Audited summary consolidated financial results for the year ended 31 March 2016

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 2016

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

REPORTING PERIOD

Following the sale in November 2014 of 51% of DAWN’s Watertech and Sanware clusters to Grohe Luxemburg Four AG, Europe’s largest and

the world’s leading single-brand manufacturer and supplier of sanitary fittings, DAWN changed its year-end to 31 March, resulting in a nine-month reporting period for F2015. As per JSE Listings Requirements, the group is required to report its last published comparative results.

These results therefore report on the 12 months to 31 March 2016 compared to the nine-month period to 31 March 2015.

GROUP STRATEGY

DAWN’s business model is to be the master distributor in targeted industry sectors. The model’s competitive advantage centres on the

broad disposable income and population distribution in the markets it serves. This creates a number of barriers to entry for competitors, such as a high establishment cost, together with a requirement for technical expertise in its warehouse and logistics services. Traditional carriers are not geared for break-bulk storage and distribution. Together with DAWN’s 100% coverage of southern African markets through its “milk-run” distribution model together with its break-bulk and just-in-time service, is its key competitive advantage.

PERIOD UNDER REVIEW

In the interim results to 30 September 2015 DAWN reported significant progress in the implementation of its turnaround strategy. However, the second half of the financial year was severely impacted by a sharp economic slow-down and a slow-down of government spend on water projects, which resulted in losses in a number of businesses.

Grohe DAWN Watertech (GDW), in which DAWN holds a minority (49%) stake, was also impacted by delayed approval of working capital funding which disrupted the supply chain and had an impact on earnings at the associate company investment level as well as on the building trading segment of DAWN, GDW’s largest customer.

Lower resource prices, foreign exchange volatility and scarcity, and political instability also impacted adversely on DAWN’s rest of Africa business.

Thus, group sales came under severe pressure in the second half. The management team responded by dropping prices to maintain historical volumes. This only served to exacerbate the impact of the dearth of sales by also reducing gross margins. Although the group’s operating expenses were trimmed back aggressively, it has a high fixed cost base which does not allow further cost reductions in the short-term.

Group operating margin therefore decreased from 3,5% in H1 F2016

(not qualifying for HEPS add-back)

– associates and joint ventures – –

Core headline loss* (1,2)

(0,5)

* Core excludes 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 HEPS add-backs.

These losses continued into the first quarter of F2017. Under the guidance of new management, the group prioritised plans to halt the losses, move back into profit and bring working capital back to normal levels. A plan to achieve this was approved by the executive committee and the board of directors at the end of June 2016 and significant progress toward these goals is expected during the second quarter of F2017.

Earnings for F2016 are therefore as follows:

- an operating loss before tax, interest, impairments and derecognitions of R23,9 million (9 months F2015 a loss of R80,1 million);
- a headline loss per share of 65,6 cents (9 months F2015 a headline loss of 28,1 cents per share); and
- a loss per share of 318,3 cents (9 months F2015 loss of 202,1

cents per share).

INCOME STATEMENT

Revenue for the 12 months increased by 38% to R5,0 billion, compared to the 9 months to 31 March 2015. Volumes declined by 3%, price inflation amounted to 8% with the annualisation of the nine months adding a further notional 33%.

Gross margins decreased to 21,9% from the 23,4% achieved during the nine months to 31 March 2015.

Net operating expenses reduced by 9%, measured against an annualised 2015, reducing the expense to sales ratio from 34,1% in F2015 to 22,4% in F2016. A total of R90 million in costs net of inflation and acquisitive increases (which amounted to R168 million in real terms) have been removed during the year under review.

Group PBIT, after the write-downs that do not qualify for headline earnings add-backs, was a loss of R23,9 million. Impairments include an appropriate write-down of the group’s exposure to the rest of Africa operations.

Net finance costs increased by 2% to R37,1 million (F2015: R36,5 million) excluding the charge of R34,0 million relating to the increase in value associated with the discovery of a written put over the remaining 49% of the equity in Swan Plastics (see restatements below).

Income from associates and joint ventures decreased to a loss of R5,9 million (F2015: profit of R10,9 million) mainly as a result of the R32,2 million loss (for DAWN’s 49%) by GDW.

As a result of the impairments and write-downs, the group’s effective tax rate is low at -2,6%.

Non-controlling interests’ share of group earnings increased from R1,7 million to R5,0 million, mainly reflecting an earnings increase from Swan Plastics.

The group incurred a net loss after tax, impairments and write-downs of R757,9 million.

STATEMENT OF FINANCIAL POSITION

The reduction in net working capital during the 12 months to 31 March 2016 amounted to R55,0 million and a further reduction is targeted in F2017.

The group’s net working capital has come down from a high of 65 days in December 2014 to 59 days in March 2016. The group’s stated

target for working capital is 55 days. The four days difference amounts to R54 million. Management has, however, identified a further R146 million of working capital reduction opportunities (making a total of R200 million). The table below summarises the group’s working capital movements in days, calculated on a rolling 12-month basis.

	Mar 2016	Sept 2015	Mar 2015	Dec 2014	Comment on working capital days
Net working capital	59	57	62	65	Solid improvement
Debtors	45	51	49	46	Pressure as industry experiences cash constraints
Stock	71	69	82	74	R134,6 million reduction in stock levels; more planned
Creditors	57	63	69	55	Creditor funding reduced in line with recent stock reduction; objective is for stock and creditor days to contract

The group’s net asset value decreased to R1 056,2 million as at 31 March 2016 compared to R1 884,5 million at 31 March 2015. The large reduction in net asset value stems mainly from the net impairments during the year, amounting to R637 million. Compared to the group's net interest-bearing debt, the financial position has deteriorated to a gearing ratio of 29,5% at 31 March 2016 (8,4% at 31 March 2015).

Short-term debt amounts to R357,4 million (R277,4 million net of cash). Absa Bank Limited has, subsequent to year-end, renewed the R200 million revolving credit facility (out of a total of R300 million working capital facilities) and requires repayment on an amortising profile between 7 October 2016 and 7 October 2017.

DAWN has negotiated to repay R50 million by 31 March 2017 and the balance of R150 million between 1 April 2017 and 7 October 2017 to align repayment commitments with the cash generation of the group.

STATEMENT OF CASH FLOWS

Cash generated from operating activities before working capital changes was impacted by the losses incurred in the second half and

decreased to R49,0 million (F2015: R56,6 million). Working capital showed an inflow of R25,3 million (F2015: outflow of R104,3 million). Net finance and tax payments amounted to R58,8 million (F2015: R59,1 million).

Investing and financing activities, however, showed a net inflow of R53,5 million (F2015: inflow of R103,8 million). Investing activities showed a R89,9 million inflow for the year. Included in this number are the following main items:

- R45,4 million additions to property, plant and equipment and intangible assets. The capital expenditure comprised spend on the software for the new ERP system, capital expenditure on fleet, plant and equipment and an outlay for generators, making the group more resilient to the effects of future power disruptions; and
- R119,5 million inflows from the repayment of loans owed to DAWN by associate investment companies.

Financing activities, on the other hand, amounted to a net outflow of R36,4 million and included:

- R209,2 million in proceeds from debt raising, offset by R207,0 million in repayments of various borrowings and finance leases;
- R30,9 million spent on treasury shares to acquire five million DAWN shares in the open market during F1 H2016; and
- R7,3 million in dividend payments to non-controlling shareholders.

The group closed with a net cash of R69,9 million at 31 March 2016 compared to a net cash of R1,4 million at 31 March 2015.

RESTATEMENTS

During the year under review the comparative results were restated/reclassified for the following matters:

Restatement

Financial statement line item	As previously stated	Addendum to lease agreement	Written put	Other restatements/ reclassifications	Restated
Statement of changes in equity					
2014	(1 523,0)	78,5	31,2	–	(1 413,3)
2015	(2 004,1)	82,4	33,4	3,8	(1 884,5)
Statement of financial position					
Non-current assets					
Derivative financial					

instruments	4,0	–	–	25,9	29,9
Deferred tax	71,1	32,1	–	–	103,2
Non-current liabilities					
Derivative financial instruments	–	–	(30,0)	(25,9)	(56,0)
Deferred profit	(16,0)	(23,4)	–	–	(39,4)
Trade and other payables	–	–	(3,3)	–	(3,3)
Operating lease liability	–	(91,6)	–	(13,7)	(105,2)
Current liabilities					
Trade and other payables	(1 053,2)	–	–	15,4	(1 037,8)
Borrowings	(501,6)	–	–	(3,8)	(505,4)
Operating lease liability	–	–	–	(1,8)	(1,8)

Deferred					
profit	(5,8)	0,5	–	–	(5,3)

Restatement 1

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 liability had to be restated based on a 15-year lease at an escalation of 8% per annum, ending in December 2023. Payments under the operating lease are recognised as expenses on a straight-line basis over the lease term. The expense treatment, therefore, does not reflect the cash profile of the lease. The difference between the cash and the expense is accounted for as a lease liability. The lease liability of R85,8 million as at 31 March 2016 will reduce during the remaining period of the lease to Rnil. These entries do not affect DAWN’s historical or future cash flow and any increases or reduction in the lease liability will not impact on DAWN’s cash flow.

Restatement 2

In August 2013, a subsidiary of DAWN gave the remaining 49% shareholders in Swan Plastics Pty Ltd (Swan) the right to put their shares at a 5 price earnings ratio, based on the average of the prior two years’ earnings. This written put was not disclosed to the board. The opposite entry to the written put liability is represented by a debit to equity. The put represents an asset that the minority shareholders’ equity in Swan will belong to DAWN shareholders if the written put is triggered. The difference between the final purchase consideration and the value of the non-controlling interest in Swan will be accounted for as part of the change in ownership reserve.

Restatement 3

A share-based payment obligation of R3,8 million, previously accounted for as a liability, had to be restated as an element of equity. 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.

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.

Please refer to note 9 – restatement, reclassification and consistency of presentation – for further disclosure.

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.

OPERATIONAL OVERVIEW

Building – 51% of group revenue

The building segment consists of wholly- or majority-owned building trading businesses, associates and joint ventures. The building trading businesses include WHS, DAWN Kitchen, DAWN Africa (DAT), Hamilton’s Brushware, Pro-Max Welding Consumables and Business Development. Other associates and joint ventures are GDW, Heunis Steel, DAT Zimbabwe and DAT Tanzania.

Revenue for building trading rose by 38% to R2,5 billion (F2015: R1,8 billion). A 10% price increase was achieved, but volumes declined by 3%, whilst the annualisation from nine months added a notional 31% growth. DAWN’s focus on increasing volume over the existing cost base resulted in the acquisition of Hamilton’s, Grass and Gardena in the first half of the year under review.

WHS maintained profitability despite the tough trading conditions experienced. However, meaningful losses in Pro-Max, DAWN Africa, DAWN Kitchen Fittings and a loss on closure of WiiN detracted from this positive performance. Trading conditions and gross margins are expected to remain under pressure for the foreseeable future. This segment was further negatively impacted by the loss incurred by GDW, which also had a knock-on impact on WHS’ profitability.

