

## THIS COMBINED CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 8 of this Circular have, where appropriate, been used on this cover page.

### Action required:

If you have disposed of all your DAWN Shares, this Circular, together with the attached form of proxy and form of surrender and transfer, should be handed to the purchaser of such DAWN Shares or to the broker, Participant (previously known as a CSDP), banker or other agent through whom the disposal was effected. DAWN Shareholders who hold Dematerialised DAWN Shares through a Participant or broker who wish to attend the Scheme Meeting must request their Participant or broker to provide them with the necessary letter of representation to attend the Scheme Meeting or must instruct their Participant or broker to vote on their behalf in terms of their respective agreements with their Participant or broker.

DAWN Shareholders are referred to page 3 of this Circular, which sets out the detailed action required of them in respect of the proposed Scheme set out in this Circular.

If you are in any doubt as to the action you should take, please consult your broker, Participant, banker, legal advisor, accountant or other professional advisor immediately. DAWN does not accept responsibility and will not be held liable for any failure on the part of the Participant or broker of any holder of Dematerialised DAWN Shares to notify such DAWN Shareholder of the proposed Scheme set out in this Circular.



**POLANOFIELD  
PROPRIETARY LIMITED**

### DISTRIBUTION AND WAREHOUSING NETWORK LIMITED

(Incorporated in the Republic of South Africa)  
(Registration number 1984/008265/06)  
Share code: DAW & ISIN code: ZAE00018834  
("DAWN" or "the Company")

### POLANOFIELD PROPRIETARY LIMITED

(Incorporated in the Republic of South Africa)  
(Registration number 2018/556404/07)  
("Offeror")

## CIRCULAR TO DAWN SHAREHOLDERS

relating to:

- Scheme of arrangement in terms of section 114 of the Companies Act proposed by the board of DAWN between DAWN and its Shareholders in terms of which if implemented will result in the Offeror acquiring all of the issued DAWN Shares, 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 an Offer Price of R0,01 per DAWN Share; and
- the subsequent delisting of the DAWN Shares from the main board of the JSE, following the implementation of the Scheme,

and including:

- a report prepared by the Independent Expert in terms of sections 114(2) and 114(3) of the Companies Act;
- a notice convening a DAWN Shareholders' Scheme Meeting;
- a form of proxy in respect of the DAWN Shareholders' Scheme Meeting for use by Certificated DAWN Shareholders and Dematerialised DAWN Shareholders with own-name registration only;
- a form of surrender and transfer for use by Certificated DAWN Shareholders only;
- a statement of dissenting Shareholders' appraisal rights in terms of section 164(2) of the Companies Act; and
- extracts of section 115 of the Companies Act dealing with the approval requirements for fundamental transactions and section 164 of the Companies Act dealing with dissenting Shareholders appraisal rights.

Sponsor

Attorneys for DAWN

Independent Expert

Attorneys for Offeror

**Deloitte.**



**IBDO**

**AlexMay**  
INCORPORATED

Date of issue: 20 December 2018

This Circular is only available in English. Copies of this Circular may be obtained from the registered offices of DAWN, the sponsor to DAWN and the Transfer Secretaries at their respective addresses set out in the "Corporate Information and Advisors" section of this Circular, from the date of posting thereof until the date of the Scheme Meeting. An electronic version of this Circular will also be available on the Company's website [www.dawnltd.co.za](http://www.dawnltd.co.za) from 20 December 2018.

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# CORPORATE INFORMATION AND ADVISORS

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**Date and place of incorporation**

17 August 1984  
Republic of South Africa

**Sponsor**

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**Registered office of the Offeror**

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**Directors of the Offeror**

Luis Gonsalves Baeta  
Derek Austin Tod

**Transfer Secretaries**

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
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15 Biermann Avenue  
Rosebank  
Johannesburg  
2196  
  
(PO Box 61051, Marshalltown, 2107)

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# ACTION REQUIRED BY DAWN SHAREHOLDERS

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The definitions and interpretations commencing on page 8 of this Circular shall apply *mutatis mutandis* to this statement regarding the action required by DAWN Shareholders.

Please take careful note of the following provisions regarding the actions required by DAWN Shareholders. If you are in any doubt as to the action you should take, please consult your Participant, broker, attorney, banker or professional advisor immediately.

The Scheme Meeting of DAWN Shareholders will be held at 10:00 on Monday, 21 January 2019 at the DAWN head office, Corner Barlow Road and Cavaleros Drive, Jupiter, Extension 3, Germiston, South Africa, to consider and if deemed fit, pass the resolutions regarding the Scheme in terms of section 114 of the Companies Act.

## 1. IF YOU HAVE DEMATERIALIZED YOUR SHARES AND DO NOT HAVE “OWN-NAME” REGISTRATION

### 1.1 Voting at the Scheme Meeting

If your Dematerialised DAWN Shares are **not** recorded in your own-name in the electronic sub-register of DAWN, you should notify your duly appointed Participant or broker, as the case may be, in the manner and subject to the cut-off time stipulated in the custody agreement governing your relationship with your Participant or broker, of your instructions as regards voting your DAWN Shares at the Scheme Meeting.

If your Participant or broker does not obtain instructions from you, your Participant or broker will be obliged to act in accordance with the instructions contained in the custody agreement concluded between you and your Participant or broker.

If you have not been contacted, it would be advisable for you to contact your Participant or broker immediately and furnish your Participant or broker with your instructions.

You must **not** complete the attached form of proxy.

### 1.2 Attendance and representation at the Scheme Meeting

In accordance with the mandate between you and your Participant or broker, you must advise your Participant or broker if you wish to:

- attend, speak or vote at the Scheme Meeting; and/or
- send a proxy to represent you (including the Chairman of the Scheme Meeting) at the Scheme Meeting.

Your Participant or broker will then issue the necessary letter of representation to you to attend the Scheme Meeting. You will not be permitted to attend, speak or vote at the Scheme Meeting, nor send a proxy to represent you at the Scheme Meeting without the necessary letter of representation being issued to you, and your Participant or broker may then vote on your behalf or abstain from voting at the Scheme Meeting in accordance with the mandate between you and your Participant or broker.

### 1.3 Consequences of the Shareholders vote on the Scheme

In order for the Scheme to become operative, DAWN Shareholders (excluding the Offeror, any person related or inter-related to the Offeror and any person acting in concert with any of them and the holder of the Treasury Shares) exercising at least 75% of the voting rights of DAWN Shareholders present or represented by proxy at the meeting are required to vote in favour of the Scheme. Should the Scheme become unconditional and operative, Shareholders, irrespective of their election, will have their accounts at their Participant or broker debited with their Shares and credited with the Offer Price due to them. Should the Scheme not be declared unconditional, DAWN Shareholders will retain their DAWN Shares and will not be entitled to receive the Offer Price.

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# ACTION REQUIRED BY DAWN SHAREHOLDERS

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continued

## 2. IF YOU HAVE NOT DEMATERIALISED YOUR SHARES OR IF YOU HAVE DEMATERIALISED DAWN SHARES WITH “OWN-NAME” REGISTRATION

### 2.1 Voting, attendance and representation at the Scheme Meeting

You may attend, speak and vote at the Scheme Meeting in person subject to sections 57 and 58 of the Companies Act.

Alternatively, you may appoint a proxy to represent you at the Scheme Meeting by completing the relevant attached form of proxy (*green*) in accordance with the instructions therein and return it to the Transfer Secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown 2107), to be received by, as suggested (to ensure ordinary proceedings on the day) no later than 48 hours (excluding Saturdays, Sundays and official Public Holidays) before the Scheme Meeting that is to be held at 10:00 on Monday, 21 January 2019. The form of proxy may also be handed to the Chairman of the Scheme Meeting or adjourned Scheme Meeting at any time before the vote on the Scheme.

### 2.2 Surrender of Documents of Title (this applies only to certificated and not to Dematerialised DAWN Shareholders with “own-name” registration)

You are required to surrender your Documents of Title in respect of all your Shares in order to claim the Offer Price should the Scheme become unconditional, by completing the attached form of surrender and transfer (*pink*) in accordance with its instructions, and returning it, together with the relevant share certificates or Documents of Title, to the Transfer Secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61763, Marshalltown 2107), to be received by no later than 12:00 on the Scheme Consideration Record Date.

### 2.3 Scheme Consideration Record Date

#### ***Certificated Shareholders***

If you hold Certificated DAWN Shares, you must complete the attached form of surrender and transfer (*pink*) and return it together with the relevant share certificate(s) or other Documents of Title in accordance with the instructions contained therein to the Transfer Secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61763, Marshalltown 2107), to be received by no later than 12:00 on the Scheme Consideration Record Date.

If the Scheme becomes unconditional and you have surrendered your Documents of Title to the Transfer Secretaries on or before 12:00 on the Scheme Consideration Record Date, the Offer Price in respect thereof will be posted to you at your own risk by ordinary post on or about the Implementation Date. If you surrender your Documents of Title after 12:00 on the Scheme Consideration Record Date, the Transfer Secretaries will post the Offer Price in respect thereof to you by ordinary post at your own risk within five Business Days of receipt thereof.

Should the Scheme not become unconditional, the Transfer Secretaries shall, within five Business Days of either the date upon which it becomes known that the Scheme will not be implemented or on receipt by the Transfer Secretaries of the required Documents of Title, whichever is the later, return the Documents of Title to the Shareholder concerned by registered post at the risk of such certificated Shareholder.

#### ***Dematerialised DAWN Shareholders with “own-name” registration***

If the Scheme becomes unconditional, Dematerialised DAWN Shareholders with “own-name” registration will have their accounts held at their Participant or broker debited with their Shares and credited with the Offer Price in respect thereof on the Implementation Date. If you wish to dematerialise your DAWN Shares, please contact a Participant or broker. You do not need to dematerialise your DAWN Shares in order to receive the Offer Price in respect thereof.

Shareholders are advised to consult their professional advisors about their personal tax positions regarding the receipt of the Offer Price.

DAWN does not accept responsibility and will not be held liable for any failure on the part of the Participant or broker of a Dematerialised DAWN Shareholder to notify such DAWN Shareholder of the Scheme Meeting or any business to be conducted thereat.

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# ACTION REQUIRED BY DAWN SHAREHOLDERS

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continued

## 2.4 Consequences of the Shareholders vote on the Scheme

For the Scheme to become operative, at least 75% of Shareholders (excluding the Offeror, any person related or inter-related to the Offeror and any person acting in concert with any of them and the holder of the Treasury Shares) present in person or represented by proxy at the Scheme Meeting need to vote in favour of the Scheme. If the Scheme becomes unconditional and implemented, Shareholders will have to surrender their Documents of Title/ share certificates in exchange for the Offer Price (please refer to 2.3 above) irrespective of whether they voted in favour of the Scheme or not. If the Scheme does not become operative, DAWN Shareholders will retain their DAWN Shares and not receive the Offer Price.

## 3. DISSENTING SHAREHOLDERS' APPRAISAL RIGHTS

At any time before the Special Resolution is to be voted on at the Scheme Meeting, a Shareholder may give DAWN written notice objecting to the Special Resolution.

Within 10 Business Days after DAWN has adopted the Special Resolution, DAWN must send a notice that the Special Resolution has been adopted to each Shareholder who gave DAWN written notice of objection and who has neither withdrawn that notice nor voted in favour of the Special Resolution.

A Shareholder who has given DAWN written notice in terms of 164 of the Companies Act objecting to the Special Resolution and has complied with all of the procedural Regulations set out in section 164 of the Companies Act may, if the Special Resolution has been adopted, then demand in writing within:

- (i) 20 Business Days after receipt of the notice referred to above; or
- (ii) if the Shareholder does not receive the notice from DAWN referred to above, 20 Business Days after learning that the Special Resolution has been adopted,

that DAWN pay the Shareholder the fair value (in terms of and subject to the requirements set out in section 164 of the Companies Act) for all the Shares held by that Shareholder. A more detailed explanation of the dissenting Shareholders' appraisal rights is contained in paragraph 3.6 of the Circular.

A copy of section 164 of the Companies Act pertaining to Appraisal Rights is set out in Annexure 6 to this Circular.

## 4. TAKEOVER REGULATION APPROVALS

DAWN Shareholders should take note that the TRP does not consider commercial advantages or disadvantages of affected transactions when it approves such transactions.

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## IMPORTANT LEGAL NOTICES

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### **Offer not made in restricted jurisdictions**

The legality of the Offer to non-resident Shareholders may be affected by the laws of any jurisdiction relevant to them. Such Shareholders should inform themselves about any applicable legal requirements, which they are obliged to observe. It is the responsibility of any such Shareholder wishing to accept the Scheme to satisfy himself/herself as to the full observance of the laws of any relevant jurisdiction in connection with the Scheme.

This Offer does not and will not constitute an offer to purchase, or the solicitation of an offer to sell, any DAWN Shares in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the laws of such jurisdiction. Without limiting the generality of the above, the Offer is not being made, directly or indirectly, in or into or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any other jurisdiction if it is illegal for the Offer to be made or accepted in that jurisdiction (a "restricted jurisdiction").

The Offer cannot be accepted by any such use of mails, means, instrumentality or facility or from within a restricted jurisdiction. Accordingly, neither copies of this document nor any related documentation are being or may be mailed or otherwise distributed or sent in or into or from a restricted jurisdiction, and, if received in any restricted jurisdiction, this document should be treated as being received for information only.

The Scheme Consideration is not freely transferable from South Africa and must be dealt with in terms of the Exchange Control Regulations. The Scheme Consideration due to a DAWN Scheme Participant who is an emigrant from South Africa, whose registered address is outside the Common Monetary Area and whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations will be deposited in a blocked Rand account with the authorised dealer in foreign exchange in South Africa controlling the DAWN Scheme Participant's blocked assets in accordance with his instructions, against delivery of the relevant Documents of Title. In terms of a recent relaxation to the exchange control rulings, emigrants may externalise the Scheme Consideration by making application to the Financial Surveillance Department of the SARB via the requisite authorised dealer channel. Previously, a 10% levy would have been payable on externalisation. This is however no longer the position and the Scheme Consideration may, on application, be externalised free of the levy. DAWN Shareholders are, however, advised to consult their advisors in this regard.

Shareholders who complete the form of surrender and transfer (*pink*) are deemed to represent and warrant to DAWN that they have not received or sent copies or originals of this document, the form of surrender and transfer (*pink*) or any related documents in, into or from a restricted jurisdiction and have not otherwise utilised in connection with the Scheme, the mails, or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national securities exchange of, a restricted jurisdiction, and that the form of surrender and transfer (*pink*) has not been mailed or otherwise sent in, into or from a restricted jurisdiction and such Shareholder is accepting the Scheme from outside a restricted jurisdiction.

## IMPORTANT DATES AND TIMES IN RELATION TO THE SCHEME

The definitions and interpretations commencing on page 8 of this Circular shall apply *mutatis mutandis* to the dates and times set out hereunder.

<b>2018</b>	
Record date to determine which DAWN Shareholders are entitled to receive the Circular	Friday, 14 December
Posting of the Circular to DAWN Shareholders and notice convening Scheme Meeting published on SENS	Thursday, 20 December
Notice convening Scheme Meeting published in the South African press	Friday, 21 December
<b>2019</b>	
Last day to trade in DAWN Shares in order to be recorded on the DAWN share register on the scheme voting record date (voting last day to trade)	Tuesday, 8 January
Record date for Scheme Meeting	Friday, 11 January
Proxy forms to be received by 10:00	Thursday, 17 January
Last date and time for DAWN Shareholders to give notice in terms of section 164(3) of the Companies Act to DAWN objecting to the Special Resolution approving the Scheme by 10:00 on	Monday, 21 January (same as scheme meeting date)
Scheme Meeting to be held at 10:00	Monday, 21 January
Results of Scheme Meeting published on SENS	Monday, 21 January
Results of Scheme Meeting published in the South African press	Tuesday, 22 January

**If the Scheme is approved by DAWN Shareholders at the Scheme Meeting with sufficient voting rights such that no Shareholder may require the Company to obtain Court approval for the Scheme as contemplated in section 115(3)(a) of the Companies Act:**

<b>2019</b>	
Last day for Shareholders who voted against the Scheme to require DAWN to seek Court approval for the Scheme in terms of section 115(3)(a) of the Companies Act if the Scheme is approved by Shareholders at the General Meeting but the Scheme Resolution was opposed by at least 15% of the voting rights that were exercised on the Scheme Resolution at the General Meeting (where applicable) <b>(5 business days after Scheme Meeting)</b>	Monday, 28 January
Last date on which DAWN Shareholders can make application to the Court in terms of section 115(3)(b) of the Companies Act on <b>(10 business days after Scheme Meeting)</b>	Monday, 4 February
Last date for DAWN to give notice of adoption of the special resolution approving the Scheme to DAWN Shareholders objecting to the special resolution on	Monday, 4 February



# IMPORTANT DATES AND TIMES IN RELATION TO THE SCHEME

continued

**If no DAWN Shareholders exercise their rights in terms of section 115 of the Companies Act:**

	2019
Finalisation Date announcement expected to be released on SENS on or about (will be announced by 11:00)	Tuesday, 5 February
Finalisation Date announcement expected to be published in the press on or about	Wednesday, 6 February
Expected Scheme LDT, being the last day to trade DAWN Shares on the JSE in order to be recorded in the Register to receive the Scheme Consideration, on	Tuesday, 12 February
Suspension of listing of DAWN Shares on the JSE expected to take place at the commencement of trade on	Wednesday, 13 February
Expected Scheme Consideration Record Date, being the date on which Scheme Participants must be recorded in the Register to receive the Scheme Consideration, by close of trade on	Friday, 15 February
Expected Implementation Date of the Scheme	Monday, 18 February
Expected payment and delivery of Scheme Consideration	Monday, 18 February
Expected termination of listing of DAWN Shares at commencement of trade on the JSE	Tuesday, 19 February

1. All dates and times are subject to change by mutual agreement between DAWN and the Offeror and approved by the JSE and Takeover Regulation Panel (if required) and/or may be subject to certain regulatory approvals including but not limited to that of the Takeover Regulation Panel authority, being granted. Any change will be released on SENS and published in the press.
2. Shareholders are referred to paragraph 3.6 (which contains a summary of the dissenting Shareholders' appraisal rights) regarding rights afforded to DAWN Shareholders.
3. DAWN Shareholders should note that as transactions in shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three trading days after such trade. Therefore persons who acquire DAWN Shares after the Voting Last Day to Trade will not be eligible to vote at the Scheme Meeting, but will, provided the Scheme is approved and they acquire the DAWN Shares on or prior to the Scheme Last Day to Trade, participate in the Offer.
4. A DAWN Shareholder may submit a proxy at any time before the vote on the Scheme (or any adjournment of the General Meeting) or handed to the Chairman of the Scheme Meeting before the appointed proxy exercises any of the relevant Shareholder's rights at the Scheme Meeting (or any adjournment of the Scheme Meeting), provided that should a Shareholder lodge a form of proxy with the Transfer Secretaries at Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown 2107) less than 48 hours before the Scheme Meeting, such Shareholder will also be required to furnish a copy of such form of proxy to the Chairman of the Scheme Meeting before the appointed proxy exercises any of such Shareholder's rights at the Scheme Meeting (or any adjournment of the Scheme Meeting).
5. If the Scheme Meeting is adjourned or postponed, forms of proxy submitted for the initial Scheme Meeting will remain valid in respect of any adjournment or postponement of the Scheme.
6. All times given in this Circular are local times in South Africa.
7. DAWN share certificates may not be dematerialised or rematerialised after the Scheme Last Day to Trade.
8. Although the salient dates and times are subject to change, such statement may not be regarded as consent or dispensation for any change to the time period which may be required in terms of the Takeover Regulations, where applicable, and any such consent or dispensation must be specifically applied for and granted.

