Summary consolidated financial results for the nine months ended 31 March 2015

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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SUMMARY CONSOLIDATED FINANCIAL RESULTS FOR THE NINE MONTHS ENDED 31 MARCH 2015

COMMENTARY

INTRODUCTION

DAWN manufactures and distributes quality branded hardware, sanitaryware, plumbing, kitchen, engineering and civil products through a national, strategically positioned 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, namely Building and Infrastructure, both supported by the Solutions segment.

The successful acquisition of 51% of DAWN’s Watertech Companies by Grohe Luxemburg Four AG (Grohe), Europe’s largest and the world’s leading single-brand manufacturer and supplier of sanitary fittings, effective 14 November 2014, changed the Group significantly. This business is now known as Grohe DAWN Watertech (“GDW”) and will grow the group’s core distribution competency, enhance volume throughput and result in substantial efficiencies, as well as ensure that DAWN becomes the leading branded products trader in South Africa for both DAWN brands and brands in which the Group has no investment.

DAWN has changed its year-end to 31 March, matching the year-end of GDW, and reports on the conclusion of the nine months ended 31 March 2015 in this report. The impact is that the prior year amounts for the year ended 30 June 2014 are not comparable.

PERIOD UNDER REVIEW

Group revenue for the nine months amounted to R3,6 billion. Gross margins at 23,4% reduced somewhat from those achieved during the first six months to 31 December 2014 (H1 F2015: 24,1%), but is much more resilient than in the prior year.

As reported for the interim results to December 2014, the results for the nine-month period were significantly impacted by two key factors – a NUMSA strike which affected both the Building and Infrastructure segments directly and indirectly, as well as 37 power interruptions which punitively constrained manufacturing output.

The severe delays in the implementation of government work in the Infrastructure segment as noted in the first half report reversed to some extent, but not to anticipated levels as indicated by the strength of the Incledon order book in the first half. With the lack of expansion in mining activity, the Group experienced a major shortfall in High Density Polyethylene demand. Pleasingly though, PVC pipe demand improved towards the end of March 2015, assisted by further consolidation in the PVC market.

These factors, combined with once-off transaction costs and a net gain relating to the Grohe transaction, resulted in:

– headline earnings per share (HEPS), which includes the abovementioned Grohe costs, declining by 151% compared to the 12 months ended 30 June 2014. This represents a loss of 25,5 cents per share;

– core HEPS, excluding the impact of these factors, declining by 64% compared to the 12 months ended 30 June 2014, mainly due to the effects of the delays in government infrastructure spend; and

– earnings per share (EPS), when compared to the 12 months ended 30 June 2014, increasing by 547% to 204,7 cents per share.

INCOME STATEMENT

Revenue for the nine months was R3,6 billion with the Building segment’s revenue at R1,8 billion, the Infrastructure segment at R1,8 billion and the Solutions segment at R380 million. The main reason for this was the impact of the strike action.

As outlined at interim time, profit before interest and taxation (PBIT) had a few large impacts. PBIT for the nine months was R460,1 million (June 2014: R80,5 million) due to:

– R606 million gain on derecognition resulting from the Grohe transaction and a step-up from 51% to 90% in DAWN’s Africa expansion programme (DAWN Africa Trading); as well as

– the once-off transaction costs and operating disruptions due to the strike and power cuts (R117 million impact) and intangible asset impairments in underperforming business units.

Excluding the abovementioned items, core PBIT amounted to a disappointing R41,9 million (June 2014: R107,0 million) mainly due to the delays experienced in the tenders awarded in the civil infrastructure market. The core margin was 1,2% (June 2014: 2,4%). The Building segment margin amounted to 1,2% (June 2014: 1,7%) while the Infrastructure segment margin was 0,4% (June 2014: 4,4%) and the Solutions segment margin a loss of -0,7% (June 2014: 2,2%).

Net finance cost amounted to R34,6 million (June 2014: R58,3 million). The proceeds of the Grohe transaction eliminated debt during November 2014, but R187 million core net working capital expansion resulted in a net geared situation of R158,9 million for the period under review.

Income from associates and joint ventures amounted to R10,9 million (June 2014: loss of R18,8 million) due to a strong performance from Heunis Steel, as well as the first-time contribution from the new GDW associate. The underperforming investments in Nigeria and Mauritius have now been closed, with further action taken on other loss-making associates to avoid a recurrence of losses during F2016.

EPS was up 547% to 204,7 cents per share (June 2014: 31,6 cents per share) due to the net gain on the Grohe transaction, as well as the step-up in the DAWN Africa Trading shareholding.

HEPS was down 151% to a loss of 25,5 cents per share (June 2014: positive 50,2 cents per share) due to the strike, power disruptions, the Grohe transaction costs and related IFRS adjustments.

Core HEPS, which excludes all once-off impacts, was down 43% to 17,9 cents per share (June 2014: 50,1 cents per share).

STATEMENT OF FINANCIAL POSITION

The Group’s net working capital improved marginally to 62 days (December 2014: 65 days) which, expressed as a percentage of revenue, was 16,0% above the Group’s targeted mean of 15,0% (equivalent to 55 days). This has been caused by the mismatch between inventory turn compared to supplier funding. The corrective action focused on by management is to increase the inventory turn to come in line with supplier funding.

Debtors’ days amounted to 49 (December 2014: 46), with strong credit control discipline being maintained and the book remaining in good health. Government-related overdues (direct and indirect) at 31 March 2015 amounted to R62 million (December 2014: R80 million).

The Group’s objective is to have stock days covered by creditors’ days. The stock days increased to 82 (December 2014: 74 days) due to high inventory being carried mainly in the Trading businesses as a result of the strategy deployed post NUMSA strike to maximise factory recoveries by pulling inventory into the trading pick-face. This strategy has been trimmed back significantly with the increased market demand on the PVC factories.

