

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

The definitions and interpretations commencing on page 6 of this circular apply *mutatis mutandis* throughout this document including this cover page.

Holders of Dawn ordinary shares are entitled to participate in the rights offer in the same ratio of entitlement.

Shareholders are referred to pages 3 and 4 of this circular, which sets out the action required of them with regard to the rights offer, full details of which are set out in this circular. If you are in any doubt as to the action that you should take, please consult your broker, CSDP, banker, legal advisor, accountant or other professional advisor immediately.

If you have disposed of all of your Dawn ordinary shares, this circular and the form of instruction should be forwarded to the purchaser to whom, or the broker, CSDP or agent through whom you disposed of your Dawn ordinary shares, except that this circular and form of instruction should not be forwarded or transmitted by you to any person in any territory other than South Africa unless the rights offer can lawfully be made to such person or in such territory.

The shares issued in terms of the rights offer will not be registered for purposes of the rights offer with the Securities and Exchange Commission, Washington, D.C., the Canadian Provincial Securities Commission, or the Australian Securities Commission under the Australian Corporation Law, as amended. Accordingly, the rights offer will not be made to or be open for acceptance by persons with registered addresses in the United States of America or any of its territories, dependencies, possessions or commonwealths or in the District of Columbia or in the Dominion of Canada or in the Commonwealth of Australia, its states, territories or possessions. The CSDP or broker will ensure that where such persons are holding Dawn ordinary shares in dematerialised form that the CSDP or broker adheres to the above restrictions. Please refer to Annexure 3 of this circular for further details in this regard.

Letters of allocation, which are renounceable, can only be traded in dematerialised form and, accordingly, Dawn has issued all letters of allocation in dematerialised form. The electronic record for holders of certificated shares is being maintained by Computershare Investor Services (Proprietary) Limited which has made it possible for holders of certificated shares to enjoy the same rights and opportunities as holders of dematerialised shares in respect of the letters of allocation.

Only whole numbers of Dawn ordinary shares will be issued in terms of the rights offer and shareholders will be entitled to rounded numbers of shares once the ratio of entitlement has been applied according to the rounding principle. No excess applications will be allowed.

The form of instruction enclosed with this document is negotiable and may be sold on the JSE.



## **Distribution and Warehousing Network Limited**

(Incorporated in the Republic of South Africa)

(Registration number 1984/008265/06)

Share code: DAW ISIN: ZAE000018834

("Dawn" or "the Company")

## **CIRCULAR TO DAWN SHAREHOLDERS**

relating to:

**a fully underwritten renounceable rights offer of 41 666 666 Dawn ordinary shares at an issue price of 720 cents per Dawn ordinary share, in the ratio of 20.98270 rights offer shares for every 100 Dawn ordinary shares held at the close of business on Friday, 20 November 2009;**

and enclosing:

**a form of instruction in respect of a letter of allocation (to be completed by holders of certificated shares only).**

**Rights offer opens at 09:00 on**

**Monday, 23 November 2009**

**Rights offer closes at 12:00 on**

**Friday, 11 December 2009**

The directors of Dawn, whose details appear in paragraph 6.3 commencing on page 17 of this circular, collectively and individually, accept full responsibility for the accuracy of the information given in this circular and certify that, to the best of their knowledge and belief, there are no facts, the omission of which would make any statement in this circular false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this circular contains all information required in law and by the Listings Requirements.

**Corporate advisor**



**Transaction sponsor**



**Sponsor**



**Reporting accountants**



**Legal advisor to Dawn**



**Underwriter**



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Date of issue: 23 November 2009

This circular is available in English only. A copy of this document, together with the form of instruction and the documents referred to in section 145A of the Act, were lodged with the Registrar and the form of instruction was registered by the Registrar in terms of section 146A of the Act. Copies of this circular may be obtained from the registered office of Dawn, the transaction sponsor and the transfer secretaries whose addresses are set out in the "Corporate information and advisors" section of this circular, as well as in electronic form from the Company's website ([www.dawnltd.co.za](http://www.dawnltd.co.za)). These documents will be available from Monday, 23 November 2009 up to Friday, 11 December 2009, both days inclusive.

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## CORPORATE INFORMATION AND ADVISORS

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### Secretary and registered office

Incorporated in the Republic of South Africa  
on 17 August 1984  
J A I Ferreira  
Corner Barlow Road and Cavaleros Drive  
Jupiter Ext 3  
Germiston, 1401  
(Postnet Suite 100,  
Private Bag X1037, Germiston, 1400)

### Corporate advisor

Bishop Corporate Finance (Proprietary) Limited  
(Registration number 2000/012695/07)  
12 The Village Avenue  
Woodmead Ext 4,  
Sandton, 2196  
(PO Box 4018, Rivonia, 2128)

### Transaction sponsor

PricewaterhouseCoopers Corporate Finance  
(Proprietary) Limited  
(Registration number 1970/003711/07)  
2 Eglin Road  
Sunninghill, 2157  
(Private Bag X36, Sunninghill, 2157)

### Underwriter

Coronation Asset Management (Proprietary) Limited  
(Registration number 1993/002807/07)  
Seventh Floor, MontClare Place  
Corner Campground and Main Roads  
Claremont, 7708  
(PO Box 993, Cape Town, 8000)

### Reporting accountants and auditors

PricewaterhouseCoopers Inc  
(Registration number 1998/012055/21)  
2 Eglin Road  
Sunninghill, 2157  
(Private Bag X36, Sunninghill, 2157)

### Legal advisors to Dawn

Cliffe Dekker Hofmeyr Incorporated  
1 Protea Place  
Sandton, 2196  
(Private Bag X7, Benmore, 2010)

### Sponsor

Deloitte & Touche Sponsor Services  
(Proprietary) Limited  
The Woodlands, Woodlands Drive  
Woodmead,  
Sandton, 2196  
(Private Bag X6, Gallo Manor, 2052)

### Transfer secretaries

Computershare Investor Services (Proprietary) Limited  
(Registration number 2004/003647/07)  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)

**If you have any questions regarding the contents of this circular, please call  
the Corporate Actions Information Line on 0861 100 634.**



**Computershare Investor Services (Proprietary) Limited**

**Please note that your call may be recorded for customer safety.**

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## TABLE OF CONTENTS

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	Page
<b>CORPORATE INFORMATION AND ADVISORS</b>	1
<b>ACTION REQUIRED BY DAWN SHAREHOLDERS</b>	3
<b>IMPORTANT DATES AND TIMES</b>	5
<b>DEFINITIONS AND INTERPRETATIONS</b>	6
<b>CIRCULAR TO DAWN SHAREHOLDERS</b>	
1. Introduction	9
2. Rationale for the rights offer	9
3. Particulars of the rights offer	10
4. <i>Pro forma</i> financial information	14
5. Expenses	15
6. Information on Dawn	16
7. Responsibility statement	26
8. Consents	26
9. Documents available for inspection	26
<b>Annexure 1</b> Table of entitlement	27
<b>Annexure 2</b> Information on the underwriter	28
<b>Annexure 3</b> Exchange Control Regulations	29
<b>Annexure 4</b> Unaudited <i>pro forma</i> financial information	31
<b>Annexure 5</b> Reporting accountants' limited assurance report on the <i>pro forma</i> financial information	34
<b>Annexure 6</b> Corporate Governance	36
<b>Annexure 7</b> Share price history	42
<b>FORM OF INSTRUCTION</b>	Enclosed

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## **ACTION REQUIRED BY DAWN SHAREHOLDERS**

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If you are in any doubt as to what action you should take, you should consult your broker, CSDP, banker, legal advisor, accountant or other professional advisor immediately.

Holders of Dawn ordinary shares are entitled to participate in the rights offer in the same ratio of entitlement.

If you have disposed of all your Dawn ordinary shares, please forward this document, together with the enclosed form of instruction, to the purchaser of such shares or the broker, CSDP or other agent through whom you disposed of such shares. This circular and form of instruction should not be forwarded to any person in any territory other than South Africa unless the rights offer can lawfully be made to such person or in such territory.

The Dawn ordinary shares will only be traded in dematerialised form and holders of certificated Dawn ordinary shares wishing to trade in their shares will have to dematerialise their shares in accordance with the procedures outlined in this circular.

### **Action required by shareholders of certificated shares**

A form of instruction for completion by qualifying shareholders who hold certificated shares is enclosed with this circular and the relevant procedure for participation in the rights offer is set out below:

- a letter of allocation will be created in electronic form with the transfer secretaries;
- if you do not wish to subscribe for all of the rights allocated to you as reflected in the form of instruction, you may either dispose of or renounce all or part of your entitlement as follows:
  - if you wish to sell all or part of your entitlement, you must complete Form A in the enclosed form of instruction and return it to the transfer secretaries. The transfer secretaries will endeavour to procure the sale of rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, neither the transfer secretaries nor Dawn will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to dispose of such entitlements. Please note that the last day to trade letters of allocation is on Friday, 4 December 2009; and
  - if you wish to renounce your entitlement in favour of any named renounee, you must complete Form B in the enclosed form of instruction, and the renounee must complete Form C in the enclosed form of instruction and return it to the transfer secretaries, to be received by no later than 12:00 on Friday, 11 December 2009, together with a bank guaranteed cheque or banker's draft for the appropriate amount.

If you are a qualifying shareholder holding certificated shares and wish to subscribe for all or part of your entitlement in terms of the enclosed form of instruction, you must complete the enclosed form of instruction in accordance with the instructions contained therein and lodge it, together with the amount due in Rand, with the transfer secretaries as follows:

By hand to:

**Dawn – Rights offer**

c/o Computershare Investor Services  
(Proprietary) Limited  
Ground Floor, 70 Marshall Street  
Johannesburg, 2001

By post to:

**Dawn – Rights offer**

c/o Computershare Investor Services  
(Proprietary) Limited  
PO Box 61763  
Marshalltown, 2107

so as to be received by the transfer secretaries by no later than 12:00 on Friday, 11 December 2009.

If you are a qualifying shareholder holding certificated shares, after subscribing for any of the rights offer shares that you have been allocated, you will receive such shares in certificated form.

If you are a renounee you may elect to receive your rights offer shares in dematerialised form by providing the information requested in respect of your CSDP or broker in Form C in the enclosed form of instruction.

**If the required documentation and payment has not been received in accordance with the instructions contained in the enclosed form of instruction (either from the qualifying shareholders or from any person in whose favour the rights have been renounced) by 12:00 on Friday, 11 December 2009, then the rights to those unsubscribed shares will be deemed to have been declined and the rights offer entitlement will lapse.**

### **Action required by holders of dematerialised shares**

If you are a qualifying shareholder and have dematerialised your Dawn ordinary shares, you will **not** receive a printed form of instruction and you should receive notification from your CSDP or broker regarding the rights to which you are entitled in terms of the rights offer.