## DEFINITIONS AND INTERPRETATIONS

In this Circular, unless the context indicates a contrary intention, an expression which denotes any gender includes the other genders, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa* and the following expressions bear the meanings assigned to them below and cognate expressions bear cognate meanings:

“the Act” or “the Companies Act”	the Companies Act, 2008 (No. 71 of 2008), as amended, and where appropriate in the context includes a reference to the Regulations promulgated in terms of such Act;
“the Board” or “DAWN Board”	the Board of directors of DAWN;
“cautionary announcement”	the cautionary announcement released on 13 November 2018 by DAWN;
“Certificated DAWN Shareholders”	DAWN Shareholders who hold Certificated DAWN Shares;
“Certificated DAWN Shares”	DAWN Shares which have not yet been Dematerialised into the Strate system, title to which is represented by share certificates or other physical Documents of Title;
“CIPC”	the Companies and Intellectual Property Commission established pursuant to section 185 of the Companies Act;
“the/this Circular”	all the documents contained in this bound document dated Thursday, 20 December 2018, including, the combined circular, the notice of Scheme Meeting, the form of proxy and the form of surrender and transfer;
“the Conditions”	the conditions precedent to which the Scheme, the Offer and the delisting is subject, as set out in paragraph 3.3 of this Circular;
“Court”	any South African court of competent jurisdiction to approve and implement the Special Resolution set out in the notice of the Scheme Meeting pursuant to section 115 of the Companies Act and to determine the fair value of DAWN Shares pursuant to section 164(14) of the Companies Act;
“DAWN” or “Company”	Distribution and Warehousing Network Limited, a public company duly incorporated and registered in accordance with the company laws of South Africa, with registration number 1984/008265/06, the issued Shares of which are listed on the JSE;
“DAWN Group” or “Group”	DAWN and its Subsidiaries;
“Dematerialise”	the process whereby certificated shares are converted into electronic format and no longer evidenced by Documents of Title;
“Dematerialised DAWN Shareholders”	Own-Name Dematerialised Shareholders and Non-Own-Name Dematerialised Shareholders;
“Dematerialised DAWN Shares”	a DAWN Share that has been Dematerialised or issued in Dematerialised form and is held on a sub-register of DAWN Shareholders administered by a Participant;
“Documents of Title”	DAWN Shares certificates and/or certified transfer deeds and/or balance receipts or any other Documents of Title in respect of DAWN Shares acceptable to DAWN;
“DPI”	DPI Plastics Proprietary Limited, a DAWN subsidiary;
“the Exchange Control Regulations”	the Exchange Control Regulations, 1961, as amended, made in terms of section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
“Excluded Shares”	the DAWN Shares held by (i) the Offeror and its related or inter-related persons and any person acting in concert with any of them; and (ii) the Treasury Shares;

# DEFINITIONS AND INTERPRETATIONS

continued

“Finalisation Date”	the date on which DAWN announces that all of the Conditions have either been fulfilled or waived, as the case may be, including without limitation that the Takeover Regulation Panel has issued its compliance certificate under section 119(4)(b) or an exemption in terms of 119(6) of the Companies Act and that the Scheme has become unconditional and capable of implementation, which Finalisation Date is expected to be Tuesday, 5 February 2019;
“Firm Intention Announcement”	the announcement released by DAWN on SENS on 3 December 2018 regarding the terms and conditions of the Offer and the Scheme of Arrangement;
“Firm intention Offer Letter” or “Offer letter”	the offer letter dated 22 November 2018 received by the Board from the Offeror governing the terms and conditions of the Scheme as further amended by the amendment letters dated 30 November 2018, 6 December 2018 and 14 December 2018;
“FMA”	the Financial Markets Act 19 of 2012, as amended, (formerly the Securities Services Act, 2004 (Act 36 of 2004));
“IFRS”	International Financial Reporting Standards;
“Implementation Date”	the date on which the Scheme is to be implemented, which is expected to be Monday, 18 February 2019, being the first Business Day following the Scheme Consideration Record Date;
“Independent Board”	an independent sub-committee of the DAWN Board, consisting of Messrs Dinga Mncube, Stephen Naudé and Ms Nthabeleng Likotsi, appointed to fulfil the role of an “independent board”, as contemplated in regulation 108 of the Takeover Regulations, all of whom are independent as contemplated in regulation 108(8) of the Takeover Regulations;
“Independent Expert” or “BDO”	BDO Corporate Finance Proprietary Limited (registration number 1983/002903/07), a company duly incorporated and registered under the company laws of South Africa;
“the JSE”	JSE Limited (registration number 2005/022939/06), a public company incorporated in accordance with the laws of South Africa and licensed as an exchange under the FMA;
“JSE Listings Requirements”	the Listings Requirements as published by the JSE, as amended from time to time;
“Last Practicable Date”	Wednesday, 12 December 2018, being the Last Practicable Date prior to the finalisation of this Circular;
“Non-Own-Name”	a person on whose behalf any Dematerialised Share (not held in “own- Participant or broker in accordance with the custody agreement with the Participant or broker;
“Offer”	subject to the fulfilment or waiver of the Conditions, the Offer made by the Offeror to all Scheme Participants to acquire all the Scheme Shares in terms of section 114 of the Companies Act, for the Offer Price;
“Offeror” or “Newco”	Polanofield Proprietary Limited (Registration Number: 2018/556404/07), a South African company whose share capital is owned by Luis Gonsalves Baeta & Derek Austin Tod. Currently the Offeror holds no direct shares in the issued share capital of DAWN, but Luis Gonsalves Baeta & Derek Austin Tod do hold shares in DAWN as set out in paragraph 9.1;
“Offer Price” or “Offer Consideration”	the consideration payable by the Offeror to the Scheme Participants in cash, being R0,01 per share, for every Scheme Share held by the Scheme Participant;
“Operative Date”	the date upon which the Scheme will be operative and the Offeror will acquire the Scheme Shares which is expected to be on or about Monday, 18 February 2019;

## DEFINITIONS AND INTERPRETATIONS

continued

“Own-Name Dematerialised DAWN Shareholders”	Dematerialised DAWN Shareholders who/which have elected own-name registration in the sub register of DAWN held by a Participant;
“Participant”	a participant as defined in section 1 of the FMA appointed by an individual DAWN Shareholder for the purposes of, and in regard to the Documents of Title for the purposes of incorporation into Strate;
“Parties”	collectively the Offeror and DAWN;
“R” or “Rand”	South African Rand;
“Register” or “Share Register”	DAWN’s share register, including all sub registers;
“Regulations”	the Companies Regulations 2011 promulgated under the Companies Act, as amended;
“Scheme Meeting”	the Meeting to be held at 10:00 on Monday, 21 January 2019 at the DAWN registered office being DAWN head office, Corner Barlow Road and Cavaleros Drive, Jupiter, Extension 3, Germiston, South Africa (or any postponement or adjournment thereof), at which meeting DAWN Shareholders will consider and vote on the Scheme;
“Scheme” or “Scheme of Arrangement”	the scheme of arrangement proposed by the Board between DAWN and the DAWN Shareholders pursuant to which the Offeror will make an Offer to all DAWN Shareholders to acquire all the DAWN Shares for an Offer Price of R0,01 (one cent) per DAWN Share payable in cash in terms of section 114 of the Companies Act and a subsequent delisting of DAWN from the JSE as per paragraph 1.16(b) of the JSE Listings Requirements;
“Scheme Consideration”	the consideration payable to the Scheme Participants for their Scheme Shares, in terms of the Scheme, being the Offer Consideration;
“Scheme Last Day to Trade”	the last day to trade on the exchange operated by the JSE to participate in the Offer and in order to be registered in the register on the Scheme Consideration Record Date, which date is expected to be Tuesday, 12 February 2019;
“Scheme Participants”	DAWN Shareholders, other than any holder of the Excluded Shares who are entitled to receive the Scheme Consideration being: (i) DAWN Shareholders Registered as such on the Scheme Consideration Record Date other than dissenting DAWN Shareholders who have not withdrawn their demand made in terms of sections 164(5) to 164(11) of the Companies Act or allowed any Offer made to them in terms of section 164(11) of the Act to lapse on or before the Scheme Consideration Record Date; and (ii) dissenting DAWN Shareholders who are subsequently deemed to be Scheme Participants in the event that any of the circumstances contemplated in sections 164(9)(a) and (b) of the Companies Act occur;
“Scheme Consideration Record Date”	the time and date on which Scheme Participants must be recorded in the register in order to participate in the Scheme and receive the Scheme Consideration, which time and date is expected to 17:00 on Friday, 15 February 2019;
“Scheme Shares”	DAWN Shares held by Scheme Participants on the Scheme Consideration Record Date;
“SENS”	the Stock Exchange News Service, the news service operated by the JSE;
“Shareholders” or “DAWN Shareholders”	the holders of DAWN Shares recorded as such in the Register at the relevant date;
“Shares” or “DAWN Shares”	ordinary shares of no par value in the issued share capital of DAWN, which are listed on the JSE;
“South Africa”	the Republic of South Africa;

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## DEFINITIONS AND INTERPRETATIONS

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continued

“Special Resolution”	the special resolution to be proposed at the Scheme Meeting for approval of the Scheme, the full terms of which are set out in the Special Resolution Number 1 in the notice of Scheme Meeting attached to and forming part of this Circular;
“Strate”	Strate Proprietary Limited (registration number 1998/022242/07), a limited liability private Company duly incorporated in South Africa, which is a registered central securities depository and which is responsible for the electronic settlement system used by the JSE;
“Subsidiary”	a subsidiary as defined in the Companies Act;
“Takeover Regulation Panel” or “the Panel” or “TRP”	the Takeover Regulation Panel established in terms of section 196 of the Companies Act;
“Takeover Regulations”	the Takeover Regulations issued in terms of section 120 of the Companies Act, as amended;
“Transfer Secretaries” or “Computershare Investor Services Proprietary Limited”	Computershare Investor Services Proprietary Limited, a private company duly incorporated and registered under company the laws of South Africa, with registration number 2004/003647/07, particulars of which appear in the “Corporate Information” section of the Circular;
“the Transaction”	the Scheme and the subsequent delisting of DAWN Shares from the JSE in the event of the implementation of the Scheme;
“Treasury Shares”	the 13 628 513 DAWN Shares held by Wholesale Housing Supplies Proprietary Limited, a wholly-owned Subsidiary of DAWN;
“Voting Record Date”	the date on, and the time at, which a DAWN Shareholder must be recorded in the Register in order to vote at the Scheme Meeting, being the close of business on the Friday of the week immediately preceding the date of the Scheme Meeting, the date being Friday, 11 January 2019;
“Voting Last Day to Trade”	the last day to trade on the exchange operated by the JSE to be able to vote at the Scheme Meeting, being the Tuesday immediately preceding the week during which the Voting Record Date occurs, which date is expected to be Tuesday, 8 January 2019; and
“VWAP”	volume-weighted average price.



**POLANOFIELD  
PROPRIETARY LIMITED**

**DISTRIBUTION AND WAREHOUSING  
NETWORK LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number 1984/008265/06)  
Share code: DAW & ISIN code: ZAE000018834  
("DAWN" or "the Company")

**POLANOFIELD PROPRIETARY LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number 2018/556404/07)  
("Offeror")

**DAWN DIRECTORS**

**Executive directors**

Edwin Hewitt (Chief Executive Officer)  
Hanré Bester (Chief Financial Officer)

**Non-executive directors**

Theunis de Bruyn (Chairperson)  
George Nakos

**Independent non-executive directors**

Dinga Mncube  
Steve Naudé  
Nthabeleng Likotsi

**OFFEROR DIRECTORS**

**Directors**

Derek Austin Tod  
Luis Gonsalves Baeta

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## COMBINED CIRCULAR TO DAWN SHAREHOLDERS

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### 1. INTRODUCTION

In the Firm Intention Announcement released on SENS on Monday, 3 December 2018 by DAWN and the Offeror, DAWN Shareholders were informed of the firm intention by the Offeror to make an offer to acquire the entire issued share capital of DAWN, excluding treasury shares, by way of a scheme of arrangement in terms of section 114 of the Companies Act, to be proposed by the Board between DAWN and DAWN Shareholders.

Upon implementation of the Scheme, all Scheme Participants will receive the Offer Price of R0,01 per Scheme Share held, payable in cash against surrender of their Documents of Title (if applicable).

The Offeror does not directly own any DAWN Shares.

Implementation of the Scheme is subject to the fulfilment or waiver of the Conditions including, *inter alia*, approval of the Scheme by the requisite majority of the DAWN Shareholders in terms of section 115 of the Act. The Offer is made conditional upon the Scheme becoming unconditional and thus capable of implementation.

For the Scheme to become operative, amongst other Conditions, DAWN Shareholders holding at least 75% of the voting rights exercised at the Scheme Meeting must be exercised in favour of the Scheme. If you are a Dematerialised Shareholder and the Scheme becomes unconditional and implemented, you will have your accounts at your Participant or broker debited with your Shares and credited with the Offer Price irrespective of whether you voted in favour of the Scheme or not. If you are not a Dematerialised Shareholder and the Scheme becomes unconditional and implemented, you will have to surrender their Documents of Title/share certificates in exchange for the Offer Price irrespective of whether or not you voted in favour of the Scheme. If the Scheme does not become operative, DAWN Shareholders will retain their DAWN Shares and not receive the Offer Price.

Following implementation of the Scheme, the Offeror will subject to section 164 of the Companies Act become the owner of all the Scheme Shares. Further, the listing of DAWN on the JSE will be terminated.

DAWN is listed in the Construction and Materials – Building Materials and Fixtures sector of the JSE Limited and its head office is based in Germiston, Gauteng.

DAWN distributes quality branded hardware, sanitary ware, plumbing, kitchen, engineering and civil products; as well as manufacturing pipe and fittings, which are all sold through strategically positioned branch network in South Africa and selected countries in Africa.

The Offeror is a South African company whose share capital is owned by Derek Austin Tod and Luis Gonsalves Baeta.

## 2. RATIONALE FOR THE SCHEME

DAWN faces liquidity constraints, notwithstanding progress made with the turnaround strategy, pursuant to an extensive evaluation of all funding alternatives that have been considered. In this regard, the board of directors of DAWN is of the opinion that the Offer is the most viable alternative, which is essential to the continuity of the Company's operations.

## 3. SCHEME

### 3.1 Mechanics of the Scheme

- 3.1.1 The Scheme of Arrangement proposed by the Board between DAWN and the DAWN Shareholders pursuant to which the Offeror will acquire all the DAWN Shares, excluding the Excluded Shares, for an Offer Price of R0,01 per DAWN Share payable in cash in terms of section 114 of the Companies Act and a subsequent delisting of DAWN from the JSE as per paragraph 1.17(b) of the JSE Listings Requirements.
- 3.1.2 The Scheme will be subject to section 164 of the Companies Act and shall become binding on DAWN and the Scheme Participants (irrespective of whether or not such holders support the Scheme) if, inter alia:
- a Special Resolution approving the Scheme is adopted at the Scheme Meeting; and
  - all the Conditions for the implementation of the Scheme have been fulfilled or waived (where applicable).
- 3.1.3 Subject to the Scheme becoming unconditional, Scheme Participants will with effect from the Implementation Date be regarded in law as having:
- disposed of their Scheme Shares to the Offeror, which will be deemed to have acquired ownership of the Scheme Shares on the Implementation Date, in exchange for the Offer Price payable for those Scheme Shares which Offer Price is to be settled in terms of paragraph 5;
  - authorised DAWN and/or the Transfer Secretaries on its behalf to transfer the Scheme Shares into the name of the Offeror; and
  - authorised the Transfer Secretaries on its behalf to collect from the Offeror the Offer Price for delivery to those Scheme Participants and all risk and benefit in the Scheme Shares will pass from those Scheme Participants to DAWN with effect from the Implementation Date.
- 3.1.4 Should the Scheme become unconditional and be implemented, Scheme Participants shall be entitled to receive the Offer Price in respect of the Scheme Shares held by them and the Transfer Secretaries will administer and procure the transfer of the Offer Price to the Scheme Participants.
- 3.1.5 Should the Scheme become unconditional and be implemented, Scheme Participants shall:
- against the surrender by certificated Shareholders of their Documents of Title in respect of the Scheme Shares, receive the Offer Price; and
  - in terms of the custody agreement entered into between the Scheme Participants concerned and their Participant or broker, Dematerialised DAWN Shareholders will have their Scheme Shares transferred to the Offeror and the Offer Price transferred to their Participant or broker who should credit them with the Offer Price.
- 3.1.6 The rights of the Scheme Participants to receive the Offer Price in respect of the Scheme Shares held by them will be rights enforceable by Scheme Participants against the Offeror only.
- 3.1.7 The effect of the Scheme will be that, with effect from the Implementation Date, the Scheme Shares of the Scheme Participants will be acquired by the Offeror, resulting in the Offeror owning the entire issued share capital of DAWN, save for the Excluded Shares.
- 3.1.8 Furthermore, following the implementation of the Scheme, DAWN will delist from the JSE in terms of section 1.17(b) of the JSE Listings Requirements.
- 3.1.9 With effect from the Implementation Date, each and every director of the Transfer Secretaries and/or DAWN or any other person nominated by DAWN will irrevocably be deemed to be the attorney and agent *in rem suam* of the Scheme Participants to implement the transfer of the Scheme Shares and to sign any instrument of transfer in respect thereof or any other documents and to do any other acts required or desirable to implement the Scheme and the delisting and to take all steps necessary to procure electronic delivery of shares which have been Dematerialised.

## 3.2 Terms of the Scheme

### 3.2.1 The Scheme

Subject to the Scheme becoming unconditional, and capable of implementation, the Offeror hereby offer to purchase from DAWN Shareholders all of the Scheme Shares on the terms and conditions set out in this Circular.

The Offer is made conditional upon the Scheme becoming unconditional and thus capable of implementation. For the Scheme to become operative, amongst other conditions, the DAWN Shareholders (excluding the Offeror, any person related or inter-related to the Offeror and any person acting in concert with any of them and the holder of the Treasury Shares) exercising at least 75% of the voting rights of DAWN Shareholders present or represented by proxy at the meeting. If you are a Dematerialised Shareholder and the Scheme becomes unconditional and implemented, you will have your accounts at your Participant or broker debited with their Shares and credited with the Offer Price irrespective of whether you voted in favour of the Scheme or not. If you are not a Dematerialised Shareholder the Scheme becomes unconditional and implemented, you will have to surrender their Documents of Title/share certificates in exchange for the Offer Price irrespective of whether you voted in favour of the Scheme or not. If the Scheme does not become operative, DAWN Shareholders will retain their DAWN Shares and not receive the Offer Price.

