direct or indirect, in any property acquired or to be acquired by Afdawn.

10.3 Within the last three years, no commission has been paid by Afdawn in respect of any underwriting, save for the commitment fees paid in terms of the previous rights offer which are set out below, and the Rights Offer referred to in the Circular to the Underwriter:

- an underwriting fee of R373 500, equal to 3% of the underwritten shares, was paid to Sandown Capital Proprietary Limited and PCI Fintrade Proprietary Limited in their capacity as the underwriters of the previous rights offer undertaken by the Company in October 2011. No additional commission was payable in respect of such underwriting fee.

10.4 At the Last Practicable Date, Sandown Capital Proprietary Limited holds 79 700 000 Shares in Afdawn and PCI Fintrade Proprietary Limited holds no Shares in Afdawn.

10.5 As at the Last Practicable Date, Mr M Yachad was the only director of Sandown Capital Proprietary Limited and the directors of PCI Fintrade Proprietary Limited are Mr PH Marais, Mr PC Oosthuysen and Mr SF Booysen.

10.6 The details of the Underwriter are set out in **Annexure 7** of the Circular of which these Revised Listings Particulars form part.

10.7 During the three years preceding the date of this Circular, Afdawn incurred placement and listing fees amounting to R53 343.

## 11. MATERIAL CONTRACTS

11.1 Save for the Knife Capital Acquisition Agreement and the two agreements listed below, no material contracts, being contracts entered into otherwise than in the ordinary course of business that contain an obligation or settlement that is material to the Group, have been entered into at any time preceding the date of this Circular.

11.2 A settlement agreement was entered into between Nexus Personnel Finance Proprietary Limited ("**Nexus**") (a wholly-owned subsidiary of Afdawn) and the NHFC on 30 May 2011, in terms of which an amount of R5 million became payable by Nexus in October 2013. Nexus is currently in negotiations with the NHFC to extend the payment terms of the settlement agreement.

11.3 The agreement entered into between Elite and Sandown Capital Proprietary Limited ("**Sandown**") which was effective from 11 July 2011, as amended 23 August 2012 and 15 April 2013, ("**Sandown Agreement**"):

11.3.1 In terms of the Sandown Agreement, Sandown undertook to provide Elite Group Two Proprietary Limited ("**Elite Group 2**") (a wholly owned subsidiary of Sandown) with a loan to the maximum value of R10 million ("**the Sandown Loan**") and Elite undertook to manage the short term personal loan business of Elite Group 2 on behalf of Sandown, including the sourcing of potential clients. As compensation for such management services, Elite is entitled to a monthly management fee of 10% of total income of Elite Group 2 capped at a maximum of R50 000 per month as well as to 50% of the after tax profits of Elite Group 2.

11.3.2 On 15 April 2013 an addendum to the Sandown Agreement was signed in terms of which Sandown undertook to provide addition loan financing to Elite Group 2 to the value of R15 million, which will be available in tranches of R5 million per month with effect from 1 May 2013. The repayment of the additional loans will be settled by no later than 25 July 2013 and interest will be paid monthly at the rate of three months JIBAR plus 10% per annum, calculated monthly in arrears.

11.3.3 It was decided that no new loans will be granted by Elite Group 2 from 31 July 2014 and Elite will be retained to manage and collect the remaining loan book of Elite Group 2 so as to repay the outstanding loans owed by Elite Group 2 to Sandown.

11.4 The Afdawn Group is not subject to any royalty agreements.

## 12. ADVISERS' CONSENTS

The parties referred to in the Corporate Information section on the inside front cover of this Circular have consented in writing to act in the capacities stated and to their names being stated in the Circular and the independent reporting accountant has consented to the reference to their report in the form and context in which is appears, and have not withdrawn their consents prior to the publication of the Circular.

## 13. GOVERNMENT PROTECTION AND INVESTMENT ENCOURAGEMENT LAW

There is no government protection or investment encouragement law affecting the business of Afdawn.

## 14. EXPENSES AND LISTING FEES

14.1 The estimated costs of preparing and distributing the Circular of which these Revised Listings Particulars form part, including these Revised Listing Particulars and all other annexures, and implementing the Rights Offer and Specific Issue, including the fees payable to professional advisers, is approximately R15 000 000, excluding Value Added Taxation. The full particulars are presented in paragraph 11 of the Circular.

14.2 The expenses of the Rights Offer and Specific Issue will be written off against the share premium.

14.3 Afdawn has incurred no preliminary expenses in relation to the Rights Offer and the Specific Issue during the 3 (three) years preceding this Circular.

## 15. LITIGATION

15.1 Save for as set out below, the Group is not party to any other legal or arbitration proceedings, nor, as far as the Directors of the Group are aware are there any legal or arbitration proceedings pending or threatened against the Group, which may have, or have had in the 12 months preceding the Last Practicable Date, a material effect on the Group's financial position other than those that arise in the normal course of business in recovering funds.

15.2 The Group is party to the following legal or arbitration proceedings:

15.2.1 As stated in the 2010, 2011 and 2012 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.

15.2.2 The Company's auditors raised reportable irregularities during the audit for the year ended 28 February 2010 including irregularities in the affairs of the subsidiary Nexus Personnel

Finance Proprietary Limited, irregularities in the completion and filing of income tax returns and the payment of income tax, misrepresentation of the Group financial statements for the years ended February 2008 and 2009 and shares being issued for which payment had not been received. Subsequent to the irregularities being raised by the auditors the Board mandated Romlab Consultants CC, a firm of specialist forensic accountants, to conduct a forensic investigation into the Afdawn Group. Issues identified during the forensic investigation were reported to the Financial Services Board, the South African Police Services and the JSE. Afdawn is co-operating with the relevant authorities in the ongoing investigations.

16. **DOCUMENTS AVAILABLE FOR INSPECTION**

The documents as detailed in paragraph 20 of the Circular, or copies thereof, will be available for inspection at the registered office of Afdawn and the Corporate Adviser and Transaction Designated Adviser's offices in Johannesburg and Stellenbosch at the address indicated in the corporate information section of this Circular, during normal business hours, from the date of this Circular up to and including Friday, 4 April 2014 (both days inclusive).

