AFRICAN DAWN CAPITAL LIMITED

Reviewed Condensed Consolidated Statements for the six months ended 31 August 2012

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

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Reviewed Condensed Consolidated Statements of Financial Position for the six months ended 31 August 2012

	Six months ended 31-Aug-12 R`000 (Reviewed)	Six months ended 31-Aug-11 R`000 (Unaudited)	Year ended 29-Feb-12 R`000 (Audited)
Non-current assets	**2,327**	2,556	1,439
Property, plant and equipment	**979**	1,844	770
Intangible assets	**729**	-	-
Other financial assets	**619**	712	669
Current assets	**120,160**	114,920	120,849
Property in possession	**25,560**	25,304	25,662
Other financial assets	**300**	300	300
Current tax receivable	**1,639**	6,961	9,713
Trade and other receivables	**247,256**	269,882	246,902
Impairment on trade receivables	**(174,362)**	(196,055)	(177,179)
Net trade and other receivables	**72,894**	73,827	69,723
Cash and cash equivalents	**19,767**	8,528	15,451
Non-current assets held for sale	**-**	1,013	-
Total assets	**122,487**	118,489	122,288
Capital and reserves	**65,609**	29,899	65,361
Share capital	**284,634**	256,107	284,634
Reserves	**-**	113	97
Accumulated (loss)	**(219,025)**	(226,321)	(219,370)
Non-current liabilities	**24,862**	17,901	21,608
Borrowings	**24,443**	17,901	21,590
Finance lease obligation	**419**	-	18
Current liabilities	**32,016**	70,689	35,319
Finance lease obligation	**111**	134	35
Borrowings	**4,544**	31,294	5,484
Current tax payable	**18,148**	18,166	20,064
Trade and other payables	**9,213**	10,008	9,736
Provisions	**-**	11,087	-
Total liabilities	**56,878**	88,590	56,927
Total equity and liabilities	**122,487**	118,489	122,288
Ordinary shares in issue (`000)	**508,184**	222,926	508,184
Net asset value per share (cents)	**12.9**	13.41	12.9
Net tangible asset value per share	**12.8**	13.41	12.9

Reviewed Condensed Consolidated Statements of Comprehensive Income for the six months ended 31 August 2012

	Six months ended 31-Aug-12 R`000 (Reviewed)	Six months ended 31-Aug-11 R`000 (Unaudited)	Year ended 29-Feb-12 R`000 (Audited)
Revenue	**16,342**	19,136	31,472
Cost of sales	**(464)**	(399)	(407)
Gross profit	**15,878**	18,737	31,065
Other income	**1,557**	10,339	22,622
Operating and other expenses	**(16,490)**	(22,234)	(39,962)
Operating profit	**945**	6,842	13,725
Investment revenue	**348**	49	309
Fair value adjustment	**-**	(187)	-
Finance cost	**(990)**	(2,799)	(3,151)
Profit before taxation	**303**	3,905	10,883
Taxation	**(55)**	(85)	(478)
Profit for the period	**248**	3,820	10,405
Weighted number of shares	**508,184**	222,926	332,838
Basic earnings per share	**0.05**	1.71	3.23
Diluted earnings per share	**0.10**	1.71	2.79
Headline earnings per share	**0.05**	1.80	3.06
Diluted headline earnings per share	**0.11**	1.80	2.72
Reconciliation of headline earnings			
Basic earnings	**248**	3,820	10,763
Non-recurring adjustments			
Profit on sale of subsidiary	**-**	-	(1,021)
Loss on disposal of property, plant and equipment	**16**	3	2
Impairment of property, plant and equipment	**-**	-	249
Impairment of non current asset held for sale	**-**	187	188
Headline earnings	**264**	4,010	10,181

Reviewed Condensed Consolidated Statements of other Comprehensive Income for the six months ended 31 August 2012

	Six months ended 31-Aug-12 R`000 (Reviewed)	Six months ended 31-Aug-11 R`000 (Unaudited)	year ended 29-Feb-12 R`000 (Audited)
Profit for the year	**248**	3,820	10,763
Other comprehensive income:	**-**	-	-
Total comprehensive income	**248**	3,820	10,763
Attributable to			
Profit from continuing operations	**248**	3,820	10,405
Profit from discontinued operation	**-**	-	358
Owners of the parent	**248**	3,820	10,763