### 3.2.2 The Offer Price

The Offer Price is R0,01 per Scheme Share. This Offer Price will be payable in cash, in Rand. The Independent Board believes that the Offer Price reflects fair and reasonable value for the Scheme Shares. In this regard Shareholders are referred to paragraph 15 of this Circular and the report of the Independent Expert attached to this Circular as **Annexure 1**.

The Scheme Consideration represents:

- an 80,0% discount to R0,05 per DAWN Share, being the 30-day volume weighted average price ("VWAP") of a DAWN share traded on the JSE up to and including Monday, 12 November 2018, being the last trading day prior to the release of the Cautionary Announcement;
- an 83,3% discount to R0,06 per DAWN Share, being DAWN's closing price on the JSE on Monday, 12 November 2018, being the last trading day prior to the release of the Cautionary Announcement;
- an 80% discount to R0,05 per DAWN Share, being the 30-day VWAP of a DAWN share traded on the JSE up to and including Friday, 30 November 2018, being the last trading day prior to the release of the Firm Intention Announcement; and
- an 87,5% discount to R0,08 per DAWN Share, being DAWN's closing price on the JSE on Friday, 30 November 2018, being the last trading day prior to the release of the Firm Intention Announcement.

## 3.3 Conditions Precedent to the Scheme

The Scheme is subject to the fulfilment or waiver, as the case may be, of the following suspensive conditions on or before 1 February 2019 (or such other date as the Offeror and DAWN may agree to in writing, with approval of the TRP:

- 3.3.1 approval by DAWN Shareholders of the Offer as is contemplated by section 114, read with section 115, of the Act. To the extent required, approval by a court of the implementation of such resolution in terms of section 115(2)(c) and/or section 115(3) of the Act; and if applicable, DAWN not having treated the aforesaid resolution as a nullity, as contemplated in section 115(5)(b) of the Act; and
- 3.3.2 The TRP has issued a compliance certificate in respect of the Scheme in terms of section 119(4)(b) of the Companies Act, provided that if such compliance certificate is issued conditionally or on terms, this condition shall not be regarded as having been fulfilled unless the party which is or parties which are affected by such conditions or terms, confirm/s in writing (by not later than the said date and time) that such conditions and terms are acceptable to it/them, acting reasonably.

The above conditions cannot be waived and time periods for the fulfilment of such conditions cannot be extended unless agreed to in writing by Dawn and the Offeror.



### 3.4 Funding of the Scheme Consideration

In compliance with regulation 111(4)(b) of the Companies Regulations, the Offeror has provided the TRP with the necessary third party confirmation from Standard Bank of South Africa Limited that sufficient cash is held in favour of DAWN Shareholders for the sole purpose of discharging the Scheme Consideration. The aggregate cash consideration amounts to R5 758 760,49.

### 3.5 Dissenting Shareholders' Appraisal Rights

3.5.1 Section 164 of the Companies Act provides that:

3.5.1.1 at any time before the Special Resolution is to be voted on, a Shareholder may give DAWN a written notice objecting to the Special Resolution ("**Notice of Objection**");

3.5.1.2 DAWN must send a notice that the Special Resolution has been adopted to each Shareholder who gave DAWN a Notice of Objection and has neither withdrawn the Notice of Objection nor voted in favour of the Special Resolution;

3.5.1.3 a Shareholder may demand in writing within 20 Business Days DAWN pay the Shareholder the fair value for all the shares of DAWN held by that person if:

- the Shareholder sent DAWN a Notice of Objection;
- DAWN has adopted the Special Resolution; and
- the Shareholder voted against the Special Resolution and has complied with all of the procedural requirements of section 164 of the Companies Act;

3.5.1.4 the demand sent by the Shareholder to DAWN as provided in paragraph 3.5.1.3 above must set out:

- the Shareholder's name and address;
- the number of shares in respect of which the Shareholder seeks payment; and
- a demand for payment of the fair value of those Shares. The fair value of the Shares is determined as at the date on which, and the time immediately before, DAWN adopted the Special Resolution that gave rise to the Shareholder's rights under this section.

3.5.2 Any Shareholder that is in doubt as to what action to take must consult their legal or professional advisor in this regard. A copy of section 164 of the Companies Act is attached to this Circular as Annexure 6.

3.5.3 Before exercising their rights under section 164 of the Companies Act, Shareholders should have regard to the following factors relating to the Scheme:

- the Offer Price is payable in cash;
- the report of the Independent Expert set out in Annexure 1 to this Circular concludes that the terms of the Scheme are fair and reasonable; and
- the Court is empowered to grant a costs order in favour of, or against, a dissenting Shareholder, as may be applicable.

3.5.4 In the event that any of the circumstances contemplated in section 164(9) of the Companies Act occur, then a dissenting Shareholder shall:

- if such event takes place on or before the Scheme Consideration Record Date in respect of the Scheme, be deemed to be a Shareholder and be subject to the provisions of the Scheme; and
- if such event takes place after the Scheme Consideration Record Date in respect of the Scheme, be deemed to have been a Shareholder as at the Implementation Date, provided that settlement of the Offer Price and transfer of that dissenting Shareholder's Shares to DAWN shall take place on the later of: (i) the Implementation Date; (ii) the date which is five Business Days after that dissenting Shareholder so withdrew its demand or allowed DAWN Offer to lapse, as the case may be and (iii) if that dissenting Shareholder is a certificated Shareholder, the date which is five Business Days after that dissenting Shareholder surrendered its Documents of Title and completed a form of surrender and transfer (*pink*) accepting the Offer to the Transfer Secretaries. No interest will be paid on the Scheme Consideration for any delay after the Implementation Date.

### 3.6 The Scheme Meeting

- 3.6.1 Approval of the Scheme will be put to a vote at the Scheme Meeting to be held at 10:00 on Monday, 21 January 2019 at DAWN head office, Corner Barlow Road and Cavaleros Drive, Jupiter, Extension 3, Germiston, South Africa.
- 3.6.2 Each certificated DAWN Shareholder and Dematerialised DAWN Shareholder recorded in the Register on the Voting Record Date with “own-name” registration can attend, speak and vote at the Scheme Meeting in person or give a proxy to someone else (including the Chairman of the Scheme Meeting) to represent him/her at the Scheme Meeting.
- 3.6.3 in order to ensure an orderly arrangement of affairs at the Scheme Meeting, the relevant form of proxy should be received by the Transfer Secretaries by not later than 48 hours (excluding Saturdays, Sundays and official Public Holidays) before the Scheme Meeting that is to be held at 10:00 on Monday, 21 January 2019. Such Shareholder will also be required to furnish a copy of such form of proxy to the Chairman of the Scheme Meeting before the appointed proxy exercises any of such Shareholder’s rights at the Scheme Meeting (or any adjournment of the Scheme Meeting). Should a Dematerialised DAWN Shareholder recorded in the Register on the Voting Record Date who does not have “own-name registration”:
- wish to attend, speak and vote at the Scheme Meeting, such DAWN Shareholder must arrange with his/her Participant or broker to obtain the necessary letter of representation; or
  - be unable to or not wish to attend the Scheme Meeting but wish to vote at the Scheme Meeting, he/ she should provide his/her Participant or broker with their voting instruction in the manner stipulated in the custody agreement governing the relationship between such DAWN Shareholder and their Participant or broker. These instructions must be provided to the Participant or broker by the cut off time and date advised by the Participant or broker for instructions of this nature. The Participant or broker will then provide the Transfer Secretaries with the DAWN Shareholders’ instructions.
- 3.6.4 Dematerialised DAWN Shareholders recorded in the Register on the Voting Record Date who do not have “own-name” registration will not be permitted to attend, speak or vote at the Scheme Meeting without the necessary letter of representation being issued to them by their Participant or broker.

## 4. PROCEDURE FOR THE ACCEPTANCE OF THE SCHEME

### 4.1 Certificated Shareholders

- 4.1.1 Certificated Shareholders shall, subject to the Scheme becoming unconditional and implemented, only be entitled to receive the Offer Price in respect of their DAWN Shares once they have surrendered their Documents of Title in respect thereof.
- A Certificated DAWN Shareholder who wishes to surrender his/her Documents of Title in anticipation of the Scheme being implemented may complete the form of surrender and transfer (*pink*) and return it, together with the Documents of Title relating to all his/her DAWN Shares, to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61763, Marshalltown 2107) prior to 12:00 on the Scheme Consideration Record Date.
- 4.1.2 Alternatively, Certificated DAWN Shareholders can submit their Documents of Title after 12:00 on the Scheme Consideration Record Date, and surrender their Documents of Title representing all of their Certificated DAWN Shares under cover of a completed form of surrender and transfer (*pink*) at that time. In this regard, if requested by any of those DAWN Shareholders, a further form of surrender and transfer will be sent to Certificated DAWN Shareholders for use by those Certificated DAWN Shareholders who may not yet have surrendered their Documents of Title. The Offer Price will be posted to Shareholders within five Business Days of receipt of such documents if received after 12:00 on the Scheme Consideration Record Date.
- 4.1.3 If the Documents of Title relating to the Shares held by a Certificated DAWN Shareholder has been lost or destroyed, DAWN Shareholders should nevertheless return a duly completed surrender form, together with an indemnity on terms satisfactory to DAWN. DAWN may, in its sole discretion dispense with the surrender of such Documents of Title upon production of satisfactory evidence that the Documents of Title have been lost or destroyed and upon provision of an indemnity on terms acceptable to it. Unless otherwise agreed by DAWN, only indemnity forms obtained from the Transfer Secretaries (available on request) will be regarded as suitable. DAWN shall be entitled, in its absolute discretion, by way of agreement to waive the requirement of an indemnity.

4.1.4 No receipt will be issued for Documents of Title surrendered unless specifically requested.

In order to comply with the requirements of the JSE, lodging agents must prepare special transaction receipts, if required.

4.1.5 Documents of Title surrendered by Certificated DAWN Shareholders prior to the Implementation Date of the Scheme will be held in trust by the Transfer Secretaries, at the risk of the DAWN Shareholders concerned, pending the Scheme becoming unconditional. In the event of the Scheme not being implemented for any reason whatsoever, the Transfer Secretaries will, by not later than five Business Days after the date upon which it becomes known that the Scheme will not be implemented, return the Documents of Title to the DAWN Shareholders concerned by Registered post, at the risk of such DAWN Shareholders, to the address recorded in the Register.

4.1.6 The attention of Certificated DAWN Shareholders is drawn to the fact that, if they surrender their Documents of Title in advance, they will not be in a position to deal in their Shares on the JSE between the date of surrender and the Implementation Date, or if the Scheme is not implemented, between the date of surrender and the date on which their DAWN Shares are returned to them as set out in this Circular.

#### **4.2 Dematerialised DAWN Shareholders**

Dematerialised DAWN Shareholders must not complete the attached form of surrender and transfer (*pink*).

### **5. OFFER PRICE**

Subject to the Conditions being fulfilled or waived, as the case may be, the Offer Price payable by the Offeror in terms of the Scheme is R0,01 in cash for every Scheme Share.

DAWN Shareholders are referred to paragraph 8 below regarding the treatment of the Offer Price in terms of the Exchange Control Regulations.

### **6. SETTLEMENT OF THE SCHEME**

6.1 In the event that the Scheme becomes unconditional and the Scheme is implemented, Scheme Participants, subject to the Exchange Control Regulations, will be entitled to receive the Offer Price in respect of the Scheme Shares held by them on the Implementation Date. The Offer Price shall be fully paid up and the Offeror will, either itself and/or through DAWN's Transfer Secretaries, administer and procure the transfer of the Offer Price to the Scheme Participants.

6.2 The following provisions relate to Scheme Participants:

6.2.1 subject to Exchange Control Regulations, details of which are set out in paragraph 8 below, the Offer Price will be posted by ordinary post to certificated Shareholders, at the risk of the Scheme Participants concerned, by the Transfer Secretaries on behalf of DAWN on the Implementation Date if the Documents of Title to all of those Certificated DAWN Shareholders' Certificated DAWN Shares have been surrendered before 12:00 on the Scheme Consideration Record Date or, if the DAWN Shareholders' Documents of Title are surrendered after 12:00, on the Scheme Consideration Record Date, within five Business Days after receipt thereof by the Transfer Secretaries;

6.2.2 where, on or subsequent to the Implementation Date, a person who was not a registered holder of Certificated DAWN Shares on the Scheme Consideration Record Date, tenders to the Transfer Secretaries Documents of Title together with a duly stamped form of transfer purporting to have been executed on or before the Scheme Consideration Record Date by or on behalf of the then registered holder of such DAWN Shares, and provided that the Offer Price shall not already have been posted or delivered to the registered holder, then such transfer shall be accepted by DAWN as if it were a valid transfer to such person of the Scheme Shares concerned. The Offer Price will be posted to such person in accordance with the provisions of this paragraph 6.2.2 within five Business Days of such tender, subject to proof satisfactory to the Transfer Secretaries as to the payment of any duty or tax payable, and provided that DAWN is, if so required by it, given an indemnity on terms acceptable to it in respect of such consideration;

- 6.2.3 if the Offer Price is not sent to Certificated DAWN Shareholders entitled thereto because the relevant Documents of Title have not been surrendered or if the Offer Price is returned undelivered to the Transfer Secretaries, the Offer Price will be held in trust by DAWN or the Transfer Secretaries on behalf of DAWN until lawfully claimed, subject to the below. For the avoidance of doubt, no interest will accrue on any such funds held by DAWN. If the necessary information or instructions have not been provided after a period of five years, such Scheme Consideration shall be paid over to the Guardians Fund of the High Court, from which it can be claimed.
- 6.3 In respect of Dematerialised DAWN Shareholders, DAWN will deposit the Offer Price into the account of the relevant Participant via Strate and thereafter the accounts of Dematerialised DAWN Shareholders at their Participant's or brokers will be credited and updated with the Offer Price due to them in accordance with the custody agreements between the Dematerialised DAWN Shareholders and their Participant's or brokers.
- 6.4 Settlement of the Offer Price will be implemented in full in accordance with its terms without regard to any lien, right of set-off, counterclaim or other analogous right to which DAWN may otherwise be, or claim to be, entitled against such Shareholders.

## **7. GENERAL**

- 7.1 The Company may, but only after the receipt of the Offeror's written consent:
- 7.1.1 before or at the Scheme Meeting, agree to any amendment, variation or modification of the Scheme; or
- 7.1.2 after the Scheme Meeting, agree to any amendment, variation or modification which the Court may deem fit to approve or impose, provided that no amendment, variation or modification made after the Scheme Meeting may have the effect of diminishing the rights which will accrue to a DAWN Shareholder in terms of the Scheme.
- 7.2 A certificate signed by two directors of the Independent Board of DAWN stating that all Conditions have been fulfilled and/or waived and that the Scheme is capable of implementation shall be binding on DAWN and the DAWN Shareholders.
- 7.3 Upon the Scheme being implemented, the existing Documents of Title relating to the Scheme Shares held by any Scheme Participants will cease to be of any value, other than for the purposes of surrender in terms of the Scheme, and no certificates or deeds or documents will be issued by DAWN in place thereof.
- 7.4 DAWN will be entitled, and will have the authority on behalf of itself and each DAWN Shareholder, to authorise any person nominated by DAWN to sign all documents required to carry the Scheme and the delisting into effect, including but not limited to, all transfer forms, instructions to Participant's, forms of transfer, changes in address and cessions of rights to dividends, distributions and other entitlements to DAWN.
- 7.5 All times and dates referred to herein are subject to change, as contemplated in this Circular. Any such change shall be released on SENS and published in the press.
- 7.6 **Tax implications for DAWN Shareholders**
- The tax implications of the Scheme on DAWN Shareholders will depend on the individual circumstances of each DAWN Shareholder. DAWN Shareholders should seek advice from appropriate professional advisors if they are in any doubt whatsoever about their tax position. No dividend tax is applicable to the Scheme consideration.
- 7.7 **Applicable laws**
- The Scheme shall be governed by the laws of South Africa only. Each DAWN Shareholder shall be deemed to have irrevocably submitted to the non-exclusive jurisdiction of the Courts of South Africa in relation to all matters arising out of or in connection with the Scheme.

## **8. EXCHANGE CONTROL REGULATIONS**

**8.1** The following is a summary of the Exchange Control Regulations as they apply to Scheme Participants.

**8.2** DAWN Shareholders who are not registered in or who have a registered address outside South Africa must satisfy themselves to the full observance of the laws of the relevant jurisdiction concerning the receipt of the Offer Price, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any transfer or other taxes due in such territory. If in doubt, DAWN Shareholders should consult their professional advisors without delay.

### **8.3 Residents of the common monetary area**

In the case of:

- Certificated DAWN Shareholders whose registered address in the Register are within the common monetary area and whose Documents of Title are not restrictively endorsed in terms of the Exchange Control Regulations, the Offer Price will be posted to such DAWN Shareholders, in accordance with paragraph 6; or
- Dematerialised DAWN Shareholders whose registered address in the Register are within the common monetary area and have not been restrictively designated in terms of the Exchange Control Regulations, the Offer Price will be credited directly to the accounts nominated for the relevant DAWN Shareholders by their duly appointed Participant or broker in terms of the provisions of the custody agreement with their Participant or broker.

### **8.4 Emigrants from the common monetary area**

In the case of DAWN Shareholders who are emigrants from the common monetary area and whose Shares form part of their blocked assets, the Offer Price will:

- in the case of Certificated DAWN Shareholders whose Documents of Title are restrictively endorsed in terms of the Exchange Control Regulations, be forwarded to the authorised dealer in foreign exchange in South Africa controlling such DAWN Shareholders' blocked assets in terms of the Exchange Control Regulations. The attached form of surrender and transfer (*pink*) makes provision for details of the authorised dealer concerned to be given; or
- in the case of Dematerialised DAWN Shareholders whose registered address in the Register are within the common monetary area and have not been restrictively designated in terms of the Exchange Control Regulations, be paid to their Participant or broker, which shall arrange for same to be credited directly to the blocked Rand bank account of the DAWN Shareholder concerned with their authorised dealer in foreign exchange in South Africa.

### **8.5 All other non-residents of the common monetary area**

The Offer Price accruing to non-resident Shareholders whose registered address are outside the common monetary area and who are not emigrants from the common monetary area will:

- in the case of Certificated DAWN Shareholders, whose Documents of Title have been restrictively endorsed in terms of the Exchange Control Regulations, be posted to their registered address, unless written instructions to the contrary are received and an address provided. The attached form of surrender and transfer (*pink*) makes provision for a substitute address or bank details; or
- in the case of Dematerialised DAWN Shareholders, be paid to their duly appointed Participant or broker and credited to such DAWN Shareholders in terms of the provisions of the custody agreement with their Participant or broker.

### **8.6 Information not provided**

If the information regarding authorised dealers is not given or the instructions are not given the Offer Price will be held in trust by DAWN or the Transfer Secretaries on behalf of DAWN for the Shareholders concerned, pending receipt of the necessary information or instructions.

