Audited Condensed Consolidated Financial Results for the year ended 29 February 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”

- Increase in Earnings per share ("EPS") to 3.23 cents
- Increase in Diluted earnings per share to 2.79 cents
- Increase in Headline earnings per share ("HEPS") to 3.06 cents
- Successful recapitalisation raises R39.9 million

Audited Condensed Consolidated Statements of Financial Position

for the year ended 29 February 2012

	Year ended 29-Feb-12 R`000 (Audited)	Year ended 28-Feb-11 R`000 (Audited)
Non-current assets	**1,439**	3,000
Property, plant and equipment	**770**	2,288
Other financial assets	**669**	712
Current assets	**120,849**	124,241
Property in possession	**25,662**	25,344
Other financial assets	**300**	300
Current tax receivable	**9,713**	6,961
Trade and other receivables	**246,902**	284,146
Impairment on trade receivables	**(177,179)**	(200,665)
Net trade and other receivables	**69,723**	83,481
Cash and cash equivalents	**15,451**	8,155
Non-current assets held for sale	**-**	1,200
Total assets	**122,288**	128,441
Capital and reserves	**65,361**	26,079
Share capital	**284,634**	256,107
Reserves	**97**	105
Accumulated (loss)	**(219,370)**	(230,133)
Non-current liabilities	**21,608**	11,175
Borrowings	**21,590**	11,124
Finance lease obligation	**18**	51
Current liabilities	**35,319**	91,187
Finance lease obligation	**35**	127
Borrowings	**5,484**	48,538
Current tax payable	**20,064**	18,045
Trade and other payables	**9,736**	11,716
Provisions	**-**	12,484
Bank overdraft	**-**	277
Total liabilities	**56,927**	102,362
Total equity and liabilities	**122,288**	128,441
Net asset value per share (cents)	**12.9**	11.7
Net tangible asset value per share (cents)	**12.9**	11.7

Audited Condensed Consolidated Income Statements

for the year ended 29 February 2012

	Year ended 29-Feb-12 R`000 (Audited)	Year ended 28-Feb-11 R`000 (Audited)
Revenue	**31,472**	42,557
Cost of sales	**(407)**	(454)
Gross profit	**31,065**	42,103
Other income	**22,622**	7,871
Operating and other expenses	**(39,962)**	(26,147)
Operating profit	**13,725**	23,827
Investment revenue	**309**	256
Fair value adjustment	**-**	(10,522)
Finance cost	**(3,151)**	(7,148)
Profit before taxation	**10,883**	6,413
Taxation	**(478)**	(816)
Profit from continuing operations	**10,405**	5,597
Profit/(Loss) from discontinued operations	**358**	(1,971)
Profit for the year	**10,763**	3,626
Weighted number of shares	**332,838**	253,898
Basic earnings per share from continuing and discontinued operations	**3.23**	1.42
Diluted earnings per share from continuing operations	**2.79**	2.20
Headline earnings per share from continuing and discontinued operations	**3.06**	0.90
Diluted headline earnings per share from continuing and discontinued operations	**2.72**	0.90
Reconciliation of headline earnings		
Basic earnings	**10,763**	3,626
Non-recurring adjustments		
Profit on sale of subsidiary	**(1,021)**	(806)
Impairment of property, plant and equipment	**249**	-
(Profit)/loss on disposal of property, plant and equipment	**2**	(515)
Loss on disposal of non current asset held for sale	**188**	-
Headline earnings	**10,181**	2,305

Note: The prior year's Income Statement includes discontinued operations only as a separate line item as per IFRS 5. Due to the Rights Issue the weighted number of shares for 2011 financial year was adjusted as required by IAS 33, resulting in an updated EPS, diluted EPS and HEPS.

