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DAW 201707140001A

Audited summary consolidated financial results for the year ended 31 March 2017

DISTRIBUTION AND WAREHOUSING NETWORK LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1984/008265/06)

(“DAWN” or “the group” or “the company”)

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AUDITED SUMMARY CONSOLIDATED FINANCIAL RESULTS for the year ended

31 March 2017

RESULTS COMMENTARY

for the year ended 31 March 2017

INTRODUCTION

DAWN manufactures, sources, distributes and wholesales selected materials and hardware used in building and the creation of infrastructure.

RESULTS SUMMARY

As committed to the market in F2016, the focus during F2017 was on downsizing, closing and consolidating businesses in the group to put DAWN on a stronger footing to turn its operations around to profitability in the lower revenue reality imposed by the deteriorating South African economy. The first part of the turnaround plan has been executed.

The current results were significantly affected by these rightsizing costs, as well as the continued challenging market

conditions, the impact of the widespread drought in South Africa and poor operating performance of the group. The results to 31 March 2017 were therefore very disappointing. Although the loss per share of 269,2 cents was a reduction from the loss of 318,3 cents in F2016, the headline loss per share was sharply higher at 240,5 cents (2016: headline loss per share of 65,6 cents).

The rightsizing of the group resulted in a number of write-downs and impairments. After-tax write-downs and impairments of R352,2 million were recorded in F2017, which played a large role in the total group attributable loss of R637,4 million.

Management and the board recognise that focused action must be taken to reverse the declining trend in revenue. This action has been given further momentum under the new management team, as outlined in the prospects section of this report.

The group's cash flow and statement of financial position were also under severe pressure in F2017, resulting in the need for a R358 million rights issue. The proceeds were received after year-end on 12 April 2017.

SUMMARY OF RESULTS BASED ON THE HISTORIC REPORTING STRUCTURE (AS AT 31 MARCH 2017)

BUILDING SEGMENT

Revenue from the building segment declined by 10,9% from R2,5 billion to R2,3 billion, mainly attributable to significantly lower volumes in WHS.

The building segment delivered an operational loss of R54,5 million compared to an operational profit of R16,0 million in

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F2016 and a loss before interest and taxation (LBIT) of R244,0 million, with an operating margin of -10,8%. This was substantially worse than the loss of R464,5 million and margin of -18,4% in F2016.

INFRASTRUCTURE SEGMENT

Revenue from the infrastructure segment declined by 18,5% from R2,4 billion to R2,0 billion, mainly attributable to lower income streams in Incledon and Sangio.

The infrastructure segment delivered an operational loss of R60,4 million compared to an operational profit of R33,7 million in F2016, an LBIT of R124,5 million, with an operating margin of -6,3% as a result of losses incurred in Sangio and DPI Plastics, slightly offset by Swan Plastics' profit. Although this was an improvement from the loss of R158,5 million and the margin of -6,5% in F2016, it was still too far below budget.

SOLUTIONS SEGMENT

The solutions segment's revenue declined by 3,1% from R571,4 million to R553,7 million. An LBIT of R42,7 million (F2016: R61,2 million) was incurred.

NEW REPORTING STRUCTURE

DAWN's reporting structure was simplified at the end of F2017 for two reasons:

1. The integration of DAWN Solutions into the underlying businesses to reduce the group's permanent cost base.
2. To better reflect the group's operations. Rather than reporting on the contribution of the building, infrastructure

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and solutions segments to group results, DAWN now reports on the contributions of the trading and manufacturing segments.

The trading segment sells a comprehensive range of products, primarily sourced in South Africa from the group's manufacturing segment and other manufacturers. The trading segment comprises WHS, Incledon and the smaller businesses of DAWN Africa Trading (DAT), Kitchen (Roco) and Hamilton's.

The manufacturing segment manufactures mainly PVC and HDPE pipes and fittings. The manufacturing segment comprises DPI Plastics, Swan Plastics (51%-held), GDW (49%-held) and the smaller businesses of Ubuntu Plastics (51%-held) and DPI International. In the interests of full disclosure, like-for-like results are available in the notes to the audited summary consolidated financial statements under 'Audited consolidated segmental analysis'.

INCOME STATEMENT

Revenue in F2017 was impacted mainly by two occurrences. The first was the steady decline in economic growth, culminating in the negative gross domestic product (GDP) growth reported by Stats SA for the first quarter of calendar 2017 and a smaller, very competitive market. The second was DAWN's temporary loss of master distributor status due to underserviced clients and unbalanced stock, which impacted volumes sold. Master distributor status is crucial, as it ensures the volumes necessary for the successful functioning of DAWN's business model. One of the key issues for F2018 will be to regain lost market share.

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Group revenue decreased by 13,9% from R5,0 billion to R4,3 billion for the reasons outlined above. Revenue from the trading segment declined by 18,6% from R3,9 billion to R3,1 billion, mainly attributable to significantly lower volumes in WHS. Revenue from the manufacturing segment declined by 10,3% from R1,6 billion to R1,5 billion as a result of losses incurred in Sangio and DPI Plastics, slightly offset by Swan Plastics' profit.

Group headcount was reduced by 643 employees in F2017. Year-on-year normalised operating expenses decreased by 5,0% (F2016: 0,4% decrease), and reflect the group's strong focus on expense reduction. However, the group's expense to revenue ratio deteriorated from 21,5% in F2016 to 24,9% in F2017, affected by lower revenue levels. The main expense drivers remain employment costs, vehicle transportation expenditure and building occupancy costs.

DAWN posted R119,8 million in operational losses (F2016: operational profit of R58,1 million) and an LBIT of R468,8 million, representing an operating margin of -10,9%. Although this result was an improvement on the LBIT of R661,4 million and margin of -13,2% achieved in F2016, it is still unacceptable to management and the board.

As outlined earlier, group results were reduced by non-operating costs related to closures, rationalisations and the disposal of a number of non-core operations and joint ventures. The group operational result, excluding the R349,1 million downsizing and

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restructuring costs, was an operational loss of R119,8 million (F2016: profit of R58,1 million).

	F2017
	impact
Restructuring, impairments and write-downs	R'million
Impairments of intangible and fixed assets	6,3
Associates carry-values derecognitions	52,1
Carry-value of assets – debtors	27,6
Carry-value of assets – inventory	108,3
Carry-value of assets (Africa) (including deferred tax write-off of R3,1 million)	56,6
Retrenchment costs	19,7
Onerous leases	35,8
Other	45,8
Total (including deferred tax write-off)	352,2

The trading segment delivered an operational loss of R108,1 million compared to a loss of R11,7 million in F2016 and an LBIT of R325,6 million, with an operating margin of -10,4%. This was substantially worse than the loss of R209,4 million and margin of -5,4% in F2016. This was largely attributable to the performances of WHS and Incledon. WHS incurred a large operational loss on the back of significantly lower volumes, but is currently at breakeven. Incledon also incurred a large operational loss, mainly due to the lack of government and municipal spend on water infrastructure in the first half of F2017. Incledon has reached breakeven post year-end.