## 9. SHAREHOLDINGS, ACTING AS PRINCIPAL AND CONCERT PARTIES

### 9.1 Interests of the Offeror and its directors and concert parties in DAWN shares

As at the Last Practicable Date, the Offeror holds no DAWN Shares directly. The Offeror's directors hold a beneficial interest in 10 867 918 DAWN Shares, representing approximately 1.85% of the ordinary share capital of DAWN excluding treasury shares. Derek Tod and Luis Baeta, being parties acting in concert with the Offeror, have dealt in DAWN Shares during the period beginning six months before the Offer Period and ending on the Last Practicable Date as stated below.

The Offeror confirms it is the ultimate proposed purchaser of all the Scheme Shares and is acting in concert with Derek Tod and Luis Baeta. Luis Baeta disclosed that he personally holds 10 056 shares directly in Dawn, representing 0.0017% of the ordinary share capital of DAWN excluding treasury shares. Derek Tod disclosed that he holds 10 857 862 shares in Dawn, directly or indirectly representing 1.85% of the ordinary share capital of DAWN excluding treasury shares.

The Offeror has therefore made declarations in the required form to DAWN and the TRP, as required by Regulation 84(5) of the Takeover Regulations.

Derek Tod and Luis Baeta shall abstain from voting in favour of the Scheme or at all. The prohibition of the identified concert parties from voting is in terms of Section 115(4) of the Companies Act.

The following trades in DAWN shares took place by the Offeror, Derek Tod and Luis Baeta in the six months prior to the last practicable date:

#### Offeror

The Offeror has not traded in DAWN shares during the six-month period prior to the Firm Intention Announcement and ending on the Last Practicable Date.

#### Derek Tod (shares traded)

Trade Date	Buy/Sell	Quantity	Price (R)	Amount (R)
3 May 2018	Sell	480	0,37	177,60
14 May 2018	Sell	80 000	0,74	59 200,00
15 May 2018	Sell	291	0,12	34,92
16 May 2018	Sell	100	0,75	75,00

#### Luis Baeta (shares traded)

Trade Date	Buy/Sell	Quantity	Price (R)	Amount (R)
6 July 2018	Sell	40 000	0,41	16 400
9 July 2018	Sell	44 000	0,45	19 800
24 July 2018	Sell	50 000	0,29	14 500
27 July 2018	Sell	50 000	0,24	12 000
14 August 2018	Sell	550 000	0,11	60 500

## 10. MAJOR SHAREHOLDERS

As at the Last Practicable Date the following DAWN Shareholders beneficially hold 5% or more of the DAWN issued share capital:

Shareholder	Number of Shares held	% of Shares held (including treasury shares)
Coronation Asset Management Proprietary Limited	117 349 182	20,00%
Ukhamba Holdings Proprietary Limited <sup>1</sup>	127 133 448	21,18%
RAC Investment Holdings Proprietary Limited <sup>2</sup>	101 969 548	16,98%
Investec Limited	36 511 595	6,08%
<b>Total</b>	<b>382 963 773</b>	<b>64,24%</b>

<sup>1</sup> Imperial Logistics Limited, MOTUS Holdings Limited and the Ukhamba Empowerment Trust are the major shareholders of this company.

<sup>2</sup> RECM and Calibre Limited is the sole shareholder of this company.

## 11. FINANCIAL INFORMATION

### 11.1 Share Capital

The authorised and issued capital of DAWN and the share premium, at the Last Practicable Date, are set out below:

	Number of Shares	R'000
<b>Authorised</b>		
Ordinary shares of no par value	1 990 000 000	–
Deferred ordinary shares of no par value	10 000 000	–
<b>Issued shares</b>		
Ordinary shares of no par value	600 372 480	734 300
<b>Treasury shares</b>		
Ordinary shares of no par value	13 628 513	16 114
<b>Issued shares excluding treasury shares</b>		
Ordinary shares of no par value	586 743 967	718 186

### 11.2 Historical Financial Information

Historical financial information relating to DAWN is contained in **Annexure 2** to this Circular.

There are no known material changes to the expected financial or trading position of the DAWN Group subsequent to its latest published financial results for the 6 months ended 30 September 2018.

The price and trading history of DAWN Shares on the JSE is set out in **Annexure 4** to this Circular.

## 12. INFORMATION ON THE DIRECTORS

### 12.1 Directors' interests

The current directors' interests in the issued share capital of DAWN as at the last practicable date are:

Director	Direct Beneficial	Indirect Beneficial	Total	% shareholding including treasury shares
<b>Executive directors</b>				
Hanré Bester	72 210	–	72 210	0,012%
<b>Non-executive directors</b>				
Theunis de Bruyn	1 329 531	100 640 017	101 969 548	16,98%
<b>Total</b>	<b>1 401 741</b>	<b>100 640 017</b>	<b>102 041 758</b>	<b>17,00%</b>

There have been no Dealings in DAWN ordinary shares during the six-month period prior to the Firm Intention Announcement and ending on the Last Practicable Date by the existing DAWN Directors, prior to the Last Practicable Date.

It is recorded that non-binding expressions of Interest have been received from Calibre Capital (RF) Proprietary Limited, an associate of Theunis de Bruyn to acquire Hamilton's Brushware SA Proprietary Limited (a subsidiary of DAWN), and from Beagle Investments Proprietary Limited, an associate of Theunis de Bruyn, to acquire Incedon Proprietary Limited (a subsidiary of DAWN), of which both expressions of interest have lapsed.

### 12.2 Management emoluments and service contracts

It is not anticipated that the emoluments of the current DAWN directors who will remain on the Board will be materially affected by the Transaction.

Service contracts with executive directors of DAWN as well as the Company Secretary were concluded on terms and conditions that are standard for such appointments and contain normal terms of employment. The service contracts are available for inspection as described in paragraph 22 of this Circular. There are no service contracts in place in respect of non-executive directors of DAWN.

### 12.3 DAWN Share Option Scheme

Shareholders are advised that the existing share options or awards in terms of the share option scheme operated by DAWN are out of the money, and in the event that the Scheme becomes operative, these options or awards will be cancelled. Shareholders should therefore note that a comparable offer as required in terms of Section 125 of the Act and the Regulations is not applicable in this instance.

## 13. AGREEMENTS AND OTHER ARRANGEMENTS IN RELATION TO THE SCHEME

Other than the irrevocable undertaking set out below in paragraph 17 and the Offer Letter as amended, no arrangements, agreements or understandings have been entered into between DAWN, the Shareholders, the Offeror or any person acting in concert with it, or any director of DAWN or any person who was a director of DAWN within the period commencing 12 months prior to the date on which the details of the Scheme was published, or any person who is or was an DAWN Shareholder within the above mentioned period, in relation to the Scheme.

## 14. SUSPENSION AND TERMINATION OF LISTING

Subject to the Offer becoming unconditional and the Scheme being implemented, the JSE has granted approvals for the suspension of the listing of DAWN Shares with effect from the commencement of trading on the JSE on Wednesday, 13 February 2019 and the termination of the listing of DAWN Shares from the commencement of trading on Tuesday, 19 February 2019.



## 15. OPINIONS AND RECOMMENDATIONS

- The Independent Board appointed BDO as the Independent Expert (which meets the requirements set out in section 114(2) of the Companies Act) to advise it on the proposed Scheme and to compile a report in terms of section 114 of the Companies Act and the Takeover Regulations and paragraph 1.15(d) of the JSE Listings Requirements to the Independent Board concerning the Scheme.
- The Independent Expert has advised the Independent Board that it has considered the terms and conditions of the Scheme and is of the opinion that these terms and conditions are fair and reasonable to DAWN Shareholders. The text of the letter from the Independent Expert is included in **Annexure 1** to this Circular and the report has not been withdrawn prior to the publication of this Circular.

The Independent Board, after due consideration of the report of the Independent Expert, has determined that it will place reliance on the valuation performed by the Independent Expert for the purposes of reaching its own opinion regarding the Scheme as contemplated in Regulation 110(3)(b) of the Companies Act. The Independent Board having considered, inter alia, the independent advice of the Independent Expert and the terms and conditions of the Scheme, is of the opinion that these terms and conditions are fair and reasonable to DAWN Shareholders.

- The Independent Board supports the offer and recommends that the Shareholders vote in favour of the special resolution to be proposed at the Scheme Meeting. The directors intend exercising the voting rights of the DAWN Shares held or controlled by them and to vote for the Special Resolutions and Ordinary Resolution set out in the notice of Scheme Meeting.
- In so far as any information in this Circular relates to the Scheme, the Circular is the responsibility of the Independent Board of DAWN, as is required under Regulation 106(3)(a) of the Companies Act.

## 16. MATERIAL CHANGES AND LITIGATION

- There are no legal or arbitration proceedings against the DAWN Group (including any such proceedings that are pending or threatened), of which the directors are aware which may have or have had during the 12 months preceding the date of this Circular, a material effect on the DAWN Group's financial position.
- There are no material changes to the expected financial or trading position of the DAWN Group since the publication of the DAWN Group's interim financial results for the 6 months ended 30 September 2018.

## 17. IRREVOCABLE UNDERTAKINGS

- 17.1 The Board of DAWN has received irrevocable undertakings from DAWN Shareholders, who at the date of this Firm Intention Announcement, collectively hold 229 102 996 DAWN shares, to vote in favour of the Scheme and the resolutions to be proposed at the Scheme Meeting, representing approximately 38,15% of the DAWN shareholders entitled to vote at the Scheme Meeting.

Party	Number of Shares held	% of Shares held including treasury shares
Ukhamba Holdings Proprietary Limited	127 133 448	21,18%
RAC Investment Holdings Proprietary Limited	101 969 548	16,98%
<b>Total</b>	<b>229 102 996</b>	<b>38,16%</b>

Ukhamba Holdings Proprietary Limited and RAC Investment Holdings Proprietary Limited have not traded in the DAWN shares during the six-month period prior to the Firm Intention Announcement and ending on the Last Practicable Date.

## 18. DAWN UNDERTAKINGS AND WARRANTIES

**18.1** DAWN undertook to grant the Offeror exclusivity for a 120-day period from 23 November 2018 in terms of which DAWN (save as may be required by the Companies Act, the Regulations or in terms of the fiduciary duties placed on the directors of DAWN) cannot accept a Competing Transaction for the duration of the exclusivity period (and will procure that its directors and employees do not) –

18.1.1 enter into, or afford any options to enter into or consummate, any Competing Transaction; or

18.1.2 solicit, initiate, encourage, approve or recommend any expression of interest, enquiry, proposal or offer regarding any Competing Transaction or options to enter into or consummate, any Competing Transaction.

A “Competing Transaction” means any proposal or transaction for the merger, amalgamation, business combination, takeover bid, sale or other disposition of all or a majority of the equity in and/or business and/or assets of DAWN or any of its material subsidiaries, or any other transaction which could reasonably be considered to be likely to materially prejudice or frustrate the Offer or its implementation.

**18.2** DAWN warranted to the Offeror that it is currently not involved in any other negotiations regarding any Competing Transaction. It however is aware of other parties who have expressed an interest in DAWN.

**18.3** DAWN undertook and warranted in favour of the Offeror that until the closing date of the Offer or if the Offer fails for whatsoever reason –

18.3.1 after signature of the Offer Letter, it will not sell, encumber or dispose of any assets (and has not done so since 1 November 2018) or enter into any material short or long-term agreements, other than:

18.3.1.1 in the ordinary course of business (meaning the buying and selling of trading stock in the normal course of business); and

18.3.1.2 to dispose of the assets of DPI Plastics Proprietary Limited and apply proceeds to pay its liabilities;

18.3.2 DAWN will provide the Offeror with its monthly management accounts and will comply with all reasonable requests made by the Offeror for documentation and/or information not previously made available to the Offeror, and to have access to personnel and/or contractual counterparties;

18.3.3 DAWN is, and will be, compliant with all obligations due to the applicable tax authorities;

18.3.4 DAWN and its subsidiaries, shall provide at their cost, their tax clearance certificates as at 31 March 2018;

18.3.5 DAWN will provide the Offeror with its signed and audited annual financial statements for the year ended 31 March 2018 as well as its unaudited interim financials for the half-year ended 30 September 2018 by 15 December 2018 after they have been approved and signed by DAWN and, in respect of the annual financial statements, by the auditor as well;

18.3.6 DAWN shall allow the Offeror, from date of acceptance of the Offer, the right to communicate with staff, customers and suppliers with permission from DAWN management;

18.3.7 DAWN will use its reasonable endeavours to assist the Offeror with the –

18.3.7.1 preparation of its proposed enhanced business plan for the ensuing 12 month period; and

18.3.7.2 negotiation with DAWN's existing banker for the existing facility to be maintained for a period of 12 (twelve) months from the date that the Offeror assumes ownership of the business pursuant to implementation of the Offer, and for such outcome to be confirmed by the existing banker in writing;

18.3.8 notwithstanding anything to the contrary therein, the Parties undertake to comply at all times with their obligations under the Financial Markets Act, No.19 of 2012;

18.3.9 shall provide the Offeror, in respect of Dawn and each subsidiary a declaration by agreed employees of DAWN setting out the liabilities, guarantees, all material contracts and outstanding legal issues (duly commissioned under oath); and

18.3.10 DAWN undertakes, in respect of each subsidiary except for DPI Plastics Proprietary Limited, to provide the Offeror with a stock take as at 1 February 2018 and a verified and updated asset register as at 21 December 2018.

## 19. RESPONSIBILITY STATEMENT

The DAWN Board, whose names are given on page 12 to this Circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Circular contains all information required by law and the JSE Listings Requirements.

In so far as any information in this Circular relates to the Scheme, the Circular is the responsibility of the Independent Board of DAWN, as is required under Regulation 106(3)(a) of the Companies Act. Therefore, the Independent Board accepts responsibility for the information contained in the Circular to the extent that it relates to DAWN and to the best of their knowledge and belief, the information contained in this Circular is true and nothing has been omitted which is likely to affect the import of the information herein.

In compliance with Regulation 106(4)(i), the Offeror accept responsibility for the information contained in the Circular to the extent that it relates to the Offeror and to the best of their knowledge and belief, the information contained in this Circular is true and nothing has been omitted which is likely to affect the import of the information herein.

## 20. COSTS OF THE SCHEME

The costs in relation to the Scheme and the Offer, including this Circular, shall be borne by DAWN and are set out below. Other than as set below, DAWN has not incurred any preliminary expenses within the three years preceding the date of this Circular:

	<b>Rand</b>
Fee payable to Deloitte & Touche Sponsor Services Proprietary Limited	920 000
Fee payable to ENS	350 000
Fee payable to BDO	375 000
JSE documentation fee	14 714
Fee payable to TRP	50 000
Competition Commission filing and legal costs	684 000
Printing and other fee payable to Graphiculture	250 000
Contingency	150 000
<b>Total</b>	<b>2 793 714</b>

## 21. CONSENTS

Deloitte & Touche Sponsor Services Proprietary Limited, BDO, ENS, Alex May Incorporated and Transfer secretaries have consented in writing to the inclusion of their names and reports, as applicable in this Circular, in the form and context in which they appear and have not withdrawn their consents prior to the publication of this Circular.

## **22. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the registered office of DAWN, from the date of posting of the Circular until the end of the date of the Scheme Meeting:

- the audited financial statements of DAWN for the years ended 31 March 2018, 2017 and 2016;
- the unaudited interim financial information for the six months ended 30 September 2018;
- the Memorandum of Incorporation of DAWN and each of its major Subsidiaries;
- Firm Intention Offer Letter;
- a signed copy of this Circular;
- Signed report of the Independent Expert;
- TRP letter of approval;
- copies of the directors' service contracts;
- the written consents referred to in paragraph 21; and
- the irrevocable undertakings referred to in paragraph 17.

### **SIGNED ON BEHALF OF THE INDEPENDENT BOARD**

**Dinga Mncube**

12 December 2018

### **SIGNED ON BEHALF OF THE DAWN BOARD**

**Edwin Hewitt**

*Chief Executive Officer*

12 December 2018

### **SIGNED BY THE BOARD OF DIRECTORS OF THE OFFEROR**

**Derek Tod**

12 December 2018

**Luis Gonsalves Baeta**

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## REPORT OF THE INDEPENDENT EXPERT

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The Board and the Independent Board  
Distribution and Warehousing Network Limited  
Cnr Barlow Road and Cavaleros Drive  
Jupiter Ext. 3  
Germiston  
1401

12 December 2018

Dear Sirs

### REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO DISTRIBUTION AND WAREHOUSING NETWORK LIMITED REGARDING THE PROPOSED OFFER BY POLANOFIELD PROPRIETARY LIMITED TO ACQUIRE ALL OF THE ISSUED SHARE CAPITAL OF THE COMPANY BY WAY OF A PROPOSED SCHEME OF ARRANGEMENT

#### INTRODUCTION

In terms of the firm intention announcement published by Distribution and Warehousing Network Limited (“**DAWN**” or the “**Company**”) on the Stock Exchange News Service (“**SENS**”) of the exchange operated by the JSE Limited (“**JSE**”) on 3 December 2018 (the “**Terms Announcement**”), holders of ordinary issued shares in the issued share capital of DAWN (“**Shares**”) (“**Shareholders**”), were advised of the firm intention by Polanofield Proprietary Limited (“**Newco**” or the “**Offeror**”) to acquire all of the Shares excluding Shares held by shareholders of the Offeror (who are acting in concert with the Offeror) and any treasury shares for a cash purchase consideration of R0,01 per share (the “**Offer Price**” or the “**Offer Consideration**”) (the “**Offer**”).

The Offer will be implemented by way of a scheme of arrangement in terms of section 114(1)(e) read together with section 115 of the Companies Act, 71 of 2008, as amended (“**Companies Act**”). The Scheme will be proposed by the board of directors of DAWN (“**Board**” or “**DAWN Board**”) between DAWN and its Shareholders (“**Scheme Participants**”) (the “**Scheme**”).

The Scheme, if implemented, will result in the acquisition by the Offeror of all of the Shares excluding Shares held by shareholders of the Offeror (who are acting in concert with the Offeror) and any treasury shares and will result in the delisting of all of the Shares from the Main Board of the JSE (the “**Delisting**”).

The Scheme and Delisting are collectively referred to as the “**Transaction**”.

As at the date of this Independent Expert Report (as defined below), the authorised and issued share capital of the Company comprises the following:

- authorised ordinary share capital comprising:
  - 1 990 000 000 ordinary shares of R0,01 each; and
  - 10 000 000 deferred ordinary shares of R0,01 each.
- issued ordinary share capital comprising 586 743 967 ordinary shares (excluding treasury shares of 13 628 513) of R0,01 each.

The Transaction will directly or indirectly affect all Shareholders. More information on the material effects that the Transaction may have on the rights and interests of Shareholders is detailed in paragraph 3 of the circular to Shareholders dated on or about Thursday, 20 December 2018 (“**Circular**”), which will include a copy of this Independent Expert Report.

Full details of the Transaction are set out in the Circular.

