## 2. Statement of compliance:

The reviewed consolidated interim financial information for the six months ended 31 August 2010, 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 2010. The reviewed results were approved by the Board on 27 October 2010.

## 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 2010. For a full list of standards and interpretations which have been adopted we refer you to the 28 February 2010 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.

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 as 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 it is 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 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 2009 and year ended 28 February 2010. During the six months ended 31 August 2010 management reassessed its estimates in respect of: the recoverable amount of investments in subsidiary; the recoverable amount of trade and other receivables in conjunction with 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 underlying security value at the time of reporting. The security values were reassessed at 31 August 2010 and provisions were adjusted accordingly.

| Impairment | **31 Aug 2010 R`000** | 31 Aug 2009 R`000 | 28 Feb 2010 R`000 |
|---|---|---|---|
| Movement in impairment provision | **(636)** | 135 062 | 95 140 |

## 6. Non current assets held for sale

The head office building was placed on the market prior to 28 February 2010 year end and is still in the process of being transferred to the buyer. In addition to the head office building, a decision was taken in August 2010 to sell a fixed property belonging to a subsidiary and is now classified as non current asset held for sale.

## 7. Property in possession

The Company perfected its security over a property in order to protect its capital advances in terms of its loan, by taking transfer of ownership. The development on the property needs to be finalised in order for the Group to recover its capital. The property is now deemed as property in possession, pending realisation of the above mentioned process.

## 8. Segmental information

Figures in ZAR thousands

| | Bridging Finance | Personal & Short-term | Other | Total |
|---|---|---|---|---|
| **31 August 2010** | | | | |
| Revenue | **444** | **17 197** | **5 501** | **23 142** |
| Net profit/(loss) | **2 954** | **(2 149)** | **(11 165)** | **(10 360)** |
| Net asset value | **44 306** | **(17 318)** | **(13 675)** | **13 313** |
| **31 August 2009** | | | | |
| Revenue | 36 628 | 31 761 | 8 459 | 76 848 |
| Net (loss) | (275 597) | (9 976) | (3 327) | (288 900) |
| Net asset value | 130 963 | (5 895) | (2 811) | 122 257 |

## 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 II 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. The Group is currently assessing the impact of King III and the new Companies Act.

### 2. Human resources

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

### 3. Related party transactions

The Group did not enter into any related party transactions during the period.

### 4. Dividend

In line with losses incurred, the Company will not pay a dividend for the 2011 financial year.

## COMMENTS FROM THE BOARD

### 1. Outlook

***Economic***

Trading conditions continue to be challenging in the Group's various markets. Nationally, individual credit remains far too high and whilst the NCA has curtailed credit extension, the achievement of sustainable individual debt exposure is some way away. The property market is showing signs of recovery however this is a slow process. A declining interest rate market is helpful however the levels of distressed debt in both the corporate and personal markets, compounded by a legacy of low savings must be a concern at National level.

***Afdawn specific strategy and National Housing Corporation Limited ("NHFC")***

The Group is in the process of redefining its strategy following a period of instability brought about through inappropriate corporate actions and market changes. Going forward, the focus will be on increasing shareholder value. Specific attention is being given to establishing market credibility. There are a number of short term strategic Board initiatives, the resolution of which will impact on the future wellbeing of the Group. In particular, we are in advanced negotiations with the NHFC regarding their funding exposure to the Group. We are also in discussions with various parties regarding the raising of additional funding for the Group.

### 2. Changes to the Board of Directors

The composition of the Board and its sub-committees changed between 28 February 2010 and 31 August 2010. Mr A Potgieter resigned on 7 May 2010 as independent non-executive director. Mr RR Emslie resigned as independent non-executive director and chairman on 22 July 2010. Mr PC Gordon and Ms L Taylor were appointed on the same day as executive chairman and independent non-executive director respectively. Mr TF Kruger was appointed 2 August 2010 as Financial Director. Mr M Patel and Mr S de Bruyn resigned as non-executive directors on 1 November 2010.

### 3. Change of Designated Advisor

The Designated Advisor, Vunani Corporate Finance was removed from office on 20 September 2010. They were replaced on 23 September 2010 by Sasfin Capital, a division of Sasfin Bank Limited.

### 4. SARS

We have completed our initial findings on the accurate tax position and have held productive meetings with SARS regarding the reassessment of prior years' tax liabilities, following the restatement of the prior years' results. An action plan was concluded with SARS to resolve all the outstanding matters.