Grohe experienced severe problems with its investment in China and, consequently, did not pay sufficient attention to its South African investment. A funding impasse caused a significant impact on the businesses’ supply chain and factory recoveries. This was further exacerbated by the lack of Grohe-led exports into Europe and Asia compared to what was initially anticipated. GDW therefore incurred a substantial R32,2 million loss for DAWN’s 49% stake in the business. Lixil, Grohe’s parent company, has since intervened and implemented management changes. This, together with a funding solution implemented in July 2016, should result in GDW returning to profits in the second quarter of F2017.

Associate Heunis Steel performed in line with expectations and its contribution to group earnings increased by 3%.

The building segment incurred a net loss after tax, impairments and write-downs of R494,6 million.

Infrastructure – 49% of group revenue

The infrastructure segment consists of infrastructure manufacturing (including DPI, DPI International, Swan, Ubuntu and Sangio) and Incledon, a trading business. Associates and joint ventures include Simba, Fibrex and Aqualia.

Revenue amounted to R2,4 billion in the 12 months to 31 March 2016 (F2015: R1,8 billion), an increase of 38%, driven by a 6%

increase in price, but off-set by a 4% decline in volumes, as Sangio’s HDPE pipe business, which is exposed to the declining mining industry, and Incledon, which is exposed to declining government water spend, came under severe pressure. The annualisation from nine months added a notional 36% growth.

The PVC pipe manufacturers performed reasonably well, with DPI, Swan and Ubuntu increasing profit after tax, but off a weak base in F2015, impacted by strike and power disruptions. Back-up power generation has since been installed. Sangio, the HDPE pipe manufacturer, made a substantial loss, impacted by the abovementioned mining slow-down across Africa.

Incledon came under severe pressure during the second half and lost R220 million in revenue compared to H1 F2016, causing overall

revenue to decline by 4% year-on-year. This was caused mainly by the mining and civil engineering sector slow-downs. As a result of this decline in revenue, Incledon responded by chasing sales on price, causing gross margins to decline substantially and pushing the business into a substantial loss. The lack of government spend and payments drove a large part of Incledon debtors’ book into an overdue situation.

Two associate investments in this segment, Aqualia (Mauritius) and Simba (Tanzania) broke even. Fibrex (Angola) was impacted by a weak economy and the lack of foreign currency, resulting in operating losses, despite a small profit from a property disposal. This business will be closed at the end of the first quarter F2017.

The infrastructure segment incurred a net loss after tax, impairments and write-downs of R219,1 million.

Solutions – 11% of group revenue

Solutions consists of DAWN Logistics (comprising DDC and Cargo), DAWN Human Resources, DAWN Financial Solutions, DAWN Projects, DAWN Business Systems (IT) and DAWN Marketing (DMD).

Revenue for solutions grew by 50% to R571,4 million in the 12 months to 31 March 2016 (F2015: R380,1 million). This represents a 9% growth in price and a 7% improvement in volume, whilst the annualisation from nine months to 12 months added a notional 34% growth.

Logistics achieved an operational break-even, as a result of improved operating efficiencies stemming from the new IT systems implemented and optimised over the last couple of periods. The group believes that the footprint of this operation can be further

leveraged for cost and working capital optimisation. Other services performed in line with expectation and continue to focus on growing its non-group and rest of Africa footprint. In-group cost-cutting initiatives led to less recruitment and training activity for DAWN Human Resources.

The solutions segment incurred a net loss after tax, impairments and write-downs of R44,9 million.

Head office and consolidation – -11% of group revenue

Head office consists of the head office team costs and the consolidation entries required to account for unrealised profits stemming from significant inter-group trading. A net profit after tax, impairments and write-downs of R0,7 million was recorded.

OUTLOOK

New management has been introduced in key operational positions, including the CEO position. Stephen Connelly joined the board as interim chief executive officer on 1 June 2016, initially on a six-month appointment, which has now been extended to 12 months.

It is anticipated that economic conditions in South Africa and neighbouring countries will remain very difficult for some time. Sales will therefore remain under pressure. Most of the loss-making businesses will unfortunately continue to make losses in Q1 F2017.

The main focus in Q2 will be:

1. WHS – increasing the gross margin;

2. Incledon – stemming losses;

3. GDW – return to profitability; and

4. Cash flow – reducing excess working capital.

On the cost front, 1 July salary increases have been foregone and a hiring freeze instituted and other cost-cutting opportunities are being explored. An objective has been set to move operating profit margins in the direction of 5% in the trading and 12% in the manufacturing businesses.

In the medium-term, duplicated activities will be eliminated and central services costs challenged and benchmarked. Securing supplier loyalty will be a priority. The focus of the business will be changed to profits and returns, not sales. Non-core businesses will be disposed of and a culture of accountability will be instilled in the business.

The board believes that these steps, whilst not an immediate fix for the group’s woes, should deliver benefits for stakeholders in the medium-term.

Any forward-looking statement in these results have not been reviewed or audited by the company’s auditors.

CHANGES TO THE BOARD AND MANAGEMENT TEAM

The following changes have taken place at board level at DAWN:

– the financial director, Dries Ferreira, resigned from DAWN on 14 July 2016, but agreed to remain in employment until 31 October 2016 to ensure a smooth transition;

– the appointment of Hanré Bester on 14 July 2016 as acting financial director until a permanent appointment is made; and

– the risk and compliance officer, an executive director, Jan Beukes, resigned from DAWN on 14 July 2016, but agreed to remain In employment until 31 October 2016 to ensure a smooth transition.

Other management team changes

Departures	Arrivals
Derek Tod (chief executive officer) Resigned 31 May 2016	Stephen Connelly (interim chief executive officer) Appointed 1 June 2016
Collin Bishop (chief operating officer) Resigned 31 May 2015	
Gerhard Kotzee (chief executive infrastructure and Africa and	Stephen du Toit (non-board member)

board member) Appointed 1 April 2016

Resigned 29 February 2016

Board of directors

Departures	Arrivals
Diederik Fouché (chairperson)	Appointed 1 November 2015
Saleh Mayet (audit committee chairperson, independent non-executive)	Appointed 29 May 2015
George Nakos (non-executive)	Appointed 12 November 2015
Stephen Connelly (interim chief executive officer)	Appointed 1 June 2016
Hanré Bester (acting financial director)	Appointed 14 July 2016
René Roos (executive director)	6 years’ service
Lou Alberts (remuneration committee chairperson, independent non-executive)	15 years’ service
Veli Mokoena (non-executive)	10 years’ service (including previous term)
Dinga Mncube (independent non-executive)	2 years’ service

The board wishes to thank the outgoing board members for their contribution to DAWN over the years and welcomes the new board members who have already started making a meaningful contribution to the group.

For and on behalf of the board

Diederik Fouché	Hanré Bester
Non-executive chairman	Acting financial director

14 July 2016

Germiston

AUDITED SUMMARY CONSOLIDATED INCOME STATEMENT

for the 12 months ended 31 March 2016

	Audited 12 months ended 31 March 2016 R'000	Audited restated 9 months ended 31 March 2015 R'000
Revenue	4 993 092	3 616 640
Cost of sales	(3 897 870)	(2 771 312)
Gross profit	1 095 222	845 328
Operating expenses	(1 161 020)	(945 223)
Other operating income	41 850	19 830

Operating (loss)/profit before impairments and derecognitions of previously held interests	(23 948)	(80 065)
Net (loss)/gain on derecognition of subsidiaries	(4 592)	637 370
Impairments	(632 818)	(102 982)
Operating (loss)/profit	(661 358)	454 323
Finance income	3 460	15 710
Finance expenses	(74 530)	(52 194)
(Loss)/profit after net financing costs	(732 428)	417 839
Share of (loss)/profit in investments accounted for using the equity method	(5 891)	10 877
(Loss)/profit before taxation	(738 319)	428 716
Income tax (expense)/income	(19 613)	23 328
(Loss)/profit from continuing operations	(757 932)	452 044
Profit from discontinued operations	–	27 438
(Loss)/profit for the year	(757 932)	479 482
(Loss)/profit attributable to:		
Owners of the parent	(762 936)	479 120
Non-controlling interests	5 004	362
(Loss)/profit for the year	(757 932)	479 482
Earnings per share (cents)	(318,31)	202,11

Diluted earnings per share (cents)	(317,34)	200,25

AUDITED SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 12 months ended 31 March 2016

	Audited 12 months ended 31 March 2016 R'000	Audited restated 9 months ended 31 March 2015 R'000
(Loss)/profit for the year	(757 932)	479 482
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Effects of retirement benefit obligations	1 009	(43)
Tax-related components	(282)	12
	727	(31)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences recycled through profit/loss	(6 611)	(2 972)
Exchange differences on translating		

foreign operations	626	277
Cash flow hedging reserve	(1 023)	–
Tax-related components	286	–
	(6 722)	(2 695)
Total other comprehensive loss	(5 995)	(2 726)
Total comprehensive (loss)/income	(763 927)	476 756
Total comprehensive (loss)/income attributable to:		
Owners of the parent	(768 931)	476 394
Non-controlling interests	5 004	362
	(763 927)	476 756
Total comprehensive income attributable to equity shareholders arising from:		
Continuing operations	(768 931)	448 956
Discontinued operations	–	27 438
	(768 931)	476 394

AUDITED SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

		Audited	Audited
	Audited	restated	restated
	31 March	31 March	30 June

	2016	2015	2014
	R’000	R’000	R’000
ASSETS			
Non-current assets			
Property, plant and			
equipment	236 278	252 379	208 621
Intangible assets	66 433	149 060	175 326
Investments in associates			
and joint ventures	453 496	913 635	141 883
Derivative financial			
instruments	34 380	29 890	–
Deferred tax assets	98 400	103 157	70 069
	888 987	1 448 121	595 899
Current assets			
Inventories	800 082	930 543	665 107
Trade and other receivables	910 020	1 144 320	1 007 731
Cash and cash equivalents	80 006	197 770	154 123
Derivative financial			
instruments	249	44	223
Current tax assets	6 300	3 880	7 988
	1 796 657	2 276 557	1 835 172
Assets of disposal group			

classified as			
held-for-sale	–	34 337	1 212 274
Total assets	2 685 644	3 759 015	3 643 345
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to equity holders of the company			
Share capital	2 422	2 422	2 422
Share premium	373 748	373 748	373 748
Retained income	646 222	1 417 371	983 627
Treasury shares	(30 875)	–	(6 733)
Share-based payment reserve	39 561	65 915	40 256
Hedging reserve	(737)	–	–
Foreign currency translation reserve	(6 267)	(282)	2 413
Change in ownership reserve	(8 020)	(8 378)	(17 989)
Retirement benefit obligation reserve	494	(233)	(202)
Share capital and reserves	1 016 548	1 850 563	1 377 542
Non-controlling interests	39 664	33 974	35 756

