DAWN
Distribution & Warehousing Network

UNAUDITED INTERIM RESULTS

for the six months ended
30 September 2016

D A W N
Distribution & Warehousing Network

(Incorporated in the Republic of South Africa)
(Registration number 1984/008265/06)
("DAWN" or "the group" or "the company")
Alpha code: DAW
ISIN: ZAE000018834
E-mail: info@dawnltd.co.za

Registered office:

Cnr Barlow Road and Cavaleros Drive, Jupiter Ext 3, Germiston, 1401

Directors:

Diederik Fouché* (chairman), Stephen Connelly (interim chief executive officer), David Austin (chief financial officer – effective 1 November 2016), Lou Alberts ^, George Nakos*, Hanré Bester, Saleh Mayet ^, Dinga Mncube ^, Veli Mokoena*, René Roos

* *Non-executive* ^ *Independent non-executive*

Preparer:

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Sponsor:

Deloitte & Touche Sponsor Services (Pty) Ltd

www.dawnltd.co.za

GROUP STRUCTURE

BUILDING

TRADING

WHS
Saffer BATHROOM & PLUMBING
WHD SA HARDWARE & TOOLS
STABILITY WHOLESALERS
hamilton's THE PERFECT FINISH
PRO-MAX
Roco First in Fittings

DAWN AFRICA
DAWN AFRICA S.A.
DAWN AFRICA ANGOLA
DAWN AFRICA TANZANIA #
DAWN AFRICA
DAWN AFRICA ZIMBABWE #
DAWN AFRICA MOZAMBIQUE
DAWN AFRICA

MANUFACTURING

COBRA* A SOUTH AFRICAN ICON
GROHE ▪ DAWN WATER TECHNOLOGY
GROHE
Vaal* SANITARYWARE
isca*
APEX* VALVES SOUTH AFRICA
plexicor*
Libra* BATHROOMS
Expro (Swaziland)

HEUNIS* STEEL (PTY) LTD

INFRASTRUCTURE

TRADING

Incledon (PTY) LTD Trusted & Reliable Quality Fluid Conveyance Products
Incorporating IPS

MANUFACTURING

SWAN PLASTICS
DPI PLASTICS Building Tomorrow
SANGIO PIPE
Ubuntu plastics

DPI INTERNATIONAL
PIPEX BOTSWANA (PTY) LTD
fibreco* ANGOLA
AQUALIA-DPI#
AQUA SCIENCE AND TECHNOLOGY#
#

SOLUTIONS

DAWN SOLUTIONS
COMPETENT • COMMITTED • CREATIVE • COLLABORATIVE

DL LOGISTICS
DAWN DISTRIBUTION
DAWN CARGO

DHR HR SOLUTIONS
DFS FINANCIAL
DMG MARKETING
DM MERCHANDISING
DP PROJECTS
DBS BUSINESS SYSTEMS
DS! STRATEGY
CPT*

* Associates.
\# Joint ventures.

COMMENTARY

INTRODUCTION

Dawn manufactures and distributes quality branded hardware, sanitaryware, plumbing, kitchen, engineering and civil products through a national branch network in South Africa, as well as in selected countries in the rest of Africa and Mauritius. Dawn's business model is to be the master distributor in targeted industry sectors.

The group has two main operating segments, building and infrastructure, both supported by the solutions segment.

PERIOD UNDER REVIEW

On 14 July 2016 in its F2016 results presentation, Dawn informed the market that a plan by the new management team to stem losses and return the group to profitability had been approved by the board at the end of June 2016. In an operational update issued on 31 August 2016, Dawn informed the market that revenue remained on a downward trend, with marked declines in June and July.

The decline in sales was mainly attributable to:

- a continuing slowdown in government spend (and payments), impacting the infrastructure segment of Dawn, mainly in the trading businesses;
- low levels of building activity and consumers under financial pressure, impacting the building segment of Dawn and its equity-accounted investment, GDW (Grohe Dawn Watertech); and
- difficult trading conditions in the group's rest of Africa operations, including curtailed access to hard currency in certain countries and currency losses due to the strengthening Rand.

Accordingly, additional actions to align Dawn's business to the new sales reality were approved and once-off restructuring costs of R255 million (after tax) have been accounted for in these results for H1 F2017.

