



D A W N
Distribution & Warehousing Network

UNAUDITED INTERIM RESULTS

**for the six months ended
30 September 2018**



D A W N

Distribution & Warehousing Network

(Incorporated in the Republic of South Africa)

(Registration number 1984/008265/06)

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

Alpha code: DAW

ISIN: ZAE000018834

E-mail: info@dawnltd.co.za

REGISTERED OFFICE:

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

DIRECTORS:

Theunis de Bruyn (chairman)*, Edwin Hewitt (chief executive officer),
Hanré Bester (financial director), Ms Nthabeleng Likosi ^, Dinga Mncube ^, Steve Naudé ^, George Nakos*

** Non-executive ^ Independent non-executive*

PREPARER:

Prepared by Tintswalo Mohlakoana (CA(SA)), group financial accountant, under the supervision of
Hanré Bester (CA(SA)), financial director

COMPANY SECRETARY:

Vanessa White (chief governance officer)

TRANSFER SECRETARIES:

Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
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SPONSOR:

Deloitte & Touche Sponsor Services (Pty) Ltd

www.dawnltd.co.za

GROUP STRUCTURE

Distribution and Warehousing Network Limited (“DAWN”), which is listed on the JSE (as “DAW”), distributes quality branded hardware, sanitaryware, plumbing, kitchen, engineering and civil products throughout South Africa and to selected countries in the sub-Saharan Africa. The group operates through two segments, namely trading and manufacturing. The trading segment markets a comprehensive range of products, sourced locally and from imports. The manufacturing segment produces mainly PVC and HDPE water reticulation, drainage pipe and fitting systems. A large range of customers are served through a national footprint of outlets under Wholesale Housing Supplies (“WHS”), (trading as WHD, Saffer and Stability), Incedon, DAWN Africa, DAWN Kitchen Fittings, Hamilton’s Brushware, DPI Plastics and Ubuntu Plastics. The structure below summarises the components of the group at 30 September 2018.



^ 51% shareholding

* Assets held-for-sale

LETTER FROM EDWIN HEWITT TO ALL STAKEHOLDERS

Over the past 14 months I have continually brought to stakeholders' attention the risk that the adverse economic environment imposes to the group's turnaround and prospects, both from a timing and implementation perspective. Since year-end, economic conditions have further deteriorated, and it is forecasted that the negative environment will prevail in the current financial year. Accordingly, in response to the continued decline in revenue as a consequence of the economic reality, the management team devised a further large-scale cost reduction plan, approved by the board of directors ("board"), in an endeavour to reposition the group for stability and recovery in line with its three-year turnaround plan.

The revised response measures resulted in the retrenchment and termination of employment of more than 700 employees and labour broker staff across the group since the beginning of the financial year. The terminations were as a result of a variety of standard business reasons, but the largest portion of the terminations was based on operational requirements and the trade unions were engaged throughout the process.

The high fixed costs and legacy issues remain an extensive burden on the group. We have continued to actively engage with landlords, infrastructure and support service providers over the period to re-engineer costs to more affordable levels. From a lease perspective, further agreements have been entered into terminating leases, sub-leasing unused properties and outsourcing excess warehouse capacity. IT and support service agreements were also renegotiated to lower levels with the support of the relevant service providers. In addition, my management team has continued to make progress with legacy issues such as the DPI Plastics and Sangio Competition Commission legal matter which was concluded in the group's favour.

Throughout H1 F2019, the management team and the board have continued to critically focus on liquidity management and exploring funding alternatives which has consumed a substantial portion of our time. The debtors-based funding facility of R140 million, provided by Absa Bank Limited, was successfully implemented and the overdraft of R100 million has been repaid. We have also actively engaged with credit insurers and suppliers to ensure adequate limits were allocated to the company. The support of these parties through a really challenging period is appreciated.

In addition to the initiatives at a group level, DAWN has continued implementing measures to refocus each subsidiary on its core competencies, as well as actively leverage synergies between the group's subsidiaries, particularly its largest subsidiaries.

Wholesale Housing Supplies ("WHS"), the main sanitaryware and hardware trading and distribution business in the group, was restructured further for improved accountability and processes re-engineered for simplicity. A core focus was consolidation of functions across the operating divisions.

However, in H1 F2019, WHS was once again severely impacted by supply inconsistencies partially due to our largest supplier performance and also due to inadequate trading facilities as a result of the group's challenged financial position. Access to adequate trading facilities and creditor terms are fundamental to the business model of WHS and therefore this limitation severely impacted on the results of the group.

From a service delivery perspective, WHS has been successful in significantly improving its performance to customers over the last six months through the realisation of benefits from previously implemented turnaround initiatives. DAWN Logistics has substantially improved its on-time and in-full delivery performance capability over the period. Inventory forward demand planning has shown immense progress with the only remaining limitations being the trading terms and financing facility elements. It is believed that WHS will continue to reap further benefits in terms of revenue and efficiencies as a result of this improved platform.

Inclledon, the group's specialist water infrastructure trading and solutions business, continued to focus on delivery in terms of its turnaround strategy, yielding positive results. The business has continued its focus on the mining, agriculture and engineering sectors and its presence in the growth areas of Bloemfontein, Polokwane, Rustenburg and Steelpoort. A core priority has been improving the effectiveness of its imports in order to yield improved margins. Inclledon was negatively affected by the seven-week ongoing strike in the plastics industry during October to December 2018 which impacted on the availability of PVC products, mainly pipe. The lack of access to funding for stock imports in H1 F2019 also severely affected the results for the six months, however I believe, with their current stock levels, Inclledon is poised for significant growth and profitability.

My management team and the board focused extensively on DPI, the group's pipe manufacturing business, during the reporting period. DPI's fundamental decline in sales performance, high levels of scrap and its prevailing high cost structure, driven to a large extent by its very outdated and inefficient machinery, have been major areas of concern. Furthermore, the cut-throat competitor activity, drove extremely low margins in the reporting period.