As at the last practicable date prior to the finalisation of the Circular, being 12 December 2018 (the “**Last Practicable Date**”), DAWN Directors (including any associates of the DAWN Directors and any director of the Board who resigned in the 18 months preceding the Last Practicable Date) held the following direct and indirect beneficial interests in Shares:

	Number of Shares			Percentage shareholding <sup>1</sup>
	Direct beneficial interest	Indirect beneficial interest	Total	
<b>Executive</b>				
Hanré Bester	72 210	–	72 210	0,012%
<b>Non-executive</b>				
Theunis de Bruyn	1 329 531	100 640 017	101 969 548	17,379%
Charles Boles	15 160 000	600 000	15 760 000	2,686%
Lourens Alberts	2 159 718	–	2 159 718	0,368%
Veli Mokoena	21 771	–	21 771	0,004%
<b>Total</b>	<b>18 743 230</b>	<b>101 240 017</b>	<b>119 983 247</b>	<b>20,45%</b>

<sup>1</sup> Percentage shareholding is calculated as a percentage of the total issued share capital of DAWN, as at the Last Practicable Date.

Copies of sections 115 and 164 of the Companies Act are included in Annexure 5 and 6 of the Circular.

## FAIR AND REASONABLE OPINION REQUIRED IN TERMS OF THE COMPANIES ACT

The Transaction is an affected transaction as defined in section 117(1)(c) of the Companies Act. In terms of section 114(2) of the Companies Act, as read with Regulations 90 and 110 of the Companies Regulations, 2011 (“**Companies Regulations**”), the Independent Board is required to retain an independent expert to provide an independent expert report (in the form of a fair and reasonable opinion) in terms of section 114(3) of the Companies Act and Regulations 90 of the Companies Regulations (the “**Fair and Reasonable Opinion**” or “**Independent Expert Report**”).

BDO Corporate Finance Proprietary Limited (“**BDO Corporate Finance**”) has been appointed as the independent expert by the Independent Board to assess the Scheme and the Offer Consideration as required in terms of section 114 of the Companies Act and Regulations 90 of the Companies Regulations. The Fair and Reasonable Opinion set out herein is provided to the Independent Board for the sole purpose of assisting the Independent Board in forming and expressing an opinion on the Scheme and the Offer Consideration for the benefit of Shareholders.

## RESPONSIBILITY

Compliance with the Listings Requirements is the responsibility of the Board. Compliance with the Companies Act and the Companies Regulations is the responsibility of the Independent Board. Our responsibility is to report to the Board and Independent Board on whether the terms and conditions of the Scheme and the Offer Consideration are fair and reasonable to Shareholders.

## DEFINITION OF THE TERMS “FAIR” AND “REASONABLE” APPLICABLE IN THE CONTEXT OF THE TRANSACTION

The “fairness” of a transaction is primarily based on quantitative issues. A transaction will generally be considered to be fair to a company’s shareholders if the benefits received, as a result of the transaction, are equal to or greater than the value given up.

An offer may be considered to be fair to shareholders if the offer consideration is equal to or greater than the fair value of an offer share, or unfair if the offer consideration is less than the fair value of an offer share. Furthermore, in terms of Regulation 110(8) of the Companies Regulations, an offer with a consideration per offeree regulated company security within the fair-value range is generally considered to be fair.

The assessment of reasonableness of an offer is generally based on qualitative considerations surrounding the transaction. Hence, even though the consideration to be paid in respect of an offer may be lower than the market value, the offer may be considered reasonable after considering other significant qualitative factors. The offer may be said to be reasonable if the offer consideration is greater than the trading price of an offer share as at the time of announcement of the offer consideration, or at some other more appropriate identifiable time.

## DETAILS AND SOURCES OF INFORMATION

In arriving at our opinion we have relied upon the following principal sources of information:

- the terms and conditions of the Transaction, as set out in the Circular;
- the Integrated Audited Annual Reports of DAWN for the years ended 31 March 2017 and 31 March 2018;
- year-to-date management accounts of DAWN, on a consolidated basis and by division, for the period ended 30 September 2018;
- forecast financial information provided by DAWN management, on a consolidated basis and by division, for the years ending 31 March 2019 to 2020;
- discussions with the DAWN executive Directors, advisors and management regarding the rationale for the Transaction;
- discussions with the DAWN executive Directors, advisors and management regarding the historical and forecast financial information of the Company and its underlying operations;
- discussions with the DAWN executive Directors, advisors and management on prevailing market, economic, legal and other conditions which may affect underlying value;
- publicly available information relating to the industrial goods sector in general; and
- publicly available information relating to DAWN that we deemed to be relevant, including Company announcements and media articles.

The information above was secured from:

- DAWN executive Directors and management of DAWN and their advisors; and
- third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing DAWN.

## PROCEDURES

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the fairness and reasonableness of the Transaction:

- reviewed the terms and conditions of the Transaction;
- reviewed the audited and unaudited financial information related to DAWN, as detailed above;
- reviewed and obtained an understanding from management as to the forecast information of DAWN, on a consolidated basis and by division, for the financial years ending 31 March 2019 – 2020 which was prepared by the management of DAWN. Considered the forecast cash flows and the basis of the assumptions therein including the prospects of the business of DAWN and its underlying operations. This review included an assessment of the recent historical financial performance to date as well as the reasonableness of the outlook assumed based on discussions with management and assessed the achievability thereof by considering historical information as well as macro-economic and industry-specific data;
- reviewed each of the underlying divisions and developed appropriate valuation methodologies per division;
- BDO Corporate Finance performed a “sum of the parts” (“**SOTP**”) valuation of DAWN by aggregating the valuations of the operating divisions and the fair value of financial assets and financial liabilities. The valuation was based on the following principal valuation methodologies:
  - operating divisions (profitable): compiled forecast free cash flows for Incedon, Hamilton’s, DAWN Africa Trading, Roco and Ubuntu by using the historic and forecast financial information as detailed above. Applied BDO Corporate Finance’s assumptions of cost of capital to the forecast cash flows to produce a discounted cash flow valuation for each operating division; and
  - operating division (loss making): compiled a net asset valuation on a liquidation basis for WHS, based on the fair and recoverable value of the operating division’s assets and liabilities;

- performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the industrial goods sector generally;
- held discussions with the DAWN executive Directors and management regarding the past and current business operations, regulatory requirements, financial condition and future prospects of the Company and such other matters as we have deemed relevant to our inquiry;
- held discussions with DAWN Directors and management regarding the rationale for the Transaction;
- assessed the long-term potential and liquidity requirements of DAWN and its underlying operations;
- performed a sensitivity analysis on key assumptions included in the valuation;
- evaluated the relative risks associated with DAWN and the construction and materials sector;
- reviewed certain publicly available information relating to DAWN and the construction and materials sector that we deemed to be relevant, including Company announcements and media articles and available analyst coverage; and
- where relevant, representations made by management and/or DAWN Directors were corroborated by source documents or independent analytical procedures performed by us, to examine and understand the industry in which DAWN operates, and to analyse external factors that could influence the business of DAWN and its underlying operations.

## **OTHER CONSIDERATIONS**

In arriving at our opinion, we have considered, in addition to the procedures referred to above, other key quantitative and qualitative factors, which are set out below:

- The audit report underlying the FY18 annual financial statements indicated a material uncertainty regarding the going concern of DAWN;
- DAWN incurred a loss of R426 million for the year ended 31 March 2018, and a loss before tax of R233 million for the six months ended 30 September 2018;
- Despite successful initiatives to raise funding, which include a partially underwritten renounceable Rights Offer in April 2017 (R350 million) and the disposal of 49% of Grohe Dawn Watertech Holdings Proprietary Limited in Q1 2018 (R324,5 million) the business has continued to experience steady losses, an increase in debt and a steady deterioration in the net asset value;
- Payment to trade creditors has been delayed;
- DAWN's assets exceed its liabilities as at 30 September 2018, however, per management's forecasts liabilities are expected to exceed its assets during the following twelve months and will therefore become insolvent as a result of losses incurred;
- The business has significant debt, with an amount of R140 million outstanding in terms of the Absa Bank Limited invoice discount facility as at 30 September 2018 and a further R31,2 million outstanding at that date in terms of other borrowings. We note that despite an increase of R25 million in the Invoice Discounting Facility in October 2018, this limit was reached in that month;
- DAWN is currently unable to generate sufficient cash flows to cover operating expenses, capital expenditure and working capital requirements and consequently requires access to appropriate funding to continue as a going concern. The directors do not have access to additional cash resources and further funding and shareholders have not indicated a willingness to support any capital raising initiatives;
- It is noted that Company conducted an extensive process to identify acquirers for individual business units or the entire DAWN group. Due to the significant debt in the business as well as the cross-guarantees provided by individual subsidiaries, no feasible binding offers were received; and
- It is noted that in terms of the Offer letter that the Offeror does have exclusivity for 120 days and that a competing bid could materialise subject to the exclusivity clause.



## **ASSUMPTIONS**

We arrived at our opinion based on the following assumptions:

- that all agreements that have been entered into in terms of the Transaction will be legally enforceable as against the relevant parties thereto;
- that the Transaction will have the legal, accounting and taxation consequences described in the Circular and discussions with, and materials furnished to us by representatives and advisors of DAWN; and
- that reliance can be placed on the financial information of DAWN.

## **APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS**

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- placing reliance on audit reports in the financial statements of DAWN;
- conducting analytical reviews on the historical financial results and forecast financial information, such as key ratio and trend analyses; and
- determining the extent to which representations from management were confirmed by documentary and audited financial evidence as well as our understanding of DAWN and the economic environment in which the Company operates.

## **LIMITING CONDITIONS**

This Independent Expert Report is provided in connection with and for the purposes of the Transaction. This Independent Expert Report does not purport to cater for each individual Shareholder's perspective, but rather that of the general body of Shareholders. Should a Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

Individual Shareholders' decisions regarding the Transaction may be influenced by such Shareholders' particular circumstances and accordingly individual Shareholders should consult an independent advisor if in any doubt as to the merits or otherwise of the Transaction.

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, inter alia, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of DAWN relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of DAWN will correspond to those projected. We have however compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management.

We have also assumed that the Transaction will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisors of DAWN and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

## **INDEPENDENCE, COMPETENCE AND FEES**

We confirm that neither we nor any person related to us (as contemplated in the Companies Act) have a direct or indirect interest in the Scheme Shares or the Transaction, nor have had within the immediately preceding two years, any relationship as contemplated in section 114(2)(b) of the Companies Act, and specifically declare, as required by Regulation 90(6)(i) and 90(3) (a) of the Companies Regulations, that we are independent in relation to the Transaction and will reasonably be perceived to be independent. We also confirm that we have the necessary competence to provide the Fair and Reasonable Opinion and meet the criteria set out in section 114(2)(a) of the Companies Act.

Furthermore, we confirm that our professional fees of R375 000 (excluding VAT) are not contingent upon the success of the Transaction. Our fees are payable in cash and not payable in shares.

## VALUATION APPROACH

BDO Corporate Finance performed a valuation of DAWN on a SOTP basis to determine whether the Transaction is fair to Shareholders.

WHS is a negative cash-flow business and has been valued on a liquidation basis, whereas Incedon, Hamilton's, DAWN Africa Trading, Roco and Ubuntu have been valued on a DCF basis.

Key external value drivers to the DCF valuations include key macro-economic parameters such as; GDP growth, interest rates, exchange rates, headline inflation rates and prevailing market and industry conditions were considered in assessing the forecast cash flows and risk profile of the operating companies.

Key internal value drivers to the DCF valuations included revenue growth, gross profit margins, EBITDA margins, the discount rate (represented by the weighted average cost of capital ("**WACC**")), working capital and capital expenditure requirements. Revenue growth, return on sales and working capital requirements are the main drivers of expected free cash flows to be generated over the forecast period.

In addition, we performed a sensitivity analysis on key assumptions included in the DCF valuation, specifically related to cost of capital and return on sales.

These sensitivity analyses did not indicate a sufficient effect to alter our opinion in respect of the Transaction.

## VALUATION RESULTS

In undertaking the valuation exercise above, we determined that there is zero value attributable per Scheme Share after taking into account all outstanding liabilities and commitments. The Offer Consideration is considered to be fair as the Offer Consideration in the amount of R0,01, falls above the valuation per Share.

A valuation range has not been provided due to the fact that each of the valuation sensitivities applied yielded a negative equity value result. We note that the core valuation resulted in a negative equity value of R48 million and that the valuation range is below zero.

## KEY QUALITATIVE CONSIDERATIONS

In arriving at our opinion, we have also considered the following key qualitative considerations in evaluating the reasonableness of the Transaction:

- the rationale for the Transaction as set out in the Circular;
- the fair value of the Offer Consideration being at a discount to the 30-day VWAP of the Shares up to the last trading date immediately prior to the Cautionary Announcement and Terms Announcement; and
- the limited tradability of Shares.

## OPINION

Following our work in valuing DAWN Shares and reviewing the financial terms and conditions of the Transaction, we have considered the following key points:

- The Company's continuation as a going concern is contingent on:
  - A recovery in business and an improvement in margins in accordance with the Company's plans and forecast; and
  - At least partial refinancing.
- The business has head office costs of c. R3 million a month. The impact of head office costs was limited to the onerous lease payments and retrenchment costs; and
- The business has not been valued on a liquidation basis, with the exception of WHS, which is currently generating negative cash flows, despite limited profitability. Despite the fact that the individual businesses have been valued on a DCF basis, the businesses generate low returns on sales and the value of the businesses does not exceed the total debt in the group in the amount of R171,1 million.

As regards to the value range resulting from our valuation, Shareholders may be at risk of losing their entire investment without a financial restructuring which is essential to the continuity of the Company's operations.

The Offer Consideration represents a discount of 83,33% and 80% to the closing price and 30-day VWAP per Share on the JSE up to the last trading date immediately prior to the cautionary announcement on SENS on 13 November 2018, respectively, and above the suggested value calculated from our valuation. The rationale for the Transaction is set out in paragraph 2 of the Circular. Despite the fact that the traded share price is higher than the Offer price, the Offer is considered to be reasonable due to the fact that the Company is in financial distress, and it is noted that a competing offer for the Company may still be tabled.

BDO Corporate Finance has considered the proposed terms and conditions of the Scheme, based upon and subject to the conditions set out herein, BDO Corporate Finance is of the opinion that the terms and conditions of the Scheme and the Offer Consideration, in respect of the Scheme, are fair and reasonable.

Our opinion is necessarily based upon the information available to us up to 10 December 2018, including in respect of the financial, market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions to the Transaction, including any material regulatory and other approvals and consents required in connection with the Transaction have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this Independent Expert Report, which we are under no obligation to update, revise or re-affirm.

## **CONSENT**

We hereby consent to the inclusion of this Independent Expert Report, in whole or in part, and references thereto in the Circular and any other announcement or document pertaining to the Transaction, in the form and context in which they appear.

Yours faithfully

**N Lazanakis**

*Director*

**BDO Corporate Finance Proprietary Limited**

22 Wellington Road

Parktown

2193

## HISTORICAL AUDITED FINANCIAL INFORMATION OF THE DAWN GROUP FOR THE THREE YEARS ENDED 31 MARCH 2018, 2017 AND 2016

The report of historical financial information is the responsibility of the Directors of DAWN. The full set of audited annual financial statements for the years ended 31 March 2018, 31 March 2017 and 31 March 2016 are available on the Company's website, [www.dawnltd.co.za](http://www.dawnltd.co.za) and also open for inspection.

### CONSOLIDATED INCOME STATEMENT

for the years ended 31 March 2018, 2017 and 2016

	2018 R'000	Restated * 2017 R'000	2016 R'000
<b>Revenue</b>	<b>3 478 626</b>	4 300 864	4 993 092
Cost of sales	<b>(2 780 514)</b>	(3 541 225)	(3 897 870)
<b>Gross profit</b>	<b>698 112</b>	759 639	1 095 222
Operating expenses	<b>(950 592)</b>	(1 209 246)	(1 153 046)
Administrative and selling expenses	<b>(660 588)</b>	(792 639)	(649 620)
Distribution and warehousing expenses	<b>(243 671)</b>	(328 396)	(490 801)
Other operating expenses	<b>(46 333)</b>	(88 211)	(12 625)
Other operating income/expense	<b>29 923</b>	29 393	43 473
<b>Operating (loss)/profit before impairments and derecognitions of previously held interests</b>	<b>(222 557)</b>	(420 214)	(14 351)
Net (loss)/gain on derecognition of subsidiaries	<b>25 178</b>	1 202	(4 592)
Impairments	<b>(132 418)</b>	(63 309)	(642 415)
<b>Operating loss</b>	<b>(329 797)</b>	(482 321)	(661 358)
Finance income	<b>3 230</b>	989	3 460
Finance expenses	<b>(35 482)</b>	(61 904)	(74 530)
<b>Loss after net financing costs</b>	<b>(362 049)</b>	(543 236)	(732 428)
Share of profit in investments accounted using the equity method	<b>5 488</b>	14 731	(5 891)
<b>Loss before taxation</b>	<b>(356 561)</b>	(528 505)	(738 319)
Income tax expense	<b>(7 864)</b>	(51 272)	(19 613)
<b>Loss from continuing operations</b>	<b>(364 425)</b>	(579 777)	(757 932)
<b>Loss from discontinued operations</b>	<b>(62 037)</b>	(61 637)	–
<b>Loss for the year</b>	<b>(426 462)</b>	(641 414)	(757 932)
<i>(Loss)/profit attributable to:</i>			
Owners of the parent	<b>(431 967)</b>	(658 729)	(762 936)
Non-controlling interests	<b>5 505</b>	17 315	5 004
<b>Loss for the year</b>	<b>(426 462)</b>	(641 414)	(757 932)
Earnings per share (cents)	<b>(74,51)</b>	(199,62)	(318,31)
Earnings per share from continuing operations	<b>(63,81)</b>	(180,94)	(318,31)
Earnings per share from discontinued operations	<b>(10,70)</b>	(18,68)	–
Diluted earnings per share (cents)	<b>(74,51)</b>	(199,62)	(317,34)
Diluted earnings per share from continuing operations	<b>(63,81)</b>	(180,94)	(317,34)
Diluted earnings per share from discontinued operations	<b>(10,70)</b>	(18,68)	–

\* Restatement amounts relate to the Grohe DAWN Watertech disposal group and to accounting errors in a major subsidiary.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 March 2018, 2017 and 2016

	2018 R'000	Restated * 2017 R'000	2016 R'000
<b>Loss for the year</b>	<b>(426 462)</b>	(641 414)	(757 932)
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Effects of retirement benefit obligations	82	91	1 009
Tax-related components	(23)	(25)	(282)
	59	66	727
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Exchange differences recycled through profit/loss	(2 479)	7 164	(6 611)
Exchange differences on translating foreign operations	(1 229)	(1 423)	626
Cash flow hedging reserve	(1 084)	858	(1 023)
Tax-related components	320	(240)	286
	(4 472)	6 359	(6 722)
<b>Total other comprehensive (loss)/income</b>	<b>(4 413)</b>	6 425	(5 995)
<b>Total comprehensive loss</b>	<b>(430 875)</b>	(634 989)	(763 927)
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the parent	(436 380)	(652 304)	(768 931)
Non-controlling interests	5 505	17 315	5 004
	(430 875)	(634 989)	(763 927)
<b>Total comprehensive loss attributable to equity shareholders arising from:</b>			
Continuing operations	(368 838)	(573 352)	(763 927)
Discontinued operations	(62 037)	(61 637)	–
	(430 875)	(634 989)	(763 927)

\* Restatement amounts relate to the Grohe DAWN Watertech disposal group and to accounting errors in a major subsidiary.

