Interest income: Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount - being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discounts as interest income. Interest income on impaired loans is recognised either when cash is collected or on a cost-recovery basis as conditions warrant.
Impairment of assets: Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset`s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset`s fair value, less cost to sell, and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).
Property 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. Repossessed properties are recognised when the risks and rewards of the properties have been transferred to the Group. 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 the statement of comprehensive income, in impairments. Any subsequent increase in the net realisable value, to the extent that it does not exceed the cumulative write-down, is also recognised in impairments. Gains or losses on disposal of repossessed properties are reported in "Other operating income" or "Operating expenditure".

**4. 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 2010 and year ended 28 February 2011. During the six months ended 31 August 2011 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.

**5. 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 2011 and provisions were adjusted accordingly.

| | 31-Aug-11 R'000 | 31-Aug-10 R'000 | 28-Feb-11 R'000 |
|---|---|---|---|
| Movement in impairment provision | **(4,610)** | (636) | (25,917) |

**6. 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 favorable market conditions exist in order to realise the carrying value thereof.

**7. Segmental information**

Figures in ZAR thousands

| | Bridging Finance | Personal & Short Term | Other | Total |
|---|---|---|---|---|
| **31 Aug 2011** | | | | |
| 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 |
| **31 Aug 2010** | | | | |
| Revenue | **347** | 17,197 | 5,598 | 23,142 |
| Net profit (loss) | **7,730** | (2,149) | (15,941) | (10,360) |
| Net asset value | **(24,540)** | (17,318) | 55,171 | 13,313 |

## COMMENTS FROM THE BOARD

Corporate Activity - Rights Offer, Convertible bonds and Special Purpose Vehicle

It was announced on SENS on 14 June 2011 that the Company entered into a Settlement agreement with the National Housing Finance Corporation Limited ("NHFC") on 30 May 2011 in respect of loans received from the NHFC. In terms of the Settlement agreement, Afdawn agreed to pay the NHFC R28 million. The first payment was due on 15 September 2011, or as soon thereafter as the parties may agree. The remaining balance ("Remaining Balance") of R5 million is to be settled firstly from any excess over R28 million received from a planned "Rights Offer" and thereafter, should a balance remain unpaid, by 31 October 2013. The Remaining Balance is interest free and is secured by way of a cession over the book debts of Nexus Personnel Finance Proprietary Limited ("Nexus"). In return and upon signing of the Settlement agreement, the NHFC agreed to novate all current agreements between Afdawn, Nexus and Elite Group Proprietary Limited ("Elite").
Due to unforeseen delays in finalising the Rights Offer documentation with the JSE Limited ("JSE"), the Company has agreed to an extension with the NHFC for the payment of the first amount to 15 November 2011. The Board further announced that Afdawn planned to raise at least R25 million through the Rights Offer to raise the required funds to fulfil the Company's obligations in terms of the Settlement agreement, as well as to settle the Company's outstanding liabilities with South African Revenue Services ("SARS") and the bank overdraft with First National Bank.

In terms of the Rights Offer, 250 million Afdawn shares have been offered for subscription to qualifying shareholders. Qualifying shareholders have received rights (represented by letters of allocation) to subscribe for 112.145 Rights Offer shares for every 100 Afdawn shares held on the Record date (Friday 7 October 2011) for the Rights Offer, for a subscription price of 10 cents per Rights Offer share. The Rights Offer share price represents a premium of 1 cent (11%) to the closing share price of Afdawn of 9 cents on 13 June 2011.

In addition to the Rights offer, the Group has agreed to issue two convertible bonds:
- Sandown Capital (Pty) Limited will subscribe for a three year convertible bond of R10 million, to be issued by Elite, which bond may be converted into Afdawn shares at the option of Sandown Capital at any time within a three year period from the date on which the cash from the issue of the Sandown Capital Bond is received at a price of 14 cents per Afdawn share; and
- PCI Fintrade (Pty) Limited ("PCI") will subscribe for a three year convertible bond of R1,7 million to be issued by Afdawn, which may be converted into Afdawn shares at the option of PCI at any time within a three year period from the date on which the cash from the issue of the PCI Bond is received at a price of 14 cents per Afdawn share.