LETTER FROM EDWIN HEWITT

TO ALL STAKEHOLDERS continued

The process of curtailing costs in DPI was started in 2017 with the closure of the Cape Town manufacturing plant. This business has been facing dire market and operating conditions as a result of reduced government spending. Added to this, a crippling strike action, lasting seven weeks so far (the strike is still ongoing in the plastics industry), placed severe strain on the business and the group. As an initial response to these conditions and in an attempt to rescue the business, the DPI management reduced and refocused its capacity towards its core capability being the polyvinyl chloride (PVC) pipe and the building fittings market. The high-density polyethylene (HDPE) plant, which operated in an extremely competitive market, had to be closed during September 2018. DPI attempted to regain revenue by changing its route to market strategy through a collaboration with WHS, which provided a larger platform for the distribution of its products. Despite these actions, the business continued to be in a substantial loss-making position and consumed an unbearable level of the group's cash flow, placing the sustainability of the group as a whole at risk. As a result of the financial position, and with no other viable alternatives, management and the board decided to proceed with a closure process. Accordingly, DPI is classified as a discontinued operation and disclosures performed in terms of IFRS 5 are shown in the enclosed results.

At the group level, management has continued to closely monitor DAWN's performance, taking further corrective measures over the period, as required, in response to the group's declining financial and, specifically, its liquidity position. These measures included exploring and obtaining additional funding via trade financing, renegotiation of creditors terms, investigating new revenue sources, enhancing the import strategy, renegotiation of lease, infrastructure and support agreements, securing third party logistics contracts to fill excess warehousing and distribution capacity, enhanced consignment stock initiatives and a general focus on a more demand-based, higher margin and better service business model.

The above has positioned the group well for its turnaround but the lack of access to capital and ongoing cash flow challenges remain a significant threat to the group's sustainability over the interim period.

The cash received by the group through the rights issue and proceeds from the sale of assets was used to repay the group's existing debt and cover the transaction costs leaving little capital available to invest in the turnaround. Management has engaged extensively with various levels of financiers to obtain trade finance. Financiers have been hesitant to offer financing facilities to DAWN until the turnaround has been manifested, leaving the group with limited access to further financing alternatives.

As a result, the board duly and comprehensively investigated the options in light of the financial position of the group. These included exploring options to sell the group as a whole, disposing of entities in the group separately and, at a worst-case scenario, commencing with business rescue proceedings. The board's objective was to ensure the best outcome collectively for the key stakeholder groupings namely the group's shareholders, creditors, 1 250 employees as well as the 4 000 customers and 1 000 suppliers which rely on its continued existence.

The board had to consider the viability of implementing each of the alternatives within the context of the forward-looking solvency and liquidity position.

Offer for the acquisition of the group

Notwithstanding progress made with the turnaround strategy and the creation of a platform from which growth can emanate, DAWN continues to face liquidity constraints and, unless there is a material turnaround in the company in the near future, it faces a looming solvency risk.

As mentioned in previous communications, the core requirements for a successful DAWN turnaround include:

- » Revenue improvement, which is challenged by an overtraded market and underlying depressed economy;
- » Improved supplier agreements/terms, which could be optimised through further relationship building;
- » Access to capital/funding;
- » Continued improvement of DAWN's service levels (which has been largely achieved);
- » Ongoing operational efficiencies and optimisation (again this has been largely achieved); and
- » Further cost restructuring such as onerous leases and high IT costs amongst others (significant progress has already been made in this regard).

LETTER FROM EDWIN HEWITT

TO ALL STAKEHOLDERS continued

Against the background of having re-engineered the group for future growth as well as an understanding of the key importance of each of the above factors, DAWN received a firm offer from Polanofield (Pty) Ltd to acquire the entire issued share capital of DAWN by way of a scheme of arrangement for an aggregate cash consideration of R5,8 million, as disclosed in more detail in the SENS announcement published on 3 December 2018. Polanofield's share capital is owned by Derek Tod and Luis Baeta. Derek and Luis have extensive experience and expertise in the wholesale trading environment and offer a relationship differential that can strategically take DAWN forward from the base that has been created by DAWN's current management. Through long-standing relationships in the industry, these individuals are well positioned to negotiate more favourable supply agreements and tap into solid customer relationships stretching over more than 25 years. This could increase sales volumes and improve related discounts and rebates.

It was concluded by the board that the offer would facilitate the required revenue volume growth to cover the high cost base as well as further improvements to reduce the fixed cost base. It provides a reasonable prospect of success which cannot be achieved through the current structure or through implementing any of the options that the board has previously considered as viable alternatives. This option also has the support of DAWN's major shareholders through irrevocable undertakings and letters of support. The company's bankers, credit insurers and landlords have also shown their continued support throughout the transition process.

Results

The results for the half year have been split between continuing and discontinued operations. Continuing operations, contributing an attributable loss of R116 million, are mainly attributable to WHS, head office (no recovery of costs) and Incedon (to a lesser extent). The other entities performed either at a profit or breakeven. The discontinued operations of DPI contributed a loss of R116 million. The group results included R65 million of once-off costs comprising R11 million in continuing operations, including retrenchments in WHS and impairments of College of Production Technology. The balance of R54 million is in discontinued operations and include a reduction in inventory to realise stock for cash as well as scrap in excess of the norm generated, retrenchments, impairments of plant, lease settlements, site restorations and onerous lease provisions.

The cost reduction resulting from the retrenchment of staff in WHS will impact in the second half of the year from October 2018 and together with the proposed delisting, savings in head office costs as well as the proposed reduction in Germiston leases will save the group in excess of R80 million per year. The group's largest property will have a 30% reduction in rent, effective 1 March 2019, which will have a significant impact on the group's fixed cost base.

In view of the results disclosed later in this document, the current net asset value of 12,73 cents per share could further reduce due to the cyclical nature of DAWN's business with December and January being historically slow months.

Taking into consideration the abovementioned, the DAWN board of directors is of the opinion that the offer is the most suitable option for the group in the collective interests of DAWN's stakeholders. As a result of its reduced size, DAWN is no longer deemed suitable for listing, combined with the burden of listing fees and the associated costs of being a listed entity outweighing any benefits that being listed have, or could bring, in the foreseeable future. On implementation of the scheme, the DAWN shares will therefore be delisted from the main board of the Johannesburg Stock Exchange.

As outlined above, we have been actively addressing the group's challenges through appropriate remedial actions. Bearing in mind that this was only year one of a three-year turnaround, the group has worked actively to position DAWN for the next phase of turnaround. For these actions, I thank my management team and all my colleagues at DAWN for their dedication to resiliently and tirelessly address the challenges we faced and for their time invested in the future of DAWN. I thank our bank, Absa, for their support during difficult times. Our creditors' and credit insurers' backing are greatly valued. I also thank the chairman and board for their expertise and sound advice as well as our shareholders for their support.