Total equity	1 056 212	1 884 537	1 413 298
Liabilities			
Non-current liabilities			
Borrowings	75 859	65 471	447 090
Derivative financial instruments	89 454	55 980	28 111
Deferred profit	34 076	39 403	41 000
Deferred tax liability	22 185	17 969	22 804
Retirement benefit obligation	5 100	6 035	5 820
Share-based payment liabilities	4 883	–	–
Operating lease liabilities	110 363	105 236	98 643
Trade and other payables	7 114	3 338	3 123
	349 034	293 432	646 591
Current liabilities			
Trade and other payables	890 581	1 037 780	974 319
Borrowings	357 381	505 385	303 943
Operating lease liabilities	2 776	1 754	–
Derivative financial instruments	8 664	–	23
Deferred profit	5 327	5 327	5 393
Current tax liabilities	7 728	12 463	2 872

Share-based payment liabilities	7 941	–	–
	1 280 398	1 562 709	1 286 550
Liabilities directly associated with assets held-for-sale	–	18 337	296 906
Total liabilities	1 629 432	1 874 478	2 230 047
Total equity and liabilities	2 685 644	3 759 015	3 643 345
Net asset value per share (cents)	440,66	794,97	602,64
Net tangible asset value per share (cents)	412,95	788,68	527,88

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 12 months ended 31 March 2016

	Attributable to owners of the parent			
	Share capital R'000	Share premium R'000	Treasury shares R'000	Share-based payment reserve R'000
Balance at				

1 July 2014				
as reported	2 422	373 748	(6 733)	40 256
Restatements	–	–	–	–
Restatement 1 –				
Operating lease				
liabilities and				
deferred profit	–	–	–	–
Restatement 2 –				
Written put	–	–	–	–
Balance at				
1 July 2014				
as restated	2 422	373 748	(6 733)	40 256
Total comprehensive				
income for the period	–	–	–	–
Profit for the period	–	–	–	–
– Continuing				
operations	–	–	–	–
– Discontinued				
operations	–	–	–	–
Other comprehensive				
income for the period	–	–	–	–
Dividends paid	–	–	–	–

Total contributions by and distributions to owners of the company recognised directly in equity	–	–	6 733	25 659
Share-based payment – charge for the period	–	–	–	30 592
Share-based payment – vesting of options	–	–	14 717	(14 717)
Treasury shares acquired	–	–	(7 984)	–
Dividends paid to non-controlling interests	–	–	–	–
Transactions with non-controlling interests	–	–	–	–
Business combinations	–	–	–	–
Transfer from liabilities	–	–	–	9 560
Derecognition of				

subsidiary	–	–	–	224
Derecognition of				
joint venture	–	–	–	–
Foreign currency				
translation reserve	–	–	–	–
Balance at				
31 March 2015				
as restated	2 422	373 748	–	65 915
Balance at				
1 April 2015				
as reported	2 422	373 748	–	69 695
Restatements	–	–	–	(3 780)
Restatement 1 to 3				
– Prior year impact	–	–	–	–
Restatement 1 –				
Operating lease				
liabilities and				
deferred profit	–	–	–	–
Restatement 2				
– Written put	–	–	–	–
Restatement 3 –				
Acquisition vendor	–	–	–	(3 780)

Balance at 1 April 2015 as restated	2 422	373 748	–	65 915
Total comprehensive income for the year	–	–	–	–
Profit for the year	–	–	–	–
Other comprehensive income for the year	–	–	–	–
Dividends paid	–	–	–	–
Total contributions by and distributions to owners of the company recognised directly in equity	–	–	(30 875)	(26 354)
Share-based payment – charge for the year	–	–	–	27
Treasury shares acquired	–	–	(30 875)	–
Transfer to liability	–	–	–	(26 381)
Transactions with non-controlling interests	–	–	–	–
Business combinations	–	–	–	–

Balance at 31 March 2016	2 422	373 748	(30 875)	39 561

	Attributable to owners of the parent			
	Hedging reserve R'000	Foreign currency trans-lation reserve R'000	Change in owner-ship reserve R'000	Retire-ment benefit obligation reserve R'000
Balance at 1 July 2014 as reported	–	2 413	(17 989)	(202)
Restatements	–	–	–	–
Restatement 1 – Operating lease liabilities and deferred profit	–	–	–	–
Restatement 2 – Written put	–	–	–	–
Balance at 1 July 2014 as restated	–	2 413	(17 989)	(202)

Total comprehensive income for the period	–	(2 695)	–	(31)
Profit for the period	–	–	–	–
– Continuing operations	–	–	–	–
– Discontinued operations	–	–	–	–
Other comprehensive income for the period	–	(2 695)	–	(31)
Dividends paid	–	–	–	–
Total contributions by and distributions to owners of the company recognised directly in equity	–	–	9 611	–
Share-based payment – charge for the period	–	–	–	–
Share-based payment – vesting of options	–	–	–	–
Treasury shares acquired	–	–	–	–

Dividends paid to non-controlling interests	–	–	–	–
Transactions with non-controlling interests	–	–	(8 057)	–
Business combinations	–	–	–	–
Transfer from liabilities	–	–	–	–
Derecognition of subsidiary	–	–	17 172	–
Derecognition of joint venture	–	–	496	–
Foreign currency translation reserve	–	–	–	–
Balance at 31 March 2015 as restated	–	(282)	(8 378)	(233)
Balance at 1 April 2015 as reported	–	(282)	(8 378)	(233)
Restatements	–	–	–	–

Restatement 1 to 3				
– Prior year impact	–	–	–	–
Restatement 1 –				
Operating lease				
liabilities and				
deferred profit	–	–	–	–
Restatement 2				
– Written put	–	–	–	–
Restatement 3 –				
Acquisition vendor	–	–	–	–
Balance at				
1 April 2015				
as restated	–	(282)	(8 378)	(233)
Total comprehensive				
income for the year	(737)	(5 985)	–	727
Profit for the year	–	–	–	–
Other comprehensive				
income for the year	(737)	(5 985)	–	727
Dividends paid	–	–	–	–
Total contributions				
by and distributions				
to owners of the				

company recognised				
directly in equity	–	–	358	–
Share-based payment				
– charge for the year	–	–	–	–
Treasury shares acquired	–	–	–	–
Transfer to liability	–	–	–	–
Transactions with				
non-controlling				
interests	–	–	358	–
Business combinations	–	–	–	–
Balance at				
31 March 2016	(737)	(6 267)	(8 020)	494

	Attributable to owners of the parent			
	Retained earnings	Equity attribu-table to company	Non-control-ling interests	Total
	R’000	R’000	R’000	R’000
Balance at				
1 July 2014				
as reported	1 093 315	1 487 230	35 756	1 522 986

Restatements	(109 688)	(109 688)	–	(109 688)
Restatement 1 – Operating lease liabilities and deferred profit	(78 452)	(78 452)	–	(78 452)
Restatement 2 – Written put	(31 236)	(31 236)	–	(31 236)
Balance at 1 July 2014 as restated	983 627	1 377 542	35 756	1 413 298
Total comprehensive income for the period	479 120	476 394	377	476 771
Profit for the period	479 120	479 120	377	479 497
– Continuing operations	451 682	451 682	362	452 044
– Discontinued operations	27 438	27 438	15	27 453
Other comprehensive income for the period	–	(2 726)	–	(2 726)

Dividends paid	(40 017)	(40 017)	–	(40 017)
Total contributions by and distributions to owners of the company recognised directly in equity	(5 359)	36 644	(2 159)	34 485
Share-based payment – charge for the period	3 599	34 191	–	34 191
Share-based payment – vesting of options	(8 958)	(8 958)	–	(8 958)
Treasury shares acquired	–	(7 984)	–	(7 984)
Dividends paid to non-controlling interests	–	–	(447)	(447)
Transactions with non-controlling interests	–	(8 057)	(2 538)	(10 595)
Business combinations	–	–	727	727
Transfer from				

liabilities	–	9 560	–	9 560
Derecognition of subsidiary	–	17 396	–	17 396
Derecognition of joint venture	–	496	–	496
Foreign currency translation reserve	–	–	99	99
Balance at 31 March 2015 as restated	1 417 371	1 850 563	33 974	1 884 537
Balance at 1 April 2015 as reported	1 533 177	1 970 149	33 974	2 004 123
Restatements	(115 806)	(119 586)	–	(119 586)
Restatement 1 to 3 – Prior year impact	(109 688)	(109 688)	–	(109 688)
Restatement 1 – Operating lease liabilities and deferred profit	(3 976)	(3 976)	–	(3 976)
Restatement 2				

– Written put	(2 142)	(2 142)	–	(2 142)
Restatement 3 – Acquisition vendor	–	(3 780)	–	(3 780)
Balance at 1 April 2015 as restated	1 417 371	1 850 563	33 974	1 884 537
Total comprehensive income for the year	(762 936)	(768 931)	4 589	(764 342)
Profit for the year	(762 936)	(762 936)	5 004	(757 932)
Other comprehensive income for the year	–	(5 995)	(415)	(6 410)
Dividends paid	(7 260)	(7 260)	–	(7 260)
Total contributions by and distributions to owners of the company recognised directly in equity	(953)	(57 824)	686	(56 723)
Share-based payment – charge for the year	(953)	(926)	–	(926)
Treasury shares				

acquired	–	(30 875)	–	(30 875)
Transfer to liability	–	(26 381)	–	(26 381)
Transactions with non-controlling interests	–	358	(823)	(465)
Business combinations	–	–	1 924	1 924
Balance at 31 March 2016	646 222	1 016 548	39 664	1 056 212

AUDITED STATEMENT OF CASH FLOWS

for the 12 months ended 31 March 2016

	Audited 12 months ended 31 March 2016 R'000	Audited restated 9 months ended 31 March 2015 R'000
Cash flows from operating activities		
Cash generated from operations	74 306	(240 910)
Finance income received	3 460	11 839
Finance expense paid	(41 318)	(52 403)
Income tax paid	(20 950)	(18 453)

Dividends received	–	–
Net cash generated from/(utilised in) operating activities	15 498	(299 927)
Cash flows from investing activities		
Additions to property, plant and equipment	(41 534)	(46 414)
Additions and development of intangible assets	(3 847)	(29 200)
Proceeds on disposals of property, plant and equipment	6 245	14 182
Acquisition of businesses through business combinations	(7 003)	(43 642)
Acquisition of interest in associates	–	(20 982)
Loan advances granted to joint ventures and associates	–	(64 204)
Loan proceeds from joint ventures and associates	119 487	–
Proceeds on derecognition of investment in Grohe DAWN Watertech	–	880 000
Disposal of held-for-sale asset	16 000	–
Dividends received from associates/joint ventures	567	–