- The building trading business reduced its national stocking points from eight to four, but retained its sales presence in those locations. Three of the remaining four will be reduced in size in due course.
- Incledon reduced its number of branches from 17 to ten, but maintained its sales reach by partnering with regionally-based independent businesses which will become Incledon agents.
- The infrastructure manufacturing businesses have been restructured. The Sangio KwaZulu-Natal plant was closed and profitable HDPE lines consolidated into the DPI factory. Two lines of the Western Cape DPI factory were mothballed and the Pipex factory in Botswana was closed.
- Dawn Africa and DPI International have withdrawn from Angola, DRC, Mozambique and Tanzania and have scaled down their presence in Zimbabwe. These territories will be served by Dawn's South African based businesses in future.

The group, after the above actions, is left with three large wholly owned businesses, three sizeable partly owned businesses and a few smaller businesses.

1. The three large wholly owned businesses comprise WHS, Incledon and DPI. WHS is a low margin, high fixed cost business with good market position. Negotiating power with suppliers and customers is being strengthened and the business is forecasting a small profit in the second half of the year. Incledon is a relatively low margin business, which has lost key skills and market share in the last two years. However, the business still has a strong brand in the market and actions taken have already started to bear fruit. DPI is profitable with a good market position.
2. The three sizeable partly owned businesses include – GDW, Swan Plastics and Heunis Steel. GDW (49% held) has stabilised with strong intervention from Lixil Japan and should contribute to earnings going forward. Swan Plastics (51% held) and Heunis Steel (49% held) are both good profit earners.
3. The few smaller businesses – The restructured and combined Dawn Africa and DPI International is expected to make a profit in H2 F2017 whilst Kitchen, Hamilton's and Ubuntu will benefit from increased management focus.

Group operating performance for the current reporting period amounted to a core operating loss for the six months to September 2016 of R52,1 million compared to the core profit of R90,9 million (restated) for the six months to September 2015. These results exclude the once-off restructuring costs and write-downs of R286 million (R255 million after tax). Core losses exclude asset write-downs, identified by management and approved by the board, which stems from the impairment tests performed on the group's various cash generating units but do not qualify for headline earnings per share (HEPS) add-backs.

HEPS for H1 F2017 therefore amounted to a loss of 136,7 cents (H1 F2016 restated HEPS profit of 21,9 cents) and earnings per share (EPS) for H1 F2017 amounted to a loss of 155,9 cents (H1 F2016 restated EPS profit of 22,7 cents).

The table below summarises the impact of the restructuring, impairments and write-downs on attributable earnings:

Restructuring, impairments and write-downs	R'million
WHS	
• closing four stocking points, onerous leases, retrenchments, stock and debtor impairments	87
Incledon	
• restructure, onerous leases, retrenchments, closing seven branches, stock and debtor impairments	43
Sangio	
• closure, retrenchments, stock and debtor impairments, DPI Cape Town part closure, retrenchments, stock and debtor impairments	32
DAT and DPI International	
• withdrawal from Africa, onerous leases, retrenchments, stock and debtor impairments	64
Heunis Steel, Hamilton's, Boutique Baths: impairments of investments	28
GDW: roof repairs and general	32
Total before tax	**286**
Less: **Tax**	(31)
Total after tax	**255**

INCOME STATEMENT

Revenue for the six months of R2,4 billion decreased by 10% compared to the six months to 30 September 2015 of R2,7 billion. Gross margins decreased to 21,0% (core) from the 23,4% achieved during the six months to 30 September 2015.

Net operating expenses (core) increased by 2% to R556,7 million (H1 F2016 R545,1 million).

Group core profit before interest and taxation (PBIT) amounted to a loss of R52,1 million (H1 F2016 restated R90,9 million). After the write-downs that do not qualify for headline earnings add-backs, the operating loss amounted to R338,1 million.

Net finance costs decreased by 10% to R29,2 million (H1 F2016: restated R32,7 million). Net finance costs include movement in derivative instruments. Excluding these instruments, net finance costs increased by 58% to R25,0 million (H1 F2016: R15,7 million).

Income from associates and joint ventures decreased to a loss of R19,7 million (H1 F2016: profit of R24,2 million), mainly as a result of a R26,7 million loss (for DAWN's 49% share) at GDW.

As a result of the loss before tax, tax losses not raised, impairments and write-downs, the group's effective tax rate was 5,5%.

Non-controlling interests' share of group earnings decreased from R7,9 million to R2,3 million.

The group incurred a net loss after tax of R369,0 million after impairments and write-downs (H1 F2016: restated profit of R52,4 million).

STATEMENT OF FINANCIAL POSITION

Net working capital reduced by R102,3 million during the six months to 30 September 2016 and a further reduction is targeted for the second half of the year.

The group reduced its stock and debtors by R103 million during the period and net working capital has come down from a high of 62 days in March 2015 to 39 days in September 2016. The group's stated target for working capital is 45 days. The table below summarises the group's working capital movements in days, calculated on a rolling 12-month basis.