### 5. Going concern

The Group has access to funds to ensure its continued trading beyond the current financial year. However, as limited new business has been transacted since the removal of the Executive Board in October 2009, it is important that the Group raise additional capital. This is not feasible until resolution is reached with the NHFC regarding the Group's outstanding obligations to this organisation. As mentioned previously, discussions are well advanced and we expect a positive outcome from these negotiations. Until settlement is reached with the NHFC, there continues to be a material uncertainty relating to the settlement of this creditor that may cast significant doubt on the Group's ability to continue as a going concern and therefore to realise its assets and discharge its liabilities in the normal course of business.

### 6. Update on forensic investigations

As previously advised (refer to reported SENS: 1/12/2009 and SENS: 29/06/2010), the Board called for a forensic audit report. The report was made available to the South African Police Services and appropriate regulatory authorities. We continue to work with the authorities regarding their investigations. Shareholders will be informed on developments relating to this matter.

# Reviewed Condensed Interim Financial Results

for six months ended 31 August 2010

African Dawn

## REVIEWED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

for the six months ended 31 August 2010

| | (Reviewed) Six months ended 31 Aug 2010 R'000 | (Restated/ Reviewed) Six months ended 31 Aug 2009 R'000 | (Audited) Year ended 28 Feb 2010 R'000 |
|---|---|---|---|
| **Non-current assets** | **2 605** | 54 834 | 5 859 |
| Property, plant and equipment | **2 605** | 23 089 | 5 859 |
| Goodwill | **–** | 30 749 | – |
| Deferred tax | **–** | 996 | – |
| **Current assets** | **134 692** | 197 381 | 125 344 |
| Inventories | **2 068** | 523 | 6 997 |
| Property in possession | **34 965** | – | – |
| Current tax receivable | **6 961** | – | 6 961 |
| Trade and other receivables | **294 506** | 332 071 | 322 070 |
| Impairment on trade receivables | **(211 747)** | (144 710) | (226 582) |
| Net trade and other receivables | **82 759** | 187 361 | 95 488 |
| Cash and cash equivalents | **7 939** | 9 497 | 15 898 |
| Non-current assets held for sale | **13 749** | – | 12 429 |
| **Total assets** | **151 046** | 252 215 | 143 632 |
| **Capital and reserves** | **13 313** | 122 257 | 23 673 |
| Share capital | **256 107** | 242 015 | 256 107 |
| Reserves | **452** | – | 452 |
| Accumulated (loss) | **(244 771)** | (121 215) | (234 265) |
| Non-controlling interest | **1 525** | 1 457 | 1 379 |
| **Non-current liabilities** | **28 604** | 73 703 | 32 246 |
| Borrowings | **27 911** | 71 920 | 30 460 |
| Finance lease obligation | **117** | 1 783 | 1 210 |
| Deferred tax | **576** | – | 576 |
| **Current liabilities** | **109 129** | 56 255 | 87 713 |
| Finance lease obligation | **52** | – | 956 |
| Borrowings | **45 554** | 7 303 | 39 287 |
| Current tax payable | **17 702** | 28 588 | 17 995 |
| Trade and other payables | **28 990** | 20 364 | 12 732 |
| Provisions | **16 000** | – | 16 000 |
| Bank overdraft | **831** | – | 743 |
| **Total liabilities** | **137 733** | 129 958 | 119 959 |
| **Total equity and liabilities** | **151 046** | 252 215 | 143 632 |
| Ordinary shares in issue ('000) | **222 926** | 217 032 | 222 926 |
| Net asset value per share (cents) | **5.97** | 55.58 | 10.62 |
| Net tangible asset value per share | **5.97** | 41.43 | 10.62 |

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the six months ended 31 August 2010