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The manufacturing segment delivered an operational loss of R10,5 million compared to a profit of R52,9 million in F2016, an LBIT of R89 million, with an operating margin of -6,1%. Although this was a strong improvement from the loss of R436,2 million and the margin of -26,8% in F2016, it was still too far below budget. Although Swan Plastics continued to produce a pleasing profit, the large loss at Sangio and DPI Plastics took this segment into the red. DPI Plastics has moved back into a breakeven position post year-end. Notwithstanding strong factory intervention from Lixil Japan, GDW made a large loss for the year. GDW is also now back at breakeven. Post year-end, the group entered into a non-binding memorandum of understanding with GDW's controlling shareholders to dispose of DAWN's 49% shareholding in GDW to Lixil. Refer to the 'Events after the reporting date' for further information.

Net finance charges amounted to R58,6 million, compared to R71,1 million in F2016, mainly due to the R34,0 million raised on the Swan Plastics put option in F2016 not repeating to the same extent in F2017. Transaction costs relating to bridging finance and deal costs amounted to R11,4 million, classified as finance expenses. Interest paid to financiers of R46,0 million increased by 24%. This was attributable both to increased borrowing and an increase in interest rates.

The effective tax rate was 9,8% (F2016: 2,6%). This was mainly due to a prudent approach adopted in terms of the raising of deferred tax assets, assessed tax losses and impairments.

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DAWN therefore reduced its loss per share for F2017 to 269,2 cents compared to the loss of 318,3 cents for F2016. However, the headline loss per share increased to 240,5 cents compared to a loss of 65,6 cents for the comparable period.

CASH FLOW STATEMENT

As earnings before interest, taxation, depreciation and amortisation (EBITDA) came under increasing pressure in F2017, the group's cash flow position deteriorated accordingly.

The group absorbed R371,6 million (F2016: R49,0 million generated) cash from operations before working capital enhancements of R416,1 million (H1 F2016: R25,3 million).

Pleasingly, gross working capital (before impairments) showed a net inflow of R93,9 million (F2016: R43,2 million), despite a smaller improvement in the second half compared to the first. Although creditor payments deteriorated by R196,3 million, they are now back up to date. Debtors saw a R70 million reduction in overdues for the period under review and, most importantly, stock before impairments and write-downs showed a sound improvement, improving by R156,9 million.

This resulted in a net cash outflow of R29,2 million (F2016: R15,5 million net inflow) after settlement of taxation liabilities of R22,3 million (F2016: R21,0 million) and net interest of R51,4 million (F2016: R37,9 million).

Investing activities and remaining cash movements generated R68,0 million (F2016: R53,0 million utilised).

Net investing activities generated R29,7 million (F2016: R29,6

million outflow), with a net contribution from property, plant and equipment on disposals of R21,9 million and proceeds from the Heunis Steel disposal of R50 million. Although Heunis Steel continued to perform strongly, the need for liquidity necessitated a decision to sell the business. DAWN's 49% was sold for R50 million in January 2017. Investment in capital expenditure on enterprise resource planning (ERP) software, generators, fleet, plant and equipment amounted to R51,5 million (F2016: R45,4 million invested).

Financing activities and remaining cash movements generated R38,2 million (F2016: R82,6 million). This consisted of a net debt inflow of R175,0 million (including a R200 million new bridging facility, less a R25 million repayment to Absa Bank Limited) (F2016: R120,8 million) net debt flows consisting of a R206,7 million inflow and an outflow of R85,9 million. A dividend payment of R22,0 million (F2016: R7,3 million) was made, representing dividend payments to non-controlling interests, partly to manage the group's cash flow facilities.

This resulted in a net closing cash balance of R108,7 million (F2016: R69,9 million).

STATEMENT OF FINANCIAL POSITION

The group's statement of financial position for F2017 was concerning, with 86,8% net gearing ratio (F2016: 29,5%) and a net cash balance of R108,7 million (F2016: R69,9 million).

It became clear that the sustained poor operating performance due to tough markets, combined with debt repayment obligations, would

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render the group unable to conduct its business. This resulted in DAWN approaching shareholders for a rights issue of R358 million, the proceeds of which were received post year-end on 12 April 2017. R200 million was used to repay bridging finance, R75 million to repay Absa Bank Limited and the balance to fund future operations.

PROSPECTS

The second part of the turnaround plan focuses on restoring fundamentals from both a strategic and an operational perspective.

Operational focus areas include:

- The focus in the manufacturing segment will be on actively improving efficiencies, to re-engineer the operations for lower factory breakeven points and to significantly rationalise the product spread.
- In the trading segment, it will be crucial to reclaim the master distributor status. Customers and suppliers require DAWN to fulfil the master distributor role. The team will also focus on addressing its on-time-in-full delivery, just-in-time delivery, re-energising staff, restoring supplier and customer relationships and actively manage volume-related term agreements.

Strategic focus areas include:

- Implementing the decentralisation of the business structure, with an emphasis on authority and accountability.
- Driving cross-selling to regain market share.

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- Transforming the business and implementing further rightsizing to operate successfully in a tough economy.

The management team is mindful that they have to meet the bank covenants on EBITDA and working capital, with these areas receiving particular attention.

The restructuring and improvements already made, together with the key strategic and operating initiatives, have ensured that the group is doing all it can to return the business to sustainable profitability. Care has been taken to retain the group footprint to ensure that, when growth returns to the group's markets, it is well positioned to capitalise on the opportunities which will arise.

DAWN is not anticipating any meaningful improvement in the economy in F2018. This will result in the group continuing to experience difficult trading conditions in a very competitive environment. As a management team, the focus is firmly on delivering on the short-term action plan and to complete the turnaround and achieve at least a breakeven position in F2018, provided there will be no further significant weakening of the economy. The second half is also seasonally weaker. Wage negotiations have started in July which, at times in the past, have led to strike action if not successfully concluded.

As outlined in the trading update published on SENS on 12 July 2017, although the board believes the group is solvent and liquid for the 12 months following the date of the auditors signing of this year's results on 14 July 2017, certain potential events and

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conditions give rise to a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern based on cash flow forecasts prepared against the backdrop of available facilities. Refer to note 1 'Basis of preparation' for the section on 'Going concern assessment'. Management is actively addressing the group's short-term challenges, with actions including corporate restructuring activities and alternative funding options.

Over the medium-term, the group will focus on achieving profitability in F2019 and meeting profit before interest and tax target margins in F2020 of 5% in the trading segment and 12% in the manufacturing segment.