Creditor funding improved to 69 (December 2014: 55 days).

Core net working capital increased over the nine months to March 2015 therefore amounted to R129,4 million.

STATEMENT OF CASH FLOWS

Due to the once-off Grohe transaction costs (R57,9 million) and the impact of the strike on sales (R59,0 million on PBIT), cash generated from operating activities before working capital changes reduced significantly to R57,0 million (June 2014: R334,1 million).

Investing activities include the cash inflows relating to the Grohe transaction of R880,0 million and amount to a net inflow of R649,5 million (June 2014: R258,4 outflow). Included in these investing activities are additions to property, plant and equipment of R46,4 million, continued implementation of the new IT system of R29,2 million, business combinations of R76,8 million as well as funding advanced to associates and joint ventures of R64,2 million.

Financing activities produced an outflow of R565,3 million (June 2014: inflow R381,9 million) and includes a net R726,1 million repayment of borrowings, further net borrowings advanced to the Group of R201,3 million and the dividend payment of R40,0 million.

The closing cash balance was R1,4 million (June 2014: R121,8 million).

OPERATIONAL OVERVIEW

Building – 46% of Group revenue

Following the Grohe transaction, the Building segment now consists of Building Trading and associates and joint ventures.

The Trading businesses include WHS Trading, AST (renamed as DAWN Africa Trading, “DAT”), Hamilton’s Brushware, Pro-Max group.

Associates and joint ventures include the 49% holding of the newly-created GDW business, as well as Heunis Steel, DAT Zimbabwe and DAT Tanzania.

Revenue for Building Trading amounted to R1,8 billion, with the acquisitions of Hamilton’s, Pro-Max and DAT contributing 13% to the growth. A marginal improvement in gross margin was achieved.

WHS traded well in a tight market. Volume growth and cost reductions are being targeted to expand net margin opportunities.

With the closure of Nigeria and Mauritius, DAT is now expected to be profitable. Operating profit for Trading amounted to R21,1 million. WiiN was closed during the last quarter of F2015 as a result of continuing underperformance.

Strong performances were seen from the associate companies, with the first-time contribution from GDW to the Group (since 1 November 2014) and Heunis Steel showing strong earnings growth with market consolidation in the roof sheeting and rainwater goods markets.

This resulted in the total Building segment headline earnings amounting to 25,0 cents per share.

Infrastructure – 44% of Group revenue

This segment consists of the businesses of DPI Plastics, Swan Plastics, Ubuntu Plastics, Sangio Pipe, Incledon (now including IPS and ?Distribution as a division of Incledon) and the associates/joint ventures IPS and Distribution (prior to being structured as a division of Incledon), Simba, Fibrex and Aqualia.

DAWN acquired 100% control of Sangio Pipe in June 2014 and it contributed 13% of revenue growth in this period.

As outlined earlier in the commentary, the Infrastructure segment was severely affected by direct and indirect impacts of the NUMSA strike and 37 power interruptions. The power outages mainly affected the manufacturing operations of DPI Plastics, Swan Plastics, Ubuntu Plastics and Sangio Pipe. The direct impact of the strike was due to the loss in sales and factory under-recoveries, whilst the indirect impact included impacts on the supply-chain and further factory disruptions into August 2014. This had a R47 million negative impact on operating profit for this segment.

Against these factors, revenue amounted to R1,8 billion and operating profit declined to R7,3 million. Headline earnings declined to a loss of R25,4 million.

Incledon’s performance, despite strong order books, was disappointing. Activity in this market did, however, recover somewhat during the last quarter of the current reporting period from the levels seen during the first half. In terms of the Group's associates, IPS and Distribution's losses continued and triggered a restructuring of this business whereby costs were removed and management changed. IPS and Distribution now forms part of Incledon.

Simba in Tanzania moved into a small loss due to donor funds being temporarily withdrawn from the country. Fibrex in Angola underperformed in a slowing economy, mainly driven by US$ oil price revenues. Aqualia made a fair recovery off a soft base.

Solutions – 10% of Group revenue

Solutions consist of DAWN Logistics, as well as other services, including marketing, human resources and business systems.

DAWN Logistics, the largest element of the Solutions segment, experienced two major impacts on its results:

1. Volumes were mainly affected by the reduced activity in the Infrastructure segment. This was partially offset by income from servicing new brands like Gardena, Pro-Max and Hamilton's.

2. A new warehouse management system is in the process of implementation following the transport management system implemented in 2011. Although the implementation is now virtually

complete, it resulted in R6 million in non-recurring costs during the first half of the reporting period.

The other services entities did well to maintain contribution against reduced activity.

The Solutions segment’s revenue was R380 million and an operating loss of R2,8 million was incurred.

International

Having started the African and Indian Ocean islands expansion ten years ago, the Group is pleased with the strong progress achieved. Revenue from this source has increased from less than R150 million in F2005 to R1,3 billion for nine months to 31 March 2015. Exports from South Africa grew by 19%, the DPI factories in the rest of Africa grew revenue by 4% on the back of a collapse in the oil price driving the Angolan economy as well as the withdrawal of donor funds from Tanzania. These two countries are large contributors to the DPI African factories’ performance. The remaining DAT group continued to entrench their African presence through their trading businesses, showing 7% growth as a result of the closure of Nigeria and Mauritius operations.

PROSPECTS

Building segment

Looking forward, the year-on-year residential buildings completed have started to show signs of growth for the first time in six years. Building plans passed have continued to grow and the gap between plans passed and plans completed are widening, which indicates pent-up demand. Although this pipeline of activity is pleasing, the release into activity is dependent on improvements in consumers’ disposable income, the economic outlook of the country and the general confidence levels.