**SIGNED AT CAPE TOWN ON 3 MARCH 2014 BY WJ GROENEWALD ON BEHALF OF ALL THE DIRECTORS OF AFRICAN DAWN CAPITAL LIMITED, AS LISTED BELOW, IN TERMS OF POWERS OF ATTORNEYS SIGNED BY SUCH DIRECTORS**

## COMPANY STRUCTURE

| African Dawn Capital Limited | |
|---|---|
| **Personal Finance** | |
| 100% | Elite Group Proprietary Limited |
| 100% | Elite Group Cell No 0081 Proprietary Limited |
| 100% | ABC Cashplus (Randburg) Proprietary Limited |
| 100% | Elite Group 1 Proprietary Limited |
| 100% | ABC Cashplus Financial Services Proprietary Limited |
| 100% | African Dawn Social Education Proprietary Limited |
| 100% | African Dawn Wheels Proprietary Limited |
| 100% | African Dawn Investments Proprietary Limited (in the process of being deregistered) |
| 100% | African Dawn Wheels Operations Proprietary Limited *(Formerly known as ABC Cashplus Financial Services Proprietary Limited)* |
| 100% | Bhenka Community Marketing Proprietary Limited (*Formerly known as Bhenka Financial Services Proprietary Limited*) |
| **Property Transfer Finance** | |
| 100% | African Dawn Property Transfer Finance 1 Proprietary Limited |
| 100% | African Dawn Property Transfer Finance 2 Proprietary Limited |
| 100% | Albistar Investments Proprietary Limited |
| 100% | Elatiflash Proprietary Limited |
| 100% | African Dawn Debt Management Proprietary Limited *(Formerly known as African Dawn Property Transfer Finance 4 Proprietary Limited)* |
| 100% | Amalgum Investments 138 Proprietary Limited |
| 100% | African Dawn Property Transfer Finance 5 Proprietary Limited |
| 100% | Almika Properties 81 Proprietary Limited |
| 100% | Candlestick Park Investments Proprietary Limited |

## DETAILS OF THIRD PARTY BORROWINGS

| Lender | Borrower | Balance owing (incl interest) R | Carrying value of loan R | Interest rate | Security provided | Repayment terms |
|---|---|---|---|---|---|---|
| NHFC | Nexus Personnel Finance Proprietary Limited | 5 000 000 | 5 000 000 | 0% | Cession on related debtors | In the process of being negotiated. |
| NHFC | Elite Group Proprietary Limited | 4 477 130 | 4 477 130 | Prime rate plus 5% | Cession on related debtors | Amortised interest and capital over 60 months. |
| Sandown Capital Proprietary Limited-Convertible Bond | Elite Group Proprietary Limited | 10 950 293 | 10 950 293 | JIBAR plus 6% | Loan is convertible into shares at holders request | Interest repayable quarterly with capital convertible to Afdawn shares for 36 months from inception. |
| STRB Lewende Trust Proprietary Limited-Convertible Bond | African Dawn Capital Proprietary Limited | 1 700 000 | 1 700 000 | JIBAR plus 6% | Loan is convertible into shares at holders request | Interest repayable quarterly with capital convertible to Afdawn shares for 36 months from inception. |
| Nedbank Mortgage Bond | Candlestick Park Investments Proprietary Limited | 10 426 982 | 10 426 982 | Prime rate less 0.5% | Registered bond over the property | Repayments are monthly instalments of R168 450 linked to Prime Rate. |
| Rural Housing Loan Fund | Elite Group Proprietary Limited | – | – | Prime rate | Cession on related debtors | Repayments of amortised interest and capital over 3 to 5 years. |

The balances are as at 31 December 2013.

## DETAILS OF INTER-COMPANY LOANS AND BORROWINGS

| Lender | Borrower | Balance owing (incl interest) R'000 | Carrying value of loan R'000 | Date on which loan was made | Reason for loan |
|---|---|---|---|---|---|
| African Dawn Capital Limited | Elite Group Proprietary Limited | 21 932 | 21 932 | Various | Operational use |
| African Dawn Capital Limited | African Dawn Property Transfer Finance 2 Proprietary Limited | 44 675 | – | Various | Operational use |
| African Dawn Capital Limited | African Dawn Property Transfer Finance 1 Proprietary Limited | 8 502 | – | Various | Operational use |
| African Dawn Capital Limited | African Dawn Debt Management Proprietary Limited (formerly known as African Dawn Property Transfer Finance 4 Proprietary Limited) | 13 803 | – | Various | Operational use |
| African Dawn Capital Limited | Candlestick Park Investments Proprietary Limited | 531 | – | Various | Operational use |
| Bhenka Community Marketing Proprietary Limited (previously Bhenka Financial Services Proprietary Limited) | African Dawn Capital Limited | 6 887 | 6 887 | Various | Operational use |
| African Dawn Capital Limited | Nexus Personnel Finance Proprietary Limited | 17 968 | – | Various | Operational use |
| African Dawn Capital Limited | African Dawn Wheels Proprietary Limited | 682 | – | Various | Operational use |
| African Dawn Capital Limited | African Dawn Kwazulu Natal Proprietary Limited | 3 165 | – | Various | Operational use |
| African Dawn Capital Limited | Almika Properties 81 Proprietary Limited | 6 | – | Various | Operational use |
| African Dawn Capital Limited | African Dawn Wheels Operations Proprietary Limited (previously ABC Cashplus Financial Services Proprietary Limited) | 5 | – | Various | Operational use |
| African Dawn Capital Limited | Amalgum Investments 138 Proprietary Limited | 5 | – | Various | Operational use |
| African Dawn Capital Limited | ABC Cashplus (Randburg) Proprietary Limited | 5 | – | Various | Operational use |
| African Dawn Capital Limited | Elatiflash Proprietary Limited | 6 | – | Various | Operational use |
| African Dawn Capital Limited | Albistar Investments Proprietary Limited | 7 | – | Various | Operational use |
| Nexus Personnel Finance Proprietary Limited | Elite Group Proprietary Limited | 2 147 | 2 147 | Various | Collection of debtors book |
| African Dawn Social Education Proprietary Limited | African Dawn Capital Limited | 70 | 70 | Various | Operational use |

**Notes:**

1. The inter-company loans have been subordinated to the extent that a subsidiary's liabilities exceeds its assets in favour of the other creditors of the subsidiaries' liabilities.
2. All the inter-company loans are interest-free, unsecured and have no fixed terms of repayment.

# EXERTS FROM MEMORANDUM OF INCORPORATION OF AFDAWN

**ARTICLE 8:**

## 8. ALTERATION OF CAPITAL AND VARIATION OF RIGHTS

8.1 Shares in each class shall rank *pari passu*, in accordance with paragraph 3.29 of the Listings Requirements, in respect of all rights.

8.2 The creation, authorisation and classification of Shares, the subdivision or consolidation of Shares, amendments to the numbers of authorised Shares of each class, the conversion of one class of Shares into one or more other classes of Shares, the conversion of Shares from par value to no par value and variations to the preferences, rights, limitations and other terms associated with any class of Shares as set out in this MOI may be changed only by an amendment of this MOI as provided for in clause 6 and in accordance with the Listings Requirements. In this regard:

8.2.1 where the amendment relates to any preferences, rights, limitations or other terms associated with any class of Shares already in issue, such amendment requires a Special Resolution adopted at a separate meeting of the Holders of shares in that class; and

8.2.2 the Holders of shares referred to in paragraph 8.2.1 shall, in addition, be entitled to vote at any other meeting of shareholders where such amendment is to be approved.