Any forward-looking statement has not been reviewed or reported on by the company's auditors.

CHANGES TO THE BOARD

CHANGES AT EXECUTIVE LEVEL

During the period under review, Derek Tod retired as CEO, effective 31 May 2016, and Stephen Connelly was appointed as the interim CEO on 1 June 2016. With the appointment of a permanent CEO on 1 April 2017, Stephen was appointed as the executive deputy chairman of the group until December 2017. The board would like to thank him for the significant role he has played in his interim CEO capacity in starting to bring the group back to stability and in managing relationships with key stakeholder groups. His continued involvement with the group is greatly valued.

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Post year-end, Edwin Hewitt was appointed as permanent CEO of DAWN on 1 April 2017. Edwin brings valuable skills to this role. He has a wealth of experience in senior executive roles in listed environments. He also has a proven track record of successful turnarounds of a number of companies. Most recently, he was appointed by PPC, working with four major banks, as chief restructuring officer. DAWN appointed him in February 2017 as chief restructuring officer, working with a major bank, where he again played a significant role in finalising a recapitalisation programme. Previously, Edwin was CEO of Capital Africa Steel (Pty) Ltd and of the fabrication and the manufacturing division of the Murray & Roberts group.

During the period under review, the previous CFO, Dries Ferreira, and risk and compliance officer, Jan Beukes, both resigned on 14 July 2016, effective 31 October 2016. David Austin was appointed as CFO on 18 November 2016. David resigned on 17 March 2017, effective 30 June 2017. Chris Booyens was appointed post year-end as the new chief financial officer and financial director of the company on 1 May 2017, following David's resignation. Chris is a qualified Chartered Accountant South Africa (CA(SA)) and a member of the South African Institute of Chartered Accountants. Chris has enjoyed several years' experience in the building and materials supply industry as group financial director of Iliad Africa Limited. He also served as financial executive and executive director at various Tiger Brands subsidiaries.

The board is confident that the new CEO and his executive team,

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which has also been bolstered with strong new appointments at executive committee level, will be successful in leading DAWN back to a growth path and regaining the confidence of all stakeholders.

NON-EXECUTIVE DIRECTOR CHANGES

Saleh Mayet resigned as an independent non-executive director and chairman of the audit and risk committee on 20 February 2017.

On 28 March 2017, the board welcomed the appointment of Akhter Moosa as an independent non-executive director and chairman of the audit and risk committee. Akhter completed his BComm at the University of Durban, Westville, and qualified as a chartered accountant in 1978. He has extensive experience at board level and is currently a member of the disciplinary committee of the Independent Regulatory Board of Auditors. He acts as advisor to the audit committee of SANRAL Limited and is a member of the audit and risk committee of the Competition Tribunal.

CHANGES TO THE DUTIES OF DIRECTORS

In compliance with the JSE Limited Listings Requirements, shareholders are advised of the following changes to the duties of the following directors on the DAWN board of directors:

- Akhter Moosa, an independent non-executive director and chairman of the audit and risk committee, has also been appointed as a member of the remuneration and nomination committees, effective 14 July 2017;
- Edwin Hewitt, chief executive director, has been appointed as a member of the social, ethics and transformation committee,

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effective 14 July 2017; and

- Lou Alberts, an independent non-executive director, has been appointed as lead independent director on the board, effective 14 July 2017.

OTHER MATTERS

During the year reportable irregularities were reported by the external auditors to the Independent Regulatory Board of Auditors with respect to the transactions relating to an operating lease liability and the Swan Plastics written put. The external auditors have confirmed to the Independent Regulatory Board of Auditors that these irregularities are not continuing. Full disclosure on the matter was made in the 2016 annual financial statements.

DIVIDEND

No dividend has been proposed or declared. Resumption of dividend payments is dependent on the board's future views of when the majority of DAWN's underlying businesses will be firmly in profit.

For and on behalf of the board of directors

Diederik Fouché

Edwin Hewitt

Independent non-executive chairman

Chief executive officer

Chris Booyens

Chief financial officer

Germiston

14 July 2017

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2017

GROUP

	2017	2016
	R'000	R'000
Revenue	4 300 864	4 993 092
Cost of sales	(3 523 327)	(3 897 870)
Gross profit	777 537	1 095 222
Operating expenses	(1 205 786)	(1 153 046)
Administrative and selling expenses	(790 030)	(649 620)
Distribution and warehousing expenses	(328 396)	(490 801)
Other operating expenses	(87 360)	(12 625)
Other operating income	32 625	43 473
Operating loss before impairments and derecognitions of previously held interests	(395 624)	(14 351)
Net gain/(loss) on derecognition of subsidiaries	1 202	(4 592)
Impairments	(74 396)	(642 415)
Operating loss	(468 818)	(661 358)
Finance income	3 316	3 460
Finance expenses	(61 904)	(74 530)
Loss after net financing costs	(527 406)	(732 428)
Share of loss in investments accounted for using the equity method	(41 042)	(5 891)
Loss before taxation	(568 448)	(738 319)
Income tax expense	(51 608)	(19 613)

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Loss for the year	(620 056)	(757 932)
Profit attributable to:		
Owners of the parent	(637 371)	(762 936)
Non-controlling interests	17 315	5 004
Loss for the year	(620 056)	(757 932)
Earnings per share (cents)	(269,22)	(318,31)
Diluted earnings per share (cents)	(269,22)	(317,34)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2017

GROUP

	2017	2016
	R'000	R'000
Loss for the year	(620 056)	(757 932)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Effects of retirement benefit obligations	91	1 009
Tax-related components	(25)	(282)
	66	727
Items that may be subsequently reclassified to profit or loss:		
Exchange differences recycled through profit/loss	7 164	(6 611)
Exchange differences on translating foreign operations	(1 423)	626
Cash flow hedging reserve	858	(1 023)

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Tax-related components	(240)	286
	6 359	(6 722)
Total other comprehensive income/(loss)	6 425	(5 995)
Total comprehensive loss	(613 631)	(763 927)
Total comprehensive (loss)/income		
attributable to:		
Owners of the parent	(630 946)	(768 931)
Non-controlling interests	17 315	5 004
	(613 631)	(763 927)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2017

GROUP

	2017	2016
	R'000	R'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	225 794	236 278
Intangible assets	65 126	66 433
Investments in associates and joint ventures	296 261	453 496
Derivative financial instruments	19 115	34 380
Deferred tax assets	68 298	98 400
	674 594	888 987
CURRENT ASSETS		
Inventories	519 378	800 082
Trade and other receivables	660 325	910 020