Audited Condensed Consolidated Statements of Comprehensive Income

for the year ended 29 February 2012

	Year ended 29-Feb-12 R`000 (Audited)	Year ended 28-Feb-11 R`000 (Audited)
Profit for the year	**10,763**	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	**10,763**	3,174
Attributable to		
Profit from continuing operations	**10,405**	5,597
Profit/(Loss) from discontinued operation	**358**	(1,971)
Owners of the parent	**10,763**	3,785
Non-controlling interest	**-**	(611)

Audited Condensed Consolidated Statements of Cash Flows

for the year ended 29 February 2012

	Year ended 29-Feb-12 R`000 (Audited)	Year ended 28-Feb-11 R`000 (Audited)
Cash flow from operating activities	**9,448**	2,591
Cash flow from investing activities	**2,694**	2,987
Cash flow from financing activities	**(4,569)**	(12,855)
Net cash flow for the year	**7,573**	(7,277)
Cash and cash equivalents at beginning of the year	**7,878**	15,155
Cash and cash equivalents at end of the year	**15,451**	7,878

Audited Condensed Consolidated Statements of Changes in Equity

for the year ended 29 February 2012

	Share Capital	Share Premium	Total Reserves	Accumulated Loss	Minority Interest	Ordinary Share Holders Equity
Balance at 28 Feb 2010	2,221	253,886	452	(234,265)	1,379	23,673
Total comprehensive income for the 2011 year	-	-	(452)	4,237	(611)	3,174
Transfer to insurance reserve	-	-	105	(105)	-	-
Subsidiary sold	-	-	-	-	(768)	(768)
Balance at 28 Feb 2011	2,221	253,886	105	(230,133)	-	26,079
Issue of ordinary share during Rights Issue	2,853	25,674	-	-	-	28,527
Total comprehensive income for the 2012 year	-	-	-	10,763	-	10,763
Transfer from insurance reserve	-	-	(8)	-	-	(8)
Balance at 29 Feb 2012	**5,074**	**279,560**	**97**	**(219,370)**	**-**	**65,361**

Basis of preparation and statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34: Interim Financial Reporting, the Companies Act, and the JSE Listing Requirements which is inclusive of (AC 500). The consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis other than financial assets designated as at fair value through profit and loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The preparation of the group`s consolidated year end results for financial year ended 29 February 2012 was supervised by the acting Financial Director of the group, Mr TF Kruger.

Grant Thornton, the group's independent auditor, has audited the consolidated annual financial statements of Afdawn from which the condensed consolidated financial results have been derived and have expressed an unqualified opinion on the consolidated annual financial statements. The audit report is available for inspection at the company's registered offices.

Audit opinion

We have audited the group annual financial statements of African Dawn Capital Limited, which comprised the consolidated statement of financial position as at 29 February 2012, and the consolidated income statement, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated financial position of African Dawn Capital Limited as at 29 February 2012, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

GRANT THORNTON
Chartered Accountants (SA)
Registered Auditors

E F G Dreyer
Partner
Chartered Accountant (SA)
Registered Auditor

23 May 2012

Grant Thornton Office Park
137 Daisy Street
Sandown
Johannesburg
2196

Notes to the Audited Condensed Consolidated Financial statements

REPORTING ENTITY

The company is incorporated and domiciled in the Republic of South Africa. The core business of the group is specialized financial services segmented as bridging finance, short term unsecured finance and other financial services, including debt collections and debt management services. The Condensed Consolidated Financial Statements of the company for the period ended 29 February 2012 comprised of the company and its subsidiaries.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial information are consistent with those of the annual financial statements for the year ended 28 February 2011.

Policies that became effective in 2012 and adopted include:
IAS 24 Related party disclosure (Revised)
IFRIC 19 Extinguishing financial liabilities with equity instruments
Amendments to IFRS 3 Business Combinations
Amendments to IFRS 7 disclosure to Financial Instruments
Amendments to IAS 1 presentation of Financial Statements
Amendments to IAS 34 Interim Financial reporting
Amendments to IAS 12 Income taxes, recovery of deferred tax asset

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

Discontinued operations: A discontinued operation is a component of the group that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, or 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 discontinued operations, including prior years components of profit or loss, is presented in a single amount in the income statement.

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

Revenue: Revenue recognition comprises the fair value for the sale of goods and services, net of value added tax, rebates and discounts and after eliminating sales within the group. Revenue is recognised as follows:

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 rate 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 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.