Regards

Edwin Hewitt
Chief executive officer

7 December 2018

RESULTS COMMENTARY

for the six months ended 30 September 2018

FINANCIAL REVIEW

Income statement

Revenue for the six months to 30 September 2018 declined by 21% to R1,4 billion (H1 F2018: R1,7 billion). The decline was due to continued subdued economic conditions and a competitive market in H1 F2019. The business was also negatively affected by supply disruptions due to lack of liquidity and reduced creditor funding.

As a result of the decline in revenue, the operational loss (before impairments and derecognitions) worsened from R27,1 million to R109,5 million compared to H1 2018 and R168,0 million at the 2018 year-end.

Against this, the group's continued focus on cost control, which commenced in 2016, resulted in a pleasing decline in operating expenses. It should be noted that the current year operating expenses included the retrenchment and restructuring costs. However, due to the reduction in revenue levels, expenses as a proportion of revenue increased from 24,2% in H1 F2018 to 30,4% in H1 F2019. The benefit of lower costs post retrenchments is expected to materialise in the third quarter of the financial year.

Impairments and derecognitions amounted to a net R0,8 million, comprising impairments of R4,4 million and profit from derecognitions of R5,3 million.

Income from associates and joint ventures reduced from a profit of R1,7 million in H1 F2018 to a profit of R0,09 million in H1 F2019.

Most businesses are not in a tax expense position. The group's effective tax rate, therefore, moved from 31,1% in H1 F2018 to -2,8% in H1 F2019.

The loss from discontinued operations, relating to DPI Plastics, amounted to R115,9 million in H1 F2019 compared to R65,2 million in H1 F2018 which included a loss of R62,0 million for GDW and R3,2 million for DPI Plastics.

Non-controlling interest expense included Ubuntu Plastics of R0,3 million in H1 F2019 compared to R6,4 million in H1 F2018. The prior year comparative period included Swan Plastics, which has been disposed of in the prior year, as well as Hamilton's Brushware, where the group acquired the non-controlling interest.

As a result of sustained losses, the group's attributable loss worsened by 109% to R232,5 million compared to R111,4 million in H1 F2018.

Statement of financial position

Property, plant and equipment and intangible assets (mainly computer software) reduced from R276,3 million to R60,3 million due to impairments at the end of F2018 and the reclassification of property, plant and equipment of DPI Plastics to assets of disposal group classified as held-for-sale.

Net working capital days at the reporting date were 40 days and comprised debtor days of 39 days and inventory days of 57 days, offset by creditor days of 56 days. Despite challenging economic conditions, debtors days improved following an increased focus on collection and the additional focus brought about by the invoice discounting facility. The inventory composition is healthier and more current than in H1 F2018. Extended terms were arranged with some of the major creditors leading to an increase in creditor days.

Accounts receivable days remained at 39 days despite a tough economy. Creditor days reflect the current liquidity position. Inventory for the group including the disposal group reduced by R63 million compared to H1 F2018.

The group's net debt reduced from R169,3 million in H1 F2018 to R77,3 million at the reporting date. The H1 F2018 results recorded debt facilities of R200 million, which reduced to R140 million in H1 F2019.

Net gearing deteriorated from 26,5% at the end of H1 F2018 to 94,7% at the end of H1 F2019, due to losses which reduced the equity value to R81,5 million from R638,6 million in H1 2018.

The group's net asset value decreased by 87,3% to 12,73 cents per share at 30 September 2018 compared to 100,27 cents per share at 30 September 2017. Tangible net asset value decreased by 85,8% to 12,73 cents per share at 30 September 2018 compared to 89,88 cents per share at 30 September 2017.

for the six months ended 30 September 2018

Statement of cash flows

Cash utilised in operations was R43,8 million in H1 F2019 compared to an amount of R75,4 million utilised in H1 2018. This was as a result of trading losses, where cash utilised in operating activities before working capital changes was R210,7 million compared to R8,7 million in the previous comparative period. Inflows from working capital amounted to R166,9 million. Net finance charges and taxation paid amounted to outflows of R11,4 million, giving rise to a cash utilisation from operating activities of R55,2 million. Investing and net finance activities resulted in an inflow of R82,1 million, mainly relating to the overdraft facility which was included in cash/overdraft in H1 F2018. The overdraft was exchanged for a new debtors financing facility now classified under short-term borrowings. Investing activities include the proceeds from the disposal of Namibia Plastic Converters of R24,3 million and an outflow from capital expenditure of R24,5 million generated out of working capital.

SIGNIFICANT CORPORATE ACTIVITY

Namibia Plastic Converters Proprietary Limited

During the reporting period, the group disposed of the assets (mainly plant and equipment) of Namibia Plastic Converters Proprietary Limited (NPC) and its wholly-owned subsidiary, Franmore Investments Proprietary Limited, for a consideration of R24,3 million, effective May 2018. The Namibian Competition Commission approved the proposed transaction on 17 April 2018. A gain of R5,3 million was realised on the transaction.

COMPETITION COMMISSION MATTER

DAWN appealed the Competition Tribunal's decision handed down in respect of an allegation of market allocation arrangement affecting DAWN Consolidated Holdings, DPI Plastics and Sangio Pipe. On 4 May 2018, judgement was handed down in the Competition Appeal Court. The court upheld DAWN's appeal and set aside the decision of the Tribunal, dismissing the complaint with costs. On 25 May 2018, DAWN received notification that the Competition Commission had applied to the Constitutional Court for leave to appeal against the decision of the Competition Appeal Court. In an order dated 29 October 2018, the Constitutional Court dismissed the Competition Commission's application for leave to appeal against the decision of the Competition Appeal Court, with costs.

RECLASSIFICATIONS

Reclassifications were required in respect of the disposal group, Grohe DAWN Watertech, as well as in respect of DPI Plastics, the discontinued operation, both disclosed as assets and liabilities of disposal group held-for-sale.

PROSPECTS

As outlined in the CEO's letter, the board and management remain committed to ensuring a future for the group.

Shareholders are referred to the announcement published on SENS on 3 December 2018, where they were advised that Polanofield (Pty) Ltd made a firm intention offer to acquire all of the issued shares of DAWN. The board believes that the offer received from Polanofield provides a strategic differentiator which can bring solvency, increased revenue and volume growth to cover its cost base and further improvements to reduce the fixed cost base.