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Cash and cash equivalents	108 741	80 006
Derivative financial instruments	632	249
Current tax assets	8 107	6 300
	1 297 183	1 796 657
Assets classified as held-for-sale	6 652	-
TOTAL ASSETS	1 978 429	2 685 644
EQUITY AND LIABILITIES		
EQUITY		
Capital and reserves attributable to equity holders of the company		
Share capital and share premium	376 170	376 170
Retained income	8 851	646 222
Other reserves	(9 874)	(5 844)
Share capital and reserves	375 147	1 016 548
Non-controlling interests	47 975	39 664
TOTAL EQUITY	423 122	1 056 212
LIABILITIES		
NON-CURRENT LIABILITIES		
Borrowings	58 275	75 859
Derivative financial instruments	78 217	89 454
Deferred profit	28 749	34 076
Deferred tax liabilities	25 762	22 185
Retirement benefit obligation	5 066	5 100
Share-based payment liabilities	5 329	4 883
Operating lease liabilities	101 597	110 363
Trade and other payables	-	7 114

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302 995 349 034

CURRENT LIABILITIES

Trade and other payables	785 735	890 581
Borrowings	448 176	357 381
Operating lease liabilities	5 204	2 776
Derivative financial instruments	588	8 664
Deferred profit	5 327	5 327
Current tax liabilities	5 694	7 728
Share-based payment liabilities	-	7 941
	1 250 724	1 280 398

Liabilities directly associated with

assets held-for-sale	1 588	-
TOTAL LIABILITIES	1 555 307	1 629 432
TOTAL EQUITY AND LIABILITIES	1 978 429	2 685 644
Net asset value per share (cents)	158,46	440,66
Net tangible asset value per share (cents)	130,95	412,95

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2017

	Share capital and share premium	Other reserves	Retained earnings	Equity attribu- table to company
	R'000	R'000	R'000	R'000
Balance at				
1 April 2015				
as reported	376 170	57 022	1 417 371	1 850 563

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Total comprehensive				
(loss)/income for				
the year	-	(5 995)	(762 936)	(768 931)
(Loss)/profit for				
the year	-	-	(762 936)	(762 936)
Other comprehensive				
loss for the year	-	(5 995)	-	(5 995)
Dividends paid	-	-	(7 260)	(7 260)
Total contributions				
by and distributions				
to owners of the				
company recognised				
directly in equity	-	(56 871)	(953)	(57 824)
Share-based payment				
- charge/(reversal)				
for the year	-	27	(953)	(926)
Treasury shares				
acquired	-	(30 875)	-	(30 875)
Transfer to liability	-	(26 381)	-	(26 381)
Transactions with				
non-controlling				
interests	-	358	-	358
Business combinations	-	-	-	-
Balance at				
31 March 2016	376 170	(5 844)	646 222	1 016 548
Balance at				

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1 April 2016				
as reported	376 170	(5 844)	646 222	1 016 548
Total comprehensive income/(loss) for the year	-	6 425	(637 371)	(630 946)
(Loss)/profit for the year	-	-	(637 371)	(637 371)
Other comprehensive income for the year	-	6 425	-	6 425
Dividends paid	-	-	-	-
Total contributions by and distributions to owners of the company recognised directly in equity	-	(10 455)	-	(10 455)
Share-based payment - charge for the year	-	2 700	-	2 700
Transactions with non-controlling interests	-	(13 155)	-	(13 155)
Balance at 31 March 2017	376 170	(9 874)	8 851	375 147

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

for the year ended 31 March 2017

Non-
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	interests	Total
	R'000	R'000
Balance at 1 April 2015 as reported	33 974	1 884 537
Total comprehensive (loss)/income		
for the year	4 589	(764 342)
(Loss)/profit for the year	5 004	(757 932)
Other comprehensive loss for the year	(415)	(6 410)
Dividends paid	-	(7 260)
Total contributions by and distributions		
to owners of the company recognised		
directly in equity	1 101	(56 723)
Share-based payment - charge/(reversal)		
for the year	-	(926)
Treasury shares acquired	-	(30 875)
Transfer to liability	-	(26 381)
Transactions with non-controlling interests	(823)	(465)
Business combinations	1 924	1 924
Balance at 31 March 2016	39 664	1 056 212
Balance at 1 April 2016 as reported	39 664	1 056 212
Total comprehensive income/(loss)		
for the year	17 475	(613 471)
(Loss)/profit for the year	17 315	(520 056)
Other comprehensive income for the year	160	6 585
Dividends paid	(21 969)	(21 969)
Total contributions by and distributions		

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to owners of the company recognised

directly in equity	12 805	2 350
Share-based payment – charge for the year	–	2 700
Transactions with non-controlling interests	12 805	(350)
Balance at 31 March 2017	47 975	423 122

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2017

GROUP

	2017	2016
	R'000	R'000
Cash flows from operating activities		
Cash generated from operations	44 507	74 306
Finance income received	3 316	3 460
Finance expense paid	(54 751)	(41 318)
Income tax paid	(22 268)	(20 950)
Net cash generated from/(utilised in) operating activities	(29 196)	15 498
Cash flows from investing activities		
Additions to property, plant and equipment	(38 421)	(41 534)
Additions and development of intangible assets	(13 066)	(3 847)
Proceeds on disposals of property, plant and equipment	21 876	6 245
Proceeds on disposals of interest in associate	27 000	–

Dividends received from		
associates/joint ventures	24 699	567
Loan proceeds from joint ventures		
and associates	7 592	119 487
Disposal of held-for-sale asset	-	16 000
Acquisition of businesses through		
business combinations	-	(7 003)
Net cash generated by investing		
activities	29 680	89 915
Cash flows from financing activities		
Proceeds from borrowings	964	10 408
Proceeds from Absa Bank Limited facility	-	198 770
Proceeds from bridging finance facility	250 000	-
Repayment of bridging finance facility	(50 000)	-
Repayment of borrowings	(9 642)	(38 672)
Repayment of Absa Bank Limited facility	(25 000)	-
Repayment of trade finance facilities	(54 270)	(140 457)
Instalment sale payments	(28 742)	(15 342)
Finance lease payments	(18 568)	(12 525)
Dividends paid to non-controlling		
interest holders	(21 969)	(7 260)
Treasury shares acquired	-	(30 875)
Acquisition of non-controlling interest	(350)	(465)
Net cash generated from/(utilised in)		
financing activities	42 423	(36 418)
Total cash movement for the year	42 907	68 995

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Translation effects on foreign cash and cash equivalents balances	(1 344)	(531)
Cash and cash equivalents derecognised with subsidiaries disposed of	(2 755)	-
Cash and cash equivalents derecognised of held-for-sale group	(7)	-
Cash and cash equivalents at beginning of the year	69 892	1 428
Cash and cash equivalents at end of the year	108 693	69 892

AUDITED CONSOLIDATED SEGMENTAL ANALYSIS

for the year ended 31 March 2017

The operating segments are based on reports reviewed by the executive committee who makes the strategic decisions of the group, and who is therefore the chief operating decision-making body of the group.