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

Financial Instruments - *Impairment of financial assets:* All financial assets except for those at fair value through profit and loss are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that the financial asset or group of financial assets are impaired. The different criteria to determine the

impairment is for each asset class as follows: Loans and receivables: Individual significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter party will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by references explained in the impairment policy.

Held till maturity investments: if there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flow. Any changes to the carrying amount of the investment, including impairment losses are recognized in profit and loss.

Available for sale financial assets. If the fair value cannot be estimated reliably the impairment charges are recognized in profit or loss. All other available for sale assets are measured at fair value, gains and losses from movement in fair value is recognized in other comprehensive income and reported as being available for sale reserve in equity.

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

Impairment on trade and other receivables: The estimation of allowances for impairments is inherently uncertain and depends on many factors. These factors include general economic conditions, structural changes within industries, changes in individual customer circumstances. There are also other external factors such as legal requirements, regulatory specifications and governmental policies that if changed can have a significant effect on the allowances.

Trade and other receivables are stated net of impairments. The impairments are either made on an individual receivable or impairment on collective receivables.

Trade and other receivables are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition. The event would be the loss making event and would adversely affect the recoverability and reliability of the expected future cashflows. These events include, but are not limited to: Breach of contract: Default or delinquency in interest or principal payments, instalment past due date is considered a breach of contract and would affect the reliability to measure future cash flows; Significant financial difficulty of borrower, directly communicated to Afdawn or probable that borrower will enter bankruptcy or financial re-organization. Data indicating that there is a quantifiable decrease in the estimated future cash flow and recoverability of a grouping of assets, although not yet indentified at individual asset level. These include fraud at agent levels, adverse change of payment status of groups, local and national conditions relating to identifiable groups.

Indication of decrease in value of security held, especially indicators that would adversely affect the value of properties held as security relating to property bridging finance. The group formally assesses its receivable portfolio for impairment on a monthly basis based on formulated impairment formulae and judgement. The extent to which the current carrying value exceeds the estimated recoverable amount of advances is classified as impairment.

Impairments made on individual receivables: Substantial receivables, especially relating to property bridging transactions are assessed on an individual basis. The impairments were calculated, based on an approved impairment policy. The impairments were made on judgements and formulated calculations. The impairments were made by taking the following into consideration for each receivable: credibility of borrower, security held, value of security, repayment history, sureties signed and agreed settlement terms. The individual receivable values are assessed to be at least the security value that can be realized within 3 months in an active market.

Impairments made on collective receivables: Due to the vast number and ever changing status of especially short term, unsecured receivables, the impairments are assessed on a collective grouping of receivables. The impairments were calculated, based on an approved impairment policy. The grouping of the receivables are made based on specific criteria of each receivable, these include: borrower credibility, ageing of last receipt, arrears amount, settlement agreement, status of process to be followed to pursue future cashflows, age of borrower, economical status, repayment 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.

Provisions: Provisions were raised and management determined an estimate, based on the information available.

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.

DISCONTINUED OPERATIONS

The board decided to sell a subsidiary of the group – Dumont Healthcare Proprietary Limited ("Dumont") effective 29 February 2012 for a total consideration of R1,9 million. As management decided to dispose of Dumont during the year the company has been treated as a discontinued operation. The disposal was part of the Afdawn strategy to rationalise and consolidate costs within the group. Dumont is operating on a small active customer base in Pretoria with a high cost to income ratio resulting in losses. Strategically the current operating model requires a radical revamp enabling a low cost infrastructure with the flexibility to significantly scale operations. The group is pursuing a similar business model through cutting edge technology and will not be confined to a specific geographical area in South Africa.