Your CSDP or broker will credit your account with the number of rights to which you are entitled and will contact you to ascertain:

- whether you wish to follow your rights in terms of the rights offer and, if so, in respect of how many rights offer shares; and
- if you do not follow all or any of your rights:
  - whether you wish to sell your rights and, if so, how many rights you wish to sell; or
  - whether you wish to renounce your rights and, if so, how many rights and in favour of whom you wish to renounce those rights.

CSDPs effect payment in respect of dematerialised shareholders on a delivery versus payment basis.

If you are a qualifying shareholder holding dematerialised shares and wish to follow your rights in respect of the rights offer, you are required to notify your duly appointed CSDP or broker of your acceptance of the rights offer in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or broker. If you are not contacted, you should contact your CSDP or broker and provide them with your instructions. If your CSDP or broker does not obtain instructions from you, they are obliged to act in terms of the mandate granted to them by you, or if the mandate is silent in this regard, not to subscribe for Dawn ordinary shares in terms of the rights offer.

Dawn does not take responsibility and will not be held liable for any failure on the part of any CSDP or broker to notify you of the rights offer and/or to obtain instructions from you to subscribe for the rights offer shares and/or to sell the rights allocated.

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## IMPORTANT DATES AND TIMES

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2009

Declaration data released on SENS by close of business (17:00)	Friday, 30 October
Declaration data published in the press	Monday, 2 November
Finalisation data released on SENS by 11:00	Friday, 6 November
Finalisation data published in the press	Monday, 9 November
Last day to trade in Dawn ordinary shares in order to participate in the rights offer ( <i>cum</i> entitlement)	Friday, 13 November
Listing of and trading in the letters of allocation in respect of new Dawn shares on the JSE commences at 09:00	Monday, 16 November
Dawn ordinary shares commence trading ex-rights on the JSE at 09:00	Monday, 16 November
Record date for the rights offer	Friday, 20 November
Rights offer opens at 09:00 and the rights offer circular and Form of instruction posted to shareholders	Monday, 23 November
Certificated shareholders will have their letters of allocation credited to an electronic account held at the transfer secretaries	Monday, 23 November
Dematerialised shareholders will have their accounts at their CSDP or broker credited with their entitlement*	Monday, 23 November
Last day for trading letters of allocation on the JSE	Friday, 4 December
Listing of rights offer shares and trading therein on the JSE commences	Monday, 7 December
Rights offer closes at 12:00. Payment to be made and form of instruction lodged by certificated shareholders at the transfer secretaries	Friday, 11 December
Record date for the letters of allocation	Friday, 11 December
Rights offer shares issued and posted to certificated shareholders in certificated form on or about	Monday, 14 December
CSDP or broker accounts in respect of dematerialised shareholders will be updated with rights offer shares and debited with any payments due	Monday, 14 December
Results of rights offer released on SENS	Monday, 14 December
Results of rights offer published in the press	Tuesday, 15 December

\* CSDPs effect payment in respect of dematerialised shareholders on a delivery versus payment method.

### Notes:

1. Unless otherwise indicated, all times are South African times.
2. Dawn shareholders may not dematerialise or rematerialise their Dawn ordinary shares between Monday, 16 November 2009 and Friday, 20 November 2009, both dates inclusive.

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## DEFINITIONS AND INTERPRETATIONS

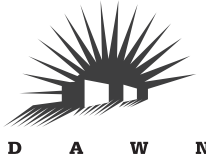
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Throughout this circular and the annexures hereto, unless the context indicates otherwise, the words in the column on the left below shall have the meaning stated opposite them in the column on the right below, reference to the singular shall include the plural and vice versa, words denoting one gender include the other and words and expressions denoting natural persons include juristic persons and associations of persons:

"Act" or "Companies Act"	the South African Companies Act, 1973 (Act 61 of 1973), as amended;
"Articles"	the Articles of Association of the Company;
"associate"	an associate as defined in the Companies Act;
"the Board" or "the Directors"	the Board of directors of Distribution and Warehousing Network Limited;
"broker" or "stockbroker"	any person registered as a broking member (equities) in terms of the Rules of the JSE made in accordance with the provisions of the Securities Services Act;
"business day"	any day of the week, excluding Saturdays, Sundays and all official South African public holidays;
"CSDP"	a Central Securities Depository Participant registered in terms of the Securities Services Act, and as defined in section 91A of the Act and appointed by individual shareholders for purposes of, and in regard to, dematerialisation in terms of such Act;
"certificated shareholders"	holders of Dawn certificated shares;
"certificated shares"	issued ordinary shares held in the form of certificates or other documents of title and which have not yet been surrendered for dematerialisation in terms of Strate;
"this circular" or "this document"	this bound document, dated 23 November 2009 and incorporating a form of instruction;
"Common Monetary Area" or "CMA"	South Africa, Namibia and the Kingdoms of Swaziland and Lesotho constitute a single monetary area known as the Common Monetary Area. There are no Exchange Control restrictions between these countries and similar Exchange Control measures are applied by each country in respect of all countries outside the CMA;
"Competition Act"	the Competition Act, No. 89 of 1998;
"Competition Commission"	the Competition Commission of South Africa;
"Competition Tribunal"	the Competition Tribunal of South Africa;
"Computershare" or "transfer secretaries"	Computershare Investor Services (Proprietary) Limited (registration number 2004/003647/07), a private company incorporated in accordance with the laws of South Africa, being the transfer secretaries of Dawn;
"Dawn" or "the Company"	Distribution and Warehousing Network Limited (registration number 1984/008265/06), a public company listed on the JSE;
"Dawn shareholders" or "shareholders"	all registered holders of Dawn issued ordinary shares;
"Dawn shares" or "ordinary shares" or "shares"	the ordinary shares in the capital of the Company with a par value of 1 cent each;

“dematerialise”	the process whereby paper share certificates or other documents of title are replaced with electronic records of ownership of shares or securities as contemplated in section 91A of the Act under the Strate system with a CSDP or stockbroker;
“dematerialised shareholders”	holders of Dawn dematerialised shares;
“dematerialised shares”	Dawn shares, which have been dematerialised and incorporated into Strate and which are no longer evidenced by share certificates or other physical documents of title;
“documents of title”	share certificates, certified transfer deeds, balanced receipts, or any other documents of title, as the case may be;
“Exchange Control Regulations”	the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the South African Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
“form of instruction”	a form of instruction in respect of the letter of allocation;
“Government”	the Government of South Africa;
“the Group”	Dawn and its subsidiaries, referred to collectively;
“the JSE”	the JSE Limited, a company duly registered and incorporated with limited liability under the Companies Act of South Africa (registration number 2005/022939/08), and licensed as an exchange under the Securities Services Act, 2004, as amended;
“last practicable date”	30 October 2009, the last practicable date prior to the finalisation of this circular;
“letter of allocation”	a renounceable (nil paid) letter of allocation in electronic form relating to the rights offer;
“Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time by the JSE;
“qualifying shareholder”	a registered holder of Dawn shares on the register of shareholders of Dawn at 17:00 on the record date for the rights offer and which does not have its registered address in any jurisdiction in which it would be unlawful to make the rights offer;
“Rand” or “R”	South African Rand, the official currency of South Africa;
“the ratio of entitlement”	the number of rights offer shares to which shareholders are entitled to subscribe for in terms of the rights offer, being 20.98270 rights shares for every 100 Dawn ordinary shares held on the record date for the rights offer and/or such proportionate lower number of shares in respect of a holding of less than 100 Dawn ordinary shares held on the record date for the rights offer;
“the record date for the rights offer”	the last day for shareholders to be recorded in the register in order to participate in the rights offer, being close of business on Friday, 20 November 2009;
“register”	means the register of certificated shareholders maintained by Dawn and the sub-register of dematerialised shareholders maintained by the relevant CSDPs in terms of sections 91A and 105, respectively, of the Companies Act;
“the Registrar”	the Registrar of Companies and Close Corporations in South Africa;
“rights”	the entitlement to subscribe for Dawn shares pursuant to the rights offer;

“the rights offer”	the rights to subscribe for 41 666 666 Dawn ordinary shares at the rights offer share price in the ratio of 20.98270 rights offer shares for every 100 Dawn ordinary shares held on the record date of the rights offer;
“the rights offer shares”	the 41 666 666 Dawn ordinary shares, which are the subject of the rights offer;
“the rights offer share price”	the price per new Dawn ordinary share to be offered to Dawn shareholders in terms of the rights offer, being 720 cents per Dawn ordinary share;
“Securities Services Act”	the Securities Services Act, 2004 (Act 36 of 2004), as amended;
“SENS”	the Securities Exchange News Service of the JSE;
“South Africa” or “SA”	the Republic of South Africa;
“Strate”	Strate Limited (registration number 1998/022242/06), a public company incorporated in South Africa and a registered central securities depository in terms of the Securities Services Act and responsible for the electronic clearing and settlement of transactions;
“subsidiary”	a subsidiary as defined in the Companies Act;
“the underwriter” or “Coronation”	Coronation Asset Management (Proprietary) Limited (registration number 1993/002807/07), a private company incorporated in accordance with the laws of South Africa;
“the underwriting agreement”	the agreement entered into between Dawn and the underwriter, dated 9 October 2009, in terms of which the underwriter agrees, to subscribe for the rights offer shares that are not taken up by shareholders in terms of the proposed rights offer, to a maximum amount of R300 million, being the maximum aggregate subscription amount payable by the underwriter; and
“VAT”	Value-Added Tax.



# Distribution and Warehousing Network Limited

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

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## Directors

### **Executive:**

D A Tod (Chief Executive Officer)  
J A Beukes  
J A I Ferreira

### **Non-executive:**

L M Alberts# (Chairman)  
O S Arbee  
A S Boynton-Lee  
R L Hiemstra  
A N Kendal  
V J Mokoena

# Independent

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## CIRCULAR TO DAWN SHAREHOLDERS

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### 1. INTRODUCTION

It was announced on SENS on Friday, 30 October 2009 and published in the press on Monday, 2 November 2009 that Dawn would raise up to a maximum of R300 million from existing shareholders through a fully underwritten rights offer.

In terms of the rights offer, 41 666 666 Dawn ordinary shares will be offered for subscription to Dawn shareholders recorded in the register at the close of trade on Friday, 20 November 2009 who will receive rights to subscribe for rights offer shares on the basis of 20.98270 rights for every 100 Dawn shares held, for subscription at 720 cents per rights offer share. Only whole numbers of shares will be issued and Dawn shareholders will be entitled to rounded numbers of shares once the ratio has been applied, using the rounding principle. No excess applications will be allowed.

The JSE has agreed to the listing of the rights offer shares and the purpose of this circular is to furnish Dawn shareholders with relevant information relating to the rights offer, the action required and the implications thereof, in accordance with the Companies Act and the Listings Requirements.