REPORTABLE SEGMENTS

The executive committee assesses the performance of these operating segments based on operating profit. Head office and other reconciling items mainly comprise head office and other operating segments not meeting the quantitative thresholds required by IFRS 8.

GROUP

	Infra-structure	DAWN Solutions
Building		
R'000	R'000	R'000

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2017

Revenue	2 281 638	1 972 066	553 676
Depreciation and amortisation	(6 617)	(29 606)	(18 146)
Operating loss before impairments and derecognitions of previously held interests	(182 028)	(113 801)	(42 577)
Impairments and derecognitions of previously held interests	(61 956)	(10 669)	(132)
Operating loss after impairments and derecognitions of previously held interests	(243 984)	(124 470)	(42 709)
Net finance (expense)/income	(22 226)	(46 065)	(4 449)
Share of (loss)/profit from associates and joint ventures	(42 881)	1 870	(31)
Tax (expense)/income	38 289	(5 406)	12 222
Net loss after tax	(270 802)	(174 071)	(34 967)
Assets	1 340 651	692 127	218 292
Liabilities	879 312	692 998	420 382
Capital expenditure (2)	2 185	45 653	21 757

2016

Revenue	2 530 920	2 420 004	571 360
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Depreciation and amortisation	(11 974)	(34 017)	(23 053)
Operating (loss)/profit before impairments and derecognitions of previously held interests	(54 128)	(1 871)	4 586
Impairments and derecognitions of previously held interests	(410 406)	(156 583)	(65 829)
Operating (loss)/profit after impairments and derecognitions of previously held interests	(464 534)	(158 454)	(61 243)
Net finance expense	(25 766)	(32 981)	(1 885)
Share of (loss)/profit from associates and joint ventures	(12 171)	4 304	1 976
Tax income/(expense)	7 880	(31 965)	16 216
Net (loss)/profit after tax	(494 591)	(219 096)	(44 936)
Assets	1 157 172	961 776	582 561
Liabilities	1 394 930	747 848	649 354
Capital expenditure (2)	6 379	55 049	82 508

REPORTABLE SEGMENTS (continued)

GROUP

Head office (1)

and other

	sens.txt reconciling	
	items	Total
	R'000	R'000
2017		
Revenue	(506 516)	4 300 864
Depreciation and amortisation	(570)	(54 939)
Operating loss before impairments and derecognitions of previously held interests	(57 218)	(395 624)
Impairments and derecognitions of previously held interests	(437)	(73 194)
Operating loss after impairments and derecognitions of previously held interests	(57 655)	(468 818)
Net finance (expense)/income	14 152	(58 588)
Share of (loss)/profit from associates and joint ventures	-	(41 042)
Tax (expense)/income	(96 713)	(51 608)
Net loss after tax	(140 216)	(620 056)
Assets	(272 641)	1 978 429
Liabilities	(437 385)	1 555 307
Capital expenditure (2)	347	69 942
2016		
Revenue	(529 192)	4 993 092
Depreciation and amortisation	(368)	(69 412)
Operating (loss)/profit before		

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impairments and derecognitions of previously held interests	37 062	(14 351)
Impairments and derecognitions of previously held interests	(14 189)	(647 007)
Operating (loss)/profit after impairments and derecognitions of previously held interests	22 873	(661 358)
Net finance expense	(10 438)	(71 070)
Share of (loss)/profit from associates and joint ventures	-	(5 891)
Tax income/(expense)	(11 744)	(19 613)
Net (loss)/profit after tax	691	(757 932)
Assets	(15 865)	2 685 644
Liabilities	(1 162 700)	1 629 432
Capital expenditure (2)	(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.

FUTURE DISCLOSURE

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The executive committee, being the chief operating decision-making body of the group, assessed the reportable segments of the group and determined that reporting from a trading and manufacturing perspective would be more meaningful. These segments are therefore also reported this year, as it constitutes the future disclosure.

GROUP

	Trading	Manu- facturing	Head office (1) and other recon- ciling items	Total
	R'000	R'000	R'000	R'000
2017				
Revenue	3 142 060	1 461 433	(302 629)	4 300 864
Depreciation and amortisation	(17 196)	(27 705)	(10 038)	(54 939)
Operating loss before impair- ments and derecognitions of previously held interests	(324 834)	(17 699)	(53 091)	(395 624)
Impairments and				

derecognitions of previously held interests	(716)	(71 909)	(569)	(73 194)
Operating loss after impairments and derecognitions of previously held interests	(325 550)	(89 608)	(53 660)	(468 818)
Net finance (expense)/ income	(43 009)	(31 640)	16 061	(58 588)
Share of loss from associates and joint ventures	(1 041)	(39 970)	(31)	(41 042)
Tax income/ (expense)	61 093	(9 782)	(102 919)	(51 608)
Net loss after tax	(308 507)	(171 000)	(140 549)	(620 056)
Assets	1 230 640	802 630	(54 841)	1 978 429
Liabilities	1 255 378	525 380	(225 451)	1 555 307
Capital expendi- ture (2)	13 079	45 076	11 787	69 942
2016				

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Revenue	3 860 068	1 629 838	(496 814)	4 993 092
Depreciation and amortisation	(31 385)	(30 639)	(7 388)	(69 412)
Operating (loss)/profit before impair- ments and derecognitions of previously held interests	(106 604)	48 454	43 799	(14 351)
Impairments and derecognitions of previously held interests	(102 803)	(484 654)	(59 550)	(647 007)
Operating loss after impairments and derecog- nitions of previously held interests	(209 407)	(436 200)	(15 751)	(661 358)
Net finance expense	(38 576)	(22 686)	(9 808)	(71 070)
Share of profit/(loss)				

from associates				
and joint				
ventures	646	(8 513)	1 976	(5 891)
Tax income/ (expense)	3 601	(22 057)	(1 157)	(19 613)
Net loss				
after tax	(243 736)	(489 455)	(24 741)	(757 932)
Assets	1 700 509	301 081	684 054	2 685 644
Liabilities	1 546 179	537 410	(454 157)	1 629 432
Capital				
expendi- ture (2)	35 495	55 464	48 980	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 AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 March 2017

1. BASIS OF PREPARATION

These consolidated annual financial statements comprise a

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summary of the audited consolidated financial statements of the group for 12 months ended 31 March 2017 that was approved by the board on 12 July 2017.

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited's (JSE) Listings Requirements for summary financial statements and the requirements of the Companies Act applicable to summary financial statements. The JSE requires summary 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 Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council 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 consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements, with the exception of derivative financial instruments, available-for-sale assets and retirement benefit obligations.