The offer has the support of major shareholders through irrevocable undertakings and letters of support. The company's bankers, credit insurers and landlords have also shown their continued support.

The salient dates pertaining to the scheme will be released on SENS and published in the press at the time of distribution of the circular, which is to be distributed to DAWN shareholders on or about 20 December 2018.

The going concern assessment is included in this condensed consolidated interim financial results.

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

RESULTS COMMENTARY continued

for the six months ended 30 September 2018

CHANGES TO THE BOARD OF DIRECTORS

During the period under review:

- » Steve Naudé was appointed as an independent non-executive director of the board and member of the audit and risk on 1 August 2018.
- » Ms René Roos, executive director and chief of staff, participated in a voluntary retrenchment process being undertaken by the company. Her resignation from the board came into effect on 31 October 2018.
- » As part of the head office changes, Chris Booyens, the financial director of DAWN, retired from the company on 31 August 2018.
- » Hanré Bester, the group financial manager and previous acting chief financial officer, was appointed as financial director with effect from 1 September 2018.

After the reporting date:

- » Charles Boles, the lead independent non-executive director, resigned from the board with effect from 22 October 2018.
- » Dinga Mncube was appointed as lead independent non-executive director on 13 November 2018.
- » Martin Mota was appointed as independent non-executive director with effect from 13 November 2018. He resigned from the board with effect from 15 November 2018.
- » Ms Nthabeleng Likotsi was appointed as an independent non-executive director of DAWN effective 27 November 2018.
- » Hanré Bester, the DAWN financial director has resigned with effect from 31 January 2019, but will stay on as a non-executive director until 28 February 2019.

EVENTS AFTER THE REPORTING DATE

Refer to note 5.

DIVIDEND

No dividend has been proposed or declared.

For and on behalf of the board of directors

Theunis de Bruyn
Non-executive chairman

Edwin Hewitt
Chief executive officer

Hanré Bester
Financial director

Germiston
7 December 2018

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 September 2018

	Unaudited 6 months ended 30 September 2018 R'000	Restated* Unaudited 6 months ended 30 September 2017 R'000	Restated* Unaudited 12 months ended 31 March 2018 R'000
Continued operations			
Revenue	1 359 176	1 717 396	3 087 210
Cost of sales	(1 055 760)	(1 329 122)	(2 411 365)
Gross profit	303 416	388 274	675 845
Net operating expenses before derecognition of investments and impairments	(412 929)	(415 349)	(843 774)
Operating loss before derecognition of investments and impairments	(109 513)	(27 075)	(167 929)
Net gain on derecognition of subsidiaries and associates	5 335	12 615	25 178
Impairments	(4 460)	(1 370)	(54 224)
Operating loss	(108 638)	(15 830)	(196 975)
Finance income	1 273	1 395	3 118
Finance expense	(12 513)	(17 138)	(32 748)
Loss after net financing costs	(119 878)	(31 573)	(226 605)
Share of profit in investments accounted for using the equity method	90	1 669	5 488
Loss before taxation	(119 788)	(29 904)	(221 117)
Income tax (income)/expense	3 467	(9 847)	(10 816)
Loss from continuing operations	(116 321)	(39 751)	(231 933)
Loss from discontinued operations	(115 873)	(65 229)	(194 529)
Loss for the period	(232 194)	(104 980)	(426 462)
<i>Loss attributable to:</i>			–
Owners of the parent	(232 522)	(111 386)	(431 967)
Non-controlling interest	328	6 406	5 505
Loss for the period	(232 194)	(104 980)	(426 462)
Loss per share (cents)	(39,63)	(19,45)	(74,51)
Loss per share from continuing operations	(19,88)	(8,06)	(40,95)
Loss per share from discontinued operations	(19,75)	(11,39)	(33,56)
Diluted loss per share (cents)	(39,63)	(19,45)	(74,51)
Loss per share from continuing operations	(19,88)	(8,06)	(40,95)
Loss per share from discontinued operations	(19,75)	(11,39)	(33,56)

* Restatement relates to the reclassification of DPI Plastics as an asset held-for-sale (refer note 2).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2018

	Unaudited 6 months ended 30 September 2018 R'000	Restated* Unaudited 6 months ended 30 September 2017 R'000	Restated* Unaudited 12 months ended 31 March 2018 R'000
Loss for the period	(232 194)	(104 980)	(426 462)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
– Effects of retirement benefit obligations	–	–	82
– Taxation related to components	–	–	(23)
	–	–	59
Items that may be subsequently reclassified to profit or loss:			
– Exchange differences recycled through the income statement	–	(2 479)	(2 479)
– Exchange differences on translating foreign operations	772	(1 299)	(1 229)
– Cash flow hedging reserve	–	165	(1 084)
– Tax-related components	(93)	(46)	320
	679	(3 659)	(4 472)
Total other comprehensive (loss)/income	679	(3 659)	(4 413)
Total comprehensive loss	(231 515)	(108 639)	(430 875)
Total comprehensive (loss)/income attributable to:			
Owners of the parent	(231 843)	(115 045)	(436 380)
Non-controlling interest	328	6 406	5 505
	(231 515)	(108 639)	(430 875)
Total comprehensive (loss)/income attributable to equity holders arising from:			
Continuing operations	(115 642)	(43 409)	(236 347)
Discontinued operations	(115 873)	(65 230)	(194 528)
	(231 515)	(108 639)	(430 875)
Included above:			
Depreciation and amortisation	9 281	25 256	46 948
Operating lease rentals	39 725	42 849	81 724

* Restatement relates to the reclassification of DPI Plastics as an asset held-for-sale (refer note 2).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2018