Shareholders are referred to the SENS dated 14 June 2011, 10 August 2011 and 22 August 2011, addressing the details of the Rights Offer, Convertible bonds and Special Purpose Vehicle.The Board is pleased to report that, notwithstanding the unforeseen delays mentioned above, the process is on track. All the required resolutions were passed at a General Meeting held on 21 September 2011 and announced on SENS on the same day.

**1. Outlook**

**Economic**
Trading conditions continue to be challenging in the Group's various markets. The rejection rate on micro loan applications is extremely high and it is evident that lower income households are battling to make ends meet. The lack of fresh capital in the Group has prevented any meaningful growth in the various businesses within the Group. This has not prevented the Group from continuing to trade within its capital constraints, manage costs and to vigorously pursue the remaining loan book.

**Afdawn strategy**
In the six month period ended 31 August 2011 the Group has performed admirably in spite of the lack of additional capital. The Board is in the process of rationalising the Group. This includes creating focussed divisions as well as making maximum use of shared premises and resources. All financial, legal, Information Technology and personnel functions will be centralised resulting in both cost savings and maximisation of resources. Efforts are currently underway to source joint premises as currently the major operating subsidiaries and head office operate from three different locations. Limited marketing has been undertaken pending the recapitalisation of the Group. The lack of new capital notwithstanding, the pipeline in Elite is excellent with a number of significant employers wishing to make use of Elite's services in providing micro loans to their staff. Elite's development of a call centre as a delivery channel is sought after by employers who are based outside the main centres such that employees can source micro loans without having to travel to a micro lender facility in the town centre. Following mismanagement and fraud, Dumont Healthcare Proprietary Limited ("Dumont") has been stabilised. The Dumont systems are in the process of being redesigned which will provide seamless delivery of product with complete back-office integration. The prospects for growing this business, albeit off a very low base, are good. The property bridging business remains depressed and is unlikely to return to the levels experienced prior to the economic downturn. Opportunities remain for secured structured lending products as well as expanding our management and collection services to third parties. The present difficulties in accessing credit from traditional sources provide a good opportunity to grow the structured lending business, subject to proper credit appraisal and appropriate security.

**2. SARS**

A reconciliation of all the Group's tax liabilities and assets is now complete and fully provided for in the accounts. SARS has been very accommodating during this process especially regarding the reassessment of prior years' tax liabilities or assets, following the restatement of the prior years' results. An action plan has been concluded with SARS to resolve all the outstanding matters.

**Other Notes**

**1. Corporate governance**

The Directors and senior management of the Group endorse the Code of Corporate Practices and Conduct as set out in the King III report on Corporate Governance. Having regard for the size of the Group, the Board has implemented improvements to the Group's governance and management systems to the extent that they are practical and relevant. The Group performs regular reviews of its corporate governance policies and practices and strives for continuous improvement in this regard.

**2. Human resources**

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

**3. Related party transactions**

The Group did not enter into any related party transactions during the period, other than those disclosed in the Rights Offer circular relating to PCI which was the subject of a fairness opinion.

**4. Dividend**

No dividends are contemplated for the 2012 financial year.

**5.Changes to the Board**

There were no Board changes during the period under review.