The preparation of the summary consolidated annual financial statements by Yolandi van den Berg (CA(SA)), senior group

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financial accountant, has been supervised by the group financial manager, Hanré Bester (CA(SA)) and the chief financial officer and financial director, Chris Booyens CA(SA)).

The directors take full responsibility for the preparation of the provisional report and that the financial information has been correctly extracted from the underlying annual financial statements.

GOING CONCERN ASSESSMENT

DAWN posted losses for both the years ended 31 March 2016 and 2017 of R762,9 million and R637,4 million, respectively. In determining the appropriate basis of preparation of the annual financial statements, the directors are required to consider whether the group can continue to operate as a going concern for the foreseeable future, to 14 July 2018.

After the rights issue in April 2017, DAWN had banking facilities available of R200 million, comprising a R100 million revolving credit and a R100 million general banking facility. To determine if the group will be a going concern for the next financial year and up to 14 July 2018, management prepared cash flow forecasts for each of the material subsidiaries. These forecasts were subjected to further sensitivity tests and included the estimated intra-month peak funding requirements. Management also considered the businesses' ability to meet its financial obligations for the 12 months following approval of the annual financial

statements. The analysis considered the current challenging market conditions, which negatively affects the performance of the group and management's turnaround plan being executed including a return to sustainable profitability, further cost reductions and optimisation of working capital. The resulting cash flow projections were compared to available funding facilities. The forecast profitability and the ability of the underlying business to meet the forecasts is an area of uncertainty.

The effect of a further deterioration in the economic outlook and its potential impact on the group's cash flow and funding facilities were also considered as an uncertainty.

The group's ability to fund its short-term liquidity requirements is dependent on adequate funding facilities. The forecasts indicate that the covenants on the facilities are expected to be breached. Management is seeking clarification from their bankers in this regard. Breaching covenants creates a risk for the group of losing its facilities. Part of management's plans to address this include the corporate restructuring activities and alternative funding options, which are being considered.

These events and conditions give rise to a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

AUDIT OPINION

These summary consolidated financial statements for the year ended 31 March 2017 have been audited by

PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived.

The report on the consolidated financial statements also include:

“A Material Uncertainty Related to Going Concern section that draws attention to Note 44 in the audited consolidated financial statements, which indicated that Distribution and Warehousing Network Limited and its subsidiaries, together the group, incurred a net loss of R637,4 million during the year ended 31 March 2017. These events or conditions, along with other matters as set forth in Note 44 of the audited consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the group’s ability to continue as a going concern.”

These matters are addressed above in the ‘Going concern assessment’ of the summary consolidated financial statements.

A copy of the auditor’s report on the summary consolidated financial statements and of the auditor’s report on the annual consolidated financial statements are available for inspection at the at the company’s registered office, together with the financial statements identified in the

respective auditor's reports.

2. RECONCILIATION OF HEADLINE EARNINGS PER SHARE

	GROUP	
	2017	2016
	R'000	R'000
Headline earnings		
Attributable earnings	(637 371)	(762 936)
Adjustment for the after-tax and non-controlling interest effects of:		
Net profit on disposal of property, plant and equipment	(7 256)	(1 623)
Impairment of intangible assets	290	127 480
Impairment of property, plant and equipment	6 455	47 729
Impairment of other assets	67 651	453 715
Tax effect on disposal of property, plant and equipment and impairment of intangible assets (trademarks)	332	(20 545)
Non-controlling interest	1 747	(949)
Net (profit)/loss on derecognition of previously held interest	(1 202)	4 592
Headline earnings adjustments related to associates and joint ventures	-	(4 579)
Headline earnings	(569 354)	(157 116)
Headline earnings per share (cents)	(240,49)	(65,55)
Headline earnings (R'000)	(569 354)	(157 116)

Weighted average number of shares

in issue ('000)	236 744	239 686
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3. DERIVATIVE FINANCIAL INSTRUMENTS

FAIR VALUE ESTIMATION

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates to terminate the contracts at the statement of financial position date.

DERIVATIVE FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

GROUP

	2017	2016
Level	R'000	R'000

ASSETS

Non-current assets

Put option -

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Grohe DAWN Watertech	3	19 115	34 380
Current assets			
Forward foreign exchange			
contracts - valued at fair			
value through profit/loss	2	632	249
Total assets		19 747	34 629
LIABILITIES			
Non-current liabilities			
Call option -			
Grohe DAWN Watertech	3	6 000	25 430
Written put - Swan Plastics	3	72 217	64 024
Total non-current liabilities		78 217	89 454
Current liabilities			
Forward foreign exchange			
contracts - valued at fair			
value through profit/loss	2	364	7 272
Forward foreign exchange			
contracts - designated as cash			
flow hedges	2	224	1 392
Total current liabilities		588	8 664
Total liabilities		78 805	98 118

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or

regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These types of instruments are included in level 1. DAWN carries no level 1 financial instruments.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value

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discounted back to present value.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in level 2.

FORWARD EXCHANGE CONTRACTS

The foreign exchange contracts in the above are shown at the year-end values for similar contracts maturing at the same date.

Open forward exchange contracts (at contracted rates) can be analysed as follows:

	Rand amount R'000	Foreign amount R'000	Weighted average forward exchange rate
2017			
US Dollar - buy	44 552	3 308	13,5
US Dollar - sell	328	24	13,5
Euro - buy	3 222	223	14,4
Euro - sell	85	6	14,5
2016			
US Dollar - buy	86 857	5 275	16,5
US Dollar - sell	28 901	1 810	15,9
Euro - buy	13 562	752	18,0

2017

The settlement dates on open forward exchanges contracts range between one and seven months from 31 March 2017.

2016

The settlement dates on open forward exchanges contracts range between one and six months from 31 March 2016.

HEDGE RESERVE

2017

At 31 March 2017, the group held one derivative financial instrument that was designated as a cash flow hedge of a future forecast transaction. This was hedging of:

- future capital expenditure payment by forward foreign exchange contract.

The effective portion of the cumulative net change in the fair value of the derivative financial instrument designated as a cash flow hedge is included in the hedge reserve. The periods in which the related cash flows are expected to occur are summarised below:

2017

	Less than one year R'000	Total R'000
Future capital expenditure payments	119	119
Total net loss (net of tax) included within hedge reserve	119	119
Tax on cash flow hedge	46	46

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Total loss included within		
hedge reserve	165	165
MOVEMENT IN THE CASH FLOW HEDGE RESERVE		
		Cash flow
		hedge
		reserve
		R'000
At 31 March 2016 – gross		1 023
Deferred tax		(286)
Closing balance net of deferred tax –		
31 March 2016		737
Opening balance net of deferred tax –		
1 April 2017		737
Gross movement (before deferred tax)		(858)
Revaluation gross		957
Reclassification to profit and loss – gross		(711)
Transfer to property, plant and equipment – gross		(1 104)
Deferred tax		240
Closing balance net of deferred tax –		
31 March 2017		119

2016

At 31 March 2016, the group held various derivative financial instruments that were designated as cash flow hedges of future forecast transactions. These were hedging of:

- future capital expenditure payments by forward foreign exchange contracts; and

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- future inventory payments by forward foreign exchange contracts.