	Unaudited 30 September 2018 R'000	Unaudited 30 September 2017 R'000	Audited 31 March 2018 R'000
ASSETS			
Non-current assets	62 154	346 054	85 952
Property, plant and equipment	60 381	215 368	79 103
Intangible assets	–	60 952	–
Investments in associates and joint ventures	1 000	5 982	5 756
Deferred tax assets	773	63 752	1 093
Current assets	835 004	1 282 292	1 107 933
Inventories	375 504	518 805	478 040
Trade and other receivables	419 219	656 998	515 145
Cash and cash equivalents	37 511	98 335	113 960
Derivative financial instruments	164	1 472	–
Current tax assets	2 606	6 682	788
Assets of disposal group classified as held-for-sale	147 380	271 328	28 380
Total assets	1 044 538	1 899 674	1 222 265
EQUITY AND LIABILITIES			
Equity			
Capital and reserves	81 550	638 609	313 065
Equity attributable to equity holders of the company	74 706	588 344	306 556
Non-controlling interest	6 844	50 265	6 509
Non-current liabilities	119 875	282 898	148 950
Borrowings	10 979	53 976	23 768
Derivative financial instruments	–	72 217	–
Deferred profit	20 761	26 087	23 422
Deferred tax liabilities	2 502	19 803	2 543
Retirement benefit obligation	–	5 066	4 895
Share-based payment liabilities	–	6 298	–
Operating lease liabilities	85 633	99 451	94 322
Current liabilities	679 975	978 167	754 554
Trade and other payables	540 542	739 762	608 403
Borrowings	107 444	128 213	25 010
Operating lease liabilities	11 182	7 503	9 606
Derivative financial instruments	14 107	192	4 223
Bank overdraft	–	90 321	94 342
Deferred profit	5 327	5 327	5 327
Current tax liabilities	1 373	6 849	7 643
Liabilities of disposal group classified as held-for-sale	163 138	–	5 696
Total liabilities	962 988	1 261 065	909 200
Total equity and liabilities	1 044 538	1 899 674	1 222 265

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2018

	Unaudited 6 months ended 30 September 2018 R'000	Unaudited 6 months ended 30 September 2017 R'000	Audited 12 months ended 31 March 2018 R'000
Balance at beginning of the period	313 065	423 122	394 676
Total loss for the period	(232 194)	(104 980)	(426 462)
Other comprehensive profit/(loss)	679	(3 659)	(4 413)
Rights issue proceeds	–	338 615	338 615
Changes in ownership interest – control not lost	–	(3 455)	–
Transactions with non-controlling interest	–	(4 672)	(6 000)
Share-based payment charge and vesting of options	–	1 786	(2 994)
Treasury shares acquired and delivered	–	(8 148)	(8 148)
Put option released through sale of Swan Plastics	–	–	72 217
Derecognition through disposal of subsidiaries	–	–	(44 420)
Dividends paid to non-controlling interest holders	–	–	(6)
Balance at end of period	81 550	638 609	313 065

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2018

	Unaudited 6 months ended 30 September 2018 R'000	Unaudited 6 months ended 30 September 2017 R'000	Audited 12 months ended 31 March 2018 R'000
Cash flows from operating activities			
Cash utilised in operations	(43 831)	(75 390)	(265 361)
Finance income received	1 502	1 563	3 230
Finance expense paid	(10 439)	(25 439)	(43 461)
Income tax paid	(2 447)	(8 694)	(15 393)
Net cash utilised in operating activities	(55 215)	(107 960)	(320 985)
Cash flows from investing activities			
Additions to property, plant and equipment	(23 685)	(914)	(20 736)
Additions and development of intangible assets	–	(2 009)	(2 975)
Proceeds on disposal of property, plant and equipment	344	7 641	11 429
Proceeds on disposal of interest in associate – Fibrex	–	10 456	10 456
Dividends received from associates/joint ventures – College of Production Technology	329	–	600
Proceeds from disposal of investment in Namibia Plastic converters	24 361	–	–
Proceeds from disposal of investment in Boutique Baths	–	3 000	3 000
Proceeds from disposal of investment in Swan Plastics	–	–	35 000
Proceeds from disposal of Grohe DAWN Watertech	–	–	324 500
Net cash generated by investing activities	1 349	18 174	361 274
Cash flows from financing activities			
Proceeds from borrowings	95 309	–	–
Proceeds from rights offer	–	358 130	358 130
Costs associated with rights offer	–	(19 514)	(19 514)
Repayment of bridging finance facility – Investec	–	(200 000)	(200 000)
Repayment of borrowings	(5 712)	(4 734)	(4 578)
Repayment of Absa facility	–	(75 000)	(175 000)
Repayment of trade finance facilities	–	(31 958)	(31 958)
Instalment sale payments	(859)	(6 605)	(10 469)
Finance lease payments	(8 003)	(16 104)	(15 163)
Dividends paid to non-controlling interest holders	–	–	(6)
Treasury shares acquired	–	(8 148)	(8 148)
Acquisition of non-controlling interest	–	(6 000)	(6 000)
Net cash generated from/(utilised in) financing activities	80 735	(9 933)	(112 706)
Total cash movement for the period	26 869	(99 719)	(72 417)
Translation effects on foreign cash and cash equivalents balances	(354)	(960)	(195)
Cash and cash equivalents derecognised on disposal of subsidiaries	–	–	(16 463)
Cash and cash equivalents derecognised in held-for-sale group	(8 622)	–	–
Cash and cash equivalents at beginning of the period	19 618	108 693	108 693
Cash and cash equivalents at end of the period	37 511	8 014	19 618

ADDITIONAL DISCLOSURE

	% change	Unaudited 6 months ended 30 September 2018 R'000	Unaudited 6 months ended 30 September 2017 R'000	Audited 12 months ended 31 March 2018 R'000
DETERMINATION OF HEADLINE EARNINGS				
Attributable earnings		(232 522)	(111 386)	(431 967)
<i>Adjustment for the after-tax and non-controlling interest effect of:</i>				
Net profit on disposal of property, plant and equipment		(136)	(3 399)	(7 433)
Impairment of intangible assets		–	–	50 527
Impairment of property, plant and equipment		6 101	3 349	81 891
Impairment of available-for-sale assets		–	43 961	–
Impairment of other assets – Investment in College of Production Technology		4 517	–	–
Impairment of other assets		2 143	1 377	–
Loss from disposal of discontinued operation		–	–	44 206
Tax effect on disposal of property, plant and equipment and impairment of intangible assets (trademarks)		19	64	(34)
Non-controlling interest		20	34	58
Net profit on derecognition of previously held interest		(5 335)	(12 615)	(25 178)
Headline earnings		(225 193)	(78 615)	(287 930)
Statistics				
Number of ordinary shares ('000)				
– in issue		600 372	600 372	600 372
– held in treasury		(13 629)	(13 629)	(13 629)
Number of shares for net asset value calculation ('000)		586 743	586 743	586 743
Weighted average number of shares ('000)				
– for earnings per share		586 743	572 713	579 709
– for diluted earnings per share		586 743	572 713	579 709
Earnings per share (cents)	(104)	(39,63)	(19,45)	(74,51)
Headline earnings per share (cents)	(180)	(38,38)	(13,73)	(49,67)
Diluted earnings per share (cents)	(104)	(39,63)	(19,45)	(74,51)
Diluted headline earnings per share (cents)	(180)	(38,38)	(13,73)	(49,67)
Operating profit (%)		(7,99)	(0,92)	(6,38)