The discontinued loss

	29-Feb-12 R'000	28-Feb-11 R'000
Revenue	**3,585**	5,678
Cost of Sale	**(574)**	(841)
Employee Cost	**(2,642)**	(3,167)
Depreciation	**(181)**	(180)
Finance cost	**(70)**	(113)
Bad debt provision recovered/(impaired)	**190**	(1,984)
Other income	**14**	732
Other expenses	**(985)**	(2,096)
(Loss) for the year	**(663)**	(1,971)
Gain on re-measurement of disposal	**1,021**	-
Taxation on sale of operations	**-**	-
Profit realised on sale of investment	**358**	-

IMPAIRMENTS OF TRADE AND OTHER RECEIVABLES

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

Impairment and provisions

	29-Feb-12 R`000	28-Feb-11 R`000
Net movement in impairment	**(23,485)**	(25,917)

PROPERTY IN POSSESSION

The company perfected its security over properties to enable value realization in future period through sale. In the period a property – Nina Park was sold and Volksrust properties perfected. The Green Oaks property is being managed for rental income, until further development is possible.

	29-Feb-12 R`000	28-Feb-11 R`000
Almika Properties (Pty) Ltd - Brakpan, Gauteng	**7,029**	7,029
Green Oaks - Centurion Gauteng	**28,446**	28,837
Erven 1593 to 1599, Volksrust, Mpumalanga	**709**	-
Impairment adjustment	**(10,522)**	(10,522)
Total	**25,662**	25,344

SEGMENTAL INFORMATION

29 Feb 2012 R'000	Bridging Finance	Personal & Short term	Other & Head office	Total
Revenue, other income and interest	1,861	34,225	18,317	54,403
Segmental profit/(loss) for the year	5,311	9,165	(3,713)	10,763
Net asset value	(22,837)	(7,082)	95,280	65,361

28 Feb 2011 R'000	Bridging Finance	Personal & Short Term	Other & Head office	Total Total
Revenue, other income and interest	4,912	35,118	10,654	50,684
Segmental profit/(loss) for the year	4,122	448	(944)	3,626
Net asset value	(28,148)	(16,247)	70,474	26,079

RECAPITALISATION OF THE GROUP RESULTING IN ISSUE OF EQUITY

Details regarding a recapitalization through a rights issue was communicated through various announcements and circulars to shareholders in 2011 and formally through SENS on 14 June 2011. The proposed capital raising consisted of:

- A partially underwritten rights offer to raise R 25 million;
- A R 10 million convertible bond issued by Elite Group Proprietary Limited ("Elite") to Sandown Capital Proprietary Limited ("Sandown") which converts at 14 cents into Afdawn shares. Subsequent to the subscription price being paid, Afdawn renegotiated with Sandown under an Acknowledgement of debt agreement to repay a portion of the subscription price to reduce the negative carry on the unutilised portion, resulting in a net balance of R 4,5 million;
- A R 1,7 million convertible bond issued by Afdawn to PCI Fintrade Proprietary Limited ("PCI") which converts at 14 cents into Afdawn shares.

A detailed Circular on the rights issue was published and posted on 19 August 2011. The capital raising was completed 31 October 2011 with final results as follows:

- Rights taken up under rights offer amounted to R25,0 million (rights @ 10 cents per share);
- Shares issued for cash amounted to R 3,2 million;
- R 10 million by way of Convertible bond issued by Elite;
- R 1,7 million by way of Convertible bond issued by Afdawn;
- Total capital raised amounted to R 39,9 million;

The total cost associated to the recapitalisation amounted to R1,4 million which leaves us with a net cash raised of R38,5 million.

The funds raised were utilised as stated in the Circular (19 August 2011), with the exception of not settling the SARS liability as negotiations continue as agreed with SARS. The rights offer closed on 28 October 2011 at which time the Afdawn shares traded at 13c translating into a discount of 23% over the rights issue price of 10c.

The capital raising resulted in the number of shares being increased from 222 926 236 to 508 184 155.

Shares were issued as follows:	
Rights offer shares subscribed for: (73% take up on available rights)	182 022 919
Rights offer shares underwritten: (27% take up on available rights)	67 977 081
Shares issued for cash to underwriters:	31 522 919
Shares issued as fees for underwriters:	3 735 000
Total shares:	**285 257 919**

OTHER NOTES

CORPORATE GOVERNANCE

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

HUMAN RESOURCES

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

DIVIDEND

The company will not pay a dividend for the 2012 financial year.