Net cash generated by		
investing activities	89 915	689 740
Cash flows from financing activities		
Proceeds from borrowings	209 178	235 852
Repayment of borrowings	(179 129)	(726 051)
Instalment sale payments	(15 342)	(24 865)
Finance lease payments	(12 525)	(9 733)
Treasury shares acquired	(30 875)	(7 984)
Acquisition of non-controlling		
interest	(465)	(12 168)
Dividends paid to non-controlling		
interest holders	(7 260)	(447)
Dividends paid	–	(40 017)
Net cash utilised in		
financing activities	(36 418)	(585 413)
Total cash movement for the year	68 995	(195 600)
Translation effects on foreign cash		
and cash equivalents balances	(531)	(518)
Cash and cash equivalents of		
held-for-sale group derecognized	–	(4 282)
Cash and cash equivalents of disposal		
group held-for-sale at end of the year	–	80 063

Cash and cash equivalents at beginning of the year	1 428	121 765
Cash and cash equivalents at end of the year	69 892	1 428

Consolidated

AUDITED SEGMENTAL ANALYSIS

for the 12 months ended 31 March 2016

BUILDING

	Continuing operations R'000	Discon-(3) tinued operations R'000	Total R'000
12 months ended 31 March 2016			
Revenue	2 530 920	–	2 530 920
Depreciation and amortization	(11 974)	–	(11 974)
Operating (loss)/profit before impairments and derecognitions of previously held interests	(54 128)	–	(54 128)
Impairments and			

derecognitions of			
previously held interests	(410 406)	–	(410 406)
Operating (loss)/profit			
after impairments			
and derecognitions of			
previously held interests	(464 534)	–	(464 534)
Net finance expense	(25 766)	–	(25 766)
Share of (losses)/profit			
from associates			
and joint ventures	(12 171)	–	(12 171)
Tax income/(expense)	7 880	–	7 880
Net (loss)/profit after			
tax from continuing			
operations	(494 591)	–	(494 591)
Assets	1 157 172	–	1 157 172
Liabilities	1 394 930	–	1 394 930
Capital expenditure(2)	6 379	–	6 379
9 months ended			
31 March 2015			
(Restated)			
Revenue	1 826 897	334 681	2 161 578
Depreciation and			

amortization	(9 544)	(9 660)	(19 204)
Operating profit/(loss) before impairments and derecognition of previously held interests	30 750	37 521	68 271
Impairments and derecognitions of previously held interests	(9 606)	–	(9 606)
Operating profit/(loss) after impairments and derecognitions of previously held interests	21 144	37 521	58 665
Net finance (expense)/income	(20 318)	(3 077)	(23 395)
Share of profit/(losses) from associates and joint ventures	18 751	1 214	19 965
Tax (expense)/income	(3 633)	(9 731)	(13 364)
Net profit/(loss) after tax from continuing operations	15 944	–	15 944
Net profit after tax			

from discontinued operations	–	25 913	25 913
Assets	1 591 137	–	1 591 137
Liabilities	1 344 514	–	1 344 514
Capital expenditure(2)	8 325	35 917	44 242

	Infra-structure R’000	DAWN Solutions R’000	Corporate office(1) and other reconciling items R’000
12 months ended 31 March 2016			
Revenue	2 420 004	571 360	(529 192)
Depreciation and amortization	(34 017)	(23 053)	(368)
Operating (loss)/profit before impairments and derecognitions of previously held interests	(1 871)	4 586	27 465
Impairments and derecognitions of			

previously held interests	(156 583)	(65 829)	(4 592)
Operating (loss)/profit			
after impairments			
and derecognitions of			
previously held interests	(158 454)	(61 243)	22 873
Net finance expense	(32 981)	(1 885)	(10 438)
Share of (losses)/profit			
from associates			
and joint ventures	4 304	1 976	–
Tax income/(expense)	(31 965)	16 216	(11 744)
Net (loss)/profit after			
tax from continuing			
operations	(219 096)	(44 936)	691
Assets	961 776	582 561	(15 865)
Liabilities	747 848	649 354	(1 162 700)
Capital expenditure(2)	55 049	82 508	(3 997)
9 months ended			
31 March 2015			
(Restated)			
Revenue	1 751 379	380 061	(341 697)
Depreciation and			
amortization	(25 232)	(13 365)	(180)

Operating profit/(loss) before impairments and derecognition of previously held interests	8 044	(2 847)	(113 895)
Impairments and derecognitions of previously held interests	(720)	–	544 714
Operating profit/(loss) after impairments and derecognitions of previously held interests	7 324	(2 847)	430 819
Net finance (expense)/income	(20 600)	(2 047)	6 481
Share of profit/(losses) from associates and joint ventures	(8 079)	205	–
Tax (expense)/income	3 125	1 269	21 974
Net profit/(loss) after tax from continuing operations	(18 230)	(3 421)	457 751
Net profit after tax from discontinued			

operations	–	–	1 525
Assets	1 250 276	592 332	325 270
Liabilities	838 975	612 051	(921 062)
Capital expenditure(2)	50 442	34 722	22

	Discon-(3) tinued operations R’000	Total(4) R’000
12 months ended 31 March 2016		
Revenue	–	4 993 092
Depreciation and amortization	–	(69 412)
Operating (loss)/profit before impairments and derecognitions of previously held interests	–	(23 948)
Impairments and derecognitions of previously held interests	–	(637 410)
Operating (loss)/profit after impairments		

and derecognitions of		
previously held interests	–	(661 358)
Net finance expense	–	(71 070)
Share of (losses)/profit		
from associates		
and joint ventures	–	(5 891)
Tax income/(expense)	–	(19 613)
Net (loss)/profit after		
tax from continuing		
operations	–	(757 932)
Assets	–	2 685 644
Liabilities	–	1 629 432
Capital expenditure(2)	–	139 939
9 months ended		
31 March 2015		
(Restated)		
Revenue	(334 681)	3 616 640
Depreciation and		
amortization	9 660	(48 321)
Operating profit/(loss)		
before impairments and		
derecognition of previously		

held interests	(39 638)	(80 065)
Impairments and derecognitions of previously held interests	–	534 388
Operating profit/(loss) after impairments and derecognitions of previously held interests	(39 638)	454 323
Net finance (expense)/income	3 077	(36 484)
Share of profit/(losses) from associates and joint ventures	(1 214)	10 877
Tax (expense)/income	10 324	23 328
Net profit/(loss) after tax from continuing operations	–	452 044
Net profit after tax from discontinued operations	–	27 438
Assets	–	3 759 015
Liabilities	–	1 874 478

Capital expenditure(2)	(35 917)	93 511

(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. Corporate 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.

(3) Discontinued operations include results from the Watertech group of companies as well as consolidation and elimination adjustments related to the Watertech group of companies.

(4) ‘Total’ excludes the building segment’s discontinued operations amount.

NOTES TO THE AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These consolidated annual financial statements comprise a summary of the audited consolidated financial statements of the group for 12 months ended 31 March 2016 that was approved by the board on 14 July 2016.

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 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. The preparation of the summary consolidated annual financial statements by Yolandi van den Berg (CA(SA)), senior group financial accountant, has been supervised by the acting financial director, Hanré Bester (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.

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor’s report thereon are available for inspection at the company’s registered office.

The auditors’ report on the annual financial statement contained the following paragraph with respect to a reportable irregularity:

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We report that we have identified certain items which constitute reportable irregularities (RI) in terms of the Auditing Profession Act and have reported such matters to the appropriate regulatory authority. Details relating to these RI’s are more fully set out in note 10 to the summary financial statements. The RIs are no longer continuing.

2. EARNINGS PER ORDINARY SHARE

BASIC

Basic earnings per ordinary share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares acquired by the company, incentive shares and treasury shares.

DILUTED

Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	12 months ended 31 March 2016	Restated 9 months ended 31 March 2015
Weighted average number of ordinary shares in issue ('000)		
Number of shares in issue at the end of the year	242 243	242 243
	242 243	242 243
Less: Treasury shares held in a subsidiary at the end of the year – weighted	(2 557)	(5 186)

Weighted average number of ordinary shares in issue (’000)	239 686	237 057
Add: Shares to be issued in terms of share incentive schemes	731	2 206
Weighted average number of ordinary shares for diluted earnings per share (’000)	240 417	239 263
Basic earnings per share (cents)	(318,31)	202,11
From continuing operations (cents)	(318,31)	190,54
Attributable earnings (R’000)	(762 936)	451 682
Weighted average number of ordinary shares in issue (’000)	239 686	237 057
From discontinued operations (cents)	–	11,57
Attributable earnings (R’000)	–	27 438
Weighted average number of ordinary shares in issue (’000)	–	237 057
Fully diluted earnings per share (cents)	(317,34)	200,25
From continuing operations (cents)	(317,34)	188,78
Attributable earnings (R’000)	(762 936)	451 682
Weighted average number of ordinary shares in issue (’000)	240 417	239 263

From discontinued operations (cents)	–	11,47
Attributable earnings (R’000)	–	27 438
Weighted average number of		
ordinary shares in issue (’000)	–	239 263
Headline earnings (R’000)		
Attributable earnings	(762 936)	479 120
Adjustment for the after-tax and		
non-controlling interest effects of:		
Net profit on disposal of property,		
plant and equipment	(1 623)	(1 051)
Impairment of intangible assets	127 480	96 915
Impairment of property, plant		
and equipment	47 729	720
Impairment of assets held-for-sale		

to associates and joint ventures	(4 579)	232
Headline earnings adjustments related		
to disposal group	–	(4)
Headline earnings	(157 116)	(66 508)
Headline earnings per share (cents)	(65,55)	(28,06)
From continuing operations (cents)	(65,55)	(39,63)
Headline earnings (R'000)	(157 116)	(93 942)
Weighted average number of		
shares in issue ('000)	239 686	237 057
From discontinued operations (cents)	–	11,57
Headline earnings (R'000)	–	27 434
Weighted average number of shares		
in issue ('000)	–	237 057

3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Plant and machinery R'000	Furniture and fixtures R'000
Reconciliation of property, plant and equipment – 2016			
Balance at the beginning			

of the year	37 031	136 695	25 394
Additions	6 778	56 834	5 479
Additions through business combinations (note 9)	–	4 044	29
Disposals	(1 087)	(1 774)	(429)
Disposals of subsidiaries	–	–	(217)
Transfers	70	(615)	545
Foreign exchange movements	(42)	340	(131)
Government grant received	(2 417)	(5 874)	–
Impairments	(12 948)	(33 232)	(1 541)
Depreciation	(4 440)	(27 101)	(9 536)
Balance at the end of the year	22 945	129 317	19 593
Reconciliation of property, plant and equipment – 2015			
Balance at the beginning of the period	30 111	109 155	25 591
Additions	6 004	40 066	6 539
Additions through business combinations (note 9)	6 199	2 415	4 384
Disposals	(129)	(21)	(488)
Disposals of subsidiaries	(148)	–	(2 492)

Transfers	(1 282)	1 311	79
Foreign exchange movements	(137)	43	(15)
Impairments	(195)	(525)	–
Depreciation	(3 392)	(15 749)	(8 204)
Balance at the end of the period	37 031	136 695	25 394

	Motor vehicles R’000	Total R’000
Reconciliation of property, plant and equipment – 2016		
Balance at the beginning of the year	53 259	252 379
Additions	26 780	95 871
Additions through business combinations (note 8)	121	4 194
Disposals	(1 332)	(4 622)
Disposals of subsidiaries	–	(217)
Transfers	–	–
Foreign exchange movements	(81)	86
Government grant received	–	(8 291)

Impairments	(8)	(47 729)
Depreciation	(14 316)	(55 393)
Balance at the end of the year	64 423	236 278
Reconciliation of property, plant and equipment – 2015		
Balance at the beginning of the period	43 764	208 621
Additions	23 360	75 969
Additions through business combinations (note 8)	5 512	18 510
Disposals	(10 726)	(11 364)
Disposals of subsidiaries	(251)	(2 891)
Transfers	(108)	–
Foreign exchange movements	(146)	(255)
Impairments	–	(720)
Depreciation	(8 146)	(35 491)
Balance at the end of the period	53 259	252 379

Depreciation expense of R23,2 million (2015: R13,8 million) has been charged in cost of goods and services sold, R9,7 million (2015: R4,7 million) in transportation expenses and

R22,5 million (2015: R17,0 million) in operating expenses.