The effective portion of the cumulative net change in the fair value of derivative financial instruments designated as a cash flow hedge is included in the hedge reserve. The periods in which the related cash flows are expected to occur are summarised below:

2016

	Less than one year R'000	Total R'000
Contracts to hedge		
Future capital expenditure payments	465	465
Future inventory payments	272	272
Total net loss (net of tax) included within hedge reserve	737	737
Tax on cash flow hedge	286	286
Total loss included within hedge reserve	1 023	1 023

HEDGE ACCOUNTING

2017

Derivative instrument at year-end:

Change
in value
of the
hedging

		sens.txt		instru- ment used for calcu- lating hedge ineffec- tiveness for 2017 R'000
Nominal amount of hedging instrument and hedged item R'000		Hedge rates	Carrying amount of the hedging instru- ment* R'000	R'000
Cash flow hedges				
Capital expenditure (up to three months)	1 333	ZAR/EUR 17,43	224	(224)
			Change in value of the hedging instru- ment recog- nised in other compre- hensive	Hedge ineffec- tiveness recog- nised in profit or

	sens.txt for 2017	income***	loss**
	R'000	R'000	R'000

Cash flow hedges

Capital expenditure

(up to three

months)	(165)	165	(58)
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* Hedging instruments are located within the derivative financial instruments caption on the statement of financial position.

** Hedge ineffectiveness is recognised in the other operating income (net foreign exchange loss/gain - note 5) caption in the income statement.

*** Including deferred tax effect.

Carrying amount of the hedged item equals the nominal value of the hedging instrument.

2016

	Change in value of the hedging instru- ment used for calculating the hedge
Nominal amount of hedging instrument	Carrying amount of the

	and hedged item R'000	sens.txt Hedge rates	hedging instru- ment* R'000	ineffec- tiveness for 2016 R'000
Cash flow hedges				
Capital expenditure (up to three months)	8 652	ZAR/EUR 17,46 - 19,34	730	(730)
Inventory (up to three months)	3 484	ZAR/EUR 17,40	99	(99)
Inventory (up to five months)	5 010	ZAR/USD 16,84 - 17,37	563	(563)
			Change in value of the hedging instru- ment recog- nised in other	Hedge ineffec- tiveness recog- nised in

	sens.txt ineffec- tiveness for 2016 R'000	compre- hensive income*** R'000	profit or loss** R'000
Cash flow hedges			
Capital expenditure (up to three months)	646	(646)	(84)
Inventory (up to three months)	71	(71)	(28)
Inventory (up to five months)	306	(306)	(257)

* Hedging instruments are located within the derivative financial instruments caption on the statement of financial position.

** Hedge ineffectiveness is recognised in the other operating income (net foreign exchange loss/gain - note 5) caption in the income statement.

*** Including deferred tax effect.

Carrying amount of the hedged item equals the nominal value of the hedging instrument.

CALL AND PUT OPTION - GROHE DAWN WATERTECH

The Watertech transaction included a call option in favour of Grohe to acquire an additional 24,1% indirect shareholding in the Watertech companies from DAWN after a ten-year period and, if such option is exercised by Grohe, or if Grohe's shareholding has otherwise increased to 75,1%, the option for

DAWN to put its remaining 24,9% indirect interest in the Watertech companies to Grohe.

The put option of R19,1 million (2016: R34,4 million) and a call option of R6,0 million (2016: R25,4 million) were recognised at their fair values. A 50%/50% probability was assumed and the consideration in future will be determined as an earning multiple. The Monte Carlo valuation method was used and the assumptions are set out below.

INPUTS AND ASSUMPTIONS

	Mate- riality	2017	2016
Spot equity (100% holding) (R'000)	Low	830 000	1 645 000
Spot EBITDA (100% holding) (R'000)	Low	(20 000)	200 000
Spot value of P/EBITDA (%)	Low	(41,50)	8,2
Spot DAWN shareholding (%)	High	49,0	49,0
Spot Acqui Co shareholding (%)	High	51,0	51,0
Control premium (%)	Medium	15,0	15,0
Case 2 probability	High	Unspeci- fied	Unspeci- fied
Long-term mean: P/EBITDA	High	9,0	9,0
Reversion factor (%)	High	40,0	40,0
Equity volatility (%)	Medium	35,0	35,0
Probability: Growth in EBITDA per annum (%)	Implied	73,0	40,0

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Probability: Decline in			
EBIDTA per annum (%)	Implied	27,0	40,0
Risk-free rate	Low	BESA	BESA
		Swap	Swap
		Curve	Curve
Dividend yield (%)	Low	0,0	0,0
Debt in cash	High	Section	Section
		5.10	5.10

WRITTEN PUT OPTION – SWAN PLASTICS

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%. 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 disclosed in derivatives and the employment liability disclosed in trade and other payables – non-current in the prior year were reclassified to derivatives in the prior year as part of the conditions of the agreement were attained.

4. DISPOSAL GROUP AND OTHER ASSETS/LIABILITIES HELD-FOR-SALE 2017

BOUTIQUE BATHS PROPRIETARY LIMITED

DAWN entered into an agreement to dispose of its 76% shareholding in Boutique Baths Proprietary Limited for a

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consideration of R3 million, effective 28 April 2017.

As a result, Boutique Baths has been derecognised and classified as held-for-sale and a loss on derecognition of R0,34 million was realised at year-end.

2016

The group had no disposal group or other assets/liabilities held-for-sale.

	GROUP	
	2017	2016
	R'000	R'000
SUMMARY		
Total assets of disposal group		
classified as held-for-sale	6 652	-
Total liabilities of disposal group		
classified as held-for-sale	1 588	-
Equity of disposal group classified		
as held-for-sale	2 064	-
BOUTIQUE BATHS		
(a) Assets of disposal group		
classified as held-for-sale	6 652	-
(b) Liabilities of disposal group		
classified as held-for-sale	1 588	-
(c) Equity of disposal group		
classified as held-for-sale	2 064	-

BOUTIQUE BATHS

The cash flows as well as the income

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statement results have been included

in the group results

(a) Assets of disposal group

classified as held-for-sale

Property, plant and equipment	3 768	-
Inventory	2 056	-
Cash and cash equivalents	7	-
Other current assets	821	-
Total	6 652	-

(b) Liabilities of disposal group

classified as held-for-sale

Non-current liabilities	-	-
Trade and other payables	802	-
Other current liabilities	786	-
Total	1 588	-

(c) Equity of disposal group

classified as held-for-sale

Non-controlling interest	2 064	-
Total	2 064	-

5. OPERATING LEASE LIABILITIES AND COMMITMENTS

GROUP

2017	2016
R'000	R'000

Capital commitments

Capital expenditure contracted for at

the reporting date but not yet incurred

and recognised in the financial

statements is as follows:

Plant and equipment	9 998	-
Motor vehicles	-	4 178
Intangible assets - software	-	5 512
Total capital commitments	9 998	9 690

It is intended to finance capital expenditure from funds generated within the group and available finance facilities.