	Sep 2016	Mar 2016	Sep 2015	Mar 2015	Comment on working capital days
Net W.C.	**39**	**59**	**57**	**62**	**Solid improvement**
Debtors	38	45	51	49	R25 million improvement in overdue debtors
Stock	54	71	69	82	R78 million reduction in six months
Creditors	53	57	63	69	Creditor funding reduced, objective is for stock and creditor days to contract

The group's net asset value decreased to R698 million as at 30 September 2016 compared to R1 056 million at 31 March 2016 stemming mainly from the R255 million net impairments during the period. The financial position deteriorated to a gearing ratio of 44,1% at 30 September 2016 (29,5% at 31 March 2016).

Short-term debt amounted to R356,0 million (R239,6 million net of cash) with current facilities comprising mainly term loans. However, negotiations are in progress to structure new facilities that are better aligned with Dawn's requirements to finance working capital.

STATEMENT OF CASH FLOWS

Cash generated from operating activities before working capital changes was impacted by the losses incurred resulting in an outflow of R19,7 million (H1 F2016: R130,5 million inflow) before working capital movements. Actions taken, discussed above, are evidenced by an inflow of R102,3 million (H1 F2016: inflow of R43,6 million) from reduced working capital requirements. Net finance and tax payments amounted to R32,9 million (H1 F2016: R27,0 million).

Investing activities showed a R13,7 million outflow for the period. Included in this number are:

- R22,6 million of additions to property, plant and equipment as well as the final costs associated with the new ERP system.

Financing activities amounted to a net outflow of R50,5 million and included:

- R45,9 million in debt repayment; and a
- R4,6 million dividend payment by a subsidiary with non-controlling shareholders.

The group closed with net cash of R50,4 million at 30 September 2016 compared to a net overdraft of R47,7 million at 30 September 2015.

OUTLOOK

The departures of the previous CEO, CFO and M&A director were very disruptive to the group. However, the introduction of new management in key operational positions, including the CFO position, are expected to bring greater stability. Stephen Connelly was appointed as interim chief executive officer on 1 June 2016 and David Austin as chief financial officer on 1 November 2016.

It is anticipated that economic conditions in South Africa and neighbouring countries will remain difficult for some time. Loss-making businesses are being restructured to reduce costs in line with the lower sales levels which are expected to prevail for some time.

The main focus in H2 will be on improving the operating performance of all businesses in the group.

Duplicated activities will continue to be eliminated and central services costs challenged. Securing supplier loyalty will be a priority.

Non-core businesses, including joint venture arrangements, will be disposed of and the proceeds will be used to lower the future funding required for working capital.

Any forward-looking statement in this announcement has not been reviewed nor reported on by the company's auditors.

Summary consolidated INCOME STATEMENT

	Unaudited 6 months ended 30 September 2016 R'000	Restated Unaudited 6 months ended 30 September 2015 R'000	Audited 12 months ended 31 March 2016 R'000
Revenue	**2 402 825**	2 667 934	4 993 092
Cost of sales	**(2 013 296)**	(2 032 432)	(3 897 870)
Gross profit	**389 529**	635 502	1 095 222
Net operating expenses before de-recognition and re-recognition of investments and impairments	**(681 572)**	(544 628)	(1 119 170)
Operating (loss)/profit before de-recognition and re-recognition of investments and impairments	**(292 043)**	90 874	(23 948)
Net loss on derecognition of subsidiaries and associates	**(10 114)**	(693)	(4 592)
Impairments	**(35 947)**	–	(632 818)
Operating (loss)/profit	**(338 104)**	90 181	(661 358)
Finance income	**2 122**	2 421	3 460
Finance expense	**(31 300)**	(35 156)	(74 530)
(Loss)/profit after net financing costs	**(367 282)**	57 446	(732 428)
Share of (loss)/profit in investments accounted for using the equity method	**(19 699)**	24 160	(5 891)
(Loss)/profit before taxation	**(386 981)**	81 606	(738 319)
Income tax income/(expense)	**20 186**	(21 320)	(19 613)
(Loss)/profit from continuing operations	**(366 795)**	60 286	(757 932)
(Loss)/profit for the period	**(366 795)**	60 286	(757 932)
Profit attributable to:			
Owners of the parent	**(369 047)**	52 416	(762 936)
Non-controlling interest	**2 252**	7 870	5 004
(Loss)/profit for the period	**(366 795)**	60 286	(757 932)