### 2. RATIONALE FOR THE RIGHTS OFFER

During the last 7 years Dawn embarked on acquiring building product and materials businesses with strong brands which strategically complemented the core business of Dawn namely, break bulk distribution of sanitaryware, hardware and tools on a national basis. More recently Dawn diversified its businesses to include infrastructural products.

In order that the Black Economic Empowerment status of Dawn remained intact throughout this period of acquisitive growth the Company chose to fund all acquisitions and the consequential growth in working capital from internally generated cash and bank borrowings.

With the advent of the world-wide financial crises and consequential recession it has become difficult to retain the bank funding level support from the Company's bankers with additional funding for acquisitions becoming non-existent. The Board has decided that the prudent approach in the current economic climate is to strengthen the Company's balance sheet by way of raising additional capital to reduce bank debt.

The Board evaluated funding options available to it, and concluded that the rights offer was the most appropriate funding mechanism for the Company at this time and that it will have the least dilutive effect to the Company's Black Economic Empowerment status.

### **3. PARTICULARS OF THE RIGHTS OFFER**

#### **3.1 Terms of the rights offer**

Dawn hereby offers to qualifying shareholders a total of 41 666 666 Dawn ordinary shares for subscription, upon the terms and conditions set out in this circular and in the enclosed form of instruction, by way of renounceable rights, at a subscription price of 720 cents per Dawn ordinary share on the basis of 20.98270 rights offer shares for every 100 Dawn ordinary shares held by qualifying shareholders at the close of trade on the record date for the rights offer. As the rights offer is fully underwritten, the rights offer will raise R300 million.

Qualifying shareholders recorded in the register of Dawn at the close of business on Friday, 20 November 2009 will be entitled to participate in the rights offer. The last day to trade in Dawn ordinary shares in order to be recorded in the register at the close of business on Friday, 20 November 2009 is Friday, 13 November 2009. Dawn ordinary shares will thereafter trade ex-entitlement.

The enclosed form of instruction contains details of the rights to which holders of certificated shares are entitled, as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those rights. Holders of dematerialised shares will be advised of the rights to which they are entitled as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those rights by their CSDP or broker in terms of the custody agreement entered into between the shareholder and his CSDP or broker, as the case may be.

The subscription price is payable in full, in Rand, by qualifying shareholders holding certificated shares on acceptance of the rights offer. CSDPs will make payment, on a delivery versus payment basis, in respect of qualifying shareholders holding dematerialised shares who have accepted the rights offer. Qualifying shareholders holding dematerialised shares who have accepted the rights offer must ensure that the necessary funds are deposited with the relevant CSDP or broker, as the case may be.

The rights offer shares will, upon allotment and issue, rank *pari passu* with all other existing ordinary shares in terms of both voting rights and dividends.

The rights offer is fully underwritten as detailed in paragraph 3.8 below.

#### **3.2 Opening and closing dates of the rights offer**

The rights offer will open at 09:00 on Monday, 23 November 2009 and will close at 12:00 on Friday, 11 December 2009.

#### **3.3 Entitlement**

The number of rights offer shares to which qualifying shareholders will be entitled to is set out in Annexure 1 to this circular. The entitlement of each qualifying shareholder is reflected in the appropriate block in the form of instruction, which is enclosed with this circular. If you are a qualifying shareholder and hold dematerialised shares you will **not** receive a printed form of instruction.

Qualifying shareholders holding dematerialised shares will have their accounts automatically credited with their entitlements in accordance with Annexure 1 to this circular.

#### **3.4 Holding of odd-lots and multiples other than 100 shares**

Qualifying shareholders holding less than 100 Dawn ordinary shares, or not a whole multiple of 100 Dawn ordinary shares, will be entitled, in respect of such holdings, to participate in the rights offer in accordance with Annexure 1 to this circular.

#### **3.5 Fractional entitlement**

The whole number of rights to subscribe for rights offer shares to which qualifying shareholders will become entitled will be determined by the ratio of entitlement. Only whole numbers of shares

will be issued and shareholders will be entitled to subscribe for rounded numbers of Dawn ordinary shares once the ratio of entitlement has been applied. Fractional entitlements of 0.5 or greater will be rounded up and less than 0.5 will be rounded down.

### 3.6 Excess applications

Dawn shareholders will not be permitted to apply for new Dawn ordinary shares in excess of their entitlement.

### 3.7 Minimum subscription

The rights offer is fully underwritten, as detailed in paragraph 3.8 below, and is therefore not conditional on a minimum subscription.

### 3.8 Underwriting

In terms of the underwriting agreement, the underwriter has agreed to underwrite the rights offer to a maximum amount of R300 million, represented by 41 666 666 rights offer shares.

The 41 666 666 shares are offered to the public as defined in Section 4.25 of the Listings Requirements. Coronation falls within the ambit of the definition of public.

Details of the underwriting commitment of the underwriter are disclosed below:

Name of underwriter	Maximum amount underwritten	Number of shares	Percentage of rights offer shares
	R'million		
Coronation	300	41 666 666	100
<b>Total</b>	<b>300</b>	<b>41 666 666</b>	<b>100</b>

In terms of the underwriting agreement, an underwriting fee equal to 2% of the underwritten amount, being an amount of R6 million (excluding VAT), is payable by the Company to the underwriter which underwriting commission is, in the opinion of the Board, not greater than the current market rate charged by independent underwriters. In terms of the underwriting agreement, the underwriting commission is only payable upon fulfilment of the underwriting commitment by the underwriters. Other than the underwriting fee outlined above, no other commissions or fees were paid within the past three years in respect of the issue of Dawn ordinary shares.

The underwriting agreement will become irrevocable by no later than 16:30 on Thursday, 5 November 2009.

The underwriter has satisfied the JSE that it is able to fulfill its commitments in terms of the underwriting agreement.

Further particulars of the underwriter are set out in Annexure 2 to this circular.

### 3.9 Procedures for acceptance

**3.9.1** If you are a qualifying shareholder holding certificated shares and/or have had rights renounced in your favour, and wish to subscribe for all or part of your entitlement in terms of the enclosed form of instruction, you must complete the enclosed form of instruction in accordance with the instructions contained therein and lodge it together with payment of the subscription price with the transfer secretaries at the addresses set out in paragraph 3.11.1.2 below, so as to be received by the transfer secretaries by no later than 12:00 on Friday, 11 December 2009. Once received by the transfer secretaries, the acceptance is irrevocable and may not be withdrawn.

If payment is not received on or before 12:00 on Friday, 11 December 2009, the day of the closing of the rights offer, the qualifying shareholder or renounee concerned will be deemed to have declined the offer to acquire rights offer shares pursuant to the rights offer.

Qualifying shareholders holding certificated shares are advised to take into consideration postal delivery times when posting their forms of instruction, as no late postal deliveries will be accepted. Qualifying shareholders are advised to deliver their completed forms of instruction together with their bank guaranteed cheques or bankers' drafts by hand or by courier, where possible.

- 3.9.2** If you are a qualifying shareholder and have dematerialised your Dawn ordinary shares you will not receive a printed form of instruction. You should receive notification from your CSDP or broker regarding the rights to which you are entitled in terms of the rights offer.

If you are a qualifying shareholder holding dematerialised shares and wish to follow your rights in respect of the rights offer, you are required to notify your duly appointed CSDP or broker of your acceptance of the rights offer in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or broker.

**Dawn does not take responsibility and will not be held liable for any failure on the part of any CSDP or broker to notify you of the rights offer and/or to obtain instructions from you to subscribe for the rights offer shares and/or to sell the rights allocated.**

### **3.10 Procedures for sale and renunciation**

- 3.10.1** If you are a qualifying shareholder holding certificated shares and do not wish to subscribe for all of the rights allocated to you as reflected in the form of instruction, you may either dispose of or renounce all or part of your entitlement as follows:

- if you wish to sell all or part of your entitlement, you must complete Form A in the enclosed form of instruction and return it to the transfer secretaries to be received by no later than 12:00 on Friday, 4 December 2009. The transfer secretaries will endeavour to procure the sale of rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, neither the transfer secretaries nor Dawn will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to dispose of such entitlements; and
- if you wish to renounce your entitlement or any part thereof in favour of any named renounee, you must complete Form B in the enclosed form of instruction, and the renounee must complete Form C in the enclosed form of instruction and return it to the transfer secretaries, to be received by no later than 12:00 on Friday, 11 December 2009, together with a bank-guaranteed cheque or banker's draft for the appropriate subscription amount. If you wish to renounce parts of your entitlement in favour of different renounees, you may copy Form B and use a copied Form B for each additional renounee.

- 3.10.2** If you are a qualifying shareholder holding dematerialised shares and wish to sell some or all of the rights allocated to you as a holder of dematerialised shares, you should make the necessary arrangements with your CSDP or broker in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or broker.

### **3.11 Payment**

#### **3.11.1 Payment by holders of certificated shares**

3.11.1.1 The amount due on acceptance of the rights offer is payable in Rand.

3.11.1.2 A banker's draft drawn on a registered bank or a bank-guaranteed cheque drawn on a South African bank (each of which should be crossed and marked "not transferable" and, in the case of a cheque, with the words "or bearer" deleted) in favour of "**Dawn – Rights offer**" in respect of the amount due, together with a properly completed form of instruction, should be clearly marked "**Dawn – Rights offer**" and delivered to:

#### **Dawn – Rights offer**

c/o Computershare Investor Services (Proprietary) Limited  
Ground Floor, 70 Marshall Street, Johannesburg, 2001

so as to be received by no later than 12:00 on Friday, 11 December 2009; or

may be posted, at the risk of the shareholder or his renounee, to:

### **Dawn – Rights offer**

c/o Computershare Investor Services (Proprietary) Limited  
PO Box 61763, Marshalltown, 2107,

so as to be received by no later than 12:00 on Friday, 11 December 2009.

- 3.11.1.3 All bank guaranteed cheques or bankers' drafts received by the transfer secretaries will be deposited immediately for payment. The payment as referred to in paragraph 3.11.2 below will constitute an irrevocable acceptance by the shareholder or renounee of the rights offer upon the terms and conditions set out in this circular and in the enclosed form of instruction. In the event that any cheque or banker's draft is dishonoured, Dawn, in its sole discretion, may treat the relevant acceptance as void or may tender delivery of the relevant rights offer shares to which it relates against payment in cash of the issue price for such shares.

Money received in respect of an application that is rejected or otherwise treated as void by Dawn, or which is otherwise not validly received in accordance with the terms stipulated, will be posted by registered post by way of a cheque drawn (without interest) in Rand to the applicant concerned, at the applicant's risk, on or about Monday, 14 December 2009. If the applicant concerned is not a shareholder and gives no address in the enclosed form of instruction, then the relevant refund will be held by Dawn until collected by the applicant and no interest will accrue to the applicant in respect thereof.