The group received grants from the Department of Trade and Industry (DTI) under its Manufacturing Competitiveness Enhancement Programme (MCEP) for the construction of its long-term assets. The MCEP is one of the key action programmes of the Industrial Policy Action Plan of the DTI. The MCEP encourages manufacturers to upgrade their production facilities in a manner that sustains employment and maximises value-addition in the short and medium-term. MCEP grants to the value of R5,9 million (2015: R nil) have been deducted from the carrying value of machinery and equipment and R2,4 million (2015: R nil) have been deducted from the carrying value of land and buildings.

Assets acquired under instalment sale and finance lease agreements are encumbered as security for repayment of the instalment sale and finance lease liabilities.

Lease rentals amounting to R98,6 million (2015: R79,9 million) relating to the lease of land and buildings and R13,7 million (2015: R11,0 million) relating to the lease of plant, equipment and vehicles are included in the income statement.

IMPAIRMENTS

31 March 2016

	Land and buildings R'000	Plant and machinery R'000	Furniture and fixtures R'000
Impairments breakdown			
Building	2 267	3 540	–
Pro-Max Welding Consumables Proprietary Limited	706	3 540	–
DAWN Africa Trading Mozambique LDA	1 561	–	–
Infrastructure	1 900	21 318	–
Sangio Pipe Proprietary Limited	1 900	21 318	–
Solutions	8 781	8 374	1 541
DAWN Distribution Centre, a division of Wholesale Housing Supplies Proprietary Limited	8 781	8 374	1 541
	12 948	33 232	1 541

	Motor vehicles	Total

	R’000	R’000
Impairments breakdown		
Building	8	5 815
Pro-Max Welding Consumables		
Proprietary Limited	8	4 254
DAWN Africa Trading		
Mozambique LDA	–	1 561
Infrastructure	–	23 218
Sangio Pipe Proprietary		
Limited	–	23 218
Solutions	–	18 696
DAWN Distribution Centre,		
a division of Wholesale		
Housing Supplies Proprietary		
Limited	–	18 696
	8	47 729

Property, plant and equipment to the value of R47,7 million was impaired during 2016, consisting of leasehold improvements over property of R12,9 million, plant and machinery of R33,2 million, furniture and fittings of R1,5 million and R0,008 million of motor vehicles. During 2015 impairment of property, plant and equipment of R0,7 million related to Pipex Plastics Botswana Proprietary Limited.

Impairments in the building, infrastructure and solutions segments amounted to R5,8 million, R23,2 million and R18,7 million, respectively.

These assets were impaired on the basis that the discounted cash flows did not support the carry value of the property, plant and equipment of the businesses.

Pro-Max Welding Consumables Proprietary Limited, Distribution and Warehousing Network Africa Proprietary Limited and Sangio Pipe Proprietary Limited had impairments in the prior year relating to intangibles. The further impairments were necessitated by a deterioration in the markets the entities operate in, further losses and reduction in turnover volume.

Due to reduced volumes, but greater handling cost, the assets in DAWN Distribution Centre were impaired.

4. INTANGIBLE ASSETS

	Indefinite life	
		Trademarks and brand
	Goodwill	names
	R'000	R'000
At 31 March 2016		

Balance at the beginning of the year	52 040	17 166
Additions	–	–
Additions through business		
combinations (note 9)	3 348	–
Interest capitalised	–	–
Government grants received	–	–
Impairments	(54 013)	(17 166)
Amortisation	–	–
Balance at the end of the year	1 375	–
At 31 March 2015		
Balance at the beginning of the period	66 650	17 166
Additions	–	–
Additions through business		
combinations (note 9)	47 691	–
Interest capitalised	–	–
Impairments	(62 301)	–
Amortisation	–	–
Balance at the end of the period	52 040	17 166

	Defined life			
	Trade-marks	Customer relation-ships	Software	Total

	R’000	R’000	R’000	R’000
At 31 March 2016				
Balance at the beginning of the year	11 370	17 137	51 347	149 060
Additions	–	–	73 927	73 927
Additions through business combi– nations (note 36)	–	1 179	–	4 527
Interest capitalised	–	–	1 986	1 986
Government grants received	–	–	(21 568)	(21 568)
Impairments	(3 918)	(5 151)	(47 232)	(127 480)
Amortisation	(2 560)	(5 182)	(6 277)	(14 019)
Balance at the end of the year	4 892	7 983	52 183	66 433
At 31 March 2015				
Balance at the beginning of the period	22 696	34 839	33 975	175 326
Additions	–	–	17 542	17 542
Additions through				

business combi–nations (note 36)	8 414	7 383	–	63 488
Interest capitalised	–	–	2 449	2 449
Impairments	(15 766)	(18 848)	–	(96 915)
Amortisation	(3 974)	(6 237)	(2 619)	(12 830)
Balance at the end of the period	11 370	17 137	51 347	149 060

Amortisation expense of R14,0 million (2015: R12,8 million) is included in operating expenses. Borrowing costs of R2,0 million (2015: R2,4 million) directly attributable to the qualifying assets pertaining to the Enterprise Resource Planning project, which take a substantial period of time before it is brought into use, were capitalised.

IMPAIRMENTS

Details relating to impairment of intangible assets were as follows:

	Goodwill	Trade-marks	Indefinite life
	R’000	R’000	R’000
Building	5 453	–	5 453

Hamilton’s Brushware			
Proprietary Limited	2 105	–	2 105
Boutique Baths			
Proprietary Limited	3 348	–	3 348
DAWN Business Development,			
a division of Wholsesale			
Housing Supplies Proprietary			
Limited	–	–	–
WHS Trading, a division of			
Wholesale Housing Supplies			
Proprietary Limited	–	–	–
Infrastructure	48 560	17 166	65 726
Ubuntu Plastics			
Proprietary Limited	6 037	–	6 037
Incledon Proprietary			
Limited (IPS division)	2 250	–	2 250
Incledon Proprietary Limited			
(Incledon division)	40 273	17 166	57 439
Solutions	–	–	–
DAWN Business Systems,			
a division of Wholesale			
Housing Supplies			

Proprietary Limited	–	–	–
	54 013	17 166	71 179

	Trade-marks R’000	Customer relation-ships R’000	Software R’000
Building	3 165	3 852	83
Hamilton’s Brushware			
Proprietary Limited	2 547	2 652	–
Boutique Baths			
Proprietary Limited	–	983	–
DAWN Business Development,			
a division of Wholsesale			
Housing Supplies Proprietary			
Limited	618	–	–
WHS Trading, a division of			
Wholesale Housing Supplies			
Proprietary Limited	–	217	83
Infrastructure	753	1 299	–
Ubuntu Plastics			
Proprietary Limited	753	1 267	–
Incledon Proprietary			

Limited (IPS division)	–	–	–
Incledon Proprietary Limited			
(Incledon division)	–	32	–
Solutions	–	–	47 149
DAWN Business Systems,			
a division of Wholesale			
Housing Supplies			
Proprietary Limited	–	–	47 149
	3 918	5 151	47 232

	Defined life R’000	Total R’000
Building	7 100	12 553
Hamilton’s Brushware		
Proprietary Limited	5 199	7 304
Boutique Baths		
Proprietary Limited	983	4 331
DAWN Business Development,		
a division of Wholsesale		
Housing Supplies Proprietary		
Limited	618	618
WHS Trading, a division of		

Wholesale Housing Supplies		
Proprietary Limited	300	300
Infrastructure	2 052	67 778
Ubuntu Plastics		
Proprietary Limited	2 020	8 057
Incledon Proprietary		
Limited (IPS division)	–	2 250
Incledon Proprietary Limited		
(Incledon division)	32	57 471
Solutions	47 149	47 149
DAWN Business Systems,		
a division of Wholesale		
Housing Supplies		
Proprietary Limited	47 149	47 149
	56 301	127 480

Intangible assets totalling R7,3 million were impaired in Hamilton's Brushware Proprietary Limited (Hamilton's). Hamilton's specialises in the manufacturing and retail distribution of brushware. These intangible assets were impaired on the basis that the discounted cash flows did not support the carry value of the non-monetary assets of the business. Synergies identified at acquisition did not materialise, further exacerbated by the current economic outlook.

Intangible assets totalling R4,3 million were impaired in Boutique Baths Proprietary Limited (Boutique Baths). Boutique Baths specialises in the manufacturing and distribution of unique, luxury baths. These intangible assets were impaired on the basis that the business is not aligned with DAWN’s model of distribution and wholesale on an economies of scale basis and did not meet the return criteria set at acquisition date.

Intangibles totalling R0,9 million were impaired in Wholesale Housing Supplies (Business Development and WHS Trading divisions). DAWN Business Development and WHS Trading are the wholesale distribution arms of DAWN focussing on the sanitaryware and hardware business. These intangible assets were impaired on the basis that the discounted cash flows did not support the carry value of the business units to which it relates to.

Ubuntu Plastics Proprietary Limited fabricates pipe and pipe fittings in both PVC and HDPE markets. These intangible assets were impaired on the basis that the discounted cash flows did not support the carry value of the non-monetary assets of the business, mainly due to a slowdown in the HDPE market, also experienced in other areas of DAWN over the last two years.

IPS and Incledon, both divisions of Incledon Proprietary Limited, are the wholesale arm of the infrastructure segment. Intangibles in this business were impaired due the losses incurred, mainly due to reduced government and mining spend, as well as losing market share.

Impairments of R47,1 million in the solutions segment consisted mainly of impairments to the recently developed IT software project in Incledon and DAWN Distribution Centres, where the the discounted cash flows did not support the carry value of the non-monetary assets of the business unit.