Reviewed Condensed Consolidated Statements of Changes in Equity for the six months ended 31 August 2012

	Share Capital	Share Premium	Reserves+ Other NDR	Retained Earnings	Ordinary Shareholders Equity
Balance at 28 Feb 2011	2,221	253,886	105	(230,133)	26,079
Total comprehensive income for the year	-	-	-	10,763	10,763
Transfer from insurance reserves	-	-	(8)	-	(8)
Issue of ordinary share during Rights Issue	2,853	25,674	-	-	28,527
Balance at 29 Feb 2012	5,074	279,560	97	(219,370)	65,361
Total comprehensive income for the six months	-	-	-	248	248
Transfer to insurance reserves	-	-	(97)	97	-
Balance at 31 Aug 2012	**5,074**	**279,560**	**-**	**(219,025)**	**65,609**

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

	Six months ended 31-Aug-12 R`000 (Reviewed)	Six months ended 31-Aug-11 R`000 (Unaudited)	Year ended 29-Feb-12 R`000 (Audited)
Cash inflow from operating activities	**4,283***	5,851	9,448
Cash inflow/(outflow) from investing activities	**(826)**	(55)	2,694
Cash inflow/(outflow) from financing activities	**859**	(5,146)	(4,569)
Net cash inflow for period	**4,316**	650	7,573
Cash and cash equivalents at beginning of period	**15,451**	7,878	7,878
Cash and cash equivalents at end of period	**19,767**	8,528	15,451

*Note: Please note that included in cash from operating activities is a receipt from SARS of R 8,2 million on a completed subsidiary assessment.

Basis of preparation

The reviewed 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 AC 500 standards as issued by the Accounting Practices Board, the requirements of the South African Companies Act (Act No 71 of 2008), as amended, and the JSE Listings Requirements. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The reviewed condensed interim financial information for the six-month period ended 31 August 2012 was reviewed by the Group`s auditors, Grant Thornton. A copy of their unqualified review opinion is available on request at the company's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the Company`s auditors.

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

Notes to the reviewed condensed consolidated financial statements

REPORTING ENTITY
African Dawn Capital Limited is a Company domiciled in the Republic of South Africa. The reviewed condensed consolidated financial statements of the Company for the six months ended 31 August 2012 comprise the Company and its subsidiaries and the Group`s interests in associates and jointly controlled entities.

STATEMENT OF COMPLIANCE
The reviewed consolidated interim financial information for the six months ended 31 August 2012, 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 AC 500 standards, and should be read in conjunction with the annual financial statements for the year ended 29 February 2012. The reviewed results were approved by the Board on 1 November 2012.

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

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 reviewed consolidated financial statements for the six months ended 31 August 2011 and year ended 29 February 2012. During the six months ended 31 August 2012 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 2012 and provisions were adjusted accordingly.

Impairment

	31-Aug-12 R`000	31-Aug-11 R`000	29-Feb-12 R`000
Movement in impairment provision	**(2,817)**	(4,610)	(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 2012	Bridging Finance	Personal & Short Term	Other	Total
Revenue	1,291	12,738	2,313	16,342
Net profit/(loss)	(10,341)	2,217	8,372	248
Net asset value	(33,178)	(3,687)	102,474	65,609

31 Aug 2011	Bridging Finance	Personal & Short Term	Other	Total
Revenue	830	13,387	4,919	19,136
Net profit/(loss)	(5,837)	7,125	2,532	3,820
Net asset value	(33,985)	(9,122)	73,006	29,899

Please note:
The Bridging Finance segment is still in the process of collecting on historical debts and recoveries are currently covering their operational costs. The new mandate of Debt Management Services originates out of Bridging Finance and will form a new segment in future. The loss of R10,3 million (2011: Loss R 5,8 million) includes an impairment of intercompany loans with its subsidiaries. The measurable loss in control of the segment's management accounted to R 0,6 million (2011: Loss R 5,8 million).