COMMENTS FROM THE BOARD

THE MACRO-ECONOMIC ENVIRONMENT

The main factor set to dominate the South African economic environment in 2012 and 2013 is the impact of the deteriorating global economy, in particular the ongoing European debt crisis. The year looks to be challenging, and growth in the South African economy threatens to hold back, following on the timid pace set in the first quarter.

Both the World Bank and the IMF have recently lowered their global growth forecasts, projecting a slight recession for the Eurozone in 2012. The success of the South African Economy in coping with adverse international pressures is partly a consequence of a sound and well regulated banking system, and well-developed financial markets permitting participants to hedge risks effectively. These factors enhance South Africa's standing as an emerging economy and underpin longer term growth prospects. However, the risks inherent in the present international context remain considerable.

THE ECONOMIC ENVIRONMENT

Private credit growth has steadily accelerated, reaching +9% year on year in March 2012 from +8% in February, +7% in January and +6% in December 2011, now nearly matching 10% nominal GDP growth. Meanwhile, despite high energy and food price increases, our inflation in recent months has surprised to the downside, with CPI down to 6% and PPI to 7%.

SA's retail banking sector faces a difficult time as pressure on household incomes, rising unemployment and the

recession in Europe dims its prospects of increasing revenue growth. The big banks intensified the battle for market share in the unsecured retail market as they reach saturation in the secured lending space. Moody's, the rating agency, expects further growth in the unsecured retail market as more of the 11 million unbanked South Africans enter the banking market. All the banks are developing cheaper delivery channels, such as cellphone banking and spaza shops in the country's townships, to target this segment. Basel III will have a dramatic impact on the bank's costs structures which will necessitate a rethink in this area which will present the group with ample opportunities.

Statistics released recently by the credit regulator show that unsecured credit rose to R21.2 billion equivalent to a quarter-on-quarter increase of 12%. The quantum of unsecured debt is still fairly low relative to the total amount of new debt, amounting to no more than 10% of total loans and advances. This would amount to some R75bn, or less than 4% of total private sector credit extension of some R2.1 trillion. The growth in unsecured debt, specifically exposures less than R 30 000, is currently running at around 15% year on year, which is less than the 30% growth which prevailed just before the financial crisis of 2007/2008, per South African Reserve Bank financial stability review, recently released. The dangers associated with unsecured lending are related to consumers' affordability. Both the National Credit Regulator and Consumer Protection Act set clear guidelines in assessing consumer affordability and what constitutes reckless lending. Market commentators warn of a possible credit bubble in the unsecured market. The executives remain conservative in our lending criteria and will not pursue rapid growth compromising the credit quality of our book. As long as credit providers are vigilant in their credit assessments and refrain from providing reckless credit, a credit bubble should not eventuate.

STRATEGIC INTENT

At the start of the year, the prospects for Afdawn were, to say the least, challenging. The turnaround of the Afdawn group is progressing well and we are excited as to the future prospects. Strategic emphasis will be placed on our well managed and profitable personal finance businesses where the potential to grow and the reward is greatest, subject to the efficient management of the risks; an area in which the group is well versed. In the short term, we will focus on the basics that we do well and re-establish ourselves in the market. We will maximise the use of our skilled personnel and systems in order to leverage our intellectual property in the sector. We remain cognisant of cost and the reduction thereof across the group. As part of Afdawn's values and commitment to improving the working environment and reduction of costs, the company moved to new premises on 15 February 2012 ensuring all the functions are accommodated under one roof. This enabled the seamless introduction of shared services within the group which will bear fruit in future.

It is the positive motivation and commitment of Afdawn's people at all levels that will make – and have already made – the current strategies not only possible but plausible.
The basis of improvement plans that are currently being formulated and implemented throughout the organisation will lead to performance that will be reflected in our bottom line.