Although the luxury market remains tough, the trading of traditional plumbing brands, such as Cobra, has shown double-digit growth.

Core to DAWN’s strategy is securing additional volumes through existing cost structures. This is being achieved by the addition of well-known brands such as Gardena, Pro-Max and Hamilton’s. In further support of the volume-over-cost strategy, the cost structures have again been reviewed during the last couple of months and cost structures have been realigned with anticipated volumes.

In terms of the associates, sales and margins continue to improve at GDW. A strong focus is on improving the supply-chain, providing better availability of required product, as well as removing costs from the supply-chain. Heunis Steel had a record performance for the nine months and this trend is set to continue due to an improving market environment in rainwater goods and roof sheeting.

Management is focused on returning this segment’s operating performance to within the short term target margin ranges of 2% to 4% during F2016.

Infrastructure segment

The segment has strong order books in all operations except Sangio Pipe. The execution of those projects has been consistently released since March 2015.

Volume increases are crucial and are currently being experienced in DPI Plastics’ and Swan Plastics’ PVC pipe markets. Swan Plastics has capitalised on the benefits from new capital investment made and delivered a record performance to March 2015 on the back of market share growth from consolidation in the pressure pipe sector. This is expected to benefit DPI Plastics, Swan Plastics and Incledon during the next period.

At Sangio Pipe, the HDPE business is now consolidated. Market share gains, productivity and significant cost reductions will remain a strong focus in F2016. Ubuntu Plastics performed well and, with its consolidated operations in Gauteng, is expected to continue its strong growth performance in market share.

Incledon has reviewed its costs structures in a drive to expand net margins and to return to the strong profitability levels seen in the recent past. Here too, underperforming branches were reviewed and costs reduced in line with new expected activity levels. IPS and Disribution has been added into this business as a new operating division, which will further underpin the strategy of additional volumes over existing cost structures. IPS & Disribution has returned to breakeven post period-end.

Management expects the Infrastructure segment associates to continue to trade in a tight market (Tanzania and Angola, specifically). Further action has been taken with the restructuring of the subsidiaries in Namibia and Botswana, where the manufacturing facilities have been consolidated and integrated into DAWN Logistics to service the rest of Africa with just-in-time, break-bulk delivery.

The segment’s margin target remains 3% to 5% in the short-term.

Solutions segment

The roll-out of the new business systems in DAWN Logistics has been concluded in Gauteng, with the improved operating system starting to remove costs and improve on efficiencies.

The further integration of the remaining DAWN Infrastructure segment manufacturing operations (Swan Plastics, Ubuntu Plastics and Sangio Pipe) into DAWN Cargo and the distribution of manufacturing material to the Namibian and Botswana manufacturing operations will benefit this business in the short term.

The other Solutions segment companies will continue to grow their non-Group client bases, whilst developing their Africa footprint in support of DAWN Africa Trading. The focus on improved service and cost reduction is expected to provide an underpin to the return to profitability of DAWN Logistics.

International

The Group’s target remains to increase the contribution from business in Africa to Group revenue from 22% to 30% over time, assisted by the benefits of the Grohe transaction ,which creates a strong base for expansion into surrounding regions.

DAT, as the new distribution arm of all DAWN and Grohe product in Africa, is a huge step change opportunity with a planned roll-out of logistics services to all the operations outside of South Africa over a two-year period. The increased volumes into the logistics system will be further bolstered with the consolidation of all loads into Africa as from 1 July 2015. The focus at DAT is also on ensuring profitable operations through the closure of two loss-making companies (Nigeria and Mauritius), as well as further targeted cost reduction and restructuring that will add to profitable growth in Angola and Mozambique. The start-up

Tanzanian entity is receiving brand support to develop the market further with the establishing of a presence of the Group brands in the market and ensuring appropriate inventory levels to ensure profitability during F2016.

Conclusion

DAWN management continued with the firm action implemented based on the disappointing performance for the period ended 31 December 2014. As indicated, the benefits of these actions have not yet reflected in the period to 31 March 2015.

As communicated in February 2015, there are three key areas of focus:

1. Driving additional volumes through the existing infrastructure by aggressively improving stock turn and volume throughput;

2. Working capital improvement, with a strong focus on improved stock management, cash extraction and interest cost savings; and

3. Further reducing overheads to expand net margins. The cost reduction initiatives focus on:

Cost structures

– Simplifying the operating structures of the Group;

– Realigning support function cost structures to the new operating model of DAWN post the Grohe transaction;

– Consolidation of manufacturing facilities to extract greater recoveries, and

– Trimming back cost structures in line with lower anticipated volumes in the current market environment.

Underperforming businesses

– Restructuring of underperforming business units; and

– Closures of loss-making business units with no short term expectation of returning to profits.

Rewards reviewed

– Forgoing share incentives in the short term by senior management until such time as business performance rewarding shareholders in line with expectation; and

– Reviewing staff structure and reward schemes in all businesses.

Driving productivity where investments has been made in the recent past (i.e. in warehousing).

Reducing operating lease costs.

Against this, a number of risks remain. Any possible future delays in water and sanitation spend will have a negative impact on DAWN’s Infrastructure segment. Pressure on economic growth from Eskom load-shedding could reduce South Africa’s GDP by a material margin in calendar 2015. The commissioning of the 20 generators by the Group by September 2015 will minimise the impact of power outages.

Management is taking the necessary steps to ensure improvements.

It is therefore expected that the full benefits of the Grohe transaction, cost cutting, an improved Statement of Financial Position and internal restructuring measures will flow through from the first half of F2016.