#### **3.11.2 Payment by holders of dematerialised shares**

Payment will be effected on the shareholder's behalf in Rand by the CSDP or broker. The CSDP or broker will make payment in respect of qualifying shareholders holding dematerialised shares on a delivery versus payment basis.

### **3.12 Exchange Control Regulations**

An outline of the applicable Exchange Control Regulations is available in Annexure 3 to this circular.

### **3.13 JSE listings**

The Issuer Services Division of the JSE has approved the listings of:

- the letters of allocation in respect of all of the 41 666 666 rights offer shares with effect from the commencement of trade on Monday, 16 November 2009 to the close of trade on Friday, 4 December 2009, both days inclusive; and
- 41 666 666 rights offer shares with effect from the commencement of trade on Monday, 7 December 2009.

### **3.14 Documents of title**

New share certificates to be issued to qualifying shareholders holding certificated shares or renounees in respect of those rights offer shares to which they were entitled and for which they have subscribed, will be posted to persons entitled thereto, by registered post, at the risk of the shareholders concerned, on or about Monday, 14 December 2009.

Qualifying shareholders receiving the rights offer shares must note that such certificated shares are not good for delivery in respect of trades concluded on the JSE until they have been dematerialised.

Qualifying shareholders holding Dawn ordinary shares who have applied for, and been allotted, Dawn ordinary shares under the rights offer will have their accounts updated with the rights offer shares to which they are entitled and in respect of which they have accepted the rights offer, on Monday, 14 December 2009.

### **3.15 Registration of documents**

The following documents in English have been lodged with and registered by the Registrar on 13 November 2009 in terms of section 146A of the Companies Act for purposes of implementing the rights offer:

- a copy of the form of instruction with respect to the letters of allocation enclosed with this document;
- a signed copy of this circular;
- a copy of the underwriting agreement and the sworn declarations in terms of section 153(2) of the Companies Act;
- the letters of consent from the corporate advisor, transaction sponsor, reporting accountants and auditors, legal advisors, the underwriter and sponsor to act in their respective capacities and to their names being stated in this circular;
- powers of attorney signed by each of the directors of Dawn;
- a copy of the application for listing of the rights offer shares to be issued pursuant to the rights offer; and
- a copy of the letter from the JSE agreeing to the listings of the letters of allocation and the rights offer shares.

### **3.16 Shareholder spread**

The shareholder spread of Dawn will still comply with paragraphs 4.28(e) and (f) of the Listings Requirements after implementing the rights offer.

### **3.17 Taxation**

Dawn shareholders are advised to consult their tax and financial advisors regarding any taxation implications pertaining to them regarding the acceptance of their rights in terms of the rights offer.

### **3.18 Material contracts**

No material contracts, other than contracts entered into in the ordinary course of business, involving directors' interests were entered into during the current year.

## **4. PRO FORMA FINANCIAL INFORMATION**

- 4.1** The table below illustrates the unaudited *pro forma* financial effects of the rights offer on Dawn based on the audited annual results for the year ended 30 June 2009.

The preparation of the unaudited *pro forma* financial effects is the responsibility of the directors of Dawn. The unaudited *pro forma* financial effects have been prepared for illustrative purposes only to provide information on how the rights offer may have impacted on Dawn's results and financial position and, due to the nature thereof, may not give a fair reflection of Dawn's results and financial position after the rights offer. The reporting accountants' limited assurance report on the financial effects is set out in Annexure 5 to this circular.

<b>Per share (cents)</b>	<b>Before<sup>1</sup></b>	<b>Pro forma After<sup>2</sup></b>	<b>Percentage change</b>
Earnings <sup>2</sup>	63.9	67.5	5.6
Diluted earnings <sup>2</sup>	59.5	63.7	7.1
Headline earnings <sup>2</sup>	81.7	81.9	0.2
Diluted headline earnings <sup>2</sup>	76.1	77.3	1.6
Net asset value <sup>3</sup>	456.9	501.3	9.7
Net tangible asset value <sup>3</sup>	302.7	376.1	24.2
Weighted average number of shares ('000)	175 975	217 642	
Diluted weighted average number of shares ('000)	188 942	230 609	
Number of issued shares ('000) <sup>4</sup>	179 883	221 550	

**Notes:**

1. Extracted without adjustment from the published audited preliminary results of Dawn for the year ended 30 June 2009.
2. Earnings effects are based on the following assumptions:
  - the rights offer was effective 1 July 2008; and
  - the proceeds of the rights offer are utilised to reduce bank debt and interest savings are based on the average rate of 16% per annum incurred on the redeemed debt for the year ended 30 June 2009.
3. Net asset and net tangible asset value per share effects are based on the following assumptions:
  - the rights offer was effective 30 June 2009; and
  - the proceeds of the rights offer are utilised to reduce bank debt; and
  - transaction costs of approximately R11.2 million as set out in paragraph 5 of this Circular have been capitalised against share premium.
4. Number of shares in issue are stated after eliminating treasury shares.

#### **4.2 Unaudited *pro forma* income statement and balance sheet**

The unaudited *pro forma* income statement and balance sheet, based on the audited annual results for the year ended 30 June 2009 are presented in Annexure 4 to this circular.

The reporting accountants' limited assurance report on the unaudited *pro forma* income statement and balance sheet is set out in Annexure 5 to this circular.

#### **4.3 Application of the proceeds from the rights offer**

The full proceeds of the R300 million rights offer will be applied to reduce the Dawn Group's borrowings outstanding with the Dawn Group's bankers. An agreement has been entered into with the Dawn Group's bankers whereby, subsequent to the settlement of R300 million borrowings, the Dawn Group's total borrowing facilities will be reduced from R850 million to R550 million. The remaining R550 million borrowing facilities of the Dawn Group will be restructured on a basis taking full account of the Group's expected cash generation and will result in R300 million of the Dawn Group's borrowings to be restructured into non-current debt with an amortising profile over a five year period.

### **5. EXPENSES**

It is estimated that Dawn's expenses relating to the rights offer will amount to approximately R11.2 million. These expenses will be paid from the proceeds of the rights offer. The estimated expenses (excluding VAT) relating to the rights offer are detailed below:

<b>Nature of expense</b>	<b>Paid/Payable to</b>	<b>R</b>
JSE documentation inspection fee	JSE Ltd	19 750
JSE listing fee	JSE Ltd	108 186
Printing, publication and distribution	Ince (Pty) Ltd	200 000
Legal advisors	Cliffe Dekker Hofmeyr Inc.	180 000
Corporate advisor	Bishop Corporate Finance	3 750 000
Transaction sponsor	PricewaterhouseCoopers Corporate Finance (Pty) Ltd	800 000
Reporting accountants and auditors	PricewaterhouseCoopers Inc.	125 000
Transfer secretaries	Computershare Investor Services (Pty) Ltd	67 500
Underwriting commission	Coronation Asset Management (Pty) Ltd	6 000 000
<b>Total</b>		<b>11 250 436</b>

## 6. INFORMATION ON DAWN

### 6.1 Group profile

Dawn is listed in the “Construction and Materials – Building Materials & Fixtures” sector of the JSE.

The strategy of the Group is centred on the manufacturing and wholesale distribution of mainly local quality branded hardware, sanitaryware, plumbing, kitchen, engineering and civil products through a national, strategically positioned branch network in South Africa as well as in selected African countries and Mauritius.

Dawn adds significant value to the distribution channel through its optimised logistics services that reduce duplication and enhance efficiencies between the production and distribution of the Group’s products. Through selective equity ownership, Dawn is able to share in the value of the optimised supply-chain that is created.

The Group’s subsidiary businesses complement each other’s product ranges and therefore create significant cross-selling opportunities and a package offering. Service functions such as warehousing; distribution and administration are shared, allowing for maximum efficiency through economies of scale.

#### **Product and market scope**

Dawn distributes approximately 40 000 products sourced through more than 2 500 suppliers to over 12 000 customers in the infrastructure, building and plumbing sectors. The Group participates actively in the infrastructural development sector, mainly through DPI Plastics, Incedon and Sangio Pipe with contributions from all operations across the board, and significant inroads have been made into the petro-chemical, agricultural and mining sectors.

#### **Geographic scope**

Products are distributed through a national, strategically positioned channel network in South Africa as well as in sub-Saharan African countries and Indian Ocean islands such as Angola, Nigeria, Mozambique, Botswana, Swaziland, Lesotho, Namibia, Tanzania, Zambia and Mauritius. The Group’s joint venture with Franke Holding AG, AST, plays a substantial role in this process. Manufacturing operations have been established in Botswana and Namibia with joint venture manufacturing operations in Angola, Mauritius and Tanzania.

#### **Channel scope**

The distribution fleet of the Group with more than 250 vehicles, its advanced Information Technology infrastructure which allows for online ordering, the establishment of centralised distribution centres in all major areas and strong relationships with both customers and suppliers give Dawn its competitive edge.

#### **Prospects**

Whilst no meaningful recovery is expected from building-related activities before the start of the new calendar year, the lower interest rate environment should contribute to an improvement in consumer confidence and the general trading environment. With the successful conclusion of the election and settling down and positioning of central and local government decision-making powers,

it is anticipated that Government spend on water and sewer, as well as housing projects will support increased demand in this sector over the next financial year.

The Board expects market conditions to remain under pressure over the short to medium term, but is confident that underlying fundamentals will continue to improve as a result of:

- more accessible funding for customers due to the relaxing of lending criteria by financial institutions;
- speculative restocking by merchants to take advantage of anticipated inflationary pricing, driven by price increases of raw materials;
- an improvement in investor confidence from significantly reduced interest rates; and
- increased pressure on Government to deliver on infrastructure and housing requirements.

The Group therefore continues to be well-positioned to benefit from a gradual improvement in market conditions. The Board remains cautiously optimistic about earnings for the first half of the new financial year, with better prospects expected mainly from the second half of the new financial year.

## 6.2 Share price history

The price history of the shares of Dawn on the JSE since December 2007 until the last practicable date is set out in Annexure 7 to this circular.