IMPAIRMENT OF INTANGIBLE ASSETS

Details relating to impairment of intangible assets were as follows:

	Goodwill	Trade-marks	Indefinite life
	R’000	R’000	R’000
Building	43 336	–	43 336
Pro-Max Welding Consumables Proprietary Limited	9 609	–	9 609

Africa Saffer Trading			
Proprietary Limited	29 464	–	29 464
Saffer Union (West Africa)			
Limited	4 263	–	4 263
Infrastructure	18 965	–	18 965
Sangio Pipe Proprietary			
Limited	18 965	–	18 965
	62 301	–	62 301

	Trade-marks R’000	Customer relation-ships R’000	Software R’000
Building	4 497	3 477	–
Pro-Max Welding Consumables			
Proprietary Limited	4 497	3 477	–
Africa Saffer Trading			
Proprietary Limited	–	–	–
Saffer Union (West Africa)			
Limited	–	–	–
Infrastructure	11 269	15 371	–
Sangio Pipe Proprietary			
Limited	11 269	15 371	–

15 766	18 848	–

	Defined life	Total
	R’000	R’000
Building	7 974	51 310
Pro-Max Welding Consumables Proprietary Limited	7 974	17 583
Africa Saffer Trading Proprietary Limited	–	29 464
Saffer Union (West Africa) Limited	–	4 263
Infrastructure	26 640	45 605
Sangio Pipe Proprietary Limited	26 640	45 605
	34 614	96 915

AST is the wholesale distribution business covering the rest of Africa and operates similarly to the South African trading businesses. The control of AST is critical for the group to expand into Africa and to align the growth strategy into Africa. The step-up of DAWN’s interest, from a 51% joint venture to a 90% subsidiary, triggered new intangible assets which had to be recognised. These intangible assets were impaired on the basis that the consideration paid did not support the discounted cash flows of the business. Future expectations relating to business performance were also not materially different from the prior year, where an impairment of the investment in joint venture was accounted for. The SUWA acquisition was forced due to the fact that there was a contractual obligation to exit out of Nigeria as well as to settle a guarantee provided by DAWN before it could exit.

Intangible assets to the value of R29,5 million were impaired in the AST group and R4,2 million on SUWA, a subsidiary in the AST group.

Pro-Max was acquired to enhance and complement the wholesale of welding equipment already established in the wholesale distribution model. The Pro-Max impairment was due to the short delivery against an earn-out target not being achieved as well as a business partner who did not share DAWN's views in running the business. The business partner subsequently absconded and, on further consequential investigations, certain anomalies were uncovered which necessitated the impairment.

Intangible assets to the value of R45,6 million were impaired at Sangio Pipe Proprietary Limited (Sangio Pipe), a company in the infrastructure segment, consisting of R19,0 million of goodwill, R11,3 million of trademarks and R15,4 million of customer relationships. The additional 51% in Sangio Pipe, a high density polyethylene (HDPE) manufacturer, was acquired to complement the existing PVC and HDPE pipe ranges in the DAWN group. The impairment arose due to the slowdown in the economy and, specifically, in the mining industry as well as a slowdown in exports.

5. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Reconciliation of investments in associates and joint ventures

	Associates R'000	Joint ventures R'000	Total R'000
As at 31 March 2016			
Balance at the beginning of the year	884 359	29 276	913 635
Share of losses	(9 096)	(1 966)	(11 062)
Share of losses prior to amortisation	(4 702)	(1 966)	(6 668)
Amortisation of intangible assets (net of deferred tax)	(4 246)	–	(4 246)

Share of losses allocated			
against loan account	(148)	–	(148)
Foreign currency translation			
reserve	(385)	2 089	1 704
Dividend received +	–	(567)	(567)
Impairment of investments			
– Grohe DAWN Watertech	(384 642)	–	(384 642)
– Fibrex S.A.R.L.	(48 736)	–	(48 736)
– Aqualia DPI			
Proprietary Limited	–	(2 630)	(2 630)
– DPI Simba Limited	–	(14 206)	(14 206)
Balance at the end			
of the year	441 500	11 996	453 496
As at 31 March 2015			
Balance at the beginning			
of the year	91 526	50 357	141 883
Share of profits/(losses)	15 335	(2 508)	12 827
Share of profits/(losses)			
prior to amortisation	17 355	(2 508)	14 847
Amortisation of intangible			
assets (net of deferred tax)	(2 020)	–	(2 020)
Share of losses allocated			

against loan account	–	–	–
Foreign currency translation reserve	2 480	1 164	3 644
Loan capital advancement	8 454^	194	8 648
Acquisitions	766 564#	8 305*	774 869
Derecognition of investment in Distribution and Warehousing Network Africa Proprietary Limited (DAT) (formerly Africa Saffer Trading Proprietary Limited (AST))	–	(28 236)	(28 236)
Balance at the end of the year	884 359	29 276	913 635

+ Dividend received by DPI Holdings Proprietary Limited from Aqualia DPI Proprietary Limited.

Acquisitions relate to the 49% re-acquired in the Grohe DAWN Watertech group for an amount of R741,7 million, a 49% share in Grome for R19,5 million and a 49% share in CPT for R5,2 million.

* Acquisitions relate to investments held by the DAT group (formerly AST group) in DAT Tanzania and DAT Zimbabwe to the value of R8,3 million included in the business

combination of DAT (formerly AST).

^ Relates to loans advanced to Incledon Proprietary Limited (formerly IPS & Distribution Proprietary Limited).

Impairment of investments

31 March 2016

Associates

Impairment of investments in associates in the Building segment relates to investments in Grohe DAWN Watertech Proprietary Limited (GDW) and in the Infrastructure segment in Fibrex S.A.R.L. (Fibrex).

GDW consists of the Watertech companies, mainly situated in South Africa, and includes brands like Cobra, ISCA, Grohe in South Africa, Vaal, Libra, Apex and Exipro. During October 2014, a transaction to dispose of 51% to Grohe Luxembourg Four S.A. (Grohe) was concluded. Synergies, including export opportunities, did not materialise. Management disruptions, supply chain and funding shortfalls caused severe losses, which will take some time to correct. This exacerbated price and volume pressures.

Fibrex, a pipe factory in Angola experienced a reducing turnover profile over the last number of years, with major pressures in respect of political instability, reduction in infrastructure spend by government, increased local competition and availability of foreign exchange, all of which contributed to the impairment.

In both instances value-in-use calculations indicated that discounted cash flows did not support the carry value of the entities’ non-monetary assets nor its carry value.

Joint ventures

Impairment of investments in joint ventures occurred in the Infrastructure segment in respect of Aqualia DPI Proprietary Limited and DPI Simba Limited.

Aqualia DPI Proprietary Limited is situated in Mauritius and the reduction in demand for infrastructure spend in the captive market, with reduced export opportunities, resulted in negative returns.

DPI Simba Limited is situated in Tanzania and political instability and elections dampened the demand for infrastructure spend and DPI Simba Limited experienced negative returns for consecutive years.

In both instances value-in-use calculations indicated that discounted cash flows did not support the carry value of the entities’ non-monetary assets nor its carry value.

6. BORROWINGS

	31 March 2016 R’000	31 March 2015 R’000
Non-current		
Interest-bearing borrowings		
Bank borrowings	9 409	4 978
Instalment sale liabilities	25 354	37 633
Finance lease liabilities	38 453	17 847
	73 216	60 458
Non-interest-bearing borrowings		
Related parties and non-controlling shareholders’ loans	1 343	276
Acquisition vendors	1 300	2 237
Other borrowings	–	2 500
	2 643	5 013
Total non-current borrowings	75 859	65 471
Current		
Interest-bearing borrowings		
Bank overdraft and call loans	10 114	196 342
Bank borrowings	199 889	6 224
Instalment sale liabilities	20 024	21 534
Finance lease borrowings	18 834	6 826

Directors’ and family members’ loans	5 329	5 634
Trade finance	86 228	226 531
Other borrowings	10 578	30 305
	350 996	493 396
Non-interest-bearing borrowings		
Other borrowings	4 884	4 072
Acquisition vendors	1 300	7 780
Related parties and non-controlling shareholders’ loans	201	137
	6 385	11 989
Total current borrowings	357 381	505 385
Total borrowings	433 240	570 856

Other interest-bearing borrowings bear an interest rate varying between 2,82% and 9,25% (2015: varying between 2,7% and 9,25%).

The security provided can be summarised as follows:

Inventory	General notarial bonds	739 688	–
Accounts receivable	Cession of book debts	655 483	58

652

1 395 171 58

652

The security listed in the table

covers the group’s:

Revolving credit facility 200 000 200

000

Asset finance 116 415 103

591

316 415 303

591

31 March 2016

A revolving credit facility of R200 million was granted with

Absa Bank Limited at 15 October 2015.

The current facility ends 7 October 2016 and has been re-

negotiated to 7 October 2017. The new facility has similar

characteristics but will have a quarterly step-down of R25

million per quarter in respect of the revolving credit

facility (RCF) starting 7 October 2016 and ending 7 July

2017.

Accounts receivable have been ceded and a general notarial

bond has been registered over inventory.

The details of the covenant measures are as follows:

Covenant measures	Required	2016	Required	2015
Total debt/EBITDA	4.0:1	In breach	n/a	n/a
Accounts receivable and inventory	> 3.0:1	4.3		
Accounts receivable – CGIC covered debtors	> 1.5:1	4.8		

As indicated above DAWN has breached some of its covenants and accordingly approached Absa for a waiver of the relevant covenant measures.

Absa consented to the non-compliance (breach) of the covenants and waived the event of default.

The pricing has provisionally been indicated and reflects a deteriorated credit position as well as movements in the general yield curve.

Security requirements remain unchanged.

The carrying amount of the loan in default is R200 million

(R200 million of a RCF) and Rnil general banking limit

(R100 million of a general banking facility).

7. 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).

	Level	31 March 2016 R'000	31 March 2015 R'000
ASSETS			
Non-current assets			
Put option – Grohe			
DAWN Watertech	3	34 380	29 890
Current assets			
Forward foreign exchange			
contracts – valued at fair			
value through profit/loss	2	249	44
Total assets		34 629	29 934
LIABILITIES			
Non-current liabilities			
Call option – Grohe			
DAWN Watertech		25 430	25 940
Written put – Swan Plastics			
Proprietary Limited	3	64 024	30 040
Total non-current liabilities		89 454	55 980
Current liabilities			
Forward foreign exchange			

contracts – valued at fair			
value through profit/loss	2	7 272	–
Forward foreign exchange			
contracts – designated as cash			
flow hedges	2	1 392	–
Total current liabilities		8 664	–
Total liabilities		98 118	55 980

* Refer to note 10 for details regarding restatements, reclassifications and consistency of presentation disclosure.

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 type 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 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.

31 March 2016

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

31 March 2015

The settlement dates on open forward exchange contracts range between one and four months from 31 March 2015.

Hedge reserve

At 31 March 2016, the group held 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
– Future inventory payments by forward foreign exchange contracts

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.

Put option of R34,4 million and a call option of 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 earnings multiple.

Written put – Swan Plastics

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.