This specific forecast has not been reviewed nor reported on by the Company's auditors.

BOARD OF DIRECTORS

On 13 February 2015, Mr OS Arbee resigned as independent non-executive director. The Board would like to thank Mr Arbee for his valuable contribution during his tenure as a director of DAWN.

On 31 March 2015, Mr RL Hiemstra announced his retirement as independent non-executive director and Chairman of the Board of Directors of DAWN, effective no later than 30 June 2015.

On 29 May 2015, Mr S Mayet was appointed as independent non-executive director and Chairman of the Audit and Risk Committees.

On 2 June 2015, as announced on SENS, Mr DJ Fouché was appointed as non-executive director and Chairman of the Board of Directors with effect from 1 November 2015. Accordingly, Mr RL Hiemstra has postponed his retirement until 31 October 2015.

The Board welcomes the new directors and looks forward to working with them.

Mr RL Hiemstra has been with DAWN since its inception and over this time his unstinting efforts an strategic guidance were invaluable and the Board of Directors wishes him well in his future endeavours.

Signed for and on behalf of the Board

RL Hiemstra	DA Tod	JAI Ferreira
Chairman	Chief Executive Officer	Chief Financial Officer

Germiston

25 June 2015

CONSOLIDATED INCOME STATEMENT

for the 9 months ended 31 March 2015

	% change	9 months ended 31 March 2015 R'000	12 months ended 30 June 2014 R'000
Revenue		3 616 640	4 435 948
Cost of sales		(2 771 312)	(3 413 417)
Gross profit		845 328	1 022 531
Operating expenses		(939 836)	(929 835)

Administrative and selling expenses	(546 906)	(528 777)
Distribution and warehousing expenses	(346 856)	(395 396)
Other operating expenses	(46 074)	(5 662)
Other operating income	20 179	14 347
Operating (loss)/profit before derecognition and rerecognition of investments	(74 329)	107 043
Net gain on derecognition and rerecognition of previously held interests	637 370	14 842
Impairment of intangible assets	(102 982)	(41 424)
Operating profit	460 059	80 461
Finance income	15 710	8 795
Finance expenses	(50 266)	(67 073)
Profit after net financing costs	425 503	22 183
Share of profit/(loss) in investments accounted for using the equity method	10 877	(18 763)
Profit before taxation	436 380	3 420
Income tax income/(expense)	21 782	(14 760)
Profit/(loss) from continuing		

operations		458 162	(11 340)
Profit from discontinued operations			
(attributable to owners of			
the parent)		27 438	92 859
Profit for the period		485 600	81 519
Profit attributable to:			
Owners of the parent		485 238	74 135
Non-controlling interests		362	7 384
Profit for the period		485 600	81 519
Earnings per share (cents)	547	204,69	31,62
From continuing operations		193,12	(7,98)
From discontinued operations		11,57	39,60
Headline earnings per			
share (cents)	(151)	(25,48)	50,15
From continuing operations		(37,05)	10,75
From discontinued operations		11,57	39,40
Fully diluted earnings per			
share (cents)	556	202,81	30,90
From continuing operations		191,34	(7,81)
From discontinued operations		11,47	38,71

Consolidated statement OF COMPREHENSIVE INCOME

for the 9 months ended 31 March 2015

	% change	9 months ended 31 March 2015 R'000	12 months ended 30 June 2014 R'000
Profit for the year		485 600	81 519
Other comprehensive income – to be subsequently reclassified to profit or loss:			
Exchange differences recycled through profit/loss		(2 972)	–
Exchange differences on translating foreign operations		277	3 686
Effects of cash flow hedges recycled through profit/(loss)		–	4 095
Effects of retirement benefit obligations		(43)	(280)
Tax related to components of other comprehensive income		12	(1 191)
Total other comprehensive income		(2 726)	6 310
Total comprehensive income		482 874	87 829
Total comprehensive income			

attributable to:		
Owners of the parent	482 512	80 445
Non-controlling interests	362	7 384
	482 874	87 829
Total comprehensive income attributable to equity shareholders arising from:		
Continuing operations	455 074	(12 414)
Discontinued operations	27 438	92 859
	482 512	80 445
Reconciliation of headline earnings (R’000)		
Headline earnings (R’000)		
Attributable earnings	485 238	74 135
Adjustment for the after-tax and non-controlling interest effects of:		
Net (profit)/loss on disposal of property, plant and equipment	(1 051)	(1 331)
Impairment of intangible assets	96 915	41 424
Impairment of property, plant and equipment	720	–
Impairment of assets held-for-sale	5 347	–

Tax effect on disposal of property, plant and equipment and impairment of intangible assets (trademarks)	(9 498)	(367)
Non-controlling interest	(919)	1
Net profit on derecognition and rerecognition of previously held interest	(637 370)	(14 842)
Headline earnings adjustments related to associates and joint ventures	233	19 043
Headline earnings adjustments related to disposal group	(4)	(456)
	(60 390)	117 606
Statistics		
Weighted average shares ('000)		
For earnings per share	237 057	234 517
For fully diluted earnings per share	239 263	239 890
Shares in issue ('000)	242 243	241 843
Shares held in treasury ('000)	–	6 733
Deferred ordinary shares ('000)	–	400
Market capitalisation (R'000)	1 574 579	2 636 088
Market price (cents)	650	1 090
Asset value per share (cents)		

Net asset value	31	845,42	647,25
Net tangible asset value	37	782,54	572,49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2015