## 6.3 Directors and senior management

The full names, functions, dates of appointment, ages, nationalities, business addresses, qualifications and experience of the Directors are set out in the table below:

<b>L M ALBERTS *#</b>		
<b>Position:</b>	Independent non-executive chairman	<b>Experience:</b>
<b>Appointed:</b>	30 August 2001	Member of the Engineering Council of South Africa (ECSA). Lou Alberts is an electrical engineer with more than 40 years' experience in technical management as well as in the business field where he has held various executive directorships. He was actively involved in the unbundling of the Boumat group in 1999, where he was the chief executive officer, and has also served on the Board and Council of SEIFSA. He currently consults to the building industry, both locally and internationally.
<b>Age:</b>	69	
<b>Nationality:</b>	South African	
<b>Business address:</b>	Corner Barlow Road and Cavaleros Drive, Jupiter Ext 3 Germiston, 1401	
<b>Qualifications:</b>	BSc Eng; MBL	

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**D A TOD \*\***

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<b>Position:</b>	Chief executive officer	<b>Experience:</b>
<b>Appointed:</b>	30 June 1998	Derek Tod is an executive with approximately 30 years' experience in business management and wholesale distribution on a national basis. City Investment Holdings Limited was, through the disposal of the manufacturing businesses and the acquisition of wholesale distribution companies, transformed into a wholesale distribution company and renamed Dawn. Derek was appointed managing director of Dawn in 1998.
<b>Age:</b>	53	
<b>Nationality:</b>	South African	
<b>Business address:</b>	Corner Barlow Road and Cavaleros Drive, Jupiter Ext 3 Germiston, 1401	

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**J A BEUKES**

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<b>Position:</b>	Chief operating officer	<b>Experience:</b>
<b>Appointed:</b>	20 August 1998	After completing his articles, Jan joined the Group as financial manager in 1994 and was appointed Group financial director in 1998. In 2006 he assumed the position as the chief executive of the Trading division and was appointed chief operating officer of Dawn in 2008.
<b>Age:</b>	41	
<b>Nationality:</b>	South African	
<b>Business address:</b>	Corner Barlow Road and Cavaleros Drive, Jupiter Ext 3 Germiston, 1401	
<b>Qualifications:</b>	BCom (Hons) Acc	

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**J A I FERREIRA**

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<b>Position:</b>	Chief financial officer	<b>Experience:</b>
<b>Appointed:</b>	30 November 2007	Dries Ferreira is a Chartered Accountant who completed his articles at PricewaterhouseCoopers Inc. in 2003 and has approximately nine years' experience in the auditing and accounting field. He joined the Dawn Group in November 2005 as Group financial manager and was appointed chief financial officer in 2007. In 2008, Dries successfully completed the Harvard Management Programme.
<b>Age:</b>	31	
<b>Nationality:</b>	South African	
<b>Business address:</b>	Corner Barlow Road and Cavaleros Drive, Jupiter Ext 3 Germiston, 1401	
<b>Qualifications:</b>	CA(SA)	

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**O S ARBEE \*#**

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<b>Position:</b>	Non-executive director	<b>Experience:</b>
<b>Appointed:</b>	15 December 2004	Director of Ukhamba Holdings (Proprietary) Limited, Imperial Bank Limited and Imperial Holdings Limited Osman Arbee was a senior partner at Deloitte & Touche. He is the chief executive officer of the Car Rental division and chairman of the Dealership, Parts and Tourism divisions of Imperial Holdings Limited and is a non-executive director on the Board of Ukhamba, the Group's empowerment partner. He joined Imperial on 1 September 2004.
<b>Age:</b>	50	
<b>Nationality:</b>	South African	
<b>Business address:</b>	140 Boeing Road East Elma Park, Edenvale, 1610	
<b>Qualifications:</b>	BAcc, CA(SA)	

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**A S BOYNTON-LEE**

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<b>Position:</b>	Non-executive director	<b>Experience:</b>
<b>Appointed:</b>	10 February 2005	Honorary life member of the South African Institute of Foundrymen, Fellow of the Institute of Directors, Member of the Institute of British Foundrymen (UK), Associate member of the Institute of Cast Metal Engineers (UK). Tubby Boynton-Lee was the managing director of Cobra Watertech for 18 years and held various executive management positions in the manufacturing industry prior to his tenure at Cobra Watertech.
<b>Age:</b>	69	
<b>Nationality:</b>	South African	
<b>Business address:</b>	Corner Barlow Road and Cavaleros Drive, Jupiter Ext 3 Germiston, 1401	
<b>Qualifications:</b>	BSc (Geol/Physics); MSc (Mgmt: Metallurgical Industry); Dip Bus Mgmt (Damelin); Dip Metallurgy (W.W.R.Tech.College); CE (UK)	

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**R L HIEMSTRA**

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<b>Position:</b>	Non-executive director	<b>Experience:</b>
<b>Appointed:</b>	30 June 1998	Executive director of Imperial Holdings Limited and various operating companies in the Imperial Group as well as Kagiso Media Limited. Tak Hiemstra is the Executive Director: Strategic Planning of Imperial Holdings Limited. He was formerly the chief executive officer of Imperial Bank. He has more than 20 years' experience in corporate finance affairs and contributes to the Board of Dawn through corporate strategic planning.
<b>Age:</b>	53	
<b>Nationality:</b>	South African	
<b>Business address:</b>	79 Boeing Road East Bedfordview, 2007	
<b>Qualifications:</b>	CA(SA)	

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**A N KENDAL**

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<b>Position:</b>	Non-executive director	<b>Experience:</b>
<b>Appointed:</b>	6 December 2006	Director of various companies in the Halsted Investments group. Alan Kendal is chairman of the Halsted group of companies in South Africa and has been involved with the manufacturing of motor vehicle springs, forgings and hand tools for 35 years both in Zimbabwe and South Africa. Before being appointed chairman of the Halsted group in July 2002, Alan was managing director of Usher/Lasher for 20 years.
<b>Age:</b>	65	
<b>Nationality:</b>	South African	
<b>Business address:</b>	Sigma Road Industries West, Germiston, 1401	
<b>Qualifications:</b>	FCIS	

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**V J MOKOENA**

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<b>Position:</b>	Non-executive director	<b>Experience:</b>
<b>Appointed:</b>	15 December 2004	Director of EQSTRA Holdings Limited and director of Ukhamba Holdings (Proprietary) Limited. Veli Mokoena was appointed to the Imperial Board on 17 March 2004 and with the unbundling of EQSTRA from the Imperial group in April 2008, resigned from the Imperial Board and joined the EQSTRA Board. Veli is the chief executive officer of Ukhamba Holdings, the Group's BEE partner.
<b>Age:</b>	49	
<b>Nationality:</b>	South African	
<b>Business address:</b>	138 Boeing Road East Elma Park, Edenvale 1610	
<b>Qualifications:</b>	BA Post graduate Diploma in Management (Wits); Executive Development Program (New York)	

\*Audit and risk committee      # Remuneration committee

#### 6.4 Senior management

The full names, function, date of appointment, age, nationality, business address, qualifications and experience of the Dawn senior management who is not a director is set out below:

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**G KOTZEE**

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<b>Position:</b>	Divisional Executive/ CE Infrastructure Cluster	<b>Experience:</b>
<b>Appointed:</b>	1 January 2009	Gerhard has 30 years' experience in various manufacturing businesses including the last 16 years in the South African building and plumbing products industry. Gerhard has held various positions in Iscor; Copalcor Rolled Metals (Haggie Rand Group), Dorbyl Automotive and more recently managing director of Franke Kitchen Systems before joining the Dawn Group.
<b>Age:</b>	48	
<b>Nationality:</b>	South African	
<b>Business address:</b>	Corner Barlow Road and Cavaleros Drive, Jupiter Ext 3 Germiston, 1401	
<b>Qualifications:</b>	B Eng. (Metallurgical); MBL (Unisa)	

## 6.5 Directors' emoluments

There will be no variation in the remuneration receivable by any of the directors of Dawn as a consequence of the rights offer.

An analysis of the aggregate emoluments paid and/or accrued for each director as payable during the last financial year is set out in the table below:

	Salary R'000	Bonus R'000	Retirement and medical contribution R'000	Directors' fees R'000	Other services R'000	Total R'000
<b>Non-executive directors</b>						
O S Arbee	–	–	–	41	72	113
L M Alberts	–	–	–	165	187	352
A S Boynton-Lee	–	–	–	83	156	239
R L Hiemstra	–	–	–	62	–	62
A N Kendal	–	–	–	83	–	83
V J Mokoena	–	–	–	83	30	113
	<b>–</b>	<b>–</b>	<b>–</b>	<b>517</b>	<b>445</b>	<b>962</b>
<b>Executive directors</b>						
J A Beukes	1 756	1 070	329	–	–	3 155
J A I Ferreira	1 270	420	155	–	–	1 845
G L Geldenhuis	1 621	1 250	279	–	–	3 150
D A Tod	2 785	3 293	515	–	–	6 593
	<b>7 432</b>	<b>6 033</b>	<b>1 278</b>	<b>–</b>	<b>–</b>	<b>14 743</b>
June 2009	7 432	6 033	1 278	517	445	15 705
June 2008	6 505	4 525	1 138	595	495	13 258

<b>Share Options</b>				
	<b>Incentive shares '000</b>	<b>SAR<sup>1</sup> '000</b>	<b>LTIP<sup>2</sup> '000</b>	<b>DBP<sup>3</sup> '000</b>
<b>Non-executive directors</b>				
O S Arbee	–	–	–	–
L M Alberts	–	–	–	–
A S Boynton-Lee	–	–	–	–
R L Hiemstra	–	–	–	–
A N Kendal	450	–	–	–
V J Mokoena	–	–	–	–
	<b>450</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Executive directors</b>				
J A Beukes	1 000	411	177	18
J A I Ferreira	–	382	164	21
G L Geldenhuis	–	527	226	30
D A Tod	4 600	649	300	178
	<b>5 600</b>	<b>1 969</b>	<b>867</b>	<b>247</b>
June 2009	6 050	1 969	867	247
June 2008	6 150	879	387	96

1. Share Appreciation Rights.
2. Long-Term Incentive Plans.
3. Deferred Bonus Plans.

All executive directors are eligible for an annual performance-related bonus payment linked to appropriate Group and business sector targets. The structure of the individual annual bonus plans and awards are decided by the Group Remuneration Committee.

The directors were issued shares under a deferred delivery scheme, for future delivery and payment in prior years. Formal contracts have been concluded with the participants in terms of the rules of the Dawn Share Trust.

## 6.6 Directors' interests

### 6.6.1 Directors' interests in securities

The directors held in aggregate direct and indirect beneficial interests of 4.4% (2008: 4.0%) in the issued share capital of the Company at 30 June 2009.