Summary consolidated STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 30 September 2016 R'000	Restated Unaudited 6 months ended 30 September 2015 R'000	Audited 12 months ended 31 March 2016 R'000
(Loss)/profit for the period	**(366 795)**	60 286	(757 932)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
– Effects of retirement benefit obligations	**–**	–	1 009
– Taxation related to components	**–**	–	(282)
	–	–	727
Items that may be subsequently reclassified to profit or loss:			
– Exchange differences recycled through profit/loss	**7 957**	–	(6 611)
– Exchange differences on translating foreign operations	**2 874**	(10 623)	626
– Cash flow hedging reserve	**433**	–	(1 023)
– Tax-related components	**–**	–	286
	11 264	(10 623)	(6 722)
Total other comprehensive income/(loss)	**11 264**	(10 623)	(5 995)
Total comprehensive (loss)/income	**(355 531)**	49 663	(763 927)
Total comprehensive (loss)/income attributable to:			
Owners of the parent	**(357 783)**	41 792	(768 931)
Non-controlling interest	**2 252**	7 870	5 004
	(355 531)	49 663	(763 927)
Included above:			
Depreciation and amortisation	**30 887**	32 455	69 412
Operating lease rentals	**144 499**	69 318	112 306
DETERMINATION OF HEADLINE (LOSS)/EARNINGS			
Attributable earnings	**(369 047)**	52 416	(762 936)
Adjustment for the after-tax and non-controlling interest effect of:			
Net (profit)/loss on disposal of property, plant and equipment	**605**	(96)	(1 623)
Impairment of intangible assets	**–**	–	127 480
Impairment of property, plant and equipment	**4 956**	–	47 729
Impairment of assets held-for-sale	**–**	3 500	–
Impairment of other assets (mainly associates and joint ventures)	**30 992**	–	453 715
Tax effect on disposal of property, plant and equipment and impairment of intangible assets	**(1 316)**	24	(20 545)
Non-controlling interest	**–**	6	(949)
Net loss/(profit) on derecognition of previously held interest	**10 114**	(2 807)	4 592
Headline earnings adjustments relating to associates and joint ventures	**(10)**	(18)	(4 579)
Headline earnings adjustments relating to disposal group	**–**	–	–
Headline (loss)/earnings	**(323 706)**	53 025	(157 116)
Statistics			
Number of ordinary shares ('000)			
– in issue	**242 243**	242 243	242 243
– held in treasury	**(5 499)**	–	–
Weighted average number of shares ('000)			
– for earnings per share	**236 744**	242 041	239 686
– for diluted earnings per share	**245 465**	246 009	240 417
(Loss)/earnings per share (cents)	**(155,88)**	21,66	(318,31)
Headline (loss)/earnings per share (cents)	**(136,73)**	21,91	(65,55)
Diluted (loss)/earnings per share (cents)	**(150,35)**	21,31	(317,34)
Diluted headline (loss)/earnings per share (cents)	**(131,87)**	21,55	(65,35)
Operating profit (%)	**(14,1)**	3,4	(13,2)

Summary consolidated STATEMENT OF FINANCIAL POSITION

	% change	**Unaudited 30 September 2016 R'000**	Restated Unaudited 30 September 2015 R'000	Audited 31 March 2016 R'000
ASSETS				
Non-current assets		**854 839**	1 486 321	888 987
Property, plant and equipment		**225 493**	256 315	236 278
Intangible assets		**67 632**	162 167	66 433
Investments in associates and joint ventures		**403 646**	936 345	453 496
Derivative financial assets		**34 380**	29 890	34 380
Deferred tax assets		**123 688**	101 604	98 400
Current assets		**1 435 988**	1 948 312	1 796 657
Inventories		**597 001**	788 968	800 085
Trade and other receivables		**748 321**	1 059 416	910 020
Cash and cash equivalents		**85 872**	89 645	80 003
Derivative financial instruments		**535**	1 878	249
Current tax assets		**4 259**	8 405	6 300
Assets of disposal group classified as held-for-sale		**29 561**	16 000	–
Total assets		**2 320 388**	3 450 633	2 685 644
EQUITY AND LIABILITIES				
Capital and reserves		**697 657**	1 905 934	1 056 212
Equity attributable to equity holders of the company		**655 143**	1 862 749	1 016 548
Non-controlling interest		**42 514**	43 185	39 664
Non-current liabilities		**329 566**	309 315	349 034
Borrowings		**68 327**	62 974	75 859
Derivative financial instruments		**93 554**	72 972	89 454
Deferred profit		**31 414**	36 740	34 076
Deferred tax liabilities		**17 626**	18 280	22 185
Retirement benefit obligation		**5 100**	6 035	5 100
Share-based payment liabilities		**4 883**	–	4 883
Operating lease liabilities		**108 662**	108 976	110 363
Trade and other payables		**–**	3 338	7 114
Current liabilities		**1 282 008**	1 235 384	1 280 398
Trade and other payables		**898 785**	988 230	890 581
Borrowings		**358 285**	212 379	357 381
Operating lease liabilities		**5 100**	2 015	2 776
Derivative financial instruments		**3 960**	20	8 664
Deferred profit		**5 327**	5 327	5 327
Current tax liabilities		**6 366**	27 413	7 728
Share-based payment liabilities		**4 185**	–	7 941
Liabilities directly associated with assets held-for-sale		**11 157**	–	–
Total equity and liabilities		**2 320 388**	3 450 633	2 685 644
Future commitments				
Capital commitments		**18 171**	10 655	9 690
Operating leases		**613 236**	632 508	658 606
Net (overdraft)/cash		**50 393**	(47 735)	69 892
Net debt		**307 971**	89 338	311 934
Value per share				
Asset value per share				
– net asset value (cents)	(64)	**276,73**	769,60	440,66
– net tangible asset value (cents)	(65)	**248,16**	702,60	412,95
– market price (cents)		**253**	540	400
Market capitalisation (R'000)		**612 875**	1 308 112	968 972
Financial gearing ratio (%)*		**44,1**	4,7	29,5
Current asset ratio (times)		**1,1**	1,6	1,4