8.3 Any allocation of Securities, whether as a result of a consolidation or otherwise, will be rounded up or down based on standard rounding convention (i.e. all allocations will be rounded to the nearest whole number if they are less than 0,5 and will be rounded up to the nearest whole number if they are equal to or greater than 0,5) resulting in allocations of whole securities and no fractional entitlements.

8.4 Preferences, rights, limitations or other terms of any class of shares may not be varied, and no share may be authorised which permits such variation, in response to any objectively ascertainable external fact or facts as provided for in sections 37(6) and 37(7).

8.5 Any issue of Shares, Securities convertible into Shares, or rights exercisable for Shares in a transaction, or a series of integrated transactions shall, as provided for in section 41(3), require the approval of the Shareholders by special resolution if the voting power of the class of Shares that are issued or are issuable as a result of the transaction or series of integrated transactions will be equal to or exceed 30% (thirty percent) of the voting power of all the Shares of that class held by Shareholders immediately before that transaction or series of integrated transactions.

**ARTICLE 29:**

## 29 APPOINTMENT OF DIRECTORS

29.1 The minimum number of Directors shall be four and the Shareholders shall be entitled, by ordinary resolution, to determine such maximum number of Directors as they may, from time to time, consider appropriate. The Company shall appoint a sufficient number of Directors to satisfy the requirements of the Act regarding the appointment of an audit committee, a social and ethics committee and any other committee which may be required in terms of the Act.

29.2 Subject to the power of the Board to appoint or co-opt a Director, as provided for in Clause 30.2 below, all Directors shall be elected by an ordinary resolution of the Shareholders at an annual general or a general meeting of the Company, provided that any Shareholder will have the right to nominate a person to the Board of Directors of the Company. Such election may not take place at a meeting of Shareholders which is conducted in terms of section 60.

29.3 In any election of Directors, the election is to be conducted as follows:

29.3.1 the election is to be conducted as a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, with the series of votes continuing until all vacancies on the Board have been filled; and

29.3.2 in each vote to fill a vacancy:

29.3.2.1 each vote entitled to be exercised may be exercised once; and

29.3.2.2 the vacancy is filled only if a majority of the votes exercised support the candidate.

29.3.3 Subject to the rights of the Board to appoint or co-opt a Director in terms of clause 30.2, this MOI does not provide for:

29.3.3.1 the direct appointment or removal of one or more directors by any particular person; or

29.3.3.2 the appointment of any person as an *ex officio* director of the Company.

29.3.4 This MOI does not provide for any specific qualifications or eligibility requirements, apart from those set out in the Act, for a person to become or remain a Director or a Prescribed Officer of the Company.

29.3.5 No Director shall be appointed for life or for an indefinite period.

29.3.6 At each annual general meeting of the Company, one third of the non-executive Directors for the time being, or if their number is not a multiple of three, the number nearest to one third, but not less than one third, shall retire from office, subject to the following provisions:

29.3.6.1 the Directors to retire at each annual general meeting shall be those who have been longest in office since their last election, but as between persons who were elected as Directors on the same day, those to retire shall, unless they otherwise agreed among themselves, be determined by lot;

29.3.6.2 a retiring Director shall act as a Director throughout the meeting at which he retires;

29.3.6.3 such retiring Directors may be re-elected, provided that the Board of Directors, via the Nomination Committee, recommends such re-election based upon past performance and contribution made;

29.3.6.4 if, at any meeting at which an election of Directors ought to take place, the offices of the retiring Directors are not filled, unless it is expressly resolved not to fill such vacancies, the meeting shall stand adjourned as in accordance with the provisions of clause 23. If at such adjourned meeting the vacancies are not filled, the retiring Directors, or such of them as have not had their offices filled, shall be deemed to have been re-elected at such adjourned meeting.

**ARTICLE 30:**

**30. POWERS OF THE DIRECTORS**

30.1 This MOI does not limit or restrict the authority of the Board to manage and direct the business and affairs of the Company as contemplated in section 66(1). Subject always to the Act and the Listings Requirements, the Board has all of the authority to exercise the powers and perform any of the functions of the Company, except to the extent that this MOI specifically provides otherwise,

30.2 The Board may appoint or co-opt any person who satisfies the requirements for election as a Director to fill any vacancy or as an additional member to the Board, provided that such appointment must be confirmed at the next annual general meeting of the Company.

30.3 If the number of Directors falls below the minimum provided in this MOI, the remaining Directors must, as soon as possible and in any event not later than three months from the date that the number falls below such minimum, fill the vacancy/ies in accordance with clause 30.2 or call for a general meeting for the purposes of filling the vacancies. Failure by the Company to have the minimum number of directors during the three-month period does not limit or negate the authority of the Board or invalidate anything done by the Board while their number is below the minimum number fixed in accordance with this Memorandum of Incorporation. After expiry of the three month period, the remaining directors shall only be able to act for the purposes of filling vacancies or calling general meetings of shareholders.

30.4 The Directors may from time to time authorise the Company to borrow such amounts as they deem fit and to secure the payment or repayment of any such borrowings by the creation and issue of securities or any form of pledge, mortgage or other encumbrance upon the assets of the Company.

**ARTICLE 32:**

**32. DIRECTORS' INTERESTS**

32.1 A Director may hold any other office or be employed in any other capacity (except that of auditor) in the Company or as a director or employee of any company controlled by, or itself a major subsidiary of, the Company, and, in such event, his appointment and remuneration in respect of such other office must be determined by a disinterested quorum of the Directors.

32.2 Each Director and each Prescribed Officer and each member of any committee of the Board shall comply fully with the provisions of section 75 in the event that he (or any person who is a related person to him) has a personal financial interest in any matter to be considered by the Board.

**ARTICLE 34:**

**34. DIRECTORS' COMPENSATION**

34.1 The Company may pay remuneration to the Directors for their services as Directors in accordance with a special resolution approved by the Shareholders within the previous 2 (two) years, as set out in section 66(8) and (9), and the power of the Company in this regard is not limited or restricted by this MOI.

34.2 The Directors may be paid their travelling and other expenses, properly and necessarily incurred by them in and about the business of the Company and in attending meetings of the Directors or any committees of the Directors.

34.3 Any Director who:

34.3.1 serves on any executive or other committee; or

34.3.2 devotes special attention to the business of the Company; or

34.3.3 goes or resides outside South Africa for the purposes of the Company; or

34.3.4 otherwise performs or binds himself to perform services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director,

may be paid such extra remuneration or allowances in addition to or in substitution of the remuneration to which he may be entitled as a Director, as a disinterested quorum of the Directors may from time to time determine.

The abovementioned provisions of the memorandum of incorporation of Elite Group Proprietary Limited, Afdawn's only major subsidiary, are identical to those contained in the Afdawn MOI as set out above.