8. OPERATING LEASE LIABILITIES AND COMMITMENTS

Operating lease commitments

	31 March 2016 R'000	31 March 2015 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:		
Motor vehicles	4 178	3 442
Intangible assets – software	5 512	10 153
Total capital commitments	9 690	13 595

	31 March 2016 R'000	Restated* 31 March 2015 R'000
Operating lease liabilities		
Non-current	110 363	105 236
Current	2 776	1 754
	113 139	106 990

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

No later than one year	103 550	96 461
Later than one year and not		
later than five years	484 556	493 440
Later than five years	70 500	147 107
	658 606	737 008

* Refer to note 10 for details regarding restatements, reclassifications and consistency of presentation disclosure.

9. BUSINESS COMBINATIONS

31 March 2016

Boutique Baths Proprietary Limited

A 76% share was acquired in Boutique Baths Proprietary Limited (Boutique Baths) for a consideration of R7 million. Boutique Baths specialises in the manufacturing and distribution of unique, luxury baths. The effective date of the transaction was 1 April 2015.

Boutique Baths contributed operating profit of R0,7 million and revenue of R11,8 million since the acquisition date.

The amount of net assets acquired amounted to R5,6 million and non-controlling interests of R1,9 million was recognised.

Goodwill recognised on this acquisition amounts to R3,3 million. Intangible assets have been allocated in terms of IFRS 3(R).

Non-controlling interest has been calculated based on the proportional share in net assets. The goodwill is not expected to be deducted for income tax purposes.

The fair value of assets acquired, liabilities assumed, intangibles assets and the non-controlling interest at the acquisition date are set out below.

	Boutique Baths Proprietary Limited
Consideration at acquisition date:	R'000
Cash	7 006
Total purchase consideration	7 006
Recognised amounts of identifiable assets acquired and liabilities assumed:	Fair value R'000
Property, plant and equipment	4 194
Customer relationships	1 179
Inventory	1 611
Trade and other receivables	691

Cash and cash equivalents	3
Assets	7 678
Trade and other payables	(1 450)
Deferred tax liabilities	(330)
Provisions and accruals	(316)
Liabilities	(2 096)
Total identifiable net assets	5 582
Less: Non-controlling interest	(1 924)
Goodwill	3 348
Purchase consideration	7 006
Cash flow from acquisitions	
Total purchase consideration	7 006
Less: Cash and cash equivalents acquired	(3)
Total cash outflow from acquisitions	7 003

31 March 2015

Pro-Max group (Pro-Max)

A 60% share was acquired in Pro-Max (Pro-Max Welding Consumables Proprietary Limited and Weld-D Proprietary Limited) for a provisional cash consideration of R8,4 million.

The cash consideration to be paid was dependent on Pro-Max meeting certain targets as set out in the sale of shares agreement between the group and Pro-Max. Pro-Max did not achieve the targets and the acquisition vendor of R8,4 million was reversed through profit and loss.

Pro-Max specialises in the manufacturing and distribution of welding equipment and consumables. The effective date of the transaction was 1 July 2014.

Pro-Max contributed operating profit of R3,6 million and revenue of R125,9 million since the acquisition date.

The amount of net liabilities acquired amounted to R6,9 million and non-controlling interests of R0,9 million was recognised.

The total fair value of identified intangible assets is R9,1 million. Goodwill recognised on this acquisition amounts to R9,6 million. The total goodwill amount, trademarks to the value of R4,5 million and customer relationships of R3,5 million were impaired as at 31 March 2015. A further 14,16% was acquired during February 2015 for a cash consideration of R2,5 million. This was accounted for as a transaction with non-controlling interest and charged to the changes in ownership reserve. The R2,5 million is payable in full by 1 September 2015.

Hamilton’s Brushware SA Proprietary Limited (Hamilton’s)

On 1 December 2014 the group acquired a 69% share in Hamilton’s Brushware SA Proprietary Limited for a cash consideration of R10 million. Hamilton’s specialises in the manufacturing and retail distribution of brushware.

Hamilton’s contributed operating profit of R0,97 million and revenue of R18,4 million since the acquisition date.

If the acquisition

had occurred on 1 July 2014, group revenue would have been R28,1 million more, and operating profit for the period would have increased by R1,4 million. The amount of net assets acquired amounted to R0,9 million and non-controlling interests of R2,3 million was recognised. Total fair value of intangibles recognised are R6,6 million, comprising customer relationships and tradenames.

The total goodwill attributed to this transaction amounts to R2,1 million.

Apex Valves (South Africa) Proprietary Limited (Apex Valves)

An additional 39,53% shareholding was acquired in Apex Valves (South Africa) Proprietary Limited (Apex Valves) on 30 July 2014 in addition to the 60,47% previously owned. This resulted in the group obtaining 100% control over Apex Valves.

A cash consideration of R6 million was paid on 31 October 2014.

Africa Saffer Trading Proprietary Limited (AST)

The group acquired an additional 39% shareholding in AST as at 31 October 2014 for a cash consideration of R17,7 million. The 51% interest disclosed as an investment in joint venture was derecognised. Subsequently, AST was rerecognised as a subsidiary.

The group realised a net gain of R15,0 million on this transaction, consisting of a R5,0 million loss on derecognition of the joint venture and a R20,0 million gain on re-recognition as a subsidiary.

The total goodwill attributed to this transaction amounts to R29,5 million and was impaired.

The AST group contributed an operating loss of R14,8 million and revenue of R61,6 million since the acquisition date.

If the acquisition had occurred on 1 July 2014, group revenue would have been R62,4 million more, and operating profit for the period would have decreased by R1,0 million.

IPS & Distribution Proprietary Limited (IPS)

An additional 51% was purchased in IPS as at 1 January 2015 for a cash consideration of R51. The 49% disclosed as an investment in associate was derecognised. Subsequently, IPS was rerecognised as a 100% owned subsidiary.

The total goodwill attributed to this transaction amounts to R2,3 million.

IPS contributed an operating loss of R2,7 million and revenue of R30,8 million since the acquisition date.

Saffer Union (West Africa) Limited (SUWA)

The group acquired an additional 50% shareholding in SUWA as at 31 March 2015 for a cash consideration of R5,2 million. This resulted in the group obtaining 100% control over SUWA and recognised it as a subsidiary. SUWA is part of the AST group. If the acquisition occurred on 1 July 2014, group revenue would have been R5,5 million more and operating profit for the period would have decreased by R21,8 million. The amount of net assets acquired amounted to R1 million. No identifiable intangibles were recognised. Total goodwill attributed to this transaction amounts to R4,3 million and was subsequently impaired.

The fair value of assets acquired, liabilities assumed, intangibles assets and the non-controlling interest at the acquisition date are set out below.

	Hamiltons Brush-ware SA	Africa Saffer Trading	Saffer Union	IPS & Distri-bution

	Pro-Max group R’000	Proprie- tary Limited R’000	Proprie- tary Limited R’000	(West Africa) Limited R’000	Proprie- tary Limited R’000	Total R’000
Conside- ration at acqui- sition date						
Cash	–	10 000	17 658	5 220	–	32 878
Fair value of previously held interest	–	–	20 080	–	–	20 080
Loan amount acquired as part of acquisition	–	(4 521)	–	–	–	(4 521)
Contingent conside- ration (acqui-						

sition						
vendor)	8 359	–	–	–	–	8 359
Total purchase conside-ration	8 359	5 479	37 738	5 220	–	56 796
Recog-nised amounts of identi-fiable assets acquired and lia-bilities assumed:						
	Fair value R’000	Fair value R’000	Fair value R’000	Fair value R’000	Fair value R’000	Fair value R’000
Property, plant and						

equipment	8 008	2 100	7 064	201	1 129	18 502
Trademarks	5 139	3 275	–	–	–	8 414
Customer relationships	3 974	3 409	–	–	–	7 383
Investments in joint ventures – equity accounted	–	–	8 305	–	–	8 305
Deferred taxation	219	222	560	–	6 417	7 418
Inventory	30 623	12 875	54 385	3 719	26 386	127 988
Trade and other receivables	35 727	12 126	50 747	14	11 861	110 475

Cash and cash equivalents	26	4 845	4 504	447	5 986	15 808
Assets	83 716	38 852	125 565	4 381	51 779	304 293
Borrowings	(3 780)	(14 337)	(35 630)	–	(20 711)	(74 458)
Trade and other payables	(50 730)	(15 428)	(58 786)	(1 924)	(32 178)	(159 047)
Current tax liabilities	(3 442)	(591)	(2 981)	–	–	(7 014)
Deferred tax liabilities	(2 552)	(1 859)	(494)	–	–	(4 905)

Bank over-draft	(22 514)	–	(4 058)	–	–	(26 572)
Provisions and accruals	(1 081)	(912)	(17 833)	(1 500)	(1 139)	(22 465)
Liabilities	(84 099)	(33 127)	(119 782)	(3 424)	(54 029)	(294 461)
Total identifiable net assets	(383)	5 725	5 783	957	(2 250)	9 832
Less: Non-controlling interest	(867)	(2 351)	2 491	–	–	(727)
Goodwill	9 609	2 105	29 464	4 263	2 250	47 691
Purchase						

consi-dera-tion	8 359	5 479	37 738	5 220	–	56 796
Cash flow from acquisitions						
Total purchase conside-ration	8 359	5 479	37 738	5 220	–	56 796
Less: Cash and cash equi-valents ac-quired	22 488	(4 845)	(446)	(447)	(5 986)	10 764
Less: Loan amount acquired						

as part of acquisition	–	4 521	–	–	–	4 521
Less: Fair value of previously held interest	–	–	(20 080)	–	–	(20 080)
Less: Contingent consideration	(8 359)	–	–	–	–	(8 359)
Total cash outflow/ (inflow) from acquisitions	22 488	5 155	17 212	4 773	(5 986)	43 642

10. RESTATEMENT, RECLASSIFICATION AND CONSISTENCY OF PRESENTATION

RESTATEMENTS (NOTES 1 TO 3)

1. Restatement 1 – Operating lease liability (note 8) 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 (note 8) 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 and a description of the liability is included in note 8.

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:

	31 March 2015	30 June 2014

	R’000	R’000
Statement of changes in equity	(3 976)	(78 452)

2. Restatement 2 – Written put (note 7)

   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 (note 7) and an employment liability in trade and other payables – non-current.

   The financial impact in the affected periods are as follows:

	31 March 2015	30 June 2014
	R’000	R’000
Statement of changes in equity	(2 143)	(31 236)

3. Restatement 3 – Acquisition vendor disclosure in share-based payment reserve

An obligation was raised as a share-based payment obligation in equity to acquire the remaining non-controlling interest shareholding of 18,1% in DAWN Human Resource Solutions Proprietary Limited. The above treatment transferring the liability to equity was incorrect as per paragraph 4 of IFRS 2. DAWN has updated the statement of changes in equity (SOCIE) and share-based payment obligation. This incorrect treatment was highlighted by the JSE proactive monitoring process.

The financial impact in the affected periods are as follows:

	31 March 2015 R'000	30 June 2014 R'000
Statement of changes in equity	(3 780)	–

RECLASSIFICATIONS (NOTES 4 TO 8)

4. 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.