	9 months ended 31 March 2015 R’000	12 months ended 30 June 2014 R’000
Assets		
Non-current assets		
Property, plant and equipment	252 379	208 621
Intangible assets	149 060	175 326
Investments in joint ventures	29 276	50 357
Investments in associates	884 359	91 526
Derivative financial instruments	3 950	–
Deferred tax assets	71 101	39 560
	1 390 125	565 390
Current assets		
Inventories	930 543	665 107
Trade and other receivables	1 144 320	1 007 731
Cash and cash equivalents	197 770	154 123

Derivative financial instruments	44	223
Current tax assets	3 880	7 988
	2 276 557	1 835 172
Assets of disposal group classified as held-for-sale	34 337	1 212 274
Total assets	3 701 019	3 612 836
Equity and liabilities		
Equity		
Capital and reserves attributable to equity holders of the Company		
Share capital	2 422	2 422
Share premium	373 748	373 748
Retained income	1 533 177	1 093 315
Treasury shares	–	(6 733)
Share-based payment reserve	69 695	40 256
Foreign currency translation reserve	(282)	2 413
Change in ownership reserve	(8 378)	(17 989)
Retirement benefit obligation reserve	(233)	(202)
Share capital and reserves	1 970 149	1 487 230
Non-controlling interests	33 974	35 756
Total equity	2 004 123	1 522 986
Liabilities		

Non-current liabilities		
Borrowings	65 471	447 090
Deferred profit	16 013	18 425
Deferred tax liabilities	17 969	22 804
Retirement benefit obligation	6 035	5 820
	105 488	494 139
Current liabilities		
Trade and other payables	1 053 210	986 574
Borrowings	501 605	303 943
Derivative financial instruments	–	23
Deferred profit	5 793	5 393
Current tax liabilities	12 463	2 872
	1 573 071	1 298 805
Liabilities directly associated with assets held-for-sale	18 337	296 906
Total liabilities	1 696 896	1 792 944
Total equity and liabilities	3 701 019	3 612 836

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 9 months ended 31 March 2015

Attributable to owners of the parent

Share-

based

	Share capital R'000	Share premium R'000	Treasury shares R'000	payment reserve R'000
Balance at 1 July 2013 (Restated)	2 422	373 748	(6 733)	49 593
Total comprehensive income for the year	–	–	–	–
Profit for the year	–	–	–	–
– Continuing operations	–	–	–	–
– Discontinued operations	–	–	–	–
Other comprehensive income	–	–	–	–
Dividends paid	–	–	–	–
Total contributions by and distributions to owners of the Company recognised				

directly in equity	–	–	–	(9 337)
Share-based payment charge	–	–	–	3 351
Share-based payment – vesting of options	–	–	–	(12 688)
Dividends paid to non-controlling interests	–	–	–	–
Change in ownership reserve	–	–	–	–
Business combinations	–	–	–	–
Balance at 30 June 2014	2 422	373 748	(6 733)	40 256

	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 2013				

(Restated)	(2 826)	(1 273)	(17 086)	–
Total comprehensive income for the year	2 826	3 686	–	(202)
Profit for the year	–	–	–	–
– Continuing operations	–	–	–	–
– Discontinued operations	–	–	–	–
Other comprehensive income	2 826	3 686	–	(202)
Dividends paid	–	–	–	–
Total contributions by and distributions to owners of the Company recognised directly in equity	–	–	(903)	–
Share-based payment charge	–	–	–	–
Share-based payment – vesting of options	–	–	–	–

Dividends paid to non-controlling interests	–	–	–	–
Change in ownership reserve	–	–	(903)	–
Business combinations	–	–	–	–
Balance at 30 June 2014	–	2 413	(17 989)	(202)

	Attributable to owners of the parent			
	Retained earnings	Equity attributable to Company	Non-controlling interests	Total
	R’000	R’000	R’000	R’000
Balance at 1 July 2013 (Restated)	1 057 932	1 455 777	11 400	1 467 177
Total comprehensive income for the year	74 135	80 445	8 469	88 914

Profit for the year	74 135	74 135	8 469	82 604
– Continuing operations	(18 724)	(18 724)	7 384	(11 340)
– Discontinued operations	92 859	92 859	1 085	93 944
Other comprehensive income	–	6 310	–	6 310
Dividends paid	(38 752)	(38 752)	–	(38 752)
Total contributions by and distributions to owners of the Company recognised directly in equity	–	(10 240)	15 887	5 647
Share-based payment charge	–	3 351	–	3 351
Share-based payment – vesting of options	–	(12 688)	–	(12 688)
Dividends paid to non-controlling interests	–	–	(3 031)	(3 031)
Change in ownership reserve	–	(903)	–	(903)

Business combinations	–	–	18 918	18 918
Balance at 30 June 2014	1 093 315	1 487 230	35 756	1 522 986

	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	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	29 439
Share-based payment charge for the period	–	–	–	22 608
Share-based payment – vesting of options	–	–	6 733	(6 733)
Dividends paid to non-controlling interests	–	–	–	–
Transactions with non-controlling interests	–	–	–	–
Business combinations	–	–	–	–
Tax impact in equity	–	–	–	–
Transfer from liabilities	–	–	–	13 340

Derecognition of subsidiary	–	–	–	224
Derecognition of joint venture	–	–	–	–
Foreign currency translation reserve	–	–	–	–
Balance at 31 March 2015	2 422	373 748	–	69 695

	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	–	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	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Transactions with non-controlling interests	–	–	(8 057)	–

Business combinations	–	–	–	–
Tax impact in equity	–	–	–	–
Transfer from liabilities	–	–	–	–
Derecognition of subsidiary	–	–	17 172	–
Derecognition of joint venture	–	–	496	–
Foreign currency translation reserve	–	–	–	–
Balance at 31 March 2015	–	(282)	(8 378)	(233)