	% change	Unaudited 30 September 2018 R'000	Unaudited 30 September 2017 R'000	Audited 31 March 2018 R'000
FUTURE COMMITMENTS				
Capital commitments		3 562	6 940	15 468
Operating leases		464 608	543 766	539 574
Net cash (including discontinued operations)		46 133	8 014	19 618
Net debt (including discontinued operations)		(77 253)	(169 335)	(24 404)
Value per share				
Asset value per share				
– net asset value (cents)	(87)	12,73	100,27	52,88
– net tangible asset value (cents)	(86)	12,73	89,88	52,88
– market price (cents)		9,00	112,00	78,00
Market capitalisation (R'000)		54 034	672 417	468 291
Financial gearing ratio (%) ^		94,7	26,50	7,80
Current asset ratio (times)		1,2	1,3	1,5

^ Includes cash and cash equivalents

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

for the six months ended 30 September 2018

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

	Trading R'000	Manu- facturing R'000	Head office and other reconciling items ⁽¹⁾ R'000	Total R'000	Discon- tinued operations R'000	Total R'000
6 months – 30 September 2018 (Unaudited)						
Revenue	1 301 338	380 501	(86 454)	1 595 385	(236 209)	1 359 176
Depreciation and amortisation	(6 880)	(1 888)	(515)	(9 283)	1 017	(8 266)
Operating (loss)/profit before impairments and derecognition and re-recognition of investments	(71 247)	(115 274)	(30 735)	(217 256)	107 743	(109 513)
Impairments and derecognition	–	(2 966)	(4 460)	(7 426)	8 301	875
Operating loss after impairments and derecognitions and re-recognition of investments	(71 247)	(118 240)	(35 195)	(224 682)	116 044	(108 638)
Net finance (expense)/income	(7 507)	(5 397)	1 835	(11 069)	(171)	(11 240)
Share of profit from associates and joint ventures	–	–	90	90	–	90
Tax expense/(income)	(156)	(290)	3 913	3 467	–	3 467
Net loss after tax from continuing operations	(78 910)	(123 927)	(29 357)	(232 194)	115 873	(116 321)
Net loss after tax from discontinued operations	–	(115 873)	115 873	–	(115 873)	(115 873)
Net loss after tax	(78 910)	(239 800)	86 516	(232 194)	–	(232 194)
Assets	753 053	223 689	67 796	1 044 538	(147 380)	897 158
Liabilities	757 637	305 213	(99 862)	962 988	(163 138)	799 850
Capital expenditure ⁽²⁾	5 390	19 082	29	24 501	(17 707)	6 794
6 months – 30 September 2017 (Unaudited)						
Revenue	1 507 938	622 179	(202 492)	1 927 625	(210 229)	1 717 396
Depreciation and amortisation	(8 408)	(12 758)	(4 090)	(25 256)	–	(25 256)
Operating loss before impairments and derecognition and re-recognition of investments	(5 640)	(64 996)	(18 111)	(88 747)	61 672	(27 075)
Impairments and derecognition	–	8 216	(320)	7 896	3 349	11 245
Operating loss after impairments and derecognitions and re-recognition of investments	(5 640)	(56 780)	(18 431)	(80 851)	65 021	(15 830)
Net finance (expense)/income	(23 958)	(13 643)	21 703	(15 898)	155	(15 743)
Share of profit from associates and joint ventures	–	1 376	293	1 669	–	1 669
Tax expense/(income)	(2 259)	(3 918)	(3 733)	(9 910)	53	(9 857)
Net loss after tax from continuing operations	(31 857)	(72 955)	(168)	(104 980)	65 229	(39 751)
Net loss after tax from discontinued operations	–	65 229	(65 229)	–	(65 229)	(65 229)
Net loss after tax	(31 857)	(7 726)	(65 397)	(104 980)	–	(104 980)
Assets	1 159 551	88 771	651 352	1 899 674	–	1 899 674
Liabilities	1 214 727	569 279	(522 941)	1 261 065	–	1 261 065
Capital expenditure ⁽²⁾	8 372	13 100	157	21 629	–	21 629
12 months ended 31 March 2018 (Audited)						
Revenue	2 799 482	977 163	(298 019)	3 478 626	(391 416)	3 087 210
Depreciation and amortisation	(16 060)	(22 693)	(8 196)	(46 949)	15 040	(31 909)
Operating loss before impairments and derecognition and re-recognition of investments	(97 418)	(86 189)	(37 069)	(220 676)	52 747	(167 929)
Impairments and derecognition	(2 720)	(70 333)	(34 187)	(107 240)	78 194	(29 046)
Operating loss after impairments and derecognitions and re-recognition of investments	(100 138)	(156 522)	(71 256)	(327 916)	130 941	(196 975)
Net finance (expense)/income	(50 658)	(24 751)	44 851	(30 558)	928	(29 630)
Share of (losses)/profit from associates and joint ventures	–	4 822	666	5 488	–	5 488
Tax expense/(income)	(69 524)	(67 010)	63 058	(73 476)	62 660	(10 816)
Net loss after tax from continuing operations	(220 320)	(243 461)	37 319	(426 462)	194 529	(231 933)
Net loss after tax from discontinued operations	–	194 529	(194 529)	–	(194 529)	(194 529)
Net loss after tax	(220 320)	48 932	(157 210)	(426 462)	–	(426 462)
Assets	809 371	292 701	120 194	1 222 266	–	1 222 266
Liabilities	733 119	251 037	(74 957)	909 199	–	909 199
Capital expenditure ⁽²⁾	10 135	21 165	326	31 626	–	31 626

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

⁽²⁾ Includes expenditure on property, plant and equipment and intangibles.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 September 2018 was approved by the board on 4 December 2018.