## DETAILS OF IMMOVABLE PROPERTY

### DISCLOSURES IN REGARD TO PRINCIPAL IMMOVABLE PROPERTY HELD BY THE GROUP

The following immovable property is held by the Afdawn Group:

| Relevant Subsidiary | Property description or address | Nature of interest | Area of property | Commencement date of lease | Termination date of lease | Annual rental | Notes |
|---|---|---|---|---|---|---|---|
| Almika Properties 81 (Pty) Ltd | Townhouse development with 4 complete units of 46 | 100% owned | 5 777 $m^2$ | N/A | N/A | N/A | Erf 149 Anzac Extension 2 Brakpan. 5 Loerie Lann Anzac Brakpan |
| Candlestick Park Investments (Pty) Ltd | Residential complex with 76 2 and 3 bedroom units | 100% owned With profit share agreement | 21 413 ha | N/A | N/A | N/A | Portion 214 of Farm Lyttleton 177 Backberg Avenue Lyttleton Centurion |
| African Dawn Capital Limited | Commercial Property Elite and Head office | Leased | 1 132 $m^2$ | 1 March 2012 | 28 Feb 2015 | R94 379 straight-lined | Rental excludes rates, water, electricity and levy |

## DETAILS OF SUBSIDIARIES

### History and incorporation of Subsidiaries

| # | Name of company | Date and place of incorporation | Registration number | Issued share capital | % held by Afdawn | Inter-company loan (R'000) as at 31 August 2013 | Nature of business | Date of becoming Subsidiary | Directors |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Elite Group Proprietary Limited | 1998 | 1998/006045/07 | 100 | 100 | (21 932) | Personal and short term Finance | 2008 | Dr GE Stoop<br>DD Breedt<br>DA Turner |
| 2. | Elite Group 1 Proprietary Limited | 2009 | 2009/016165/07 | 100 | 100 | – | Personal and short term Finance | 2009 | Dr GE Stoop<br>DD Breedt<br>DA Turner |
| 3. | African Dawn Wheels Operations Proprietary Limited (previously ABC Cashplus Financial Services Proprietary Limited) | 1998 | 1998/020667/07 | 100 | 100 | (5) | General trade | 1998 | WJ Groenewald |
| 4. | African Dawn Social Education Proprietary Limited | 1999 | 1999/007741/07 | 100 | 100 | 70 | General trade | 1998 | WJ Groenewald |
| 5. | African Dawn Wheels Proprietary Limited | 1998 | 1998/023207/07 | 100 | 100 | (682) | General trade | 1998 | WJ Groenewald |
| 6. | African Dawn Debt Management Proprietary Limited (formerly known as African Dawn Property Transfer Finance 4 Proprietary Limited) | 1998 | 1998/023209/07 | 100 | 100 | (13 803) | General trade | 1998 | WJ Groenewald |

| # | Name of company | Date and place of incorporation | Registration number | Issued share capital | % held by Afdawn | Inter-company loan (R'000) as at 31 August 2013 | Nature of business | Date of becoming Subsidiary | Directors |
|---|---|---|---|---|---|---|---|---|---|
| 7. | Bhenka Community Marketing Proprietary Limited (previously Bhenka Financial Services Proprietary Limited) | 2003 | 2003/024320/07 | 100 | 100 | 6,887 | General Trade | 2008 | WJ Groenewald |
| 8. | Nexus Personnel Finance Proprietary Limited | 1998 | 1998/024609/07 | 100 | 100 | (17,968) | Personal and short term-fnance | 1998 | WJ Groenewald |
| 9. | Nexus Personnel Finance 2 Proprietary Limited | 2009 | 2009/016188/07 | 100 | 100 | – | Personal and short-term finance | 2009 | WJ Groenewald |
| 10. | African Dawn Property Transfer Finance 1 Proprietary Limited | 1998 | 1998/024852/07 | 100 | 100 | (8,502) | Bridging finance | 1998 | WJ Groenewald |
| 11. | African Dawn Property Transfer Finance 2 Proprietary Limited | 1998 | 1998/024406/07 | 100 | 100 | (44,675) | Bridging finance | 1998 | WJ Groenewald |
| 12. | African Dawn Kwazulu Natal Proprietary Limited | 1998 | 1998/024401/07 | 100 | 100 | (3,165) | Bridging finance | 1998 | WJ Groenewald |
| 13. | African Dawn Property Transfer Finance 5 Proprietary Limited | 2009 | 2009/016179/07 | 100 | 100 | – | Bridging finance | 2009 | WJ Groenewald |
| 14. | Almika Properties 81 Proprietary Limited | 2009 | 2009/004375/07 | 100 | 100 | (6) | Property folding | 2009 | WJ Groenewald |
| 15. | Candlestick Park Investments Proprietary Limited | 2000 | 2000/018304/07 | 100 | 100 | (531) | Property folding | 2008 | WJ Groenewald |

| # | Name of company | Date and place of incorporation | Registration number | Issued share capital | % held by Afdawn | Inter-company loan (R'000) as at 31 August 2013 | Nature of business | Date of becoming Subsidiary | Directors |
|---|---|---|---|---|---|---|---|---|---|
| 16. | Amalgum Investments 138 Proprietary Limited | 2008 | 2008/009297/07 | 100 | 100 | (5) | Property holding | 2008 | Dr GE Stoop<br>DD Breedt<br>DA Turner<br>WJ Groenewald |
| 17. | ABC Cashplus (Randburg) Proprietary Limited | 1998 | 1998/024610/07 | 100 | 100 | (5) | General trade | 1998 | Dr GE Stoop<br>DD Breedt<br>B Oliver |
| 18. | Elatiflash Proprietary Limited | 2010 | 2010/004158/07 | 100 | 100 | (6) | Property holding | 2010 | WJ Groenewald<br>J Bungey<br>R Verrinder<br>S Wade-de Bruin |
| 19. | Albistar Investments Proprietary Limited | 2009 | 2009/004333/07 | 100 | 100 | (7) | Property holding | 2009 | WJ Groenewald |
| 20. | African Dawn Investments Proprietary Limited (in the process of being deregistered) | 2003 | 2003/005353/07 | 100 | 100 | – | In the process of being deregistered | 2003 | WJ Groenewald |

# KNIFE CAPITAL ACQUISITION SENS ANNOUNCEMENT

**ORIGINAL ANNOUNCEMENT DATED 13 DECEMBER 2013**

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

**ACQUISITION OF KNIFE CAPITAL PROPRIETARY LIMITED, RIGHTS OFFER AND SPECIFIC ISSUE, POSTING OF CIRCULAR AND NOTICE OF GENERAL MEETING RELATING TO A SECTION 41(3) SHAREHOLDER APPROVAL AND RENEWAL OF CAUTIONARY ANNOUNCEMENT**

## A. ACQUISITION OF KNIFE CAPITAL PROPRIETARY LIMITED

### 1. INTRODUCTION

Shareholders are referred to the announcement released on SENS on Monday, 18 November 2013, advising shareholders that Afdawn had entered into negotiations to acquire 100% of the issued shares in Knife Capital Proprietary Limited ("Knife Capital"). Shareholders are hereby advised that an agreement was entered into on 12 December 2013 ("the Knife Capital Acquisition Agreement"), which if successfully implemented would result in Afdawn acquiring 100% of the issued shares in Knife Capital for a purchase consideration of R10 million ("the Knife Capital Acquisition").