**6. Appreciation**

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

# Unaudited Condensed Interim Results

for six months ended 31 August 2011

African Dawn
capital limited

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

for the six months ended 31 August 2011

| | Six months ended 31-Aug-11 R'000 (Unaudited) | Six months ended 31-Aug-10 R'000 (Reviewed) | Year ended 28-Feb-11 R'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | **2,556** | 2,605 | 3,000 |
| Property, plant and equipment | **1,844** | 2,605 | 2,288 |
| Other financial assets | **712** | - | 712 |
| **Current assets** | **114,920** | 134,692 | 124,241 |
| Inventories | **-** | 2,068 | - |
| Property in possession | **25,304** | 34,965 | 25,344 |
| Other financial assets | **300** | - | 300 |
| Current tax receivable | **6,961** | 6,961 | 6,961 |
| Trade and other receivables | **269,882** | 294,506 | 284,146 |
| Impairment on trade receivables | **(196,055)** | (211,747) | (200,665) |
| Net trade and other receivables | **73,827** | 82,759 | 83,481 |
| Cash and cash equivalents | **8,528** | 7,939 | 8,155 |
| Non-current assets held for sale | **1,013** | 13,749 | 1,200 |
| **Total assets** | **118,489** | 151,046 | 128,441 |
| **Capital and reserves** | **29,899** | 13,313 | 26,079 |
| Share capital | **256,107** | 256,107 | 256,107 |
| Reserves | **113** | 452 | 105 |
| Accumulated (loss) | **(226,321)** | (244,771) | (230,133) |
| Non-controlling interest | **-** | 1,525 | - |
| **Non-current liabilities** | **17,901** | 28,604 | 11,175 |
| Borrowings | **17,901** | 27,911 | 11,124 |
| Finance lease obligation | **-** | 117 | 51 |
| Deferred tax | **-** | 576 | - |
| **Current liabilities** | **70,689** | 109,129 | 91,187 |
| Finance lease obligation | **134** | 52 | 127 |
| Borrowings | **31,294** | 45,554 | 48,538 |
| Current tax payable | **18,166** | 17,702 | 18,045 |
| Trade and other payables | **10,008** | 28,990 | 11,716 |
| Provisions | **11,087** | 16,000 | 12,484 |
| Bank overdraft | **-** | 831 | 277 |
| **Total liabilities** | **88,590** | 137,733 | 102,362 |
| **Total equity and liabilities** | **118,489** | 151,046 | 128,441 |
| Ordinary shares in issue ('000) | **222,926** | 222,926 | 222,926 |
| Net asset value per share (cent) | **13.41** | 5.97 | 11.69 |
| Net tangible asset value per share | **13.41** | 5.97 | 11.69 |

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the six months ended 31 August 2011

| | Six months ended 31-Aug-11 R'000 (Unaudited) | Six months ended 31-Aug-10 R'000 (Reviewed) | Year ended 28-Feb-11 R'000 (Audited) |
|---|---|---|---|
| **Revenue** | **19,136** | 23,142 | 48,235 |
| Cost of sales | **(399)** | (1,213) | (1,295) |
| **Gross profit** | **18,737** | 21,929 | 46,940 |
| Other income | **10,339** | 1,017 | 8,603 |
| Operating and other expenses | **(22,234)** | (21,190) | (33,687) |
| **Operating profit** | **6,842** | 1,756 | 21,856 |
| Investment revenue | **49** | 144 | 256 |
| Fair value adjustment | **(187)** | (9,906) | (10,522) |
| Finance cost | **(2,799)** | (2,347) | (7,148) |
| **Profit/(Loss) before taxation** | **3,905** | (10,353) | 4,442 |
| Taxation | **(85)** | (7) | (816) |
| **Profit/(Loss) for the period** | **3,820** | (10,360) | 3,626 |
| **Other comprehensive income:** | | | |
| Taxation related to components of other comprehensive income | **-** | - | (452) |
| **Other comprehensive loss for the year net of taxation** | **-** | - | (452) |
| **Total comprehensive income/(loss)** | **3,820** | (10,360) | 3,174 |
| **Attributable to** | | | |
| Owners of the parent | **3,820** | (10,506) | 3,785 |
| Non-controlling interest | **-** | 146 | (611) |
| Number of shares | **222,926** | 222,926 | 222,926 |
| Basic profit/(loss) per share | **1.71** | (4.71) | 1.63 |
| Diluted profit/(loss) per share | **1.71** | (4.71) | 1.63 |
| Headline profit/(loss) per share | **1.80** | (4.71) | 1.03 |
| Reconciliation of headline earnings/(loss) | | | |
| Basic profit/(loss) | **3,820** | (10,360) | 3,626 |
| Non-recurring adjustments | | | |
| Sale of subsidiary | **-** | - | (806) |
| Sale of property | **3** | - | (515) |
| Impairment of non current asset held for sale | **187** | - | |
| Headline earnings/(loss) | **4,010** | (10,360) | 2,305 |