	Attributable to owners of the parent			
	Retained earnings	Equity attributable to Company	Non-controlling interests	Total
	R'000	R'000	R'000	R'000
Balance at				

1 July 2014	1 093 315	1 487 230	35 756	1 522 986
Total comprehensive income for the period	485 238	482 512	377	482 889
Profit for the period	485 238	485 238	377	485 615
– Continuing operations	457 800	457 800	362	458 162
– 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)	40 424	(2 159)	38 265
Share-based payment charge for the period	–	22 608	–	22 608

Share-based payment – vesting of options	–	–	–	–
Dividends paid to non-controlling interests	–	–	(447)	(447)
Transactions with non-controlling interests	–	(8 057)	(2 538)	(10 595)
Business combinations	–	–	727	727
Tax impact in equity	(5 359)	(5 359)	–	(5 359)
Transfer from liabilities	–	13 340	–	13 340
Derecognition of subsidiary	–	17 396	–	17 396
Derecognition of joint venture	–	496	–	496
Foreign currency translation reserve	–	–	99	99
Balance at 31 March 2015	1 533 177	1 970 149	33 974	2 004 123

CONSOLIDATED STATEMENT OF CASH FLOWS

for the 9 months ended 31 March 2015

	9 months ended 31 March 2015 R'000	12 months ended 30 June 2014 R'000
Cash flows from operating activities		
Cash generated from operations	(240 910)	115 762
Finance income received	11 839	8 498
Finance expense paid	(52 403)	(92 727)
Income tax paid	(18 453)	(69 975)
Net cash (utilised in)/ generated from operating activities	(299 927)	(38 442)
Cash flows from investing activities		
Additions to property, plant and equipment	(46 414)	(148 658)
Additions and development of intangible assets	(29 200)	(45 417)
Proceeds on disposals of property, plant and equipment	14 182	16 338
Acquisition of businesses through		

business combinations	(43 642)	(37 160)
Acquisition of interest in associates	(20 982)	–
Acquisition of non-controlling interest	(12 168)	–
Treasury shares purchased	(7 984)	(12 688)
Proceeds from joint ventures and associates	–	28 823
Loan advances granted to joint ventures and associates	(64 204)	(59 646)
Proceeds on derecognition of investment in Grohe DAWN Watertech	880 000	–
Net cash generated by/(utilised in) investing activities	669 588	(258 408)
Cash flows from financing activities		
Proceeds from borrowings	235 852	607 995
Repayment of borrowings	(726 051)	(167 087)
Government grants received	–	11 216
Instalment sale payments	(24 865)	(17 161)
Finance lease payments	(9 733)	(11 304)
Dividends paid to non-controlling interest holders	(447)	(3 031)
Dividends paid	(40 017)	(38 752)
Net cash (utilised in)/generated by		

financing activities	(565 261)	381 876
Total cash movement for the year	(195 600)	85 026
Translation effects on foreign cash		
and cash equivalents balances	(518)	577
Cash and cash equivalents of		
held-for-sale group derecognised	(4 282)	–
Cash and cash equivalents of disposal		
group held-for-sale at beginning of		
the period derecognised	80 063	–
Cash and cash equivalents of disposal		
group held-for-sale at end of the period	–	(80 063)
Cash and cash equivalents at beginning		
of the period	121 765	116 225
Cash and cash equivalents at end of		
the period	1 428	121 765

CONSOLIDATED SEGMENTAL ANALYSIS

	Building			
		Discon-(3)		
	Continuing	tinued		Infra-
	operations	operations	Total	structure
	R'000	R'000	R'000	R'000
9 months ended				

31 March 2015

Revenue	1 826 897	334 681	2 161 578	1 751 379
Depreciation and amortisation	(9 544)	(9 660)	(19 204)	(25 232)
Operating profit/(loss) before impairments and derecognition and rerecognition of investments	30 750	37 521	68 271	8 044
Impairments and derecognitions	(9 606)	–	(9 606)	(720)
Operating profit/(loss) after impairments and derecognitions and rerecognition of investments	21 144	37 521	58 665	7 324
Net finance income/(expense)	(20 318)	(3 077)	(23 395)	(20 600)
Share of profit/(losses) from				

associates and joint ventures (including impairment of associate)	18 751	1 214	19 965	(8 079)
Tax expense	(3 633)	(9 731)	(13 364)	3 125
Net profit/(loss) after tax from continuing operations	15 944	–	15 944	(18 230)
Net profit after tax from discontinued operations	–	25 913	25 913	–
Assets	1 591 137	–	1 591 137	1 250 276
Liabilities	1 344 514	–	1 344 514	838 975
Capital expenditure(2)	10 674	–	10 674	50 409

	DAWN	Corporate Office(1) and other reconciling	Discon-(3) tinued

	Solutions	items	operations	Total(4)
	R’000	R’000	R’000	R’000
9 months ended 31 March 2015				
Revenue	380 061	(341 697)	(334 681)	3 616 640
Depreciation and amortisation	(13 365)	(180)	9 660	(48 321)
Operating profit/(loss) before impairments and derecognition and rerecognition of investments	(2 847)	(108 159)	(39 638)	(74 329)
Impairments and derecognitions	–	544 714	–	534 388
Operating profit/ (loss) after impairments and derecognitions and rerecognition of investments	(2 847)	436 555	(39 638)	460 059
Net finance income/				

(expense)	(2 047)	8 409	3 077	(34 556)
Share of profit/ (losses) from associates and joint ventures (including impairment of associate)	205	–	(1 214)	10 877
Tax expense	1 269	20 429	10 324	21 782
Net profit/(loss) after tax from continuing operations	(3 421)	463 869	–	458 162
Net profit after tax from discontinued operations	–	1 525	–	27 438
Assets	592 332	267 274	–	3 701 019
Liabilities	612 051	(1 098 644)	–	1 696 896
Capital expenditure(2)	34 722	18 522	–	114 327