** Includes cash and cash equivalents.*

Summary consolidated STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 months ended 30 September 2016 R'000	Restated Unaudited 6 months ended 30 September 2015 R'000	Audited 12 months ended 31 March 2016 R'000
Balance at 1 April 2015 as reported	**–**	2 004 123	2 004 123
Restatements	**–**	(119 586)	(119 586)
Restatement 1 to 3 – Prior year impact	**–**	(109 688)	(109 688)
Restatement 1 – Operating lease liabilities and deferred profit	**–**	(3 976)	(3 976)
Restatement 2 – Written put	**–**	(2 142)	(2 142)
Restatement 3 – Acquisition vendor	**–**	(3 780)	(3 780)
Balance at beginning of the period	**1 056 212**	1 884 537	1 884 537
(Loss)/profit for the period	**(366 795)**	60 286	(757 932)
Other comprehensive income	**11 264**	(10 623)	(6 410)
Changes in ownership interest – control not lost	**–**	241	358
Transactions with non-controlling interest	**605**	(583)	(823)
Non-controlling interest acquired in business combinations	**–**	1 924	1 924
Share-based payment charge	**5 866**	(5 992)	(926)
Share-based payment transferred to liability and to be settled in cash	**–**	–	(26 381)
Treasury shares acquired and delivered	**–**	(20 052)	(30 875)
Dividends paid to non-controlling interest	**–**	(3 804)	–
Dividends paid	**(9 495)**	–	(7 260)
Balance at end of period	**697 657**	1 905 934	1 056 212

Summary consolidated STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 30 September 2016 R'000	Unaudited 6 months ended 30 September 2015 R'000	Audited 12 months ended 31 March 2016 R'000
Cash generated from operations before working capital changes	**(19 728)**	130 471	49 016
Working capital changes	**102 334**	43 561	25 290
Net finance costs paid	**(23 460)**	(17 242)	(37 858)
Net income tax paid	**(9 468)**	(9 818)	(20 950)
Net cash generated from operating activities	**49 678**	146 972	15 497
Net cash (utilised in)/generated by investing activities	**(13 711)**	54 683	89 915
Net cash (utilised in)/generated from financing activities	**(50 530)**	(250 454)	(36 418)
(Decrease)/increase in cash resources	**(14 563)**	(48 799)	68 995
Cash resources at beginning of the period of continuing operations	**69 891**	1 427	1 428
Translation effects on foreign cash and cash equivalents balances	**(837)**	(363)	(531)
Cash and cash equivalents of disposal group held-for-sale at end of period	**(4 098)**	–	–
Cash resources at end of period	**50 393**	(47 735)	69 892