Details of the restatements were set out in the results announcement published on SENS on 12 July 2018.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2018, 2017 and 2016

	2018 R'000	Restated * 2017 R'000	Restated * 2016 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	79 103	225 794	236 278
Intangible assets	–	65 126	66 433
Investments in associates and joint ventures	5 756	296 261	453 496
Derivative financial instruments	–	19 115	34 380
Deferred tax assets	1 093	68 298	98 400
	<b>85 952</b>	<b>674 594</b>	<b>888 987</b>
<b>Current assets</b>			
Inventories	478 040	519 378	800 082
Trade and other receivables	515 145	631 879	910 020
Cash and cash equivalents	113 960	108 741	80 006
Derivative financial instruments	–	632	249
Current tax assets	788	8 107	6 300
	<b>1 107 933</b>	<b>1 268 737</b>	<b>1 796 657</b>
<b>Assets classified as held-for-sale</b>	<b>28 380</b>	<b>6 652</b>	<b>–</b>
<b>Total assets</b>	<b>1 222 265</b>	<b>1 949 983</b>	<b>2 685 644</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Capital and reserves attributable to equity holders of the company</b>			
Share capital and share premium	714 785	376 170	376 170
(Accumulated loss)/retained income	(379 345)	(19 595)	639 134
Other reserves	(28 884)	(9 874)	(5 844)
Share capital and reserves	<b>306 556</b>	<b>346 701</b>	<b>1 009 460</b>
Non-controlling interests	<b>6 509</b>	<b>47 975</b>	<b>39 664</b>
<b>Total equity</b>	<b>313 065</b>	<b>394 676</b>	<b>1 049 124</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	23 768	58 275	75 859
Derivative financial instruments	–	78 217	89 454
Deferred profit	23 422	28 749	34 076
Deferred tax liabilities	2 543	25 762	22 185
Retirement benefit obligation	4 895	5 066	5 100
Share-based payment liabilities	–	5 329	4 883
Operating lease liabilities	94 322	101 597	110 363
Trade and other payables	–	–	7 114
	<b>148 950</b>	<b>302 995</b>	<b>349 034</b>
<b>Current liabilities</b>			
Trade and other payables	608 403	785 735	897 669
Borrowings	25 010	448 128	357 381
Operating lease liabilities	9 606	5 204	2 776
Derivative financial instruments	4 223	588	8 664
Bank overdraft	94 342	48 <sup>^</sup>	–
Deferred profit	5 327	5 327	5 327
Current tax liabilities	7 643	5 694	7 728
Share-based payment liabilities	–	–	7 941
	<b>754 554</b>	<b>1 250 724</b>	<b>1 287 486</b>
<b>Liabilities directly associated with assets classified as held-for-sale</b>	<b>5 696</b>	<b>1 588</b>	<b>–</b>
<b>Total liabilities</b>	<b>909 200</b>	<b>1 555 307</b>	<b>1 636 520</b>
<b>Total equity and liabilities</b>	<b>1 222 265</b>	<b>1 949 983</b>	<b>2 685 644</b>
<b>NAV per share (cents)</b>	<b>52.9</b>	<b>105.9</b>	<b>440.66</b>
<b>TNAV per share (cents)</b>	<b>52.9</b>	<b>85.3</b>	<b>412.95</b>

<sup>^</sup> Reclassification of bank overdraft from borrowings to improve on disclosure.

\* Restatement amounts relate to accounting errors in a major subsidiary.

Details of the restatements were set out in the results announcement published on SENS on 12 July 2018.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended 31 March 2018, 2017 and 2016

	Share capital and share premium R'000	Other reserves R'000	Retained earnings R'000	Equity attributable to Company R'000	Non-controlling interests R'000	Total R'000
<b>Balance at 1 April 2015 as reported</b>	376 170	57 022	1 417 371	1 850 563	33 974	1 884 537
Total comprehensive (loss)/income for the year	–	(5 995)	(762 936)	(768 931)	4 589	(764 342)
(Loss)/profit for the year	–	–	(762 936)	(762 936)	5 004	(757 932)
Other comprehensive loss for the year	–	(5 995)	–	(5 995)	(415)	(6 410)
Dividends paid	–	–	(7 260)	(7 260)	–	(7 260)
<b>Total contributions by and distributions to owners of the company recognised directly in equity</b>	–	(56 871)	(953)	(57 824)	1 101	(56 723)
Share-based payment – charge/(reversal) for the year	–	27	(953)	(926)	–	(926)
Treasury shares acquired	–	(30 875)	–	(30 875)	–	(30 875)
<b>Transfer to liability</b>	–	(26 381)	–	(26 381)	–	(26 381)
Transactions with non-controlling interests	–	358	–	358	(823)	(465)
Business combinations	–	–	–	–	1 924	1 924
<b>Balance at 1 April 2016 as reported</b>	376 170	(5 844)	646 222	1 016 548	39 664	1 056 212
<b>Restatement 1 – Includedon *</b>	–	–	(7 088)	(7 088)	–	(7 088)
<b>Balance at 1 April 2016 as restated</b>	376 170	(5 844)	639 134	1 009 460	39 664	1 049 124
Total comprehensive income/(loss) for the year	–	6 425	(658 729)	(652 304)	17 475	(634 829)
(Loss)/profit for the year	–	–	(658 729)	(658 729)	17 315	(641 414)
Other comprehensive income for the year	–	6 425	–	6 425	160	6 585
Dividends paid	–	–	–	–	(21 969)	(21 969)
<b>Total contributions by and distributions to owners of the company recognised directly in equity</b>	–	(10 455)	–	(10 455)	12 805	2 350
Share-based payment – charge for the year	–	2 700	–	2 700	–	2 700
Transactions with non-controlling interests	–	(13 155)	–	(13 155)	12 805	(350)
<b>Balance at 1 April 2017 as restated</b>	376 170	(9 874)	(19 595)	346 701	47 975	394 676
Total comprehensive (loss)/income for the year	–	(4 413)	(431 967)	(436 380)	5 505	(430 875)
(Loss)/profit for the year	–	–	(431 967)	(431 967)	5 505	(426 462)
Other comprehensive loss for the year	–	(4 413)	–	(4 413)	–	(4 413)
Dividends paid	–	–	–	–	(6)	(6)
<b>Total contributions by and distributions to owners of the company recognised directly in equity</b>	338 615	(14 597)	72 217	396 235	(46 965)	349 270
Share-based payment – charge for the year	–	(2 994)	–	(2 994)	–	(2 994)
Rights offer proceeds	338 615	–	–	338 615	–	338 615
Put option released on sale of Swan Plastics	–	–	72 217	72 217	–	72 217
Treasury shares acquired through rights offer	–	(8 148)	–	(8 148)	–	(8 148)
Derecognition through disposal of subsidiaries	–	–	–	–	(44 420)	(44 420)
Transactions with non-controlling interests	–	(3 455)	–	(3 455)	(2 545)	(6 000)
<b>Balance at 31 March 2018</b>	<b>714 785</b>	<b>(28 884)</b>	<b>(379 345)</b>	<b>306 556</b>	<b>6 509</b>	<b>313 065</b>

\* Restatement amounts relate to accounting errors in a major subsidiary.

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended 31 March 2018, 2017 and 2016

	2018 R'000	2017 R'000	2016 R'000
<b>Cash flows from operating activities</b>			
Cash generated from/(utilised in) operations	(265 361)	44 507	74 306
Finance income received	3 230	3 316	3 460
Finance expense paid	(43 461)	(54 751)	(41 318)
Income tax paid	(15 393)	(22 268)	(20 950)
<b>Net cash utilised in operating activities</b>	<b>(320 985)</b>	<b>(29 196)</b>	<b>15 498</b>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	(20 736)	(38 421)	(41 534)
Additions and development of intangible assets	(2 975)	(13 066)	(3 847)
Proceeds on disposal of property, plant and equipment	11 429	21 876	6 245
Proceeds on disposal of interest in associate – Fibrex	10 456	27 000	–
Dividends received from associates/joint ventures – College of Production Technology	600	24 699	567
Loan proceeds/(repayments) from joint ventures and associates	–	7 592	119 487
Proceeds from disposal of investment in Boutique Baths	3 000	–	–
Proceeds from disposal of investment in Swan Plastics	35 000	–	–
Proceeds from disposal of Grohe DAWN Watertech	324 500	–	–
Disposal of held-for-sale asset	–	–	16 000
Acquisition of businesses through business combinations	–	–	(7 003)
<b>Net cash generated by investing activities</b>	<b>361 274</b>	<b>29 680</b>	<b>89 915</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	–	964	10 408
Proceeds from bridging finance facility	–	250 000	198 770
Proceeds from rights offer	358 130	–	–
Costs associated with rights offer	(19 514)	–	–
Repayment of bridging finance facility – Investec	(200 000)	–	–
Repayment of bridging finance facility – Absa	–	(50 000)	–
Repayment of borrowings	(4 578)	(9 642)	(38 672)
Repayment of Absa facility	(175 000)	(25 000)	–
Repayment of trade finance facilities	(31 958)	(54 270)	(140 457)
Instalment sale payments	(10 469)	(28 742)	(15 342)
Finance lease payments	(15 163)	(18 568)	(12 525)
Dividends paid to non-controlling interest holders	(6)	(21 969)	(7 260)
Treasury shares acquired	(8 148)	–	(30 875)
Acquisition of non-controlling interest	(6 000)	(350)	(465)
<b>Net cash (utilised in)/generated from financing activities</b>	<b>(112 706)</b>	<b>42 423</b>	<b>(36 418)</b>
<b>Total cash movement for the year</b>	<b>(72 417)</b>	<b>42 907</b>	<b>68 995</b>
Translation effects on foreign cash and cash equivalents balances	(195)	(1 344)	(531)
Cash and cash equivalents derecognised on disposal of subsidiaries	(16 463)	(2 755)	–
Cash and cash equivalents derecognised in held-for-sale group	–	(7)	–
Cash and cash equivalents at beginning of the year	108 693	69 892	1 428
<b>Cash and cash equivalents at end of the year</b>	<b>19 618</b>	<b>108 693</b>	<b>69 892</b>



## INTERIM FINANCIAL RESULTS SUMMARY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

### 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), Incledon, 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.

**Inclodon**, 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. Inclodon 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, Inclodon 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.

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).

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 Proprietary Limited 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.

## **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 Proprietary Limited 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 Thursday, 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.

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

	<b>Unaudited 6 months ended 30 September 2018 R'000</b>	<b>Restated* Unaudited 6 months ended 30 September 2017 R'000</b>	<b>Restated* Unaudited 12 months ended 31 March 2018 R'000</b>
<b>Loss for the period</b>	<b>(232 194)</b>	<b>(104 980)</b>	<b>(426 462)</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
– Effects of retirement benefit obligations	–	–	82
– Taxation related to components	–	–	(23)
	–	–	59
<b>Items that may be subsequently reclassified to profit or loss:</b>			
– Exchange differences recycled through the income statement	–	(2 479)	(2 479)
– Exchange differences on translating foreign operations	<b>772</b>	(1 299)	(1 229)
– Cash flow hedging reserve	–	165	(1 084)
– Tax-related components	<b>(93)</b>	(46)	320
	<b>679</b>	(3 659)	(4 472)
<b>Total other comprehensive (loss)/income</b>	<b>679</b>	(3 659)	(4 413)
<b>Total comprehensive loss</b>	<b>(231 515)</b>	<b>(108 639)</b>	<b>(430 875)</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the parent	<b>(231 843)</b>	(115 045)	(436 380)
Non-controlling interest	<b>328</b>	6 406	5 505
	<b>(231 515)</b>	(108 639)	(430 875)
<b>Total comprehensive (loss)/income attributable to equity holders arising from:</b>			
Continuing operations	<b>(115 642)</b>	(43 409)	(236 347)
Discontinued operations	<b>(115 873)</b>	(65 230)	(194 528)
	<b>(231 515)</b>	(108 639)	(430 875)
<b>Included above:</b>			
Depreciation and amortisation	<b>9 281</b>	25 256	46 948
Operating lease rentals	<b>39 725</b>	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
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>62 154</b>	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
<b>Current assets</b>	<b>835 004</b>	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
<b>Assets of disposal group classified as held-for-sale</b>	<b>147 380</b>	271 328	28 380
<b>Total assets</b>	<b>1 044 538</b>	1 899 674	1 222 265
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Capital and reserves</b>	<b>81 550</b>	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
<b>Non-current liabilities</b>	<b>119 875</b>	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
<b>Current liabilities</b>	<b>679 975</b>	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
<b>Liabilities of disposal group classified as held-for-sale</b>	<b>163 138</b>	–	5 696
<b>Total liabilities</b>	<b>962 988</b>	1 261 065	909 200
<b>Total equity and liabilities</b>	<b>1 044 538</b>	1 899 674	1 222 265

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2018

	<b>Unaudited 6 months ended 30 September 2018 R'000</b>	Unaudited 6 months ended 30 September 2017 R'000	Audited 12 months ended 31 March 2018 R'000
<b>Balance at beginning of the period</b>	<b>313 065</b>	423 122	394 676
Total loss for the period	<b>(232 194)</b>	(104 980)	(426 462)
Other comprehensive profit/(loss)	<b>679</b>	(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)
<b>Balance at end of period</b>	<b>81 550</b>	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
<b>Cash flows from operating activities</b>			
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)
<b>Net cash utilised in operating activities</b>	<b>(55 215)</b>	<b>(107 960)</b>	<b>(320 985)</b>
<b>Cash flows from investing activities</b>			
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
<b>Net cash generated by investing activities</b>	<b>1 349</b>	<b>18 174</b>	<b>361 274</b>
<b>Cash flows from financing activities</b>			
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)
<b>Net cash generated from/(utilised in) financing activities</b>	<b>80 735</b>	<b>(9 933)</b>	<b>(112 706)</b>
<b>Total cash movement for the period</b>	<b>26 869</b>	<b>(99 719)</b>	<b>(72 417)</b>
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
<b>Cash and cash equivalents at end of the period</b>	<b>37 511</b>	<b>8 014</b>	<b>19 618</b>

## ADDITIONAL DISCLOSURE

	%	<b>Unaudited 6 months ended 30 September 2018 R'000</b>	Unaudited 6 months ended 30 September 2017 R'000	Audited 12 months ended 31 March 2018 R'000
	change			
<b>DETERMINATION OF HEADLINE EARNINGS</b>				
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)
<b>Headline earnings</b>		<b>(225 193)</b>	<b>(78 615)</b>	<b>(287 930)</b>
<b>Statistics</b>				
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)				
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)

	%	<b>Unaudited 30 September 2018 R'000</b>	Unaudited 30 September 2017 R'000	Audited 31 March 2018 R'000
	change			
<b>FUTURE COMMITMENTS</b>				
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)
<b>Value per share</b>				
<b>Asset value per share</b>				
– 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 <sup>(1)</sup> R'000	Total R'000	Discon- tinued operations R'000	Total R'000
<b>6 months – 30 September 2018 (Unaudited)</b>						
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 <sup>(2)</sup>	5 390	19 082	29	24 501	(17 707)	6 794
<b>6 months – 30 September 2017 (Unaudited)</b>						
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 <sup>(2)</sup>	8 372	13 100	157	21 629	–	21 629
<b>12 months ended 31 March 2018 (Audited)</b>						
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 <sup>(2)</sup>	10 135	21 165	326	31 626	–	31 626

<sup>(1)</sup> 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.

<sup>(2)</sup> 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).

## 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.

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## 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
<b>Total cash flows</b>	<b>(9 581)</b>	<b>24 285</b>	<b>18 202</b>



## 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
<b>Total</b>	-	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
<b>Total</b>	-	-	-	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)				

### 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
<b>Gain on the derecognition of associates, joint ventures and subsidiaries</b>			<b>5 335</b>
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.

## 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 Proprietary Limited ("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 Thursday, 20 December 2018.

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## PRICE AND TRADING HISTORY OF DAWN SHARES ON THE JSE

Set out below is a table showing the aggregate volumes and values traded and the highest and lowest prices traded in DAWN Shares for:

- each month over the 12 months prior to the date of issue of this Circular; and
- each day over the 30 days preceding the last practicable date and prior to the date of issue of this Circular.

Daily	High (cents)	Low (cents)	Close (cents)	Volume (shares)	Value (R)
<b>2018</b>					
1 November	5	4	4	380 000	17 700
2 November	5	5	5	92 253	4 612,65
5 November	5	4	5	1 202 645	59 460,08
6 November	6	5	6	2 530 245	126 665,93
7 November	8	6	8	97 000	6 205,14
8 November	7	5	7	18 263	1 033,41
9 November	9	6	6	636 178	46 311,18
12 November	6	5	6	911 801	47 623,03
13 November	6	5	5	1 105 052	55 518,6
14 November	10	6	9	3 307 138	262 842,74
15 November	9	7	9	833 474	65 788,44
16 November	10	8	9	351 437	29 931,83
19 November	9	7	9	583 582	42 839,75
20 November	9	8	9	187 847	15 029,45
21 November	9	7	7	456 675	38 925,75
22 November	9	7	8	1 198 259	84 167,21
23 November	8	6	8	336 000	23 547,46
26 November	8	7	7	345 737	24 504,28
27 November	9	7	9	27 398	2 401,62
28 November	9	9	9	5 000	450
29 November	8	6	8	500 567	31 875,71
30 November	9	7	8	824 248	65 882,34
<b>December 2018</b>					
3 December	14	1	2	17 360 932	801 891,44
4 December	3	1	1	24 570 163	501 140,76
5 December	2	1	2	13 811 287	272 755,49
6 December	2	2	2	1 335 764	26 715,28
7 December	2	2	2	607 872	12 157,44
10 December	2	1	1	55 789 918	559 149,18
11 December	2	2	2	219 399	4 387,98
12 December	2	1	2	563 279	8 232,79

Set out below is a table showing the highest, lowest and closing prices and aggregated monthly volumes traded in the DAWN Shares on the JSE for the previous 12 months:

<b>Monthly</b>	<b>High (cents)</b>	<b>Low (cents)</b>	<b>Close (cents)</b>	<b>Volume (shares)</b>	<b>Value (R)</b>
<b>2017</b>					
November	116	81	97	7 211 821	7 082 041
December	99	83	97	9 570 416	8 542 833
<b>2018</b>					
January	97	78	90	1 511 324	1 288 929
February	90	70	78	6 262 305	4 901 275
March	90	70	78	5 059 026	3 988 619
April	85	64	70	3 053 578	2 214 391
May	75	61	66	12 936 238	8 828 216
June	73	50	50	2 791 205	1 661 031
July	50	21	24	3 660 222	1 153 719
August	22	10	13	13 824 620	1 874 848
September	18	6	9	6 916 062	761 075
October	12	3	4	30 505 606	1 675 123
November	10	4	8	15 930 799	1 053 317

*Source: JSE Limited*

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## SECTION 115 – REQUIRED APPROVAL FOR TRANSACTIONS CONTEMPLATED IN PART OF CHAPTER 5 OF THE COMPANIES ACT

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- (1) Despite section 65, and any provision of a Company's Memorandum of Incorporation, or any resolution adopted by its Board or holders of its securities, to the contrary, a Company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a Scheme of Arrangement, unless:
- (a) the disposal, amalgamation or merger, or Scheme of Arrangement:
    - (i) has been approved in terms of this section; or
    - (ii) is pursuant to or contemplated in an approved business rescue plan for that Company, in terms of Chapter 6; and
  - (b) to the extent that Parts B and C of this Chapter and the Takeover Regulations apply to a Company that proposes to:
    - (i) dispose of all or the greater part of the assets or undertaking;
    - (ii) amalgamate or merge with another Company; or
    - (iii) implement a Scheme of Arrangement, the Panel has issued a compliance notice in respect of the Transaction in terms of section 119(4) (b), or exempted the Transaction in terms of section 119(6).
- (2) A proposed transaction contemplated in subsection (1) must be approved:
- (a) by a Special Resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter; and
  - (b) by a Special Resolution, also adopted in the manner required by paragraph (a), by the Shareholders of the Company's holding Company if any, if:
    - (i) the holding Company is a Company or an external Company;
    - (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
    - (iii) having regard to the consolidated financial statements of the holding Company, the disposal by the subsidiary substantially constitutes a disposal of all or the greater part of the assets or undertaking of the holding Company; and
  - (c) by the Court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).
- (3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a Company may not proceed to implement that resolution without the approval of a Court if:
- (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution, and any person who voted against the resolution requires the Company to seek Court approval; or
  - (b) the Court, on an application by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a Court for a review of the Transaction in accordance with subsection (7).
- (4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:
- (a) present in satisfaction of the quorum requirement; or
  - (b) voted in support of a resolution.