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the six months ended 31 August 2011

| | Share Capital | Share Premium | Reserves and Other NDR | Retained Earnings | Minority Interest | Ordinary Shareholders Equity |
|---|---|---|---|---|---|---|
| Balance at 28 Feb 2010 | 2,221 | 253,886 | 452 | (234,265) | 1,379 | 23,673 |
| Total comprehensive income for the year | - | - | (452) | 4,237 | (611) | 3,174 |
| Transfer to insurance reserves | - | - | 105 | (105) | - | - |
| Subsidiary sold | - | - | - | | (768) | (768) |
| **Balance at 28 Feb 2011** | 2,221 | 253,886 | 105 | (230,133) | - | 26,079 |
| Total comprehensive income for the six months | - | - | - | 3,820 | - | 3,820 |
| Transfer to insurance reserves | - | - | 8 | (8) | - | - |
| **Balance at 31 Aug 2011** | **2,221** | **253,886** | **113** | **(226,321)** | **-** | **29,899** |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

for the six months ended 31 August 2011

| | Six months ended 31-Aug-11 R'000 (Unaudited) | Six months ended 31-Aug-10 R'000 (Reviewed) | Year ended 28-Feb-11 R'000 (Audited) |
|---|---|---|---|
| Cash Inflow (Outflow) from Operating Activities | **5,851** | (10,890) | 2,591 |
| Cash Inflow (Outflow) from Investing Activities | **(55)** | 1,411 | 2,987 |
| Cash Inflow (Outflow) from Financing Activities | **(5,146)** | 1,432 | (12,855) |
| Net Cash Inflow (Outflow) for period | **650** | (8,047) | (7,277) |
| Cash and cash Equivalents at Beginning of Period | **7,878** | 15,155 | 15,155 |
| Cash and cash Equivalents at End of Period | **8,528** | 7,108 | 7,878 |

**BASIS OF PREPARATION**

The unaudited 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 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 unaudited condensed interim financial information for the six-month period ended 31 August 2011 has not been reviewed or reported on by the Group`s auditors, Grant Thornton. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the Company`s auditors.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Reporting entity:**

African Dawn Capital Limited is a Company domiciled in the Republic of South Africa. The unaudited condensed consolidated financial statements of the Company for the six months ended 31 August 2011 comprise the Company and its subsidiaries and the Group`s interests in associates and jointly controlled entities.

**2. Statement of compliance:**

The unaudited consolidated interim financial information for the six months ended 31 August 2011, 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 28 February 2011. The unaudited results were approved by the Board on 22 September 2011.

**3. 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 2011. For a full list of standards and interpretations which have been adopted we refer you to the 28 February 2011 annual financial statements. Below is an extract of the most significant accounting policies of the Group.

Revenue recognition: Revenue recognition comprises the fair value of the sale of goods and services, net of value-added tax, rebates and discounts. Revenue is recognised as follows:

Sale of services: Sales of services are recognised in the accounting period in which the services are rendered, by way of reference to completion of the specific transaction assessed on the basis of the actual services provided as portion of the total services to be provided.


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

Registered office: 1 st Floor, Dunkeld Place, 12 North Road, Dunkeld West, Johannesburg, Republic of South Africa

Tel: +27 (11) 341 0860
Fax: +27 (11) 325 2716


Directors: PC Gordon (executive chairman), TF Kruger (financial director), CF Wiese (independent non-executive), L Taylor (independent non-executive), HH Hickey (independent non-executive)

Company secretary: LW Viljoen

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: 17 October 2011