OPERATIONAL REVIEW

Two crucial milestones were achieved during the year that was essential to the successful turnaround of Afdawn. We concluded a settlement agreement with the National Housing Finance Corporation Limited ("NHFC") on 30 May 2011 which paved the way to the successful recapitalisation of the group on 28 October 2011. The settlement comprised an upfront payment of R23 million upon the successful conclusion of the recapitalisation and a 2 year, R5 million interest free loan which is repayable in October 2013. The NHFC settlement agreement novates all previous agreements between the NHFC and the group. The recapitalisation consisted of a partially underwritten rights offer for R25 million and two convertible bonds of R11.7 million. We were delighted at the support shown on the rights offer with a 73% take up of rights by our shareholders. The recapitalisation raised R39,9 million through the various finance instruments. The NHFC was paid R23 million in keeping with the settlement agreement. The cash was received in November 2011 and given the impending festive period we applied extremely conservative lending criteria to maintain the credit quality of our book as this period is notorious for bad lending in the industry. The full benefit of the recapitalisation will be reflected in the next financial year.

Elite managed to secure a profit of R1.5 million (2011 R 1.2 million) and retained all its staff, notwithstanding the capital constraints and economic pressures. Elite has three major business units which will be developed as separate profit centres. The three units are, Elite Group, Elite Medical Finance and Elite Collections. The front office operations will make every endeavour to keep their market share and grow. The driving force in the company will be seeded in the growth of the Call Centre's corporate business. With a below average cost structure, supported by easy accessible and responsible credit, Elite will be able to secure sustainable and profitable business in a very competitive and volatile market. It is however important to revisit our products continuously, to ensure market relevance and the impact on market share and profitability.

The Elite Medical Finance product is a newly developed, all inclusive product directed at identified medical practitioners, to remove the total administrative burdens of the practitioners on a day to day basis. The program has been developed internally by Elite's information specialists in conjunction with a medical switching company. Testing has been concluded very successfully and a qualified individual has already been employed to champion the project. The response from the market has been very favourable.

Elite collections will expand its retail collections expertise to third party books. The entire operation is based on sound technology that will ensure scalability without the linear increase in cost base.

The structured finance business managed to successfully finalise the collection of a number of debtors, however a few files prove to be more challenging as the legal process and execution thereof are extremely complicated. This has resulted in the companies making a profit of R5.3 million (2011 R4.1 million) for the year. We must also note that our bank balance post balance sheet stood at R5m. Through the development of well staffed and structured debt recovery departments in both Elite and the PTF's, the group is well placed to strategically pursue and to assist other institutions with debt management. We currently manage a property book on behalf of a hedge fund and have had a number of approaches to take on additional books for a management fee. The structured finance business remains as a collection book. No new loans have been advanced and we will continue to pursue defaulters through the courts but only when the recoverability outweighs the cost of collection. Towards the end of the year the Afdawn board approved the new strategy for the bridging finance company to focus exclusively on collections as a business for internal and external clients. We have seen some promising signs for the new business as we have been given files by prospective clients to collect and have signed a number of confidentiality agreements to collect books for clients.

The board approved the sale of a subsidiary of the group Dumont Healthcare Proprietary Limited "Dumont" effective on 29 February 2012 for a consideration of R1.9 million. This resulted in an accounting profit of R0.4 million and an operating loss of R0.7 million was included in the profits of the group for the current year.

AFDAWN COST MANAGEMENT

The board is cognisant of reducing operating costs. The controllable operating costs were reduced by 11% over the period, excluding the discontinued operations of Dumont. The operating cost structure will reduce even further in the next financial year as the following non recurring cost for 2012 will be eliminated

- Dumont (discontinued operation) R 4,3 million (2011: R 6,2 million)
- Recapitalisation cost of R 1,4 million

The rental savings of R 0,4 million together with savings generated through shared services will further drive cost down. The board will consider increasing the cost base of the group should lucrative business opportunities present themselves.

MATERIAL TRANSACTION

Sandown and Elite Group Proprietary Limited ("Elite") have entered into an agreement in terms of which:

Sandown will finance Elite Group Two Proprietary Limited ("Elite Two"), to a maximum of R10 million ("the Sandown Capital Loan").

Elite shall manage Elite Two on behalf of Sandown and shall source potential clients to provide short term personal loans.

Elite will earn a monthly management fee and will share 50/50 in the profits of Elite Two. This will allow Elite to make use of a funding line, to earn a management fee, to share in the returns of Elite Two and so to continue to grow its business during the recapitalisation of the Group.