The directors of Dawn intend participating in the rights offer and their direct and indirect beneficial interests in the issued share capital of the Company, based on their full rights allocation, will change as follows:

	<b>Beneficial</b>				<b>Total</b>	<b>Percentage held before rights offer</b>
	<b>Directly held before rights offer</b>	<b>Directly held after rights offer</b>	<b>Indirectly held before rights offer</b>	<b>Indirectly held after rights offer</b>		
<b>At 30 June 2009</b>	<b>5 586 142</b>	<b>–</b>	<b>3 073 228</b>	<b>–</b>	<b>8 659 370</b>	
At 30 June 2008	5 213 767	–	2 490 726	–	8 301 585	
Comprising:						
<b>Executive directors</b>						
J A Beukes	2 311 011	2 795 927	–	–	2 311 011	1.16
J A I Ferreira	145 093	175 537	–	–	145 093	0.07
G L Geldenhuis	330 530	399 884	74 633	90 293	405 163	0.20
D A Tod	–	–	2 946 037	3 564 200	2 946 037	1.48

	<b>Beneficial</b>				<b>Total</b>	<b>Percentage held before rights offer</b>
	<b>Directly held before rights offer</b>	<b>Directly held after rights offer</b>	<b>Indirectly held before rights offer</b>	<b>Indirectly held after rights offer</b>		
<b>Non-executive directors</b>						
L M Alberts	1 715 800	2 075 824	–	–	1 715 800	0.86
A S Boynton-Lee	49 405	59 771	–	–	49 405	0.03
R L Hiemstra	1 030 713	1 246 986	–	–	1 030 713	0.52
A N Kendal	–	–	52 558	63 586	52 558	0.03
V J Mokoena	3 590	4 343	–	–	3 590	0.002

**Note:** G L Geldenhuis resigned subsequent to 30 June 2009.

There have been no material changes in the directors' interests from 30 June 2009 to the date of this circular.

### 6.6.2 Share incentive schemes

The shareholders approved three share incentive schemes on 6 December 2006, which aims to retain key skills in the Group and to create a proper reward system for above average market performance of the Group. The schemes have a vesting period of three years, with the first tranche vesting in June 2009 and the second tranche vesting in June 2010.

Share incentives in the form of Share Appreciation Rights ("SARs"), Long-Term Incentive Plan ("LTIPs") awards and Deferred Bonus Plan ("DBPs") awards are offered to directors and to selected employees. The grant price of these rights and awards are equal to the five day weighted average traded market price of the shares preceding the date of the grant. Rights and awards are conditional on market-related performance conditions being met. The conditions focus on the Group's earnings growth and share price performance compared to the Group's peers. The exercise price of these rights and awards is the five day weighted average traded market price of the shares preceding the date of exercise.

Movements in the number of share options outstanding and their related weighted average grant prices are as follows:

	<b>Grant date</b>	<b>Vesting date</b>	<b>Grant price per right and award (cents per share)</b>	<b>Total number of rights granted '000</b>
<b>Share Appreciation Rights</b>				
- 2006 rights granted*	6 December 2006	30 June 2009	1 116	2 463
- 2007 rights granted**	29 June 2007	30 June 2010	1 687	2 292
- 2008 rights granted	7 November 2008	30 June 2011	951	5 099
				<b>9 854</b>
<b>Long-Term Incentive Plans</b>				
- 2006 rights granted*	6 December 2006	30 June 2009	n/a	531
- 2007 rights granted**	29 June 2007	30 June 2010	n/a	374
- 2008 rights granted	7 November 2008	30 June 2011	n/a	1 240
				<b>2 145</b>
<b>Deferred Bonus Plans</b>				
- 2007 rights granted	25 October 2007	25 October 2010	n/a	118
- 2008 rights granted	7 November 2008	30 June 2011	n/a	151
				<b>269</b>

\* The total number of rights granted for 2006 changed from 3 435 to 2 463 for the SAR scheme and the LTIP scheme changed from 669 to 531. This is mainly because all the options were not taken up.

\*\* The total number of rights granted for 2007 changed from 1 861 to 2 292 for the SAR scheme and the LTIP scheme changed from 401 to 374. This is mainly because all the options were not taken up.

	June 2009 '000	June 2008 '000
Aggregate number of shares available to the new schemes	36 540	36 540
Share applied in Dawn Share Trust (old schemes)	(17 747)	(17 747)
Share rights and awards granted (new schemes)	(14 146)	(5 633)
Shares not taken up	2 309	286
Number of share rights and awards available, but not engaged	<b>6 956</b>	<b>13 446</b>

### 6.6.3 Directors' interests in transactions

None of the directors have any interest in any transaction which is or was unusual in its nature or conditions, or material to the business of the Company, and that was effected during the current or immediately preceding financial year, which remains in any respect outstanding or unperformed.

## 6.7 Corporate Governance

Dawn is committed to the principles of openness, integrity and accountability in its dealings with all stakeholders and supports the Code of Corporate Practices and Conduct as recommended by the King II Report on Corporate Governance.

Extracts of the Corporate Governance policies adopted by Dawn are set out in Annexure 6 to this circular.

## 6.8 Share capital

The authorised and issued share capital of Dawn, at the last practicable date and after the rights offer, is set out below:

	R'000
<b>Authorised share capital before and after the rights offer</b>	
725 893 603 ordinary shares of 1 cent each	7 259
25 856 397 8% cumulative redeemable preference shares of 1 cent each	259
10 000 000 deferred ordinary shares of 1 cent each	100
<b>Total authorised share capital</b>	<b>7 618</b>
<b>Issued share capital before the rights offer</b>	
198 576 238 ordinary shares of 1 cent each	1 986
2 000 000 deferred ordinary shares of 1 cent each	20
<b>Total issued share capital</b>	<b>2 006</b>
<b>Share premium</b>	
On 198 576 238 ordinary shares of 1 cent each	88 532
<b>Total share premium</b>	<b>88 532</b>
<b>Issued share capital after the rights offer</b>	
240 242 904 ordinary shares of 1 cent each	2 402
2 000 000 deferred ordinary shares of 1 cent each	20
<b>Total issued share capital</b>	<b>2 422</b>
<b>Share premium</b>	
On 240 242 904 ordinary shares of 1 cent each	388 115
<b>Total share premium</b>	<b>388 115</b>

## 6.9 Litigation statement

There are two legal proceedings in which the Group is involved. The first relates to a dispute over the use of a trading name of one of the subsidiaries, Incedon Cape (Proprietary) Limited, in respect of the Western Cape region. The second relates to a Competition Commission investigation into the PVC pipe industry where DPI Holdings (Proprietary) Limited, a wholly-owned subsidiary of Dawn, was granted conditional immunity against prosecution. In both these instances the outcome is expected to have no material effect on the Group's financial position.

## 7. RESPONSIBILITY STATEMENT

The current directors of Dawn, whose names appear in paragraph 6.3 above, collectively and individually, accept full responsibility for the accuracy of the information given in this circular, and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this circular false or misleading, and that they have made all reasonable enquiries to ascertain such facts and that this circular contains all information required by law and the Listings Requirements.

## 8. CONSENTS

Each of the underwriter, independent reporting accountants, transaction sponsor, sponsor, attorneys, corporate advisor and transfer secretaries have consented in writing to act in the capacity stated and to their names being stated in this circular and have not withdrawn their consent prior to the issue of this circular.

The independent reporting accountants have consented in writing to the inclusion of their report in this circular in the form and context in which it appears and have not withdrawn such consent prior to the publication of this circular.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of Dawn during normal business hours (excluding Saturdays, Sundays and South African public holidays) from the date of issue of this circular up to and including Friday, 11 December 2009:

- the memorandum and articles of association of Dawn and each of its subsidiaries;
- the annual financial statements of Dawn for the three financial years ended 30 June 2007, 30 June 2008 and 30 June 2009;
- a copy of the standard directors' service agreement;
- the *pro forma* income statement and balance sheet of Dawn;
- the signed independent reporting accountants' report on the *pro forma* financial information of Dawn;
- the underwriting agreement;
- written consents of the underwriter, transaction sponsor, sponsor, legal advisors, independent reporting accountants and auditors, corporate advisor and transfer secretaries to the inclusion of their names in this circular in the context and form in which they appear; and
- a signed copy of this circular and the form of instruction.

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



**J A I Ferreira**  
*Chief Financial Officer*

6 November 2009

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**TABLE OF ENTITLEMENT**


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The number of rights offer shares to which qualifying shareholders will be entitled is set out below, based on the assumption that Dawn shareholders will be entitled to 20.98270 rights offer shares for every 100 Dawn ordinary shares held. Shareholders' entitlements will be rounded up or down, as appropriate with fractions of 0.5 and above being rounded up, and only whole numbers of rights offer shares will be issued, in accordance with the Listings Requirements.

<b>Number of Dawn shares held</b>	<b>Number of rights offer shares to which a Dawn shareholder is entitled</b>	<b>Number of Dawn shares held</b>	<b>Number of rights offer shares to which a Dawn shareholder is entitled</b>	<b>Number of Dawn shares held</b>	<b>Number of rights offer shares to which a Dawn shareholder is entitled</b>
1	–	35	7	69	14
2	–	36	8	70	15
3	1	37	8	71	15
4	1	38	8	72	15
5	1	39	8	73	15
6	1	40	8	74	16
7	1	41	9	75	16
8	2	42	9	76	16
9	2	43	9	77	16
10	2	44	9	78	16
11	2	45	9	79	17
12	3	46	10	80	17
13	3	47	10	81	17
14	3	48	10	82	17
15	3	49	10	83	17
16	3	50	10	84	18
17	4	51	11	85	18
18	4	52	11	86	18
19	4	53	11	87	18
20	4	54	11	88	18
21	4	55	12	89	19
22	5	56	12	90	19
23	5	57	12	91	19
24	5	58	12	92	19
25	5	59	12	93	20
26	5	60	13	94	20
27	6	61	13	95	20
28	6	62	13	96	20
29	6	63	13	97	20
30	6	64	13	98	21
31	7	65	14	99	21
32	7	66	14	100	21
33	7	67	14		
34	7	68	14		

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## INFORMATION ON THE UNDERWRITER

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The proposed rights offer has been fully underwritten by Coronation Asset Management (Proprietary) Limited. Details pertaining to the underwriter as required by the Listings Requirements are set out below:

**1. NATURE OF BUSINESS**

Asset Management Company

**2. DIRECTORS**

H A Nelson; J A Snalam; A C Pillay

**3. COMPANY SECRETARY**

Y Moodley

**4. DATE AND PLACE OF INCORPORATION**

South Africa  
25 May 1993

**5. REGISTRATION NUMBER**

1993/002807/07

**6. REGISTERED OFFICE**

7th Floor, Montclare Place  
Corner Campground and Main Road  
Claremont, 7708

**7. AUDITORS**

KPMG

**8. BANKERS**

Nedbank Limited

**9. AUTHORISED SHARE CAPITAL**

250 000 at R1 per share

**10. ISSUED SHARE CAPITAL**

250 000 at R1 per share

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## EXCHANGE CONTROL REGULATIONS

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The following summary is intended only as a guide and is, therefore, not comprehensive. If shareholders are in any doubt as to the appropriate course of action they are advised to consult their professional advisors.

Pursuant to the Exchange Control Regulations of South Africa and upon specific approval of the South African Reserve Bank, non-residents, excluding former residents, of the Common Monetary Area will be allowed to:

- take up rights allocated to them in terms of the rights offer;
- purchase letters of allocation on the JSE; and
- subscribe for the rights offer shares arising in respect of the letters of allocation purchased on the JSE, provided payment is received either through normal banking channels from abroad or from a non-resident account.