### 2. THE BUSINESS OF KNIFE CAPITAL

Knife Capital focuses on investing in high growth, high impact innovative and technology-enabled businesses in South Africa and other frontier economies across Sub-Saharan Africa. Knife Capital also manages HBD Venture Capital's ("HBD") South African portfolio of investments. In addition, Knife Capital provides consulting, training and business acceleration services to high-growth ventures in Southern Africa and is committed to creating African success stories and filling critical gaps in the local entrepreneurial ecosystem. In addition, Knife Capital is deeply involved in skills-, technology- and knowledge transfer initiatives to groom skilled entrepreneurs as the future leadership class of Africa. Knife Capital has also partnered with the UCT Graduate School of Business to present an Executive Education Programme: Find-Make-Grow-Realise: Investing in attractive growth companies.

Knife Capital started the Grindstone Accelerator, a structured acceleration initiative that assists high-growth innovative i-companies to become sustainable and fundable. This is done *via* a range of services designed to build a foundation for growth, create relevant business networks and enable these companies to take advantage of market access opportunities. These capabilities include, a rigorous selection process based on SME insight assessment, systematic coaching to address the weaknesses in the business that constraint growth, evaluation of strategic options and the underlying resource requirements of the business such as access to customers, partners, skills or funding and market positioning, access to networks and business development strategies, both locally and internationally.

Knife Capital will also contribute to the Afdawn business model through existing revenue streams from the HBD fund management fees, Executive Education Programme, consulting fees and funding options.

### 3. THE RATIONALE FOR THE ACQUISITION

Shareholders are referred to the SENS announcements dated 10 April 2013 and 15 October 2013 ("the Announcements"), in terms of which the Company advised shareholders of a change in the Company's strategy to become an active investment holding company. As set out in the Announcements, the focus of the Company would be to acquire shareholdings in entrepreneurial companies with a strong innovation drive and which are in proven growth phases and subsequently enhancing the capabilities of these entities to accelerate long term sustainable growth.

The Knife Capital Acquisition supports Afdawn with the implementation of the aforementioned strategy. The risk of short term acquisitions in 'investment ready' companies will drastically be reduced by the work that Grindstone has done in identifying and mentoring attractive opportunities. Afdawn will tap into the pipeline of 'investment ready' business opportunities fulfilling the strategy of the Company.

The synergies between the strategic capabilities that have been established in Afdawn and that of Knife Capital will have a direct positive bearing on the near time growth and revenue of Afdawn. The Knife Capital management team bring specific skills and acumen to the Company.

The Knife Capital management team that will join Afdawn, subject to the successful implementation of the Knife Capital Acquisition and the role they will play in Afdawn is as follows:

- Eben van Heerden is proficient in conceptualization and will guide key success tactics such as budgets, reporting, and cash flow management. Eben will act as corporate governance gatekeeper; he will oversee investment risk management and will interact with tax, audit, legal and other advisors. Eben will continuously evolve systems and operating procedures;
- Keet van Zyl will as Deal Generation Executive oversee investee pipeline, lead the due diligence teams based on a rigorous selection process, pre-identified gaps, followed by getting to know the business and the management team while working on the growth strategy; and
- Andrea Böhmert will act as stakeholder relations executive facilitating active management partnership with investees, aid investees to plot a winning strategy and mitigate risks. Develop privileged ecosystem assets and report 'flight plan' progress in line with investment specific dashboard to the Business Development Committee.

Afdawn will benefit from collective cost curtailing structures resulting from the adoption of best of breed systems and structural arrangements. Afdawn has embarked on aggressive cost cutting and zero base planning process over the past six months; these actions will be enhanced further with the integration of the Knife Capital operations. A flat and cost efficient management structure will ensure optimum investment productivity.

Knife Capital will underpin the articulation of a strong brand position that personifies the inspirational force of the business.

The acquisition will have a direct and substantial positive impact on creating shareholder value through this unique and value adding modelling.

## 4. CLASSIFICATION OF THE ACQUISITION

The Knife Capital Acquisition is classified as a category 2 transaction in terms of the Listings Requirements of the JSE Limited.

## 5. DETAILS OF THE ACQUISITION

### 5.1 PURCHASE CONSIDERATION

The purchase consideration for the Knife Capital Acquisition is an amount of R10 million, payable through the issue of 100 000 000 Afdawn ordinary shares at an issue price of 10 cents per Afdawn ordinary share in the following proportions:

(i) 33 333 333 ordinary shares in Afdawn shall be issued to Keet van Zyl;

(ii) 33 333 334 ordinary shares in Afdawn shall be issued to Eben van Heerden; and

(iii) 33 333 333 ordinary shares in Afdawn shall be issued to Andrea Böhmert,

(collectively referred to as "the Knife Capital Vendors").

### 5.2 EFFECTIVE DATE

In terms of the Knife Capital Acquisition Agreement, the effective date of the Knife Capital Acquisition, subject to the fulfilment of the conditions precedent set out in paragraph 5.3 below, is expected to occur on or about 3 March 2014 or a later date agreed to by the Company and the Knife Capital Vendors ("the Effective Date").

### 5.3 CONDITIONS PRECEDENT

The Knife Capital Acquisition is subject to the following outstanding conditions precedent:

(i) the successful conclusion of the due diligence investigation in respect of Knife Capital by Afdawn on or before 20 January 2014;

(ii) all regulatory approvals required in order to implement the Knife Capital Acquisition being obtained by no later than the Effective Date;

(iii) Knife Capital becoming the beneficial owner of all the issued shares in Knife Knowledge Proprietary Limited ("Knife Knowledge") and Grindstone Accelerator Proprietary Limited ("Grindstone"), on or before 1 February 2014, structured in such a way as agreed to by Afdawn in writing;

(iv) the tax clearance certificates of Knife Capital, Knife Knowledge and Grindstone being delivered to Afdawn and same being to the satisfaction of Afdawn by no later than the Effective Date;

(v) the written consent to the change of control of Knife Capital, together with the waiver of any restrictions pertaining to such change, from third party clients and/or parties with whom Knife Capital has entered into agreement before the date of signature of the Knife Capital Acquisition Agreement, together with the written consent of Knife Capital's third party clients and/or such third parties to any affect that such change in control may have on the agreements concluded, being obtained by no later than the Effective Date;

(vi) the extension of the HBD management agreement on terms acceptable to Afdawn, being obtained by no later than the Effective Date;

(vii) Afdawn's Board of directors approving a detailed budgeted forecast of income and expenses for the 24 month period from the effective date of the Knife Capital Acquisition, by no later than the Effective Date;

(viii) the Knife Capital Acquisition being approved by the Afdawn Board of directors on or before 20 January 2014;

(ix) the Knife Capital Vendors being satisfied before the Effective Date that:

- the realisation of non-core assets of Afdawn would yield at least R15 million within 12 months from the effective date of the Knife Capital Acquisition Agreement;
- there are no liabilities owing to SARS by Afdawn or its subsidiary companies that have not been adequately accrued for on the balance sheet of Afdawn or its subsidiary companies as the case may be;
- the effect of the aforementioned relating to the non-core assets and SARS liabilities, being that the realisation of the non-core assets of Afdawn and the settling of liabilities owing to SARS would yield a minimum amount of R15 million within 12 months of the closing date of the Knife Capital Acquisition Agreement, that would be available for new investments and related costs;
- ongoing actions are being pursued regarding the disposal of Elite Group Proprietary Limited;

(x) The Knife Capital Vendors being satisfied that Afdawn has secured irrevocable undertakings from at least 40% of its shareholders ("the Supporting Shareholders") for the capital raising referred to below ("Rights Offer") to the effect that the Supporting Shareholders will before the Effective Date support the Rights Offer through following their rights in the proposed Rights Offer and that they will vote in favour of all resolutions required to effect Rights Offer and the recapitalisation of Afdawn;

(xi) that Knife Capital is satisfied that Afdawn has secured that at least an additional 20% of the proposed Rights Offer is underwritten by no later than the Effective Date;

(xii) the effect of (x) and (xi) above, being that the Rights Offer will yield a minimum amount of R25 million raised that would be available for new investments and related costs post the closing date of the Knife Capital Acquisition Agreement;

(xiii) Mac van der Merwe signing a three-year service contract with Afdawn by no later than the Effective Date; and

(xiv) the conclusion of employment and service agreements of at least five years with each of the Knife Capital Vendors by no later than the Effective Date.

## 6. *PRO FORMA* FINANCIAL EFFECTS

The *pro forma* financial information applicable to the Knife Capital Acquisition are still in the process of being finalised and will be published in due course.

## 7. OTHER RELEVANT INFORMATION

7.1 The Knife Capital Vendors and Afdawn have provided warranties and indemnities to each other that are standard to a transaction of this nature.

7.2 Afdawn will ensure that the provisions of the memorandum of incorporation of Knife Capital do not frustrate Afdawn in any way from compliance with its obligations in terms of the JSE Listings Requirements and nothing contained in the memorandum of incorporation of any subsidiary of Afdawn will relieve Afdawn from compliance with the JSE Listings Requirements.

## B. RIGHTS OFFER AND SPECIFIC ISSUE

### 1. INTRODUCTION

Shareholders are hereby advised that Afdawn will undertake a partially underwritten rights offer to raise up to R40 654 732.40 ("the Rights Offer") in terms of which 508 184 155 shares ("Rights Offer Shares") will be offered to shareholders recorded in the Afdawn share register at the applicable record date to be determined, at a subscription price of 8 cents per Rights Offer Share, in the ratio of 1 Rights Offer Share for every 1 Afdawn ordinary share held at the close of trade on the applicable record date to be determined.

Shareholders are further advised that Afdawn will possibly raise an additional R5 million by way of a specific issue of shares for cash ("Specific Issue"). To the extent that underwriters of the Rights Offer do not obtain at least 62 500 000 Afdawn shares due to the underwriting of the Rights Offer, Afdawn will issue so many shares to the underwriters by way of the Specific Issue at an issue price of 8 cents per share, as necessary in order for the underwriters to hold an additional 62 500 000 new shares in Afdawn after the underwriting of the Rights Offer and the Specific Issue (in addition to the shares they held before the Rights Offer and as a result of following their rights in terms of the Rights Offer) .

The full details of the Rights Offer and the Specific Issue will be announced on SENS and set out in a circular to be sent to Afdawn shareholders in due course.

### 2. *PRO FORMA* FINANCIAL EFFECTS OF THE RIGHTS OFFER AND THE SPECIFIC ISSUE

The *pro forma* financial information applicable to the Rights Offer and the Specific Issue are still in the process of being finalised and will be published in due course.

## C. POSTING OF CIRCULAR AND NOTICE OF GENERAL MEETING RELATING TO SECTION 41(3) SHAREHOLDER APPROVAL

In terms section 41(3) of the Companies Act, an issue of shares in a transaction, or a series of integrated transactions, requires approval of the shareholders by special resolution if the voting power of the class of shares that are issued or issuable as a result of the transaction or series of integrated transactions will be equal to or exceed 30% of the voting power of all the shares of that class held by shareholders immediately before the transaction or series of transactions.

As more than 30% of the Company's issued share capital will be issued in terms of the Knife Capital Acquisition, the Rights Offer and the Specific Issue, the approval of Afdawn Shareholders by way of a special resolution is required.

The Company will post a circular on Friday, 20 December 2013 to its shareholders relating to the authority to issue the Afdawn shares in terms of the Knife Capital Acquisition, the Rights Offer and the Specific Issue. A copy of the circular will also be available on Afdawn's website (www.afdawn.co.za).

The general meeting, convened in terms of the notice incorporated in the circular, will be held at First Floor, Quadrum 4, Quadrum Office Park, 50 Constantia Boulevard, Constantia Kloof, Ext 28, South Africa on Tuesday, 21 January 2014, commencing at 10h00 ("the General Meeting") for purposes of considering and, if deemed fit, passing with or without modification, the resolutions required as set out in the circular.

## D. RENEWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the cautionary announcement dated 18 November 2013 and are hereby advised to continue exercising caution when dealing in the Company's securities until a full announcement regarding the *pro forma* financial effects in relation to the Knife Capital Acquisition, the Rights Offer and Specific Issue is made.

Johannesburg
13 December 2013

Corporate Adviser and Transaction Designated Adviser
PSG Capital

## FURTHER ANNOUNCEMENT DATED 18 FEBRUARY 2014

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

**UPDATE RELATING TO THE ACQUISITION OF KNIFE CAPITAL PROPRIETARY LIMITED, RIGHTS OFFER AND SPECIFIC ISSUE AND CAUTIONARY ANNOUNCEMENT**

### A. UPDATE RELATING TO THE ACQUISITION OF KNIFE CAPITAL PROPRIETARY LIMITED

### 1. INTRODUCTION

Shareholders are referred to the announcement released on SENS on Friday, 13 December 2013 ("the Announcement"), advising shareholders that Afdawn had entered into an agreement to acquire 100% of the issued shares in Knife Capital Proprietary Limited ("Knife Capital"), which if successfully implemented would result in Afdawn acquiring 100% of the issued shares in Knife Capital for a purchase consideration of R10 million ("the Knife Capital Acquisition") ("the Knife Capital Agreement").

Shareholders are hereby advised that the parties entered into an addendum to the Knife Capital Agreement on 17 February 2014 ("The Knife Capital Addendum").

In terms of the Knife Capital Addendum, the terms relating to the purchase consideration and conditions precedent were amended. The details of same are presented in paragraph 2 and 3 below.