CONSOLIDATED SEGMENTAL ANALYSIS continued

	Continuing operations R’000	Building Discon-(3) tinued operations R’000	Total R’000	Infra-structure R’000
12 months ended 31 June 2014				
Revenue	2 129 568	756 280	2 885 848	2 248 705
Depreciation and amortisation	(4 979)	(26 733)	(31 712)	(25 370)
Operating profit/ (loss) before impairments and derecognitions	36 210	124 444	160 654	99 343
Impairments and derecognitions	(41 424)	–	(41 424)	–
Operating profit/ (loss) after impairments and derecognitions	(5 214)	124 444	119 230	99 343
Net finance income/ (expense)	(12 907)	(41 608)	(54 515)	(24 632)

Share of profit/ (losses) of associates (including impairment of associate)	(21 599)	384	(21 215)	2 836
Tax expense	(5 793)	(16 983)	(22 776)	(21 046)
Profit/(loss) after tax from continuing operations	(45 515)	–	(45 515)	56 502
Profit after tax from discontinued operations	–	65 150	65 150	–
Assets	1 110 968	1 212 274	2 323 242	1 183 195
Liabilities	1 026 514	296 906	1 323 420	726 457
Capital expenditure(2)	9 762	107 494	117 256	32 821

	Corporate Office(1) and other	Discon-(3)
DAWN	reconciling	tinued

	Solutions	items	operations	Total(4)
	R'000	R'000	R'000	R'000
12 months ended 31 June 2014				
Revenue	432 996	(375 321)	(756 280)	4 435 948
Depreciation and amortisation	(18 447)	(521)	26 733	(49 317)
Operating profit/ (loss) before impairments and derecognitions	9 616	(19 178)	(143 392)	107 043
Impairments and derecognitions	–	14 842	–	(26 582)
Operating profit/ (loss) after impairments and derecognitions	9 616	(4 336)	(143 392)	80 461
Net finance income/ (expense)	(4 136)	2 932	22 073	(58 278)
Share of profit/ (losses) of associates				

(including impairment of associate)	–	–	(384)	(18 763)
Tax expense	(1 722)	3 025	27 759	(14 760)
Profit/(loss) after tax from continuing operations	3 758	(26 085)	–	(11 340)
Profit after tax from discontinued operations	–	27 709	–	92 859
Assets	571 925	(465 526)	–	3 612 836
Liabilities	583 472	(543 499)	–	2 089 850
Capital expenditure(2)	39 331	–	(107 494)	81 914

(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

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 nine months ended 31 March 2015 that was approved by the Board on 24 June 2015.

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 has been supervised by the Chief Financial Officer, JAI Ferreira CA(SA).

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 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.

2. BUSINESS COMBINATIONS

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.

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.

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 rerecognition 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 and 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.

30 June 2014

Swan Plastics Proprietary Limited

On 1 August 2013 the Group acquired a 51% interest in Swan Plastics Proprietary Limited for a total consideration of R20 million. Swan Plastics Proprietary Limited is principally involved in the manufacturing of PVC products and water waste systems.

Goodwill of R1,2 million arose from the acquisition, largely consisting of the synergies and economies of scale expected from the acquisition.

Swan Plastics Proprietary Limited contributed an operating profit of R13,6 million and revenue of R256,8 million since the acquisition date. If the acquisition had occurred on 1 July 2013, Group revenue would have been R27,3 million more, and operating profit for the period would have increased by R2,2 million. These amounts have been calculated based on consistent application of the Group’s accounting policies.

The amount of net assets acquired amounted to R35,5 million and non-controlling interests of R16,7 million was recognised. Acquisition-related costs amounted to R1,7 million, and have been recognised as part of operating expenses in profit and loss.

Trade receivables with a fair value of R45 million has been included and none of these are considered to be doubtful. Non-controlling interest has been calculated based on the fair value of net assets. The goodwill and other intangible assets arising from the business combination are not expected to be deducted for income tax purposes.

Sangio Pipe Proprietary Limited

On 1 June 2014 Sangio Pipe Proprietary Limited repurchased its shares held by the majority shareholder (51%). This resulted in the Group obtaining 100% of the share capital of Sangio Pipe Proprietary Limited, previously an associate.

Goodwill of R19,0 million arose from the acquisition, largely consisting of the synergies and economics of scale expected from the acquisition and a net gain of R14,8 million was recognised as a result of measuring at fair value the Group’s 49% equity interest held before the business combination.

Sangio Pipe Proprietary Limited contributed an operating profit of R0,9 million and revenue of R33,1 million since the acquisition date. If the acquisition had occurred on 1 July 2013, Group revenue would have been R330,1 million more, and operating profit for the period would have increased by R12,1 million.

These amounts have been calculated based on consistent application of the Group’s accounting policies.

The amount of net assets acquired amounted to R16,5 million.

Acquisition-related costs amounted to R1,8 million and have been recognised as part of operating expenses in profit and loss. Trade receivables with a fair value of R34,6 million has been included and R1,0 million has been provided for as doubtful. The goodwill and other intangible assets arising from the business combination are not expected to be deducted for income tax purposes.