COMMENTS FROM THE BOARD

THE MACRO-ECONOMIC ENVIRONMENT
The South African economic environment has recently been dominated by the wildcat strikes that started in the platinum belt in Rustenburg. It has spread into other industries and together with the loss of life has undermined investor confidence and casts serious concerns about Government's governance in this regard. Both Moody's and Standard and Poor's have cut South Africa's Credit rating, citing the strikes and social tension. The Reserve Bank's latest economic growth forecasts were for an average of 2.6% in 2012 and 3.4% next year. Reserve Bank Deputy Governor Daniel Mminele recently said in a post on the Central Bank's website "Growth forecast will most likely need to be revisited". The global economy remains under pressure with Europe struggling through the debt crisis. In our opinion tough economic conditions will remain in the next 12 months.

THE ECONOMIC ENVIRONMENT
From a South African micro finance industry perspective, the wildcat strikes and loss of life at Marikana, over increased wages highlighted the credit health of the consumer and the growth in the extension of unsecured credit to those borrowers. The latest CCMR (Consumer Credit Market Report) released in October 2012 stated that, the gross debtor book for unsecured lending increased by 8.68% quarter-on-quarter by the end of June and by 49.25% as compared to the same quarter last year. This translates to an amount of R131.1 billion of outstanding unsecured credit which still only represents 9.63% of the net outstanding debt in South Africa. Interest rates have trended lower. However, the impact of inflation, specifically all the wage increases, will negatively impact on this downward trend.

Research reports produced in October by the large Equity Research Houses into the unsecured lending market have all concluded that the "credit bubble" will, for the time being, be averted. Growth in the unsecured lending market will continue albeit at much lower levels.

Our experience has seen a significant growth in the level of credit extended to our customer base and new customers. It is crucial for this market's sustainability that affordability criteria remains prudent and is in no way compromised in the pursuit of market share. It has become a war of customer affordability rather than price. Our strategy has been to be a responsible lender and ensure that the credit quality of the book remains intact.

TRADING AND OPERATIONAL REVIEW
The first six months ended 31 August 2012 proved slower and at times frustrating, yet positively rewarding. In the turnaround of Afdawn, appropriate funding was secured through the successful recapitalisation in November 2011. Our immediate strategy remains to focus on our personal finance and debt management businesses and re-establish ourselves in the market place. The fundamentals underlying our strategy are that we maintain good governance and adopt appropriate risk mitigating strategies to ensure a sustainable business. Management has focused on reducing costs and driving cost synergies through our move into one office and rolling out our centralised shared services across the group.

Re-establishing credibility in the market proved difficult as trust is earned over time and not merely a switch that is flicked. It necessitated a change in our approach and strategy. We have made great strides in this regard with numerous mandates concluded with significant employer groups during July and August 2012. This has enabled Elite to grow its customer base from 10 000 to 25 000 in the past 3 months alone.

The challenge remains to convert the customer base into responsible loans. In addition, National Housing Finance Corporation ("NHFC") approved a facility to Elite of R25 million for incremental loans showing confidence in our operating model, which bodes well for our future. Elite returned a profit of R 0,9 million in the six month period. In addition, Elite has access to an additional R30 million funding via the Elite Group Two transaction, R 10 million being available now and R20 million by way of conversion rights exercised by Sandown Capital. Sandown Capital owns Elite Group Two and Elite manages Elite Group Two under a management agreement. The envisaged loan growth of our book was much slower due to earning trust at employer group level as mentioned earlier, together with an increased over indebtedness of our new loan applicants.

The approval rates of new loans remain low throughout the various delivery channels. To reiterate, 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. The traditional outlets have maintained their customer base over this period.

Given the unfortunate events that transpired at Marikana and the negative press that followed relating to the micro lending industry in general and specifically to those operating in Rustenburg, Afdawn's position is clarified as follows. Elite has no traditional outlet presence in this region nor have we contravened any provisions of the National Credit Act as detected by the National Credit Regulator in their investigations into the operations of the 13 micro financiers operating in this region. We subscribe to the NCA's vision to ensure responsible and affordable lending.

Elite has significantly up skilled the sales and collections functions, most notably the appointment of Andy Turner as marketing director of Elite. The Elite collections have secured significant mandates in August, which amounts to R3 million a month legal collection book.