Condensed consolidated SEGMENTAL ANALYSIS

	Building R'000	Infra-structure R'000	DAWN Solutions R'000	Head office and other reconciling items [1] R'000	Total R'000
6 months ended 30 September 2016 (Unaudited)					
Revenue	**1 239 976**	**1 139 238**	**304 005**	**(280 394)**	**2 402 825**
Depreciation and amortisation	**(3 564)**	**(13 879)**	**(13 166)**	**(278)**	**(30 887)**
Operating profit before impairments and derecognition and re-recognition of investments	**(134 302)**	**(102 989)**	**(10 371)**	**(44 381)**	**(292 043)**
Impairments and derecognition	**(39 262)**	**(6 492)**	**–**	**(307)**	**(46 061)**
Operating profit after impairments and derecognitions and re-recognition of investments	**(173 564)**	**(109 481)**	**(10 371)**	**(44 688)**	**(338 104)**
Net finance (expense)/income	**(15 667)**	**(18 887)**	**(3 042)**	**8 418**	**(29 178)**
Share of profit from associates and joint ventures (including impairment of associate)	**(20 997)**	**971**	**327**	**–**	**(19 699)**
Tax expense	**15 584**	**(1 707)**	**3 891**	**2 418**	**20 186**
Net profit after tax from continuing operations	**(194 644)**	**(129 103)**	**(9 195)**	**(33 853)**	**(366 795)**
Assets	**683 109**	**739 904**	**242 842**	**654 533**	**2 320 388**
Liabilities	**886 834**	**674 825**	**399 595**	**(338 523)**	**1 622 731**
Capital expenditure [2]	**1 475**	**15 936**	**14 529**	**17**	**31 957**
6 months ended 30 September 2015 (Unaudited) – Restated					
Revenue	1 295 134	1 349 965	282 234	(259 399)	2 667 934
Depreciation and amortisation	(5 754)	(16 399)	(10 167)	(135)	(32 455)
Operating profit before impairments and derecognition and re-recognition of investments	28 805	57 919	6 212	(2 062)	90 874
Impairments and derecognition	–	–	–	(693)	(693)
Operating profit after impairments and derecognitions and re-recognition of investments	28 805	57 919	6 212	(2 755)	90 181
Net finance (expense)/income	(13 490)	(15 215)	225	(4 255)	(32 735)
Share of profit from associates and joint ventures (including impairment of associate)	17 459	5 570	1 131	–	24 160
Tax expense	(6 704)	(12 187)	(1 569)	(860)	(21 320)
Net profit after tax from continuing operations	26 070	36 087	5 999	(7 870)	60 286
Assets	1 608 409	1 215 783	611 931	14 510	3 450 633
Liabilities	1 338 641	734 452	627 605	(1 155 999)	1 544 699
Capital expenditure [2]	3 703	15 201	18 176	458	37 538
12 months ended 31 March 2016 (Audited)					
Revenue	2 530 920	2 420 004	571 360	(529 192)	4 993 092
Depreciation and amortisation	(11 974)	(34 017)	(23 053)	(368)	(69 412)
Operating profit/(loss) before impairments and derecognition and re-recognition of investments	(54 128)	(1 871)	4 586	27 465	(23 948)
Impairments and derecognitions	(410 406)	(156 583)	(65 829)	(4 592)	(637 410)
Operating profit/(loss) after impairments and derecognitions and re-recognition of investments	(464 534)	(158 454)	(61 243)	22 873	(661 358)
Net finance income/(expense)	(25 766)	(32 981)	(1 885)	(10 438)	(71 070)
Share of profit/(losses) from associates and joint ventures (including impairment of associate)	(12 171)	4 304	1 976	–	(5 891)
Tax expense	7 880	(31 965)	16 216	(11 744)	(19 613)
Net profit/(loss) after tax from continuing operations	(494 591)	(219 096)	(44 936)	691	(757 932)
Assets	1 157 172	961 776	582 561	(15 865)	2 685 644
Liabilities	1 394 930	747 848	649 354	(1 162 700)	1 629 432
Capital expenditure [2]	6 379	55 049	82 508	(3 997)	139 939

[1] Other reconciling items consist of corporate and consolidation adjustments. These predominantly include elimination of intergroup sales, profits, losses and intergroup receivables and payables and other unallocated assets and liabilities contained within the vertically integrated group. Head office and other reconciling items is not considered to be an operating segment.

[2] Includes expenditure on property, plant and equipment and intangibles. Government grants received are deducted from the capital expenditure amount.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited summary consolidated interim financial statements for the six months ended 30 September 2016 was approved by the board on 14 November 2016.

The summary consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited's (JSE) Listings Requirements for interim financial statements and the requirements of the Companies Act applicable to interim financial statements. The JSE requires interim financial statements to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and must also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the summary consolidated interim financial statements are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the consolidated annual financial statements for the year ended 31 March 2016. The preparation of the interim summary consolidated financial statements has been supervised by the acting financial director, Hanré Bester.

The directors take full responsibility for the preparation of the summary interim consolidated financial statements.