- (5) If a resolution requires approval by a Court as contemplated in terms of subsection (3) (a), the Company must either:
  - (a) apply to the Court for approval, and bear the costs of that application; or
  - (b) treat the resolution as a nullity.
- (6) On an application contemplated in subsection (3) (b), the Court may grant leave only if it is satisfied that the applicant:
  - (a) is acting in good faith;
  - (b) appears prepared and able to sustain the proceedings; and
  - (c) has alleged facts which, if proved, would support an order in terms of subsection (7).
- (7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the Court may set aside the resolution only if:
  - (a) the resolution is manifestly unfair to any class of holders of the Company's securities; or
  - (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the Company, or other significant and material procedural irregularity.
- (8) The holder of any voting rights in a Company is entitled to seek relief in terms of section 164 if that person:
  - (a) notified the Company in advance of the intention to oppose a Special Resolution contemplated in this section; and
  - (b) was present at the meeting and voted against that Special Resolution.
- (9) If a transaction contemplated in this part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a Court for an order to effect:
  - (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a Company contemplated in that transaction;
  - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the Transaction;
  - (c) the transfer of shares from one person to another;
  - (d) the dissolution, without winding-up, of a Company, as contemplated in the Transaction;
  - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the Transaction; or
  - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger."

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## SECTION 164 – DISSENTING SHAREHOLDERS APPRAISAL RIGHTS

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- (1) This section does not apply in any circumstances relating to a transaction, agreement or Offer pursuant to a business rescue plan that was approved by Shareholders of a Company, in terms of section 152.
- (2) If a Company has given notice to Shareholders of a meeting to consider adopting a resolution to:
- (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
  - (b) enter into a transaction contemplated in section 112, 113, or 114, that notice must include a statement informing Shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting Shareholder may give the Company a written notice objecting to the resolution.
- (4) Within 10 Business Days after a Company has adopted a resolution contemplated in this section, the Company must send a notice that the resolution has been adopted to each Shareholder who:
- (a) gave the Company a written notice of objection in terms of subsection (3); and
  - (b) has neither:
    - (i) withdrawn that notice; nor
    - (ii) voted in support of the resolution.
- (5) A Shareholder may demand that the Company pay the Shareholder the fair value for all of the shares of the Company held by that person if:
- (a) the Shareholder:
    - (i) sent the Company a notice of objection, subject to subsection (6); and (ii) in the case of an amendment to the Company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
    - (ii) the Company has adopted the resolution contemplated in subsection (2); and
  - (b) the Shareholder:
    - (i) voted against that resolution; and
    - (ii) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the Company failed to give notice of the meeting, or failed to include in that notice a statement of the Shareholders rights under this section.
- (7) A Shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the Company within:
- (a) 20 Business Days after receiving a notice under subsection (4); or
  - (b) if the Shareholder does not receive a notice under subsection (4), within 20 Business Days after learning that the resolution has been adopted.
- (8) A demand delivered in terms of subsections (5) to (7) must state:
- (a) the Shareholder's name and address;
  - (b) the number and class of shares in respect of which the Shareholder seeks payment; and
  - (c) a demand for payment of the fair value of those shares.
- (9) A Shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
- (a) the Shareholder withdraws that demand before the Company makes an Offer under subsection (11), or allows an Offer made by the Company to lapse, as contemplated in subsection (12)(b);



- (b) the Company fails to make an Offer in accordance with subsection (11) and the Shareholder withdraws the demand; or
  - (c) the Company revokes the adopted resolution that gave rise to the Shareholder's rights under this section.
- (10) If any of the events contemplated in subsection (9) occur, all of the Shareholder's rights in respect of the shares are reinstated without interruption.
- (11) Within five Business Days after the later of:
- (a) the day on which the action approved by the resolution is effective;
  - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
  - (c) the day the Company received a demand as contemplated in subsection (7)(b), if applicable, the Company must send to each Shareholder who has sent such a demand a written Offer to pay an amount considered by the Company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- (12) Every Offer made under subsection (11):
- (a) in respect of shares of the same class or series must be on the same terms; and
  - (b) lapses if it has not been accepted within 30 Business Days after it was made.
- (13) If a Shareholder accepts an Offer made under subsection (12):
- (a) the Shareholder must either in the case of:
    - (i) shares evidenced by certificates, tender the relevant share certificates to the Company or the Company's transfer agent; or
    - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the Company or the Company's transfer agent; and
  - (b) the Company must pay that Shareholder the agreed amount within 10 Business Days after the Shareholder accepted the Offer and:
    - (i) tendered the share certificates; or
    - (ii) directed the transfer to the Company of uncertificated shares.
- (14) A Shareholder who has made a demand in terms of subsections (5) to (8) may apply to a Court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the Company to pay the Shareholder the fair value so determined, if the Company has:
- (a) failed to make an Offer under subsection (11); or
  - (b) made an Offer that the Shareholder considers to be inadequate, and that Offer has not lapsed.
- (15) On an application to the Court under subsection (14):
- (a) all dissenting Shareholders who have not accepted an Offer from the Company as at the date of the application must be joined as parties and are bound by the decision of the Court;
  - (b) the Company must notify each affected dissenting Shareholder of the date, place and consequences of the application and of their right to participate in the Court proceedings; and
  - (c) the Court:
    - (i) may determine whether any other person is a dissenting Shareholder who should be joined as a party;
    - (ii) must determine a fair value in respect of the shares of all dissenting Shareholders, subject to subsection (16);
    - (iii) in its discretion may:
      - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
      - (bb) allow a reasonable rate of interest on the amount payable to each dissenting Shareholder from the date the action approved by the resolution is effective, until the date of payment;

- (iv) may make an appropriate order of costs, having regard to any Offer made by the Company, and the final determination of the fair value by the Court; and
  - (v) must make an order requiring:
    - (aa) the dissenting Shareholders to either withdraw their respective demands, in which case the Shareholder is reinstated to their full rights as a Shareholder, or to comply with subsection (13)(a); and
    - (bb) the Company to pay the fair value in respect of their shares to each dissenting Shareholder who complies with subsection (13)(a), subject to any Conditions the Court considers necessary to ensure that the Company fulfils its obligations under this section.
- (16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the Company adopted the resolution that gave rise to a Shareholder's rights under this section.
- (17) If there are reasonable grounds to believe that compliance by a Company with subsection (13)(b), or with a Court order in terms of subsection (15)(c)(v)(bb), would result in the Company being unable to pay its debts as they fall due and payable for the ensuing 12 months:
- (a) the Company may apply to a Court for an order varying the Company's obligations in terms of the relevant subsection; and
  - (b) the Court may make an order that:
    - (i) is just and equitable, having regard to the financial circumstances of the Company; and
    - (ii) ensures that the person to whom the Company owes money in terms of this section is paid at the earliest possible date compatible with the Company satisfying its other financial obligations as they fall due and payable.
- (18) If the resolution that gave rise to a Shareholder's rights under this section authorised the Company to amalgamate or merge with one or more other companies, such that the Company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that Company under this section are obligations of the successor to that Company resulting from the amalgamation or merger.
- (19) For greater certainty, the making of a demand, tendering of shares and payment by a Company to a Shareholder in terms of this section do not constitute a distribution by the Company, or an acquisition of its shares by the Company within the meaning of section 48, and therefore are not subject to:
- (a) the provisions of that section; or
  - (b) the application by the Company of the solvency and liquidity test set out in section 4.
- (20) Except to the extent:
- (a) expressly provided in this section; or
  - (b) that the Panel rules otherwise in a particular case,

a payment by a Company to a Shareholder in terms of this section does not obligate any person to make a comparable Offer under section 125 to any other person."



**DISTRIBUTION AND WAREHOUSING  
NETWORK LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number 1984/008265/06)  
Share code: DAW & ISIN code: ZAE000018834  
("DAWN" or "the Company")

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## NOTICE OF SCHEME MEETING

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Where appropriate and applicable the terms defined in the Circular to which this notice of Scheme Meeting is attached and forms part of bear the same meanings in this notice of Scheme Meeting, and in particular in the resolutions set out below.

The attention of Shareholders is drawn to Annexure 5 and 6 of the circular which sets out the provisions of Sections 114, 115 and 164 of the Companies Act.

Notice is hereby given that a meeting of Shareholders of DAWN will be held at 10:00 on Monday, 21 January 2019 at DAWN registered office being DAWN head office, Corner Barlow Road and Cavaleros Drive, Jupiter, Extension 3, Germiston, South Africa (the "**Scheme Meeting**"), for the purpose of considering and, if deemed fit, passing with or without modification, the Special Resolution and Ordinary resolutions set out below. All meetings (whether called for the passing of special or ordinary resolutions) shall be called on not less than 15 (fifteen) Business Days' notice.

### RECORD DATES AND ATTENDANCE

In terms of section 59(1)(a) and (b) of the Act, the record dates for the purpose of determining which Shareholders are entitled to:

- receive notice of the Scheme Meeting, (being the date on which a Shareholder must be registered in the Company's share register in order to receive the notice of the Scheme Meeting) as Friday, 14 December 2018; and
- participate in and vote at the Scheme Meeting, (being the date on which a Shareholder must be registered in the Company's share register in order to participate in and vote at the Scheme Meeting) as Friday, 11 January 2019. Last day to trade in order to be eligible to vote at the General Meeting is Tuesday, 8 January 2019.

In terms of section 62(3)(e) of the Companies Act, 71 of 2008,

- a Shareholder who is entitled to attend and vote at the Scheme Meeting is entitled to appoint a proxy or two or more proxies to attend and participate in and vote at the Scheme Meeting in the place of the Shareholder, by completing the proxy in accordance with the instructions set out therein;
- a proxy need not be a Shareholder of DAWN; and
- DAWN Shareholders recorded in the Register of DAWN on the Voting Record Date (including Shareholders and their proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in the Scheme Meeting: in this regard, all DAWN Shareholders recorded in the Register of DAWN on the Voting Record Date will be required to provide identification satisfactory to the Chairman of the Scheme Meeting. Forms of identification include valid identity documents, smart cards, driver's licences and passports.

### SPECIAL RESOLUTION NUMBER 1 – IMPLEMENTATION OF THE SCHEME AND DELISTING

"RESOLVED THAT the scheme of arrangement in terms of section 114 of the Companies Act read with section 115 of the Companies Act (more fully described in the Circular to DAWN Shareholders dated Thursday, 20 December 2018, proposed by the Board between DAWN and the DAWN Shareholders, in terms of which, if such scheme of arrangement becomes operative, the Offeror will acquire the Scheme Shares from the Scheme Participants on the Implementation Date, for the Offer Price of R0,01 per DAWN Share, be and is hereby approved as a Special Resolution in terms of section 115(2)(a) of the Act and, as a result of the Scheme being implemented, the listing of all of the ordinary shares in the issued share capital of DAWN on the exchange operated by the JSE will be terminated, be and is hereby approved in accordance with section 1.17(b) of the Listings Requirements on such times and at such dates as may be agreed with the JSE."

In terms of section 62(3)(c) of the Companies Act, the percentage of voting rights that will be required for this Special Resolution to be adopted is at least 75% of the voting rights exercised on the resolution by DAWN Shareholders present in person or represented by proxy.

#### **Reason and effect of Special Resolution Number 1**

The reason for the passing of Special Resolution Number 1 is, subject to the fulfilment (and/or waiver) of the Conditions to the Scheme which Conditions are set out in the Circular to DAWN Shareholders to which this notice of Scheme Meeting is attached, to authorise DAWN to implement a scheme of arrangement in terms of section 114 of the Companies Act pursuant to which the Offeror will acquire their DAWN Shares, excluding the Excluded Shares, for a cash consideration of R0,01 per share and, as a result of the Scheme being implemented, the listing of all of the ordinary shares in the issued share capital of DAWN on the exchange operated by the JSE, will be terminated.

The effect of Special Resolution Number 1 will be that, subject to the fulfilment (and/or waiver) of the Conditions to the Scheme which Conditions are set out in the Circular to DAWN Shareholders to which this notice of Scheme Meeting is attached, the Offeror will acquire all DAWN Shares from Scheme Participants for a cash consideration of R0,01 per DAWN Share.

In accordance with section 115(4) of the Companies Act, the voting rights of the concert parties of the Offeror and the treasury shares are excluded for purposes of both determining whether the applicable quorum requirements are satisfied and voting on this resolution.

#### **SPECIAL RESOLUTION NUMBER 2 – REVOCATION OF SPECIAL RESOLUTION NUMBER 1 IN TERMS OF SECTION 164(9)(C) OF THE COMPANIES ACT IF THE SCHEME DOES NOT BECOME UNCONDITIONAL, IS NOT CONTINUED AND DISSENTING SHAREHOLDERS HAVE EXERCISED APPRAISAL RIGHTS UNDER SECTION 164 OF THE COMPANIES ACT**

“RESOLVED THAT, subject to and only in the event of: (i) Special Resolution Number 1 being validly approved by the Shareholders; (ii) the Scheme not becoming unconditional for whatever reason; (iii) DAWN making an announcement on SENS to the effect that the Scheme shall not be continued or pursued any further, made unconditional or revived; and (iv) any Dissenting Shareholders exercising their Appraisal Rights under section 164 of the Companies Act, Special Resolution Number 1 be and is hereby revoked with effect from the date of the announcement contemplated in (iii) above, in accordance with section 164(9)(c) of the Companies Act, and accordingly a Dissenting Shareholder that has sent a demand to Dawn in terms of sections 164(5) to (8) of the Companies Act to be paid the fair value of its Shares, shall have no rights to be so paid under section 164 of the Companies Act in that the Scheme did not and shall not become effective.”

In terms of section 62(3)(c) of the Companies Act, the percentage of voting rights that will be required for this Special Resolution to be adopted is at least 75% of the voting rights exercised on the resolution by DAWN Shareholders present in person or represented by proxy.

#### **Reason and effect of Special Resolution Number 2**

The reason and effect of Special Resolution Number 2 is to remove any right to payment that the Dissenting Shareholders may have under section 164 of the Companies Act if the Scheme lapses and is no longer continued.

#### **ORDINARY RESOLUTION NUMBER 1 – AUTHORISATION OF DIRECTORS**

“RESOLVED THAT any of the directors of DAWN be and are hereby authorised to do all things and sign all documents required to give effect to and implement Special Resolution Number 1 set out above.”

In terms of the Companies Act, the percentage required for this Ordinary Resolution Number 1 to be adopted is at least 50% of the voting rights exercised on the resolution by DAWN Shareholders present in person or represented by proxy.

#### **QUORUM**

A quorum for the purposes of considering the ordinary and Special Resolution shall comprise, sufficient persons who are present at the meeting to exercise in aggregate 25% of all voting rights that are entitled to be exercised in respect of at least one matter to be decided at the Scheme Meeting. For each matter to be decided at the Scheme Meeting, sufficient persons must be present at the Scheme Meeting who exercise in aggregate at least 25% of all the voting rights that are entitled to be exercised by Shareholders. In addition, a quorum shall consist of three Shareholders of DAWN personally present or represented by proxy (and if the Shareholder is a body corporate, it must be represented) and entitled to vote at the Scheme Meeting on matters to be decided by Shareholders.

The voting rights of the Offeror, any related or inter-related person to the Offeror and any person acting in concert with any of them and the holder of the Treasury Shares shall not be included in the voting rights required to be present, or actually present, in determining whether the quorum requirements are satisfied, or required to be voted in support of Special Resolution Number 1, or actually voted in support of the Special Resolution Number 1 (section 115(4) of the Companies Act).

## **FORM OF PROXY**

A form of proxy is attached for the convenience of any Shareholder holding Certificated DAWN Shares who cannot attend the Scheme Meeting and who wishes to be represented thereat. Forms of proxy may also be obtained on request from DAWN's registered office. The completed forms of proxy must be deposited at or posted to the office of the Transfer Secretaries of DAWN, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown 2107) which DAWN requests be received by not later than 48 hours (excluding Saturdays, Sundays and official Public Holidays) prior to the Scheme Meeting that is being held at 10:00 on Monday, 21 January 2019, (to ensure ordinary proceedings on the day and to ease administration). The form of proxy may also be handed to the chairman of the Scheme Meeting or adjourned Scheme Meeting at any time before any vote. Any Shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the Scheme Meeting should the Shareholder subsequently decide to do so.

Attached to the proxy form is an extract of section 58 of the Companies Act to which Shareholders are referred.

Shareholders who have already dematerialised their DAWN Shares through a Participant or broker and who wish to attend the Scheme Meeting must instruct their Participant or broker to issue them with the necessary letter of representation to attend.

Dematerialised DAWN Shareholders, who have elected own-name registration in the sub register through a Participant and who are unable to attend but who wish to vote at the Scheme Meeting must complete and return the attached relevant form of proxy and lodge it with the Transfer Secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown 2107) to be received by no later than 10:00 on Thursday, 17 January 2019. Forms of proxy may also be handed to the chairman of the Scheme Meeting or adjourned Scheme Meeting at any time before any vote.

Dematerialised DAWN Shareholders, who have not elected own-name registration in the sub register through a Participant and who are unable to attend but who wish to vote at the Scheme Meeting should ensure that the person or entity (such as a nominee) whose name has been entered into the sub register maintained by a Participant or broker completes and returns the attached relevant forms of proxy in terms of which they are appointed as a proxy to vote at the Scheme Meeting.