5. Consulting fees and share-based payment disclosure (SOCIE)

   Consulting fees should have been disclosed as a share-based payment expense under IFRS 2 for Collin Bishop in respect of services rendered for the Grohe DAWN Watertech transaction. This incorrect treatment was highlighted by the JSE proactive monitoring process.

6. 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.

7. 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.

8. Acquisition of non-controlling interests (cash flow)

   Acquisition of non-controlling interest was historically incorrectly included in investing activities and has been reclassified to financing activities. This incorrect treatment was highlighted by the JSE proactive monitoring process.

CONSISTENCY OF PRESENTATION (NOTE 9)

9. 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 the 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.

IMPACT ON INCOME STATEMENT

	Note	Restated 31 March 2015 R’000	Reported 31 March 2015 R’000	Difference R’000

Operating expenses	1, 2	(945 223)	(939 836)	(5 387)
Administration and selling expenses	1	(552 079)	(546 906)	(5 173)
Other operating expenses	2	(46 288)	(46 074)	(214)
Other operating income		3 862	4 211	(349)
Operating profit/ (loss) before impairments and de-recognition of previously held interest	1, 2	(80 065)	(74 329)	(5 736)
Operating profit/ (loss)	1, 2	454 323	460 059	(5 736)
Finance expense	2	(52 194)	(50 266)	(1 928)
Profit/(loss) after net finance costs	1, 2	417 839	425 503	(7 664)
Profit/(loss) before taxation	1, 2	428 716	436 380	(7 664)
Income tax (expense)/income	1, 2	23 328	21 782	1 546
Profit/(loss) from				

continuing operations	1, 2	452 044	458 162	(6 118)
Profit/(loss) for				
the period	1, 2	479 482	485 600	(6 118)
Profit attributable to:				
Owners of the parent	1, 2	479 120	485 238	(6 118)
Profit/(loss) for				
the period		479 482	485 600	(6 118)

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

		Restated 31 March 2015	Reported 31 March 2015	Difference
	Note	R'000	R'000	R'000
Profit for the year	1, 2	479 482	485 600	(6 118)
Total comprehensive				
income	1, 2	476 756	482 874	(6 118)
Total comprehensive				
income attributable to:				
Owners of the parent	1, 2	476 394	482 512	(6 118)
	1, 2	476 756	482 874	(6 118)
Total comprehensive				
income attributable				
to equity shareholders				

arising from:				
Continuing operations	1, 2	448 956	455 074	(6 118)
	1, 2	476 394	482 512	(6 118)

IMPACT ON STATEMENT OF FINANCIAL POSITION

	Note	Restated 31 March 2015 R'000	Reported 31 March 2015 R'000	Difference R'000
Non-current assets				
Derivative financial instruments	4	29 890	3 950	25 940
Deferred tax assets	1	103 157	71 101	32 056
	1, 4	1 448 121	1 390 125	57 996
Total assets	1, 4	3 759 015	3 701 019	57 996
Opening retained earnings 2014	1, 2	983 627	1 093 315	(109 688)
Opening retained earnings 2015	1, 2	1 417 371	1 533 177	(115 806)
Share-based payment reserve	3	65 915	69 695	(3 780)
Share capital and reserves		1 850 563	1 970 149	(119 586)

Total equity		1 884 537	2 004 123	(119 586)
Non-current liabilities				
Derivative financial instruments	2, 4	55 980	–	55 980
Deferred profit		39 403	16 013	23 390
Operating lease liability	1	105 236	–	105 236
Trade and other payables		3 338	–	3 338
		293 432	105 488	187 944
Current liabilities				
Trade and other payables	1	1 037 780	1 053 210	(15 430)
Operating lease liability	1	1 754	–	1 754
Borrowings	3	505 385	501 605	3 780
Deferred profit	1	5 327	5 793	(466)
Total liabilities		1 874 478	1 696 896	177 582
Total equity and liabilities		3 759 015	3 701 019	57 996

IMPACT ON STATEMENT OF CHANGES IN EQUITY

Share-

	Note	Treasury shares R'000	Share-based payment reserve R'000	Retained earnings R'000
RESTATED				
Balance at 30 June 2014	1, 2	–	–	983 627
Total comprehensive income for the year	1, 2	–	–	479 120
Profit for the year	1, 2	–	–	479 120
Continuing operations	1, 2	–	–	451 682
Total contributions by and distributions to owners of the company recognised directly in equity		–	25 659	–
Share-based payment – charge for the period	3, 9	–	30 592	3 599
Share-based payment – vesting of options	6, 7, 9	14 717	(14 717)	(8 958)

Treasury shares acquired	5	(7 984)	–	–
Balance at 31 March 2015		–	65 915	1 417 371
REPORTED				
Balance at 30 June 2014		–	–	1 093 315
Total comprehensive income for the year		–	–	485 238
Profit for the year		–	–	485 238
Continuing operations		–	–	457 800
Total contributions by and distributions to owners of the company recognised directly in equity		–	29 439	–
Share-based payment – charge for the period		–	22 608	–
Share-based payment – vesting of options		6 733	(6 733)	–

Tax impact in equity	–	–	(5 359)
Treasury shares acquired	–	–	–
Balance at 31 March 2015	–	69 695	1 533 177

	Equity attribu-table to company R’000	Non-control–ling interest R’000	Total R’000
RESTATED			
Balance at 30 June 2014	1 377 542	35 756	1 413 298
Total comprehensive income for the year	476 394	377	476 771
Profit for the year	479 120	377	479 497
Continuing operations	451 682	362	452 044
Total contributions by and distributions to owners of the company recognised			

directly in equity	36 644	–	34 485
Share-based payment			
– charge for the			
period	34 191	–	34 191
Share-based payment			
– vesting of			
options	(8 958)	–	(8 958)
Treasury shares			
acquired	(7 984)	–	(7 984)
Balance at			
31 March 2015	1 850 563	33 974	1 884 537
REPORTED			
Balance at			
30 June 2014	1 487 230	35 756	1 522 986
Total comprehensive income			
for the year	482 512	377	482 889
Profit for the year	485 238	377	485 615
Continuing operations	457 800	362	458 162
Total contributions			
by and distributions			
to owners of the			
company recognised			

directly in equity		40 424	–	38 265
Share-based payment – charge for the period		22 608	–	22 608
Share-based payment – vesting of options		–	–	–
Tax impact in equity		(5 359)	–	(5 359)
Treasury shares acquired		–	–	–
Balance at 31 March 2015		1 970 149	33 974	2 004 123

	Note	Treasury shares R'000	Share-based payment reserve R'000	Retained earnings R'000
DIFFERENCE				
Balance at 30 June 2014	2, 3	–	–	(109 688)
Total comprehensive				

income for the year	2, 3	–	–	(6 118)
Profit for the year	2, 3	–	–	(6 118)
Continuing operations	2, 3	–	–	(6 118)
Total contributions by and distributions to owners of the company recognised directly in		–	(3 780)	–
Share-based payment – charge for the period	5, 8	–	7 984	3 599
Share-based payment – vesting of options	5, 8	7 984	(7 984)	(8 958)
Treasury shares acquired	1, 7	(7 984)	–	–
Tax impact in equity	8	–	–	8 958
Balance at 31 March 2015		–	(3 780)	(115 806)
		Equity attribu-	Non-control–	

	table to company R’000	ling interest R’000	Total R’000
DIFFERENCE			
Balance at 30 June 2014	(109 688)	–	(109 688)
Total comprehensive income for the year	(6 118)	–	(6 118)
Profit for the year	(6 118)	–	(6 118)
Continuing operations	(6 118)	–	(6 118)
Total contributions by and distributions to owners of the company recognised directly in	(3 780)	–	(3 780)
Share-based payment – charge for the period	11 583	–	11 583
Share-based payment – vesting of options	(8 958)	–	(8 958)

Treasury shares acquired	(7 984)	–	(7 984)
Tax impact in equity	8 958	–	8 958
Balance at 31 March 2015	(119 586)	–	(119 586)

IMPACT ON STATEMENT OF CASH FLOWS

	Note	Restated 31 March 2015 R’000	Reported 31 March 2015 R’000	Difference R’000
Cash flows from investing activities				
Treasury shares acquired	7	–	(7 984)	7 984
Acquisition of non-controlling interests	8	–	(12 168)	12 168
Net cash generated by investing activities		689 740	669 588	20 152
Cash flows from financing activities				
Treasury shares				

acquired	7	(7 984)	–	(7 984)
Acquisition of non-controlling interests	8	(12 168)	–	(12 168)
Net cash utilised in financing activities		(585 413)	(565 261)	(20 152)

11. EVENTS AFTER THE REPORTING PERIOD

Changes to the board of directors

Chief executive officer

As announced on SENS on 26 April 2016, Derek Tod has taken a decision to retire as chief executive officer, effective 31 May 2016. He has agreed with the board that he will participate in an organised hand-over to the board and interim chief executive officer, as and when required.

Stephen Connelly, who was appointed to the board as independent non-executive director on 1 April 2016, has accepted the role of interim chief executive officer of DAWN, effective 1 June 2016. He will fulfil this role until the board has selected a permanent successor to Derek Tod. He will also assist the DAWN executive committee in the turnaround strategy, which commenced recently.

The board will immediately commence with the process of identifying and appointing a permanent successor and will in this process consider both internal and external candidates.

Chief financial officer

The chief financial officer, Dries Ferreira, resigned from DAWN on 14 July 2016, but agreed to remain in employment until 31 October 2016 to ensure a smooth transition. Hanré Bester (CA (SA), MCom (Tax)), the group financial manager who joined DAWN during 2010, has been appointed as acting financial director until a permanent placement can be made.

Risk and compliance officer

The risk and compliance officer and executive director, Jan Beukes, resigned from DAWN on 14 July 2016, but agreed to remain in employment until 31 October 2016 to ensure a smooth transition. A suitable replacement will be recruited in due course.

Borrowings – covenants

DAWN has breached some of its covenants and accordingly approached Absa for a waiver of the relevant covenant measures. On 28 June 2016 Absa consented to the non-compliance (breach) of covenants and waived the event of default.

DAWN's current facility ends on 7 October 2016 and has been re-negotiated to 7 October 2017. The new facility has similar characteristics, but will have a quarterly step-down of R25 million per quarter in respect of the revolving credit facility (RCF) starting 7 October 2016 and ending 7 July 2017.

The pricing has provisionally been indicated and reflects a deteriorated credit position as well as movements in the general yield curve.

Security requirements remain unchanged.

The carrying amount of the loan in default is R200 million (R200 million of a RCF) and Rnil of a general banking limit (R100 million of a general banking facility).

Disposal

Braveheart Financial Services Proprietary Limited – a DAWN investment of 30% was sold to the majority shareholder on 30 May 2016 for an amount of R1 million.

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

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), Lou Alberts^, George Nakos*, Hanré Bester

(acting financial director), Saleh Mayet ^, Dinga Mncube ^, Veli

Mokoena*, René Roos

* Non-executive ^ Independent non-executive

Preparer:

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