| | (Reviewed) Six months ended 31 Aug 2010 R'000 | (Restated/ Reviewed) Six months ended 31 Aug 2009 R'000 | (Audited) Year ended 28 Feb 2010 R'000 |
|---|---|---|---|
| **Revenue** | **23 142** | 76 848 | 105 336 |
| Cost of sales | **(1 213)** | – | (1 919) |
| **Gross profit** | **21 929** | 76 848 | 103 417 |
| Other income | **1 017** | 1 529 | 1 905 |
| Operating and other expenses | **(21 190)** | (201 491) | (254 643) |
| **Operating profit/(loss)** | **1 756** | (123 114) | (149 321) |
| Investment revenue | **144** | – | 72 |
| Fair value adjustment | **(9 906)** | (165 976) | (139 192) |
| Finance cost | **(2 347)** | – | (10 877) |
| **(Loss) before taxation** | **(10 353)** | (289 090) | (299 318) |
| Taxation | **(7)** | 200 | (7 179) |
| **(Loss) for the period** | **(10 360)** | (288 890) | (306 497) |
| **Other comprehensive income:** | | | |
| Loss on property revaluation | **–** | – | (4 000) |
| Taxation related to components of other comprehensive income | **–** | – | (1 063) |
| **Other comprehensive loss for the year net of taxation** | **–** | – | (5 063) |
| **Total comprehensive (loss)** | **(10 360)** | (288 900) | (311 560) |
| **Attributable to:** | | | |
| Owners of the parent | **(10 506)** | (288 890) | (311 560) |
| Non-controlling interest | **146** | (10) | – |
| Number of shares | **222 926** | 211 020 | 219 830 |
| Basic (loss) per share | **(4.71)** | (136.91) | (139.42) |
| Diluted (loss) per share | **(4.71)** | (136.91) | (139.42) |
| Headline (loss) per share | **(4.71)** | (53.53) | (49.28) |
| Reconciliation of headline (loss) | | | |
| Basic (loss) | **(10 360)** | (288 900) | (306 497) |
| Non-recurring adjustments | | | |
| Impairment of subsidiaries` NAV and related goodwill | **–** | 165 976 | 198 155 |
| Loss on disposal of treasury shares | **–** | 9 969 | – |
| Headline (loss) | **(10 360)** | (112 955) | (108 342) |

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the six months ended 31 August 2010

| | Share Capital | Share Premium | Reserves | Retained Earnings | Minority Interest | Ordinary Share Holders Equity |
|---|---|---|---|---|---|---|
| Balance at 28 February 2009 | 2 169 | 242 444 | 5 515 | 72 232 | (5 755) | 316 605 |
| Total comprehensive income for the 2010 year | – | – | (5 063) | (306 497) | – | (311 560) |
| Purchase of own/treasury Shares | (1) | (1 143) | – | – | – | (1 144) |
| Treasury shares issued to Allegro shareholders | 53 | 12 585 | – | – | – | 12 638 |
| Subsidiary acquired | – | – | – | – | 1 379 | 1 379 |
| Deconsolidation of Allegro Holdings (Pty) Ltd | – | – | – | – | 5 755 | 5 755 |
| **Balance at 28 February 2010** | 2 221 | 253 886 | 452 | (234 265) | 1 379 | 23 673 |
| Total comprehensive income for the six months | – | – | – | (10 506) | 146 | (10 360) |
| **Balance at 31 August 2010** | **2 221** | **253 886** | **452** | **(244 771)** | **1 525** | **13 313** |

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

for the six months ended 31 August 2010

| | (Reviewed) Six months ended 31 Aug 2010 R'000 | (Restated/ Reviewed) Six months ended 31 Aug 2009 R'000 | (Audited) Year ended 28 Feb 2010 R'000 |
|---|---|---|---|
| Cash flow from operating activities | **(10 890)** | (6 808) | (34 710) |
| Cash flow from investing activities | **1 411** | (8 081) | 20 657 |
| Cash flow from financing activities | **1 432** | (3 586) | 5 325 |
| Net cash flow for period | **(8 047)** | (18 475) | (8 728) |
| Cash and cash equivalents at beginning of period | **15 155** | 27 972 | 23 883 |
| Cash and cash equivalents at end of period | **7 108** | 9 497 | 15 155 |

**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, 1973, 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.

**REVIEW OPINION**

Grant Thornton has reviewed the condensed interim results for the six months ended 31 August 2010 and their modified opinion with an emphasis of matter is available for inspection at the Company's registered office. The emphasis of matter has been expressed on the accompanying financial information as follows:

**"Conclusion:**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information is not prepared, in all material respects in accordance with the International Accounting Standard applicable to interim financial reporting and in the manner required by the Companies Act of South Africa.

**Emphasis of matter:**

Without qualifying our opinion we draw attention to the existence of a material uncertainty. This material uncertainty refers to the settlement of the National Housing Corporation Limited debt that may cast significant doubt on the Group's ability to continue as a going concern and therefore to realise its assets and discharge its liabilities in the normal course of business."

**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENT**

**1. Reporting entity:**

African Dawn Capital Limited is a Company domiciled in the Republic of South Africa. The condensed consolidated financial statements of the Company for the six months ended 31 August 2010 comprise the Company and its subsidiaries and the Group`s interests in associates and jointly controlled entities.


**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:** 1st 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)

SW de Bruyn (non-executive) (resigned 1 November 2010)

MM Patel (independent non-executive) (resigned 1 November 2010)

CF Wiese (independent non-executive)

L Taylor (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:** 9 November 2010

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