## **ELECTRONIC PARTICIPATION**

Shareholders will be able to participate (but not vote) at the general meeting by way of electronic participation. Should any Shareholder wish to participate in the general meeting by way of electronic participation, that Shareholder should make application in writing (including details as to how the Shareholder or its representative can be contacted) to so participate to the Transfer Secretaries at the address below, to be received by the Transfer Secretaries at least five business days prior to the general meeting in order for the Transfer Secretaries to arrange for the Shareholder (and its representative) to provide reasonably satisfactory identification to the Transfer Secretaries for the purposes of section 63(1) of the Companies Act and for the Transfer Secretaries to provide the Shareholder (or its representative) with details as to how to access any electronic participation to be provided. The costs of accessing any means of electronic participation provided by the Company will be borne by the Shareholder so accessing the electronic participation.

### **Transfer Secretaries:**

Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank  
Johannesburg, 2196

(PO Box 61051, Marshalltown 2107)

Or

Emailed to [proxy@computershare.co.za](mailto:proxy@computershare.co.za)

## **APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS**

In terms of section 164 of the Companies Act, at any time before the Special Resolution as set out in this notice of Scheme Meeting is voted on, a Shareholder may give DAWN a written notice objecting to the Special Resolution.

Within 10 Business Days after DAWN has adopted the Special Resolution, DAWN must send a notice that the Special Resolution has been adopted to each Shareholder who:

- gave DAWN a written notice of objection as contemplated above; and
- has neither withdrawn that notice nor voted in support of the Special Resolution.

A Shareholder may demand that DAWN pay the Shareholder the fair value for all of the DAWN Shares held by that person if:

- the Shareholder has sent DAWN a notice of objection;
- DAWN has adopted the Special Resolution; and
- the Shareholder voted against the Special Resolution and has complied with all of the procedural requirements of section 164 of the Companies Act.

A copy of section 164 of the Companies Act is set out in Annexure 6 of the circular.

By order of the Board

**Vanessa White**

*Company Secretary*

**Distribution and Warehousing Network Limited**

**Registered office**

Corner Barlow Road and Cavaleros Drive  
Jupiter, Extension 3  
Germiston, 1401, South Africa

(PostNet Suite number 100, Private Bag X1037, Germiston, 1400, South Africa)

20 December 2018



**D A W N**  
**DISTRIBUTION AND WAREHOUSING**  
**NETWORK LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number 1994/008265/06)  
Share code: DAW & ISIN code: ZAE00018834  
("DAWN" or "the Company")

## FORM OF PROXY – SCHEME MEETING

Where appropriate and applicable the terms defined in the Circular to which this form of proxy is attached and forms part of shall bear the same meaning in this form of proxy.

For use by the holders of Certificated DAWN Shares and/or Dematerialised DAWN Shares held through a Participant or broker who have selected own-name registration, registered as such at the close of business on the Voting Record Date, at a meeting of Shareholders to be held at 10:00 on Monday, 21 January 2019 at DAWN registered office being DAWN head office, Corner Barlow Road and Cavaleros Drive, Jupiter, Extension 3, Germiston, South Africa ("Scheme Meeting") or any postponement or adjournment thereof. The form of proxy may also be handed to the Chairman of the Scheme Meeting or adjourned Scheme Meeting before the Scheme Meeting is due to commence or recommence.

Holders of DAWN Dematerialised DAWN Shares who have not selected own-name registration must inform their Participant or broker timeously of their intention to attend and vote at the Scheme Meeting or be represented by proxy thereat in order for the Participant or broker to issue them with the necessary letter of representation to do so or provide the Participant or broker timeously with their voting instruction should they not wish to attend the Scheme Meeting in order for the Participant or broker to vote in accordance with their instructions at the Scheme Meeting.

I/We (FULL NAMES IN BLOCK LETTERS PLEASE)

of (ADDRESS)

being the holder/s of  shares in DAWN, hereby appoint (see note 1)

- \_\_\_\_\_ or failing him/her
- \_\_\_\_\_ or failing him/her
- the Chairman of the Scheme Meeting,

as my/our proxy to act for me/us on my/our behalf at the Scheme Meeting in accordance with the following instructions (see note 2):

		Number of shares		
		For *	Against *	Abstain *
<b>Special Resolution Number 1</b>	Approval of the Scheme in terms of sections 114 and 115 of the Companies Act			
<b>Special Resolution Number 2</b>	Revocation Of Special Resolution Number 1 In Terms Of Section 164(9)(C) Of The Companies Act			
<b>Ordinary resolution number 1</b>	Authorisation of directors			

\* One vote per share held by DAWN Shareholders recorded in the Register on the Voting Record Date.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2018/2019

Signature \*

Assisted by me (where applicable)

### Notes

- A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space(s) provided. The person whose name appears first on this form of proxy and who is present at the Scheme Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
- A proxy appointed by a Shareholder in terms hereof may not delegate his authority to act on behalf of the Shareholder to any other person.
- A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the Scheme Meeting as he deems fit in respect of all Shareholder's votes exercisable thereat.
- Forms of proxy must be lodged at or posted to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown 2107) to be received by not later than 10:00 on Thursday, 17 January 2019 or not less than 48 hours (excluding Saturdays, Sundays and official Public Holidays) before the recommencement of any adjourned or postponed meeting, or handed to the Chairman before the Scheme Meeting is due to commence or recommence.
- The completion and lodging of this form of proxy will not preclude the relevant Shareholder from attending the Scheme Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so. In addition to the foregoing, a Shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to DAWN. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
- The Chairman of the Scheme Meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, he is satisfied as to the manner in which the Shareholder(s) concerned wish(es) to vote.
- Each Shareholder is entitled to appoint one or more proxies (none of whom need be a member of DAWN) to attend, speak and vote in place of that Shareholder at the Scheme Meeting.
- Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by DAWN or Computershare Investor Services Proprietary Limited or waived by the Chairman of the Scheme Meeting.
- Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
- Where there are joint holders of shares:
  - any one holder may sign the form of proxy; and
  - the vote of the senior (for that purpose seniority will be determined by the order in which the names of Shareholders appear in the Register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of DAWN Shares.
- This form of proxy may be used at any adjournment or postponement of the Scheme Meeting, including any postponement due to a lack of quorum, unless withdrawn by the Shareholder.
- The foregoing notes contain a summary of the relevant provisions of section 58 of the Companies Act, as required in terms of that section. In addition, an extract from the Companies Act reflecting the provisions of section 58 of the Companies Act is attached as **Annexure A** to this form of proxy.

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**EXTRACT FROM THE COMPANIES ACT**

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**"58. Shareholder right to be represented by proxy**

- (1) At any time, a Shareholder of a Company may appoint any individual, including an individual who is not a Shareholder of that Company, as a proxy to:
  - (a) participate in, and speak and vote at, a Shareholders meeting on behalf of the Shareholder; or
  - (b) give or withhold written consent on behalf of the Shareholder to a decision contemplated in section 60.
- (2) A proxy appointment:
  - (a) must be in writing, dated and signed by the Shareholder; and
  - (b) remains valid for:
    - (i) one year after the date on which it was signed; or
    - (ii) any longer or shorter period expressly set out in the appointment,unless it is revoked in a manner contemplated in subsection (4)(c), or expires earlier as contemplated in subsection (8 (d).
- (3) Except to the extent that the Memorandum of Incorporation of a Company provides otherwise:
  - (a) a Shareholder of that Company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the Shareholder;
  - (b) a proxy may delegate the proxy's authority to act on behalf of the Shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
  - (c) a copy of the instrument appointing a proxy must be delivered to the Company, or to any other person on behalf of the Company, before the proxy exercises any rights of the Shareholder at a Shareholders meeting.
- (4) Irrespective of the form of instrument used to appoint a proxy:
  - (a) the appointment is suspended at any time and to the extent that the Shareholder chooses to act directly and in person in the exercise of any rights as a Shareholder.
  - (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
  - (c) if the appointment is revocable, a Shareholder may revoke the proxy appointment by:
    - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
    - (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.
- (5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Shareholder as of the later of:
  - (a) the date stated in the revocation instrument, if any; or
  - (b) the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).
- (6) If the instrument appointing a proxy or proxies has been delivered to a Company, as long as that appointment remains in effect, any notice that is required by this Act or the Company's Memorandum of Incorporation to be delivered by the Company to the Shareholder must be delivered by the Company to:
  - (a) the Shareholder; or
  - (b) the proxy or proxies, if the Shareholder has:
    - (i) directed the Company to do so, in writing; and
    - (ii) paid any reasonable fee charged by the Company for doing so.
- (7) A proxy is entitled to exercise, or abstain from exercising, any voting right of the Shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.
- (8) If a Company issues an invitation to Shareholders to appoint one or more persons named by the Company as a proxy, or supplies a form of instrument for appointing a proxy:
  - (a) the invitation must be sent to every Shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
  - (b) the invitation, or form of instrument supplied by the Company for the purpose of appointing a proxy, must:
    - (i) bear a reasonably prominent summary of the rights established by this section;
    - (ii) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a Shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the Shareholder; and
    - (iii) provide adequate space for the Shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
  - (c) the Company must not require that the proxy appointment be made irrevocable; and
  - (d) the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).
- (9) Subsection (8)(b) and (d) do not apply if the Company merely supplies a generally available standard form of proxy appointment on request by a Shareholder."





**DISTRICTION AND WAREHOUSING  
NETWORK LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number 1994/008265/06)  
Share code: DAW & ISIN code: ZAE000018834  
("DAWN" or "the Company")

## FORM OF SURRENDER AND TRANSFER FOR USE BY CERTIFICATED SHAREHOLDERS ONLY

**INSTRUCTIONS:**

**HOLDERS OF DEMATERIALISED DAWN SHARES MUST NOT COMPLETE THIS FORM OF SURRENDER AND TRANSFER**

Where appropriate and applicable the terms defined in the Circular to which this form of surrender and transfer is attached and forms part of shall bear the same meaning in this form of surrender and transfer.

**Important notes concerning this Form:**

- This Form is only for use in respect of the scheme of arrangement proposed by the DAWN Board between DAWN and Eligible Shareholders holding Certificated Shares ("Certificated Eligible Shareholders") in accordance with the requirements of section 114(1) of the Companies Act.
- Full details of the Scheme are contained in the Circular to which this Form is attached and forms part.
- **This Form is attached for the use by Certificated Eligible Shareholders who if the Scheme becomes operative, will be required to surrender their Documents of Title in respect of all their DAWN Shares in order to claim the Scheme Consideration payable to them.**
- **HOLDERS OF DEMATERIALISED SHARES MUST NOT COMPLETE THIS FORM.**

**INSTRUCTIONS:**

1. The surrender of Documents of Title is for use only by Scheme Participants who are Certificated Shareholders.
2. A separate Form is required for each Certificated Scheme Participant.
3. Shareholders must complete this Form in BLOCK CAPITALS.
4. Part A must be completed by all Certificated Eligible Shareholders who return this Form.
5. Part B must be completed by a Certificated Eligible Shareholders who completed Part A and who is an emigrant from, or non-resident of, South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland (collectively "the Common Monetary Area").
6. Part C must be completed by Certificated Eligible Shareholders who completed Part A and who elect to receive the Scheme Consideration to be made by way of the electronic flow of funds.
7. If this Form is returned with the relevant Documents of Title to the Scheme Shares, it will be treated as a conditional surrender which is made subject to the Scheme becoming operative. In the event of the Scheme not becoming operative for any reason whatsoever the Transfer Secretaries will, by not later than five Business Days after the date upon which it becomes known that the Scheme will not be operative, return the Documents of Title to the Shareholders concerned, by registered post, at the risk of such Shareholders.
8. Persons who have acquired DAWN Shares after the date of the issue of the Circular to which this Form is attached, may obtain copies of the Form and the Circular from the Transfer Secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61763, Marshalltown 2107).
9. The Scheme Consideration will not be sent to Certificated Scheme Participants unless and until Documents of Title in respect of the relevant Scheme Shares have been surrendered to the Transfer Secretaries.
10. The completed Form and the Documents of Title in respect of the Scheme Shares surrendered must be returned by not later than 12:00 on the Scheme Record Date.

**To: The Transfer Secretaries,**

Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank  
Johannesburg, 2196  
(PO Box 61763, Marshalltown 2107)

Dear Sirs

**PART A: TO BE COMPLETED BY ALL CERTIFICATED ELIGIBLE SHAREHOLDERS WHO RETURN THIS FORM**

I/We, the undersigned Scheme Participant, hereby surrender and enclose the undermentioned DAWN Share certificate/s and/or other Documents of Title attached hereto, representing all the Scheme Shares, registered in the name of the person mentioned below and authorise the Transfer Secretaries, conditional upon the Scheme becoming operative, to register the transfer of these Scheme Shares into the name of **Distribution and Warehousing Network Limited** or its nominee(s) as follows:

Name of Shareholder	Certificate number(s) (in numerical order)	Number of Scheme Shares covered by each certificate enclosed
<b>Total:</b>		

**Surname or Name of juristic person / name of trust together with the name of each trustee:**

**Identify number / registration number / Master's reference number and identify numbers of each trustee:**

Address to which the Scheme Consideration should be sent (if different from registered address)

Postal code:

Signature of Scheme Participant	Stamp and address of agent lodging this Form (if any)
Assisted by me (if applicable)	
(State full name and capacity)	
Date	
Telephone number (Home) (     )	
Telephone number (Work) (     )	
Cellphone number	

**Note:**

In order to comply with the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) ("FICA"), the Transfer Secretaries will be unable to record any change of address unless the following documentation is received:

- an original certified copy of your identity document;
- an original certified copy of a document issued by the South African Revenue Services to verify your tax number. If you do not have one, please submit this in writing and have the letter signed by a Commissioner of Oaths; and
- an original or original certified copy of a service bill to verify your residential address.

**PART B: TO BE COMPLETED BY A CERTIFICATED ELIGIBLE SHAREHOLDER WHO COMPLETED PART A AND WHO IS AN EMIGRANT FROM, OR NON-RESIDENT OF, THE COMMON MONETARY AREA. (see notes 3 and 4 below).**

**In the case of Certificated Eligible Shareholders who are emigrants:** The Scheme Consideration will be posted, or transferred (at the risk of the Certificated Eligible Shareholders) to the Authorised Dealer nominated by the Certificated Eligible Shareholders below for its control and credited to the emigrant's blocked account. Accordingly, non-residents who are emigrants must provide the following information: **NB PART A must also be completed**

	Stamp and address of agent lodging this Form (if any)
Name of Authorised Dealer:	
Account number:	
Address:	
Signature of Authorised Dealer:	

**If emigrants make no nomination above, the Company Secretary will hold the consideration in trust for the benefit of the emigrants concerned until lawfully claimed by such Scheme Participant for a maximum period of five years, after which such funds shall be paid over to the Guardian's Fund. Non-residents must complete Part B if they wish the Scheme Consideration to be paid to an Authorised Dealer in South Africa.**

**In the case of all other Certificated Eligible Shareholders:** The Scheme Consideration will be posted, to the registered address of the non-resident concerned, unless written instructions to the contrary are received and a substitute address is provided below (in each case at the risk of the Certificated Eligible Shareholder):

	Stamp and address of agent lodging this Form (if any)
Substitute address:	
Signature of Shareholder:	
Name of Authorised Dealer:	
Signature of Authorised Dealer:	

**PART C: TO BE COMPLETED BY CERTIFICATED ELIGIBLE SHAREHOLDERS WHO COMPLETED PART A AND WHO ELECT TO RECEIVE THE SCHEME CONSIDERATION TO BE MADE BY WAY OF THE ELECTRONIC FLOW OF FUNDS.**

**To be completed in BLOCK CAPITALS by DAWN Shareholders wishing to receive payment of the Scheme Consideration by means of EFT.**

I/We, being a holder/s of Scheme Shares hereby request that the Scheme Consideration be electronically deposited into my/our bank account, the details of which are as follows:

Name of account holder (no third party accounts):		
Bank name:		
Branch name:		
Branch code:		
Account number:		
Signature of Shareholder:		
Assisted by me (if applicable):		
(State full name and capacity):		
Date:		
Tel (Home) (    )	Tel (Work) (    )	Cell phone

In terms of FICA, the Transfer Secretaries will only be able to record the bank details if certified true copies of the Shareholder's ID Document and Bank Statement are submitted with this Form.

DAWN undertakes no responsibility for verification of the banking details provided above nor for the authenticity of the signature above. Certificated Eligible Shareholders warrant the correctness of the above banking details and indemnify and hold DAWN harmless against any loss for funds having been paid into the account, details of which have been provided above.

**Notes and instructions:**

- Applications under this Form are irrevocable and may not be withdrawn once submitted.
- Scheme Participants should consult their professional advisors in case of doubt as to the correct completion of this Form.
- Emigrants from the Common Monetary Area must complete Part B.
- All other non-residents of the Common Monetary Area must also complete Part B if they wish the Scheme Consideration to be paid to an Authorised Dealer in South Africa.
- If Part B is not properly completed by Certificated Shareholders, the Scheme Consideration will be held in trust by the Transfer Secretaries pending receipt of the necessary nomination or instruction. No interest will be paid on the amount so held in trust.
- No receipts will be issued for documents lodged unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts, if required. Signatories may be called upon for evidence of their authority or capacity to sign this Form.
- Persons who are emigrants from the Common Monetary Area should nominate the Authorised Dealer in foreign exchange in South Africa which has control of their blocked assets in Part B of this Form. Failing such nomination, the Scheme Consideration due to such Scheme Participants in accordance with the provisions of the Scheme will be held by DAWN, pending instructions from the Scheme Participants concerned.
- Any alteration to this Form must be signed in full and not initialed.
- If this Form is signed under a power of attorney, then such power of attorney, or a notarially certified copy thereof, must be sent with this Form for noting (unless it has already been noted by DAWN or the Transfer Secretaries). This does not apply in the event of this Form bearing a JSE broker's stamp.
- Where the Scheme Participant is a company or a close corporation, unless it has already been registered with DAWN or the Transfer Secretaries, a certified copy of the directors' or members' resolution authorising the signing of this Form must be submitted if so requested by DAWN or the Transfer Secretaries.
- If this Form is not signed by the Scheme Participant, the Scheme Participant will be deemed to have irrevocably appointed the Transfer Secretaries to implement the Scheme Participant's obligations under the Scheme on his or her behalf.
- Where there are any joint holders of any Scheme Shares, only that holder whose name stands first in the Register in respect of such Shares need sign this Form.
- A minor must be assisted by his or her parent or guardian, unless the relevant documents establishing his or her legal capacity are produced or have been registered by the Transfer Secretaries.
- Should you surrender your Documents of Title in anticipation of the Scheme becoming operative and the Scheme then does not become operative, the Transfer Secretaries shall, within five Business Days of either the date upon which it becomes known that the Scheme will not be implemented or on receipt by the Transfer Secretaries of the relevant Documents of Title, whichever is the later, return the Documents of Title to you by registered post at your risk.