2. RESTATEMENT, RECLASSIFICATION AND CONSISTENCY OF PRESENTATION

RESTATEMENTS (NOTES 1 TO 2)

1. Restatement 1 – Operating lease liability and deferred profit

An operating lease liability is required for leases with escalation clauses. An addendum to the existing lease agreement on the Germiston Distribution Centre in 2009 was not disclosed to the board. As a result, the lease operating liability and related deferred tax had to be restated based on a minimum 15-year lease period at an escalation of 8% per annum, ending in December 2023. To improve disclosure, the operating lease liability has been disclosed as a separate item on the face of the statement of financial position.

Deferred profit relating to the initial sale of the Germiston Distribution Centre had to be restated based on a 15-year amortising profile instead of 10 years as previously reported. This is in line with the operating lease liability. Deferred profit and the relating deferred tax were restated.

The financial impact in the affected periods are as follows:

	30 September 2015 R'000	31 March 2015 R'000
Statement of changes in equity	(2 175)	(3 976)

2. Restatement 2 – Written put

A written put relating to Swan Plastics Proprietary Limited (Swan) had to be accounted for. In August 2013, a subsidiary of DAWN gave the remaining 49% shareholders in Swan the right to put their shares at a 5 price earnings ratio based on the average of the prior two years' earnings. After six years there will be a deemed offer and a deemed acceptance of the remaining 49%. This written put was not disclosed to the board. At inception the valuation is accounted for in retained earnings as part of equity and the profit and loss impact is accounted for as a finance expense and an employment expense. The written put is disclosed in derivatives and an employment liability in trade and other payables – non-current.

The financial impact in the affected periods are as follows:

	30 September 2015 R'000	31 March 2015 R'000
Statement of changes in equity	(16 992)	(2 143)

2. RESTATEMENT, RECLASSIFICATION AND CONSISTENCY OF PRESENTATION (continued)

RECLASSIFICATION (NOTES 3 TO 5)

3. Grohe put

During 2015 the Grohe put valuation was calculated based on a Black Scholes valuation model. A more appropriate valuation model namely, Monte Carlo valuation method, was used. During the prior year a net put asset was disclosed. To enhance disclosure, the put was disclosed as an asset and the call as a liability in the current year. The valuation was re-performed for the comparative period and a call option disclosed under assets and a put option disclosed under liabilities was recognised. The net amount remained unchanged with no profit and loss impact.

4. Acquisition and delivery of treasury shares (SOCIE)

Historically DAWN disclosed the movement in treasury shares between acquisition and delivery of shares and in the SOCIE they were set-off against each other. IAS 1.15 however, requires fair presentation through faithful representation of the effects of transactions, other events and conditions that occurred during a financial period. IAS 1.106(d) specifically requires the SOCIE to reflect a reconciliation separately disclosing the changes between the equity position at the beginning and end of the year. The restatement separates the disclosure in the SOCIE. This incorrect treatment was highlighted by the JSE proactive monitoring process.

5. Treasury shares purchased (cash flow)

Treasury shares were historically incorrectly included in investing activities and have been reclassified to financing activities. This incorrect treatment was highlighted by the JSE proactive monitoring process.

CONSISTENCY OF PRESENTATION (NOTE 6)

6. Tax impact in equity (SOCIE)

The tax impact in equity relating to treasury shares and share-based payment have been identified separately and aligned with the applicable category instead of a separate line item where it was offset. Capital Gains Tax (CGT) relating to the disposal of treasury shares is accounted for in equity on the basis that at a group level shares are disclosed at cost and delivered at cost. There is therefore no resultant CGT charge at group level. DAWN has disclosed the CGT difference against the share-based payment – vesting of options line in SOCIE. The tax impact relating to the difference in tax treatment between group (equity-settled) and company (cash-settled) is accounted for in equity. DAWN has disclosed the equity/cash-settled difference against the share-based payment – charge for the period line in SOCIE. This incorrect treatment was highlighted by the JSE proactive monitoring process.

OTHER MATTERS

The transactions described above in 1 and 2 were initiated and executed at the time by certain executive directors and senior management, respectively. Both transactions were executed without the knowledge and approval of the board. A reportable irregularity has therefore been reported by the external auditors to the Independent Regulatory Board of Auditors with respect to these transactions. The external auditors have also confirmed to the Independent Regulatory Board of Auditors that these irregularities are not continuing. After considering the circumstances of these transactions, as a matter of good governance, the board has instituted the following corrective actions:

- engaged with external legal counsel to clarify DAWN's legal position with respect to these matters and its relationship with the individuals in question, including DAWN's right of recourse against any relevant individuals;
- engaged with parties involved in the above matters to ensure the board acts in the best interests of DAWN;
- accounted for and restated the comparative results in the annual financial statements for these transactions; and
- the internal audit department launched detailed investigations into these transactions.