Sandown will have the option in August 2012 of selling 100% of the shares in Elite Two to Elite for a price based on the Net Asset Value of Elite Two ("the Selling Price").

The Selling Price of the 100% interest in Elite Two shall be settled, by the issue of shares in Elite to Sandown at an issue price of 100 cents per Elite share, such that Sandown will acquire 30% of the issued share capital of Elite following the Elite Two acquisition and subject to the Selling Price not exceeding 49% of the market capitalization of Afdawn on the date of exercise of the Sandown Option.

Should the Net Asset Value ("NAV") of Elite Two be greater or lower than 30% of the combined NAV of Elite and Elite Two at the time of the exercising of the option referred to above, then Elite Two will be obliged to either distribute profits and/or assets to Sandown or to recapitalise Elite Two, so as to ensure that the NAV of Elite Two will be equal to 30% of the combined NAV of Elite Two and Elite.

In the event that Sandown Capital exercises the Sandown Option then it will be obligated to provide a two year funding line to Elite of R20 million which may be drawn in tranches of a maximum of R1.5 million per month.

In the event that Sandown advises Elite and/or Afdawn of its intention to exercise the option then Elite and/or Afdawn will have 30 days in which to acquire Elite Two for its then NAV.

In the event that Sandown decides not to exercise its option then no new loans will be granted from 31 July 2013 by Elite Two and Elite will be retained to manage and collect the remaining loan book so as to repay the Sandown Capital Loan.

Elite Two is a wholly owned subsidiary of Sandown. Elite Two has therefore not been consolidated in the financial statements.

ALLEGRO HOLDINGS (PTY) LIMITED

As mentioned in the 2010 and 2011 Annual Report, a former subsidiary company, Allegro Holdings Proprietary Limited ("Allegro") was placed in curatorship in 2009 and was therefore deconsolidated. At that time Allegro was indebted to Afdawn in the amount of R 3,8 million. A curator has repeatedly made verbal statements regarding a possible

claim that he claims to have against Afdawn and/or its subsidiaries. This has been ongoing since early 2010 and, notwithstanding written requests to the curators, no formal claim has been forthcoming, nor have we been advised of the basis of any claim. The latest CMM curators report to the Financial Services Board ("FSB") in November 2011, contained no indication of a formal claim against Afdawn.

Subsequent to year end 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 the report no claims have been received nor have we been able to establish any basis for a potential claim against Afdawn and therefore no provision has been made for any such contingency.

CHANGES TO THE BOARD OF DIRECTORS

The composition of the board changed since the last year end. Mr WJ Groenewald was appointed on 17 November 2011 as non-executive director. Mr PC Gordon resigned as executive chairman on 31 December 2011 on the successful conclusion of the recapitalisation of the group. Mr CF Wiese was appointed as lead independent director on 8 March 2011 and on 1 January 2012 assumed the role of non-executive chairman. Mr TF Kruger was appointed as chief executive officer on 1 January 2012, but continued to act as the acting financial director. The new financial director has been indentified and Afdawn is currently negotiating terms and conditions so that he can take up his position in August 2012.

APPRECIATION

The board extends its appreciation to our management and staff for their efforts during this reporting period. We also thank our customers and suppliers for their continued support. To our shareholders, our gratitude in believing and supporting the rights offer and turnaround story.

ADMINISTRATION

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

Registered office:
1st Floor, Quadrum 4, Quadrum Office Park,
50 Constantia Boulevard, Constantia Kloof Ext 28, 1709
Tel: +27 (11) 475 7465 Fax: +27 (11) 325 2716

Directors:
TF Kruger (chief executive officer),
CF Wiese (independent non-executive chairman),
Dr GE Stoop (executive)(appointed 23 May 2012),
L Taylor (independent non-executive),
HH Hickey (independent non-executive),
WJ Groenewald (non-executive)(appointed 17 Nov 2011),
PC Gordon (executive chairman)(resigned 31 Dec 2011)

Company secretary:
W Somerville (on behalf of Corporate Statutory Service Proprietary Limited)(appointed 15 February 2012)
replacing LW Viljoen (resigned 15 February 2012)

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: 28 May 2012