2. BUSINESS COMBINATIONS continued

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

	Pro-Max group R’000	Hamiltons Brush-ware SA Proprie-tary Limited R’000	Africa Saffer Trading Proprie-tary Limited R’000	Saffer Union (West Africa) Limited R’000	IPS and Distri-bution Proprie-tary Limited R’000	Total R’000
Conside-						

ration at acquisition 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 consideration (acquisition vendor)	8 359	–	–	–	–	8 359
Total purchase conside-						

ration	8 359	5 479	37 738	5 220	–	56 796
Recognised amounts of identifiable assets acquired and liabilities 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						

relation-ships	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 overdraft	(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 consideration	8 359	5 479	37 738	5 220	–	56 796
Cash flow						

from acquisitions						
Total purchase consideration	8 359	5 479	37 738	5 220	–	56 796
Less: Cash and cash equivalents acquired	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 conside-ration	(8 359)	–	–	–	–	(8 359)
Total cash outflow/ (inflow) from acquisi-tions	22 488	5 155	17 212	4 773	(5 986)	43 642

30 June 2014

Swan Plastics Proprietary Limited

On 1 August 2013 the Group acquired a 51% interest in Swan Plastics Proprietary Limited for a total consideration of R20 million. Swan Plastics Proprietary Limited is principally involved in the manufacturing of PVC products and water waste systems.

Goodwill of R1,2 million arose from the acquisition, largely consisting of the synergies and economies of scale expected from the acquisition.

Swan Plastics Proprietary Limited contributed an operating profit of R13,6 million and revenue of R256,8 million since the acquisition date. If the acquisition had occurred on 1 July 2013, Group revenue would have been R27,3 million more, and operating profit for the period would have increased by R2,2 million. These amounts have been calculated based on consistent application of the Group's accounting policies.

The amount of net assets acquired amounted to R35,5 million and non-controlling interests of R16,7 million was recognised.

Acquisition-related costs amounted to R1,7 million, and have been recognised as part of operating expenses in profit and loss.

Trade receivables with a fair value of R45 million has been included and none of these are considered to be doubtful. Non-controlling interest has been calculated based on the fair value of net assets. The goodwill and other intangible assets arising from the business combination are not expected to be deducted for income tax purposes.

Sangio Pipe Proprietary Limited

On 1 June 2014 Sangio Pipe Proprietary Limited repurchased its shares held by the majority shareholder (51%). This resulted in the Group obtaining 100% of the share capital of Sangio Pipe Proprietary Limited, previously an associate.

Goodwill of R19,0 million arose from the acquisition, largely consisting of the synergies and economics of scale expected from the acquisition and a net gain of R14,8 million was recognised as a result of measuring at fair value the Group’s 49% equity interest held before the business combination.

Sangio Pipe Proprietary Limited contributed an operating profit of R0,9 million and revenue of R33,1 million since the acquisition date. If the acquisition had occurred on 1 July 2013, Group revenue would have been R330,1 million more, and operating profit for the period would have increased by R12,1 million. These amounts have been calculated based on consistent application of the Group’s accounting policies.

The amount of net assets acquired amounted to R16,5 million.

Acquisition-related costs amounted to R1,8 million and have been recognised as part of operating expenses in profit and loss.

Trade receivables with a fair value of R34,6 million has been included and R1,0 million has been provided for as doubtful. The goodwill and other intangible assets arising from the business combination are 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.

Consideration at acquisition date:	Swan Plastics Proprietary Limited R’000	Sangio Pipe Proprietary Limited R’000	Total R’000
Cash	20 000	–	20 000
Fair value of previously held interest	–	35 507	35 507
Total purchase consideration	20 000	35 507	55 507
Recognised amounts of identifiable assets acquired and liabilities assumed:	Fair value R’000	Fair value R’000	Fair value R’000
Property, plant and equipment	6 939	21 301	28 240
Trademarks	8 182	13 088	21 270
Customer relationships	12 110	17 850	29 960
Inventory	13 618	39 078	52 696
Trade and other			

receivables	46 121	64 941	111 062
Cash and cash equivalents	1 487	588	2 075
Assets	88 457	156 846	245 303
Borrowings	(1 762)	(51 250)	(53 012)
Trade and other payables	(38 163)	(77 102)	(115 265)
Current tax liabilities	(3 163)	(266)	(3 429)
Deferred tax liabilities	(6 537)	(8 306)	(14 843)
Provisions	(3 354)	(3 380)	(6 734)
Liabilities	(52 979)	(140 304)	(193 283)
Total identifiable net			
assets	35 478	16 542	52 020
Less: Non-controlling			
interest	(16 709)	–	(16 709)
Goodwill	1 231	18 965	20 196
Purchase consideration	20 000	35 507	55 507
Cash flow from acquisitions			
Total purchase			
consideration	20 000	35 507	55 507
Less: Cash and cash			
equivalents acquired	(1 487)	(588)	(2 075)
Less: Fair value of			
previously held interest	–	(35 507)	(35 507)

Total cash outflow/(inflow) from acquisitions	18 513	(588)	17 925

3. Events after the reporting date

Boutique Baths Proprietary Limited

On 1 April 2015 the Group acquired a 76% share in Boutique Baths Proprietary Limited (Boutique Baths), a manufacturer of free-standing, skirted and solid cast baths with matching basin sets, for a provisional cash consideration of R6,1 million. The cash consideration is dependent on Boutique Baths meeting certain targets as set out in the shareholders' agreement.

DISTRIBUTION AND WAREHOUSING NETWORK LIMITED

Registered office:

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Directors:

RL Hiemstra^ (Chairman), DA Tod (Chief Executive Officer), LM Alberts^, M Akoojee*,

JA Beukes, JAI Ferreira, GD Kotzee, S Mayet ^, DM Mncube ^, VJ Mokoena*, RD Roos

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Company secretary:

iThemba Governance and Statutory Solutions (Pty) Ltd

Transfer secretaries:

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