The board is confident that it has taken and continues to take all the necessary steps to execute its responsibilities in terms of the Companies Act of South Africa and the principles of good governance as contemplated by the King Code on Corporate Governance.

2. RESTATEMENT, RECLASSIFICATION AND CONSISTENCY OF PRESENTATION (continued)

IMPACT ON INCOME STATEMENT

	Restated 30 September 2015 R'000	Reported 30 September 2015 R'000	Difference R'000
Net operating expenses before de-recognition of investments and impairments	(544 628)	(541 606)	(3 022)
Operating profit/(loss) before impairments and de-recognition of previously held interest	90 874	93 896	(3 022)
Operating profit/(loss)	90 181	93 203	(3 022)
Finance expense	(35 156)	(18 163)	(16 993)
Profit/(loss) after net finance costs	57 446	77 461	(20 015)
Profit/(loss) before taxation	81 606	101 621	(20 015)
Income tax (expense)/income	(21 320)	(22 167)	847
Profit/(loss) from continuing operations	60 286	79 454	(19 168)
Profit attributable to:			
Owners of the parent	52 416	71 584	(19 168)
Profit/(loss) for the period			

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Restated 30 September 2015 R'000	Reported 30 September 2015 R'000	Difference R'000
Profit for the period	60 286	79 454	(19 168)
Total comprehensive income	49 663	68 831	(19 168)
Total comprehensive income attributable to:			
Owners of the parent	41 793	60 961	(19 168)
	41 793	60 961	(19 168)
Total comprehensive income attributable to equity shareholders arising from:			
Continuing operations	49 663	68 831	(19 168)
	49 663	68 831	(19 168)

2. RESTATEMENT, RECLASSIFICATION AND CONSISTENCY OF PRESENTATION (continued)

IMPACT ON STATEMENT OF FINANCIAL POSITION

	Restated 30 September 2015 R'000	Reported 30 September 2015 R'000	Difference R'000
Non-current assets			
Derivative financial instruments	29 890	3 950	25 940
Deferred tax assets	101 604	68 703	32 901
	1 486 321	1 427 480	58 841
Total assets	3 450 633	3 391 792	58 841
Equity attributable to equity holders of the company	1 862 749	2 001 505	(138 756)
Total equity	1 905 934	2 044 690	(138 756)
Non-current liabilities			
Derivative financial instruments	72 972	–	72 972
Deferred profit	36 740	13 117	23 623
Operating lease liability	108 976	–	108 976
Trade and other payables	3 338	–	3 338
	309 315	100 406	208 909
Current liabilities			
Trade and other payables	988 230	1 004 871	(16 641)
Borrowings	212 379	208 599	3 780
Operating lease liability	2 015	–	2 015
Deferred profit	5 327	5 793	(466)
	1 235 384	1 246 696	(11 312)
Total liabilities			
Total equity and liabilities	3 450 633	3 391 792	58 841

2. RESTATEMENT, RECLASSIFICATION AND CONSISTENCY OF PRESENTATION (continued)

IMPACT ON STATEMENT OF CASH FLOWS

	Restated 31 March 2015 R'000	Reported 31 March 2015 R'000	Difference R'000
Cash flows from investing activities	–	–	–
Net cash generated by investing activities	54 683	80 678	(25 995)
Cash flows from financing activities	–	–	–
Net cash utilised in financing activities	(250 454)	(276 449)	25 995

3. DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

The group has taken a decision to dispose of its 74% share in Hamilton's Brushware SA Proprietary Limited. It is the group's intention to dispose of this investment in the near future.

Summary

		2016 R'000
	Hamilton's Brushware	
(a)	Assets of disposal group classified as held-for-sale	
	Property, plant and equipment	**2 534**
	Other non-current assets	**113**
	Inventory	**10 308**
	Cash and cash equivalents	**4 107**
	Other current assets	**12 499**
	Total	**29 561**
(b)	Liabilities of disposal group classified as held-for-sale	
	Trade and other payables	**8 970**
	Other current liabilities	**2 187**
	Total	**11 157**

4. EVENTS AFTER THE REPORTING DATE

Management is not aware of any material events that occurred subsequent to the end of the reporting period. There has been no material change in the group's contingent liabilities since year-end.

5. DIVIDENDS

The group has a policy not to pay a dividend at the interim stage.