In terms of the Knife Capital Acquisition Agreement and the Knife Capital Addendum, the effective date of the Knife Capital Acquisition, subject to the fulfilment of the conditions precedent set out in paragraph 3 below, is expected to occur on or about 3 March 2014 or a later date agreed to by the Company and the Knife Capital vendors ("the Effective Date").

Shareholders are further advised that in terms of the Knife Capital Addendum, the Knife Capital vendors, consisting of Eben van Heerden, Keet van Zyl and Andrea Böhmert will be appointed as executive directors of Afdawn upon the successful implementation of the Knife Capital Acquisition.

### 2. PURCHASE PRICE ADJUSTMENT

In terms of the Knife Capital Addendum, the purchase consideration payable to the Knife Capital vendors will be adjusted in the event that the capital raised through the rights offer or any subsequent capital raising and the realisation of non-core assets of the Company within 12 months ("Capital Raised") of the Effective Date is less than R50 million.

The purchase price adjustment will be calculated as R50 million less Capital Raised multiplied by 20%, but will be limited to a maximum purchase price adjustment of R2 million ("the Purchase Price Adjustment"). Afdawn shall issue such number of shares to the Knife Capital vendors as is equal to the Purchase Price Adjustment divided by the 30-day volume weighted average price of Afdawn shares on the day preceding the one year anniversary of the Effective Date.

### 3. CONDITIONS PRECEDENT

The Knife Capital Acquisition is subject to the following remaining conditions precedent after the Knife Capital Addendum:

(xv) Knife Capital becoming the beneficial owner of all the issued shares in Grindstone Accelerator Proprietary Limited, on or before 21 February 2014, structured in such a way as agreed to by Afdawn in writing;

(xvi) the written consent to the change of control of Knife Capital, together with the waiver of any restrictions pertaining to such change, from third party clients and/or parties with whom Knife Capital has entered into agreement before the date of signature of the Knife Capital Acquisition Agreement, together with the written consent of Knife Capital's third party clients and/or such third parties to any affect that such change in control may have on the agreements concluded, being obtained by no later than the Effective Date;

(xvii) the extension of the HBD Business Holdings Proprietary Limited management agreement on terms acceptable to Afdawn, being obtained by no later than the Effective Date;

(xviii) Afdawn's Board of directors approving a detailed budgeted forecast of income and expenses for the 24-month period from the Effective Date of the Knife Capital Acquisition, by no later than the Effective Date;

(xix) Afdawn has before the Effective Date secured irrevocable undertakings from certain shareholders in terms of which they undertook to support in the capital raising by:

- voting in favour of all resolutions required to effect the proposed rights offer; and
- following their rights in the proposed rights offer and/or to underwrite a portion of such rights offer, which irrevocable undertakings will collectively equate to a capital raising of not less than R15 million;

The effect of the irrevocable undertakings being that the rights offer will yield a minimum amount of R15 million, that would be available for new investments and related costs post the closing date of the rights offer.

(xx) Willem Jakobus Groenewald signing a three year service contract with Afdawn by no later than the Effective Date;

(xxi) Johannes Stephanus van der Merwe agreeing to be the non-executive chairman of Afdawn for a period of six months after the Effective Date; and

(xxii) the conclusion of employment and service agreements of at least five years with each of the Knife Capital vendors by no later than the Effective Date.

## B. UPDATE RELATING TO THE RIGHTS OFFER AND SPECIFIC ISSUE

### 1. INTRODUCTION

Shareholders were further advised in the Announcement and in an announcement released on SENS on 17 January 2014 that Afdawn intends to raise up to R40 654 732.40 from its shareholders by way of a partially underwritten renounceable rights offer ("the Rights Offer") in terms of which 508 184 155 shares ("Rights Offer Shares") will be offered to shareholders recorded in the Afdawn share register at the applicable record date to be determined, at a subscription price of 8 cents per Rights Offer Share, in the ratio of 1 Rights Offer Share for every 1 Afdawn ordinary share held at the close of trade on the applicable record date to be determined.

Afdawn has received an irrevocable undertaking from Vaalmac Investments Proprietary Limited ("the Underwriter") to underwrite 50 000 000 of the Rights Offer Shares. In order to ensure that the Underwriter obtains a meaningful stake in Afdawn if insufficient shares are obtained as part of the underwriting, Afdawn has agreed to propose the specific issue of shares to the Underwriter ("the Specific Issue"). In the event that the Specific Issue is approved by shareholders at the General Meeting then the Company will issue up to a maximum of 50 000 000 Afdawn shares to the Underwriter, provided that the maximum number of shares issued to the Underwriter shall be decreased by each share acquired by the Underwriter by virtue of being an underwriter of the Rights Offer.

The full details of the Rights Offer and the Specific Issue will be announced on SENS and set out in a circular to be sent to Afdawn shareholders in due course.

2. **UPDATED *PRO FORMA* FINANCIAL EFFECTS OF THE RIGHTS OFFER AND THE SPECIFIC ISSUE**

The updated *pro forma* financial information applicable to the Rights Offer and the Specific Issue are still in the process of being finalised and will be published in due course.

## C. CAUTIONARY ANNOUNCEMENT

Shareholders are hereby advised to exercise caution when dealing in the Company's securities until a full announcement regarding the updated *pro forma* financial effects in relation to the Rights Offer and Specific Issue is made.

Johannesburg
18 February 2014

Corporate Adviser and Transaction Designated Adviser
PSG Capital

**AFRICAN DAWN CAPITAL LIMITED**
(Incorporated in the Republic of South Africa)
(Registration number 1998/020520/06)
Shares code: ADW ISIN: ZAE000060703
("**Afdawn**" or "**the Company**")

## NOTICE OF GENERAL MEETING

The definitions and interpretation commencing on page 7 of the Circular to which this Notice is attached apply *mutatis mutandis* to this notice of general meeting.

Notice is hereby given that a general meeting of Shareholders of the Company will be held at 10:00 on Tuesday, 15 April 2014 at 1st Floor, Quadrum 4, Quadrum Office Park, 50 Constantia Boulevard, Constantia Kloof, Extension 28, for the purposes of to consider and, if deemed fit, to pass with or without modification, the following resolutions in the manner required by the Companies Act, 71 of 2008, as amended ("**Act**") and subject to the Listings Requirements of the JSE:

### ORDINARY RESOLUTION NUMBER 1 – SPECIFIC ISSUE OF SHARES TO THE UNDERWRITER

**"IT IS RESOLVED THAT** in accordance with paragraph 5.51 of the Listings Requirements, the Company be and is hereby authorised, as a specific authority, to issue and allot up to a maximum of 50 000 000 ordinary shares in the share capital of the Company to the Underwriter, at an issue price of 8 cents per share."

**Reason for Ordinary Resolution Number 1**

The reason for Ordinary Resolution Number 1 is to approve the Specific Issue of Shares by Afdawn to the Underwriter.

In terms of the Listings Requirements, a 75% majority of votes of all Shareholders present or represented by proxy at the General Meeting must be obtained in respect of Ordinary Resolution Number 1 to approve the specific issue of shares.