The interim condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited's (JSE) requirements for interim financial statements and the requirements of the Companies Act applicable to interim financial statements. The JSE requires interim financial statements to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS) as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and must also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the interim condensed consolidated financial statements are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the consolidated annual financial statements for the year ended 31 March 2018.

The preparation of the interim condensed consolidated financial statements by Tintswalo Mohlakoana (CA(SA)), group financial accountant, has been supervised by the financial director, Hanré Bester (CA(SA)).

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

Going concern assessment

In determining the appropriate basis of preparation of the interim financial statements, the directors are required to consider whether the group can continue to operate as a going concern for the foreseeable future, which is for the 12 months following the date on which the interim financial statements are signed.

DAWN posted losses for the six months ended 30 September 2017 and for the year ended 31 March 2018 of R111,4 million and R432,0 million respectively, and for the period ended 30 September 2018, DAWN reported an attributable loss of R232,5 million.

Management has performed an assessment of DAWN's ability to continue as a going concern.

In this regard –

- (1) Management prepared cash flows for each of the subsidiaries and the corporate head office. These were subjected to sensitivity tests and included the estimated intra-month peak funding requirements. The cash flow forecasts were compared to available facilities.
- (2) The board considered the business' ability to meet its financial obligations as and when they fall due for the 12 months following the approval of the interim financial statements. This analysis considered –
 - a. the current challenging market conditions, which are negatively affecting the performance of the DAWN group;
 - b. the ability of management's turnaround plan to be executed in the required manner and timing, including the realisation of further cost reductions and optimisation of working capital;
 - c. available options for the further disposal of investments and other assets; and
 - d. alternative strategic options including the injection of capital by financiers and investors.

Whilst management has relentlessly executed its turnaround plans and aggressively reduced costs, including large scale retrenchments with a resultant positive cash flow impact, it remains exposed to subdued market conditions and a high fixed and legacy cost structure which is not aligned to current activity and revenue levels. The resultant losses have impacted the group's solvency negatively.

Liquidity was impacted positively by the invoice discounting facility as well as support from creditors and suppliers through the reported period. Liquidity constraints, however, continue to persist due to inadequate capital funding, and reduced negotiating power as a result thereof. Subsequent to year-end, a further R25 million was made available through the existing invoice discounting facility (see Events after the reporting period note).

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS continued

1. BASIS OF PREPARATION continued

Other strategic options, such as disposal of investments, require time and liquidity to implement successfully and the board is of the view that this cannot be realised timeously with the remaining solvency and liquidity levels.

There is insufficient time and capital available to fully realise the benefits of management's turnaround plans in the context of a slow economic recovery or a further deterioration in the economic outlook of South Africa.

The factors outlined above thus present a material risk to DAWN remaining as a going concern.

Management refers to the offer by Polanofield Proprietary Limited to acquire all of the issued shares of DAWN pursuant to a scheme of arrangement ("Offer"). On the basis that management views the Offer to be able to be successfully implemented timeously in accordance with its terms (as a result of minimal conditions other than regulatory conditions and the provision of a bridge), management is of the view that the resultant business post implementation of the Offer, with its enhanced business plan as developed by the offeror, will present a value-enhancing option for all stakeholders and one which preserves the going concern nature of the business for the benefit of the group's employees, suppliers and customers.

As a condition to the posting of the circular in the Offer, a bridge of R25 million was required. Absa provided a facility of R25 million in the context of the Offer (see Events after the reporting period note). The bridge is intended to cover liquidity constraints until the implementation date of the Offer. In addition, it is believed that a delisting from the Johannesburg Stock Exchange will benefit DAWN both from a cost-saving and operational focus perspective.

At 30 September 2018, DAWN's assets, fairly valued, exceeded its liabilities, fairly valued. The forecast to December 2019 also projects that the group will be solvent, only if the Offer is implemented on the basis of the enhanced business plan being met. The benefits of the Offer include an enhanced revenue capability as a result of improved trading due to supply agreements being implemented with improved terms or improved volumes, further reduced costs and capital investment.

Accordingly, based on the assumptions used in the forecasts, the Offer being timeously implemented and the enhanced business plan being achieved whilst the funding facilities remain intact, the directors are reasonably of the opinion that the group would be able to continue to operate as a going concern for the foreseeable future, which is for the 12 months following the date on which the interim financial statements are signed.

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

2. DISPOSAL GROUP AND OTHER ASSETS HELD-FOR-SALE

2018

DAWN disposed of its investment in Grohe DAWN Watertech (GDW) as at 19 December 2017 for a consideration of R324,5 million, which consisted of R293,1 million of investment and R31,4 million of loans.

The GDW group has been treated as an assets held-for-sale since July 2017, and has subsequently, on 21 December 2017, been derecognised as such.

2019

The board of directors of DAWN noted that by 30 September 2018 "DPI had become a non-viable business" and that Edwin Hewitt, the chief executive officer of DAWN, be mandated to investigate the necessary measures to potentially wind up the business of DPI Plastics.

Cash flow of disposal group	DPI Plastics		
	30 Sep 2018 R'000	30 Sep 2017 R'000	31 Mar 2018 R'000
Operating cash flows	(68 512)	(20 495)	(54 961)
Investing cash flows	(15 707)	(3 674)	(17 401)
Financing cash flows	74 638	48 454	90 564
Total cash flows	(9 581)	24 285	18 202