All applications by non-residents for the above purposes must be made through an authorised dealer in foreign exchange. Electronic statements issued in terms of Strate and any share certificates issued pursuant to such applications will be endorsed "non-resident".

Where a right in terms of the rights offer becomes due to a former resident of the Common Monetary Area, which right is based on shares blocked in terms of the Exchange Control Regulations of South Africa, then only emigrant blocked funds may be used to:

- take up the rights allocated to them in terms of the offer;
- purchase letters of allocation on the JSE; and
- subscribe for the rights offer shares arising in respect of the letters of allocation purchased on the JSE.

All applications by emigrants using blocked funds for the above purposes must be made through the authorised dealer in South Africa controlling their blocked assets. Share certificates issued to such emigrants will be endorsed "non-resident" and placed under the control of the authorised dealer in foreign exchange through whom the payment was made. The proceeds due to emigrants from the sale of the letters of allocation, if applicable, will be returned to the authorised dealer in foreign exchange for credit to such emigrants' blocked accounts. Electronic statements issued in terms of Strate and any rights offer share certificates issued pursuant to blocked Rand transactions will be endorsed "non-resident" and placed under the control of the authorised dealer through whom the payment was made. The proceeds arising from the sale of letters of allocation or arising from the sale of blocked shares will be credited to the blocked accounts of the emigrants concerned.

Any qualifying shareholder resident outside the Common Monetary Area who receives this circular and form of instruction should obtain advice as to whether any governmental and/or other legal consent is required and/or any other formality must be observed to enable a subscription to be made in terms of such form of instruction.

New share certificates issued pursuant to the rights offer to an emigrant will be endorsed "non-resident" and forwarded to the address of the relevant authorised dealer controlling such emigrant's blocked assets for control in terms of the Exchange Control Regulations of South Africa. Where the emigrant's shares are in dematerialised form with a CSDP or broker, the electronic statement issued in terms of Strate will be despatched by the CSDP or broker to the address of the emigrant in the records of the CSDP or broker.

The rights offer does not constitute an offer in any jurisdiction in which it is illegal to make such an offer and this circular and form of instruction should not be forwarded or transmitted by you to any person in any territory, other than where it is lawful to make such an offer.

The offer shares have not been and will not be registered under the Securities Act of the United States of America. Accordingly, the rights offer shares may not be offered, sold, resold, delivered or transferred, directly or indirectly, in or into the United States or to, or for the account or benefit of, United States persons, except pursuant to exemptions from the Securities Act. This circular and the accompanying documents are not being, and must not be, mailed or otherwise distributed or sent in, into or from the United States. This circular does not constitute an offer of any securities for sale in the United States or to United States persons.

The rights offer contained in this offering circular does not constitute an offer in the District of Columbia, the United States, the Dominion of Canada, the Commonwealth of Australia, Japan or in any other jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. Non-qualifying shareholders should consult their professional advisors to determine whether any governmental or other consents are required or other formalities need to be observed to allow them to take up the rights offer, or trade their entitlement. Shareholders holding Dawn shares on behalf of persons who are non-qualifying shareholders are responsible for ensuring that taking up the rights offer, or trading in their entitlements under that offer, do not breach regulations in the relevant overseas jurisdictions.

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**UNAUDITED *PRO FORMA* FINANCIAL INFORMATION**


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The unaudited *pro forma* financial information has been prepared for illustrative purposes only and, because of its nature, may not fairly present Dawn's financial position and results of operations nor the effect and impact of the rights offer.

The unaudited *pro forma* income statement and balance sheet have been prepared using accounting policies that comply with International Financial Reporting Standards and that are consistent with those applied in the audited results of Dawn for the year ended 30 June 2009.

The directors of Dawn are responsible for the compilation, contents and preparation of the unaudited *pro forma* financial information contained in the circular and for the financial information from which it has been prepared. Their responsibility includes determining that: the unaudited *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Dawn; and the *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

The independent reporting accountants' report on the *pro forma* financial information is set out in Annexure 5.

**Unaudited *Pro Forma* Income Statement**

The unaudited *pro forma* income statement set out below presents the effects of the rights offer on the results of Dawn for the year ended 30 June 2009 based on the assumption that the rights offer was effective 1 July 2008.

R'000	Before <sup>1</sup>	Rights offer <sup>3</sup>	<i>Pro forma</i> After <sup>2</sup>
<b>Revenue</b>	<b>3 957 256</b>		<b>3 957 256</b>
<b>Gross profit</b>	<b>1 008 137</b>	–	<b>1 008 137</b>
<b>Net operating expenses</b>	(727 667)	–	(727 667)
Write-down of associate held for sale	(34 835)	–	(34 835)
<b>Operating profit</b>	<b>245 635</b>	–	<b>245 635</b>
Finance Income	27 395	–	27 395
Finance expense	(153 271)	47 889	(105 382)
Share of profit of associates	30 666	–	30 666
<b>Profit before income tax</b>	<b>150 425</b>	<b>47 889</b>	<b>198 314</b>
Income tax expense	(34 780)	(13 409)	(48 189)
<b>Profit for the year</b>	<b>115 645</b>	<b>34 480</b>	<b>150 125</b>
<b>Attributable to</b>			
Equity holders of the Company	112 451	34 480	146 931
Minority interest	3 194	–	3 194
	<b>115 645</b>	<b>34 480</b>	<b>150 125</b>
<b>Determination of headline earnings</b>			
Attributable profit	112 451	34 480	146 931
Adjustment for the after-tax effect of:			
Reversal of impairment of plant and equipment	(2 608)	–	(2 608)
Net profit on disposal of plant and equipment	(977)	–	(977)
Write-down of associate held for sale	34 835	–	34 835
<b>Headline earnings</b>	<b>143 701</b>	<b>34 480</b>	<b>178 181</b>

	<b>Before</b> <sup>1</sup>	<b>Rights offer</b> <sup>3</sup>	<b><i>Pro forma</i> After</b> <sup>2</sup>
Earnings per share (cents)	63.9		67.5
Diluted earnings per share (cents)	59.5		63.7
Headline earnings per share (cents)	81.7		81.9
Diluted headline earnings per share (cents)	76.1		77.3
Weighted average number of shares ('000)	175 975	41 667	217 642
Dawn share incentive scheme ('000)	12 967	–	12 967
<b>Diluted weighted average number of shares ('000)</b>	<b>188 942</b>	<b>41 667</b>	<b>230 609</b>

**Notes:**

1. Extracted from the published audited preliminary results of Dawn for the year ended 30 June 2009.
2. *Pro forma* income statement after the rights issue is based on the following principal assumptions:
  - the rights offer was effective 1 July 2008; and
  - the proceeds of the rights offer are utilised to reduce bank debt and interest savings are based on the average rate of 16% per annum incurred on the redeemed debt for the year ended 30 June 2009.
3. Represents adjustments to reflect the interest savings on debt redeemed from the proceeds of the rights issue and related tax thereon at 28%.

## Unaudited *pro forma* balance sheet

The unaudited *pro forma* balance sheet set out below presents the effects of the rights offer on the financial position of Dawn as at 30 June 2009 based on the assumption that the rights offer was effective 30 June 2009.

R'000	Audited Before rights offer <sup>1</sup>	Rights offer <sup>2</sup>	Costs <sup>3</sup>	<i>Pro forma</i> After <sup>2</sup>
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>795 151</b>	–	–	<b>795 151</b>
Property, plant and equipment	357 489	–	–	357 489
Intangible assets	277 373	–	–	277 373
Investments in associates	81 253	–	–	81 253
Deferred tax assets	49 104	–	–	49 104
Other receivables	29 932	–	–	29 932
<b>Current assets</b>	<b>1 511 116</b>	–	<b>(11 253)</b>	<b>1 499 863</b>
Inventory	769 834	–	–	769 834
Trade and other receivables	690 260	–	–	690 260
Cash and cash equivalents	51 022	–	(11 253)	39 769
Investments in associate held for sale	70 000	–	–	70 000
<b>TOTAL ASSETS</b>	<b>2 376 267</b>	–	<b>(11 253)</b>	<b>2 365 014</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>	<b>839 700</b>	<b>300 000</b>	<b>(11 253)</b>	<b>1 128 447</b>
Ordinary shareholders equity	821 868	300 000	(11 253)	1 110 615
Minority interests in equity	17 832	–	–	17 832
<b>Non-current liabilities</b>	<b>224 244</b>	–	–	<b>224 244</b>
Interest-bearing liabilities	93 368	–	–	93 368
Non-interest-bearing liabilities	20 543	–	–	20 543
Deferred profit	59 008	–	–	59 008
Deferred tax liabilities	51 325	–	–	51 325
<b>Current liabilities</b>	<b>1 312 323</b>	<b>(300 000)</b>	–	<b>1 012 323</b>
Trade and other payables	677 864	–	–	677 864
Current portion of borrowings	283 365	(167 852)	–	115 513
Income tax liability	22 323	–	–	22 323
Bank overdraft	328 771	(132 148)	–	196 623
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 376 267</b>	–	<b>(11 253)</b>	<b>2 365 014</b>
Net asset value per share (cents)	456.9			501.3
Net tangible asset value per share (cents)	302.7			376.1
Number of shares ('000) <sup>4</sup>	179 883	41 667		221 550

### Notes:

1. Extracted from the published audited preliminary results of Dawn for the year ended 30 June 2009.
2. *Pro forma* balance sheet after the rights issue is based on the following principal assumptions:
  - the rights offer was effective 30 June 2009; and
  - the proceeds of the rights offer are utilised to reduce bank debt.
3. Estimated expenses of approximately R11.2 million of the rights issue are assumed to be settled out of existing cash facilities and are charged against share premium.
4. Number of shares in issue are stated after eliminating treasury shares.

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**REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION**

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"3 November 2009

The Directors  
Distribution and Warehousing Network Limited  
Corner Barlow Road and Cavaleros Drive  
Jupiter Ext 3  
Germiston, 1401

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF DISTRIBUTION AND WAREHOUSING NETWORK LIMITED ("DAWN")****INTRODUCTION**

Dawn is proposing to raise R300 million through the issue of a fully underwritten renounceable rights offer of 41 666 666 Dawn ordinary shares at an issue price of 720 cents per share ("the Rights Offer").

At your request and for purposes of the circular to shareholders of Dawn regarding the Rights Offer which is fully underwritten by Coronation Asset Management (Proprietary) Limited, to be dated on or about 23 November 2009 ("the Circular"), we present our report on the unaudited *pro forma* income statement, balance sheet and financial effects ("the unaudited *pro forma* financial information") of Dawn set out in paragraph 4.1 and Annexure 4 of the Circular.