Elite Medical Finance experienced some delays during our pilot testing phase, which required more IT development to ensure that we have a comprehensive product offering to the medical practitioner which covers the entire practice and not merely the general aspect thereof. The feedback from medical practitioners remains extremely positive and we envisage rolling out our product in the latter half of this year. The opportunity remains immense for this product.

The debt management business remains involved in the collection of number of distressed books, including our own books and returned a loss of R 0,6 million. We are cognisant of the commercial imperatives as regards the costs and benefits. The collection of our own books is proceeding well, albeit not without difficulty. The debt management team has also been actively marketing our service and expertise to independent third parties to collect their distressed debt under management agreement. We are confident of securing a minimum of two separate mandates totalling at least R200 million in the next two months, which we anticipate will increase revenue.

SHAREHOLDER SUPPORT

We have shared our progress with our major shareholders, vendors and funders, and they remain positive and supportive toward Afdawn's business and aspirations.

SARS

Afdawn management has worked closely with SARS on all aspects relating to our tax position. Significant progress has been made in terms of the agreed action plan. There are only a few returns that need be assessed by SARS, which will then enable us to settle the matter with SARS. We envisage this process to be concluded by year-end at the latest. The SARS liability has been fully provided for in our accounts.

ALLEGRO STATUS

Afdawn has engaged with the Curators of Allegro to explore the possibility that the matter can be settled in some form as the uncertainty impedes Afdawn in sourcing alternative funding outside our regular funders. We are in the process of concluding Memorandum of Understanding that will set out the rules of engagement that will enable us to determine the facts which in turn will facilitate a conclusion to the matter. Thus far we have not become aware of any information during our deliberations that will alter our conclusion reached previously.

As mentioned in the 2010, 2011 and 2012 Annual Reports, a former subsidiary company, Allegro Holdings Proprietary Limited ("Allegro") was placed in curatorship in 2009 and was therefore deconsolidated. At the time Allegro was indebted to Afdawn in the amount of R 3.8 million. A curator has repeatedly made verbal statements regarding a possible claim that he claims to have against Afdawn and/or its subsidiaries. This has been ongoing since early 2010 and, notwithstanding written requests to the curators, no formal claim has been forthcoming, nor have we been advised of the basis of any claim. The latest CMM curators' reports to the Financial Services Board ("FSB") in November 2011 and March 2012, contained no indication of a formal claim against Afdawn.

On 17 April 2012 the curators lodged a formal claim against Absa and directors within the Allegro group at the time at which the alleged claim arose. To the date of signing this report no claims have been received by Afdawn, nor have we been able to establish any basis for a potential claim against Afdawn and therefore no provisions have been made for any such contingency.

CORPORATE GOVERNANCE

Management embrace the principles set by KING III and strive to comply in all material aspects. The current governance structures remain in place. The publication of our first integrated report for the year ended 29 February 2012, drives new initiatives and outlook on areas regarding social, environmental and sustainability of the Group.

HUMAN RESOURCES

The consolidation of the Group under one roof was successfully completed. The consolidation gave way to new and exciting positions, that were filled with excited, driven and qualified individuals. The management remains committed to grow and enable individuals to contribute at a micro and macro level, this is achieved through training and performance initiatives.

DIVIDENDS

No dividends are contemplated for the 2013 financial year.

CHANGES TO THE BOARD OF DIRECTORS

The company appointed Dr GE Stoop as an executive member on 23 May 2012 and his expertise in personal finance is already contributing to the Group as a whole.

Afdawn is in the interim actively pursuing the appointment of a permanent financial Director. Having regard to investor assurance we have opted for reviewed interim results for the six months ended 31 August 2012.

APPRECIATION

The board wants to emphasise its appreciation of the support and inputs received from its shareholders, suppliers, customers and staff. The continued support has ensured that Afdawn is on the path to realise its dream and achieve its purpose of creating shareholders value in a responsible manner that also improves the lives of our customers through the provision of finance and services.

ADMINISTRATION

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

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

Directors:
TF Kruger (chief executive officer),
Dr GE Stoop (executive)(appointed 23 May 2012),
L Taylor (independent non-executive),
CF Wiese (independent non-executive chairman),
HH Hickey (independent non-executive),
WJ Groenewald (non-executive)

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

Auditors:
Grant Thornton

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

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

Date: 6 November 2012