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS continued

2. DISPOSAL GROUP AND OTHER ASSETS HELD-FOR-SALE continued

	Grohe DAWN Watertech			DPI Plastics			DPI Simba		DPI Fleet	NPC
	30 Sep 2018 R'000	30 Sep 2017 R'000	31 Mar 2018 R'000	30 Sep 2018 R'000	30 Sep 2017 R'000	31 Mar 2018 R'000	30 Sep 2018 R'000	31 Mar 2018 R'000	31 Mar 2018 R'000	31 Mar 2018 R'000
(a) <i>Assets of disposal group classified as held-for-sale</i>										
Property, plant and equipment	-	-	-	27 574	-	-	-	-	4 200	16 478
Intangible assets	-	-	-	-	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-	-	-	-	-
Investment in associate	-	271 328	-	-	-	-	-	-	-	-
Investment in joint venture	-	-	-	-	-	-	4 633	4 323	-	-
Inventory	-	-	-	55 695	-	-	-	-	-	3 208
Cash and cash equivalents	-	-	-	8 622	-	-	-	-	-	88
Other current assets	-	-	-	50 856	-	-	-	-	-	83
Total	-	271 328	-	142 747	-	-	4 633	4 323	4 200	19 857
(b) <i>Liabilities of disposal group classified as held-for-sale</i>										
Non-current liabilities	-	-	-	9 630	-	-	-	-	-	4 221
Trade and other payables	-	-	-	144 620	-	-	-	-	-	88
Other current liabilities	-	-	-	8 888	-	-	-	-	-	1 387
Total	-	-	-	163 138	-	-	-	-	-	5 696
An analysis of the result of discontinued operations, and the result recognised on the re-measurement of assets or disposal group, is as follows:										
Revenue	-	-	-	236 209	210 229	391 416				
Net operating expenses	-	(62 313)	1 882	(352 253)	(212 937)	(524 238)				
Operating loss of discontinued operations	-	(62 313)	1 882	(116 044)	(2 708)	(132 822)				
Net financing costs	-	191	1 693	171	(346)	(2 621)				
Loss/(profit) before tax of discontinued operations	-	(62 122)	3 575	(115 873)	(3 054)	(135 443)				
Income tax expense	-	(53)	(65 612)	-	-	2 952				
Loss after tax of discontinued operations	-	(62 175)	(62 037)	(115 873)	(3 054)	(132 491)				
<i>Attributable to:</i>										
Owners of the parent	-	(62 175)	(62 037)	(115 873)	(3 054)	(132 491)				
Non-controlling interests	-	-	-	-	-	-				
	-	(62 175)	(62 037)	(115 873)	(3 054)	(132 491)				

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

continued

3. NET GAIN ON DERECOGNITION OF INVESTMENT IN ASSOCIATES AND SUBSIDIARIES

		Date of derecognition	30 September 2018 R'000
Carrying amount of net asset value			14 569
Gain on the derecognition of associates, joint ventures and subsidiaries			5 335
Net gain on derecognition of investment in Namibia Plastic Converters Proprietary Limited (NPC)	Subsidiary	April 2018	5 335

4. CONTINGENCIES

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

Competition Commission matter

On 23 March 2017, the Competition Tribunal ("the Tribunal") handed down a decision in which it determined that DAWN Consolidated Holdings Proprietary Limited ("DCH"), a subsidiary of DAWN, through the wholly-owned subsidiary DPI Plastics Proprietary Limited of DCH, engaged in a market allocation arrangement with Sangio Pipe Proprietary Limited ("Sangio"), in which DCH had a 49% interest at the time.

DAWN appealed the Competition Tribunal's decision handed down in respect of an allegation of market allocation arrangement affecting DAWN Consolidated Holdings, DPI Plastics and Sangio Pipe.

On 4 May 2018, judgment was handed down in the Competition Appeal Court. The court upheld DAWN's appeal and set aside the decision of the Tribunal, dismissing the complaint with costs. On 25 May 2018, DAWN received notification that the Competition Commission had applied to the Constitutional Court for leave to appeal against the decision of the Competition Appeal Court.

As published on SENS on 5 November 2018, DAWN shareholders were advised that the Constitutional Court has, in an order dated 29 October 2018, dismissed the Competition Commission's application for leave to appeal against the decision of the Competition Appeal Court, with costs.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS continued

5. EVENTS AFTER THE REPORTING DATE

Changes to the board of directors

Subsequent to the reporting date the following changes in the board of directors occurred:

- » Charles Boles, the lead independent non-executive director of DAWN, resigned as a director with effect from 22 October 2018.
- » Martin Mota was appointed as independent non-executive director with effect from 13 November 2018. He resigned from the board with effect from 15 November 2018.
- » Ms Nthabeleng Likotsi was appointed as an independent non-executive director of DAWN effective 27 November 2018.
- » Hanré Bester, the DAWN financial director has resigned with effect from 31 January 2019, but will stay on as a non-executive director until 28 February 2019.

Borrowings – Invoice Discounting (Debtors) Facility and Bridging Finance

During July 2018, the ABSA overdraft facility of R100 million was repaid and replaced by an ABSA Invoice Discounting Facility, subject to standard terms, to the value of R140 million. This facility is secured by a cession of insured book debtors as well as further security in the form of guarantees and notarial bonds. There are no financial covenants applicable to the facility.

Subsequent to the reporting period in October 2018, an additional R25 million was provided by ABSA under the Invoice Discounting Facility, subject to enhanced security provided.

In lieu of the offer received by the group for the purchase of the share capital of the listed entity, the group received subsequent to the reporting period, a further R25 million bridge financing facility under the Invoice Discounting Facility from ABSA, subject to certain conditions being met, including maintaining a debtors cover ratio of 1,7 times, realisation of the offer, achievement of the cash flow forecasts presented as well as additional security provided. The bridge's repayment due date is the earlier of the date of cancellation or failure (if applicable) of the offer or 31 March 2019. At the time of this announcement ABSA is in the process of finalising the formal facility letter. The expectation is that the bridge proceeds will become available in December 2018.

Firm intention announcement

Shareholders are referred to the announcement published on SENS on 3 December 2018, being the joint announcement of a firm intention offer by Polanofield (Pty) Ltd ("the offeror") to acquire all of the issued shares of DAWN excluding shares held by the offeror, its related and inter-related persons and persons acting in concert with any of them and any treasury shares, for a cash consideration of R5 758 760,49.

The offeror believes that DAWN will benefit from the transaction by curtailing certain liquidity and solvency risks of DAWN who disclosed certain excessive and onerous liabilities that DAWN currently face. In addition, the offeror believes a delisting from the Johannesburg Stock Exchange will benefit DAWN both from a cost saving and operational focus perspective.

Subject to the fulfilment or waiver of certain suspensive conditions by 7 December 2018, as outlined in the announcement, DAWN and the offeror will issue the circular to DAWN shareholders, setting out the full terms and conditions of the scheme of arrangement ("the scheme") and including the notice convening the scheme meeting, the form of proxy in respect of the scheme meeting, and the form of surrender and transfer for use by certificated DAWN shareholders.

The salient dates pertaining to the scheme will be released on SENS and published in the press at the time of distribution of the circular. The circular is to be distributed to DAWN shareholders on or about 20 December 2018.



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