OPERATING LEASE COMMITMENTS

The group leases various premises as well as equipment and plant and machinery under non-cancellable operating lease agreements.

The leases have varying terms and escalation clauses.

Leases have varying terms between current and December 2023.

The leases with determinable escalations are charged to the income statement on a straight-line basis and liabilities are raised for the difference between the lease payment and the charge recognised in the income statement. The liabilities are classified based on the timing of the reversal which will occur between short-term and long-term.

	GROUP	
	2017	2016
	R'000	R'000
Operating lease liabilities		
Non-current	101 597	110 363
Current	5 204	2 776

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106 801 113 139

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

No later than one year	104 981	103 550
Later than one year and not later than five years	338 355	484 556
Later than five years	132 687	70 500
	576 023	658 606

6. CONTINGENCIES

The group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

	GROUP	
	2017	2016
	R'000	R'000
Bank guarantees issued	4 898	4 053
Suretyships	5 500	5 500
Contingent liabilities	8 000	-
	18 398	9 553

2017

On 23 March 2017, the Competition Tribunal ("the Tribunal") handed down a decision in which it determined that DAWN Consolidated Holdings(Pty) Ltd ("DCH"), a subsidiary of DAWN, through the wholly-owned subsidiary DPI Plastics(Pty) Ltd of

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DCH, engaged in a market allocation arrangement with Sangio Pipe (Pty) Ltd (“Sangio”), in which DCH had a 49% interest at the time.

In such cases penalties are usually determined as a percentage of affected turnover and affected turnover is usually that related to the market allocation arrangement in question. The ultimate penalty will be judged across a number of variables and parameters that are in the judgment of the Tribunal.

The legal process to determine the penalty quantum is currently underway, however, the group believes, supported by legal advice, that an appeal will be successful.

2016

The Competition Commission of South Africa referred a complaint to the Competition Commission Tribunal regarding allegations of market allocation between DPI Plastics Proprietary Limited and Sangio Pipe Proprietary Limited. Based on legal advice, the matter will be defended and the group expects that the matter will be favourably concluded.

7. EVENTS AFTER THE REPORTING DATE

RIGHTS OFFER

DAWN shareholders are referred to the circular dated Monday, 20 March 2017 regarding the renounceable rights offer for up to R358 million, which concluded on 12 April 2017.

The rights offer consisted of an offer of 358 129 576 million ordinary shares in the ratio of 147,8 rights offer shares for

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every 100 ordinary shares held by shareholders on the record date of the rights offer, at a subscription price of R1,00 per rights offer share.

Following the conclusion of the rights offer, the total issued share capital of the company increased to 600 372 480 shares.

BORROWINGS

REVOLVING CREDIT FACILITY

On 15 October 2015, Absa Bank Limited granted the group a revolving credit facility of R200 million. This facility ended on 7 October 2016 and was re-negotiated to 7 October 2017. The new facility had similar characteristics, but had a quarterly step-down of R25 million per quarter in respect of the revolving credit facility, which started on 7 October 2016 and would have concluded on 7 July 2017. This agreement was re-negotiated and signed in December 2016 for a reduced facility of R175 million after a R25 million repayment was made in October 2016. A further repayment of R75 million was made on 12 April 2017 to reduce the facility to R100 million. The facility extends until 31 March 2018. Accounts receivable have been ceded and a general notarial bond has been registered over inventory.

BRIDGING FINANCE FACILITY

On 23 December 2016, DAWN received R50 million bridging finance from Absa Bank Limited, which amount was repaid on 31 January 2017, after obtaining the proceeds from the sale of

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Heunis Steel Proprietary Limited.

DAWN received R200 million funding from Investec as bridging finance through an unsecured facility. Two R100 million tranches were received on 24 February 2017 and 6 March 2017, respectively. The full R200 million was repaid on 18 April 2017 from the proceeds of the rights offer.

DISPOSALS

BOUTIQUE BATHS PROPRIETARY LIMITED

DAWN entered into an agreement to dispose of its 76% shareholding in Boutique Baths Proprietary Limited for a consideration of R3 million, effective 28 April 2017.

As a result, Boutique Baths Proprietary Limited has been derecognised and classified as held-for-sale and a loss on derecognition of R0,34 million was realised at year-end.

AQUALIA DPI PROPRIETARY LIMITED

DAWN entered into an agreement to dispose of its 50% interest in the joint venture with Aqualia DPI Proprietary Limited, incorporating Aqua Science Proprietary Limited, for a consideration of 1 Mauritian Rupee, effective 30 June 2017.

FIBREX – FABRICA DEART.DE.F.B. SINTETICAS, S.A.R.L. (FIBREX)

On 1 April 2017, the group entered into an agreement for the acquisition of the remaining 51% shareholding from the majority shareholder in Plastic Investments International Limited, of which Fibrex is a wholly-owned subsidiary, under obligation. Defalcation on the part of the majority shareholder enabled DAWN to acquire the shareholding for a

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consideration of Rnil, as the shareholder surrendered his shares to DAWN. The provisional amount of net assets acquired amounted to R10,0 million.

On 15 June 2017, the board of directors of DAWN resolved to dispose of Fibrex in its entirety during F2018 in an effort to recover the losses incurred by the business.

GROHE DAWN WATERTECH (GDW)

As announced on SENS on 11 July 2017, the group has concluded a non-binding memorandum of understanding with the controlling shareholders of GDW for the potential disposal of DAWN's 49% holding in the company to that shareholder. No price has been agreed for the transaction as yet. There is no certainty that the negotiations will lead to definitive and binding agreements and therefore no certainty that the transaction will ultimately be concluded and implemented.

The intention of both parties is that DAWN remains the long-term master distributor for the GDW product range in southern Africa. It is the view of the DAWN board that this transaction would be a positive step in the turnaround process of the group.

DISTRIBUTION AND WAREHOUSING NETWORK LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1984/008265/06)

("DAWN" or "the group" or "the company")

Alpha code: DAW

ISIN: ZAE000018834

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Veli Mokoena*, George Nakos*, René Roos

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