In terms of the Listings Requirements, Shares held by the Underwriter and its associates, will be excluded from voting on the resolutions required to authorise the Specific Issue of Shares.

### ORDINARY RESOLUTION NUMBER 2 – AUTHORITY TO SIGN AND AMEND DOCUMENTS AND TAKE STEPS TO GIVE EFFECT TO THE RESOLUTIONS

**"IT IS RESOLVED THAT** any director of the Company or the Company Secretary, or any party approved by the Directors of the Company, be and is hereby authorised on behalf of the Company, to do all such things and to sign all such documents as may be necessary to give effect to resolutions considered at this General Meeting and hereby ratifying and confirming all such documentation signed and things already done."

**Reason for Ordinary Resolution Number 2**

The reason for Ordinary Resolution Number 2 is to grant the Directors of the Company or the Company Secretary or any party approved by the Directors the authority to sign all documents and to do all other things required to give effect to the resolutions set out above, and to ratify and confirm all such documentation signed and things already done.

A 50% majority of votes of all Shareholders present or represented by proxy at the General Meeting must be obtained in respect of ordinary resolution number 2.

**VOTING AND PROXIES**

The date on which Shareholders must be recorded as such in the share register maintained by the Transfer Secretaries of the Company ("**the Register**") for purposes of being entitled to receive this notice is Friday, 7 March 2014.

The date on which Shareholders must be recorded in the Register for purposes of being entitled to attend and vote at the General Meeting is Friday, 4 April 2014, with the last day to trade being Friday, 28 March 2014.

Section 63(1) of the Act, requires that meeting participants provide proof of identification to the reasonable satisfaction of the chairman of the General Meeting and must accordingly bring a copy of their identity document, passport or drivers' license to the General Meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the Transfer Secretaries for guidance.

Shareholders entitled to attend and vote at the General Meeting may appoint one or more proxies to attend, speak or vote thereat in their stead. A proxy need not be a member of the Company. A form of proxy, in which is set out the relevant instructions for its completion, is enclosed for the use of a Certificated Shareholder or Own-name Registered Dematerialised Shareholder who wishes to be represented at the General Meeting. Completion of a form of proxy will not preclude such Shareholder from attending and voting (in preference to that Shareholder's proxy) at the General Meeting.

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the Transfer Secretaries of the Company at the address given below, by no later than 10:00 on Friday, 11 April 2014.

Dematerialised Shareholders, other than Own-name Registered Dematerialised Shareholders, who are unable to attend the General Meeting and who wish to be represented thereat, must provide their CSDP or Broker with their voting instructions in terms of the Custody Agreement entered into between themselves and the CSDP or Broker in the manner and time stipulated therein.

Shareholders or their proxies may participate in the General Meeting by way of telephone conference call and, if they wish to do so:

- Must contact the Company Secretary by no later than Friday, 11 April 2014 in order to obtain a pin number and dial-in details for the conference call;
- Will be required to provide reasonably satisfactory identification; and
- Will be billed separately by their own telephone service providers for their telephone call to participate in the General Meeting.

By order of the Board

**WJ GROENEWALD**
*Acting CEO*

Johannesburg
17 March 2014

**REGISTERED OFFICE**
African Dawn Capital Limited
1st Floor Quadrum 4
Quadrum Office Park
50 Constantia Boulevard
Constantia Kloof, Extension 28
1709

**TRANSFER SECRETARIES**
Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)


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## FORM OF PROXY

***FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS ONLY***

For use at the General Meeting of ordinary Shareholders of the Company to be held at **10:00** on **Tuesday, 15 April 2014**, at **1st Floor Quadrum 4, Quadrum Office Park, 50 Constantia Boulevard, Constantia Kloof, Extension 28.**

I/We (Full names in BLOCK LETTERS please

of (address)

being the registered holder of ______ ordinary shares here appoint:

1. or failing him/her,

2. or failing him/her,

3. the chairman of the General Meeting,

as my/our proxy to vote for me/us on my/our behalf at the General Meeting which will be held for the purpose of considering and, if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the said resolutions and/or to abstain from voting in respect of the shares in the issues share capital of the Company registered in my/our name(s), in accordance with the following instructions (see notes):

| | **Number of shares** | | |
|---|---|---|---|
| | **For** | **Against** | **Abstain** |
| **Ordinary Resolution Number 1 –** Approving the specific issue of shares to the Underwriter | | | |
| **Ordinary Resolution Number 2 –** Authority to sign and amend documents and take steps to effect the resolutions | | | |

Please indicate your voting instruction by way of inserting the number of shares or by a cross in the space provided.

Signed at on 2014

Signature

Assisted by me (where applicable) (*State capacity and full name*)

Each Shareholder is entitled to appoint one or more proxy(ies) (who need not be a Shareholder(s) of the Company) to attend, speak and, vote in his stead at the General Meeting.

**Please read the notes on the reverse side of this form of proxy**

**Notes:**

1. An Afdawn Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space(s) provided, with or without deleting the "chairman of the General Meeting", but any such deletion must be initialled by the member. The person whose name stands first on the form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. An Afdawn Shareholder's instructions to the proxy(ies) must be indicated by the insertion of the relevant number of shares to be voted on behalf of that Shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the General Meeting, if he/she is the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the General Meeting as he/she deems fit, in respect of all the shares concerned. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or his/her proxy, but the total votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the Shareholder or his/her proxy.
3. Where there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.
4. Forms of proxy must be completed and returned to be received by the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) so as to be received by no later than 10:00 on Friday, 11 April 2014.
5. Any alteration of correction made to this form of proxy must be initialled by the signatory (ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairman of the General Meeting.
7. The completion and lodging of this form of proxy will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to.

**Summary of applicable rights established in section 58 of the Companies Act relating to the appointment of proxies**

For purposes of this summary, the term "shareholder" shall have the meaning ascribed thereto in section 57(1) of the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at a shareholders' meeting on behalf of the shareholder.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
3. Except to the extent that the Memorandum of Incorporation of a company provides otherwise:
   - 3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder; and
   - 3.2 a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at as shareholders' meeting.
4. Irrespective of the form of instrument used to appoint a proxy:
   - 4.1 the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and
   - 4.2 should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.
5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date:
   - 5.1 stated in the revocation instrument, if any; or
   - 5.2 upon which the revocation instrument is delivered to the proxy and the relevant company as required in section58(4)(c)(ii) of the Companies Act.
6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's Memorandum of Incorporation to be delivered by such company to the shareholder must be delivered by such company to:
   - 6.1 the shareholder; or
   - 6.2 the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.
7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the Memorandum of Incorporation of the relevant company or the instrument appointing the proxy provides otherwise.
8. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies
   - 8.1 a form of instrument for appointing a proxy:
   - 8.2 such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
   - 8.3 the company must not require that the proxy appointment be made irrevocable; and
   - 8.4 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5)of the Companies Act.