The unaudited *pro forma* financial information has been prepared in accordance with the Listings Requirements of the JSE Limited ("JSE"), for illustrative purposes only, to provide information about how the Rights Offer might have affected the reported historical financial information presented, had the Rights Offer been undertaken at the commencement of the period or date of the *pro forma* balance sheet being reported on.

**DIRECTORS' RESPONSIBILITIES**

The directors of Dawn are responsible for the compilation, contents and preparation of the unaudited *pro forma* financial information contained in the Circular and for the financial information from which it has been prepared. Their responsibility includes determining that: the unaudited *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Dawn; and the *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

**REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to express our limited assurance conclusion on the unaudited *pro forma* financial information included in the Circular. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Revised Guide on *Pro Forma* Financial Information issued by The South African Institute of Chartered Accountants. This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited *pro forma* financial information, beyond that owed to those to whom those reports were addressed at their dates of issue.

## **SOURCES OF INFORMATION AND WORK PERFORMED**

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Dawn, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted unaudited *pro forma* information with the directors of Dawn in respect of the Rights Offer that is the subject of the Circular.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Dawn and other information from various public, financial and industry sources.

Whilst the work we performed involved an analysis of the historical audited financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information in accordance with International Standards on Auditing or International Standards on Review Engagements, and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe that our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

## **CONCLUSION**

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that:

- the unaudited *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of Dawn; and
- the adjustments are not appropriate for the purposes of the unaudited *pro forma* financial information as disclosed pursuant to Sections 8.17 and 8.30 of the JSE Listings Requirements.

## **PRICEWATERHOUSECOOPERS INC**

### **Director: I Buys**

Registered Auditor

2 Eglin Road  
Sunninghill, 2157, South Africa  
(Private Bag X36, Sunninghill, 2157, South Africa)''

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## CORPORATE GOVERNANCE

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Dawn and its subsidiaries fully support the King II Report's Code of Corporate Practices and Conduct and the Board of directors is committed to the principles of transparency, integrity and accountability. The Board and individual directors accept their duty and responsibility to ensure that the principles set out in the Code of Corporate Practices and Conduct as defined in the King II Report are observed. The Board is satisfied that the Group complies with all material provisions of the King II Report as well as the Listings Requirements.

The Board has put in place a process across the Group for evaluation of the *status quo* versus King III compliance. A detailed programme will be adopted to ensure optimal compliance within an acceptable time frame.

### THE BOARD OF DIRECTORS

The unitary Board of directors of Dawn, chaired by Lou Alberts, an independent non-executive director, reflects an appropriate mix of executive and non-executive directors. Specifically, it comprises six non-executive directors and three executive directors. This allows the non-executive directors to provide independent judgement on issues of strategy, performance, resources, transformation, diversity, employment equity and evaluation of performance and standards of conduct. While executive directors have service contracts and restraint agreements, they are also shareholders.

The Board meets at least quarterly to initiate, evaluate and monitor business matters, which have an impact on the well-being of the Group and its stakeholders. These include setting Group strategy, determining policy and instituting control measures. The Board takes final responsibility for acquisitions and disposals, approves capital expenditure and appraises proposals from the Executive, Remuneration and Audit and Risk Committees.

The Board gives strategic direction to the Group, appoints the chief executive officer and ensures that succession is planned. The non-executive directors take responsibility for ensuring that the chair encourages proper deliberation of all matters requiring the Board's attention. The Board ensures that there is an appropriate balance of power and authority on the Board so that no one individual or block of individuals can dominate the Board's decision-making process.

The roles of the chairman and chief executive officer are separate.

The Board has a comprehensive system of control ensuring that risks are mitigated and the Group's objectives are attained. This control environment sets the tone of the Group and covers ethical values, management's philosophy and the competence of employees.

The Board ensures that the Group complies with all relevant laws, regulations and codes of business practice and that it communicates with its shareowners and relevant internal and external stakeholders openly, promptly and with substance prevailing over form.

The Board and its committees are supplied with full and timely information which enables them to discharge their responsibilities and have unrestricted access to all Group information, records, documents and property. Non-executive directors have access to management and may even meet separately with management, without the attendance of executive directors.

All directors have access to the advice and services of the Group secretariat and there is an agreed procedure by which directors may obtain independent professional advice at the Group's expense, should they deem this necessary.

The company secretary provides guidance to the Board as a whole and to individual directors with regard to how their responsibilities should properly be discharged in the best interests of the Group. The company secretary also oversees the induction of new directors and assists the chairman and the chief executive officer in determining the annual Board plan, Board agendas and formulating governance and Board-related issues. The company secretary ensures that the Board Charter and the Terms of Reference of Board Committees are regularly updated.

The Board defines levels of materiality, reserving specific power to itself and delegating other matters with the necessary written authority to management. These matters are monitored and evaluated on a regular basis. The Board identifies the key risk areas and key performance indicators for the Group. These are regularly updated and particular attention is given to technology and systems.

Directors, both executive and non-executive, are appointed for their skill and experience. The appointment of new directors requires the unanimous approval of the Board. The Board established a formal orientation programme to familiarise incoming directors with the Group's operations, senior management and its business environment and to induct them in their fiduciary duties and responsibilities.

The daily management of the Group's affairs is delegated to the chief executive officer, who co-ordinates the implementation of Board policy through the Executive Committee, which he chairs. The Board annually appraises the chief executive officer and the results of this appraisal are considered by the Remuneration Committee to guide it in its evaluation of the performance and remuneration of the chief executive officer.

The Board regards sustainability as a business opportunity to create value on social, economic and environmental levels. The objective of the Group's sustainability programme is to eliminate or minimise adverse consequences for the Group on the community and the environment and to improve the impact of the Group's operations on the economic life of the community.

The chief executive officer, the executive director of finance and the heads of the operating divisions form the executive committee.

## **BOARD CHARTER**

Dawn continues to develop and refine the Board Charter.

### **Purpose and objectives**

The purpose of the Charter is to regulate how business is to be conducted by the Board in accordance with the principles of good corporate governance. The Charter sets out specific responsibilities to be discharged by Board members collectively and the individual roles expected of Board members. The objectives of the Charter are to ensure that all Board members acting on behalf of the Group are aware of their duties and responsibilities as Board members and the various legislation and regulations affecting their conduct and to ensure that the principles of good corporate governance are applied in all their dealings in respect of, and on behalf of, the Group.

## **BOARD COMMITTEES**

Specific responsibilities have been formally delegated to Board committees with defined terms of reference, life span and function, clearly agreed upon reporting procedures and written scope of authority. There is transparency and full disclosure from the Board committees to the Board, except where mandated otherwise by the Board. Board committees are free to take independent outside professional advice as and when necessary and are subject to regular evaluation by the Board to ascertain their performance and effectiveness.

The Group will adopt the King III guideline stipulating that the chief executive officer should not be a member of Board committees and should only attend by invitation upon implementation of its compliance programme.

## **AUDIT AND RISK COMMITTEE**

The Audit and Risk Committee, comprising Lou Alberts (independent executive director and chairman of the committee), Derek Tod and Osman Arbee, was established with terms of reference from the Board.

The Audit Committee will be restructured in the future to comply with the revised requirements of King III and the Audit Committee will therefore be reconstituted to comprise three non-executive directors and the chairman of the Board will be excluded.

The Audit and Risk Committee meets at least twice per annum to discuss issues of accounting, auditing, internal controls and financial reporting. The external auditors and appropriate members of executive management attend the meetings. The external auditors have unrestricted access to the chairman of the Audit and Risk Committee. Internal audit attends to and provides reports at Audit and Risk Committee meetings.

The committee is responsible for reviewing the functioning of the internal control system, risk areas of the Group's operations, the reliability and accuracy of the financial information provided to management and other users of financial information, whether the Group should continue to use the services of the current external auditors, any accounting or auditing concerns identified as a result of the external audit, and the Group's compliance with legal and regulatory provisions, its Articles of Association, code of conduct, by-laws and the rules established by the Board.

The duties of the Audit and Risk Committee include reviewing the scope and results of the external audit and its cost effectiveness, as well as the independence and objectivity of the external auditors. Where the auditors supply non-audit services to the Group, the Audit and Risk Committee reviews the nature and extent of such services, seeking to balance the maintenance of objectivity and value for money.

The Audit and Risk Committee considers whether or not the interim report should be subject to an independent review by the auditors. It also reviews the annual financial statements and the appropriateness of the accounting policies adopted by the Group.

The Audit and Risk Committee has written terms of reference that deal adequately with its membership, authority and duties.

The Board recognises and agrees with the King III position that IT risk is an important aspect of the Audit and Risk Committee's responsibilities and includes:

- IT risks and controls;
- business continuity and data recovery relating to IT; and
- information security and privacy.

The directors are satisfied that the Audit and Risk Committee has performed the duties mandated to it by the Board. The Audit and Risk Committee has carried out and has met periodically to consider and to act upon its statutory duties and functions and confirms that it has satisfied itself of the independence of the Group's auditors and of the appropriateness of the expertise and experience of the financial director of the Group.

The Audit Committee certifies that the appropriate accounting practices and internal financial controls were in place during the review year and that the financial statements have been compiled in accordance thereto.

## **REMUNERATION COMMITTEE**

The Remuneration Committee, comprising Lou Alberts (chairman of the Remuneration Committee), Derek Tod and Osman Arbee, is responsible for the assessment and approval of the Board's remuneration strategy for the Group, the determination of short- and long-term incentive pay structures for Group executives, general staff policy, remuneration, service contracts, the positioning of senior executive pay levels relative to local and international industry benchmarks and the assessment and authorisation of specific reward proposals for the Group's executive directors and those executives reporting directly to the non-executive chairman, as well as Group retirement funds.

Directors that are members of the Remuneration Committee are excluded from the review of their own remuneration.

The Remuneration Committee's overall strategy is to ensure that employees are rewarded for their contribution to the Group's operating and financial performance at levels which take account of industry, market and country benchmarks, as well as the requirements of collective bargaining. In order to promote an identity of interests with shareholders, share incentives are considered to be critical elements of executive incentive pay.

The Group's strategy is to ensure that remuneration matches individual contribution to Group performance, within the framework of market forces, while protecting shareholders' interests and the Group's financial health. Details of the directors' aggregate emoluments and participation in the Group's share incentive scheme on an individual basis are set out in paragraphs 6.5 and 6.6 on pages 22 to 25 of this circular.

The Remuneration Committee will be restructured in the future to comply with the revised requirements of King III.

The restructured committee will ensure that shareholders approve the Company's remuneration policy; non-executive directors' remuneration is approved in advance by shareholders; and that the Remuneration Committee will issue a remuneration report as part of the integrated report to explain the Company's remuneration philosophy.

## **ACCOUNTABILITY AND AUDIT**

### **Going concern**

The annual financial statements are prepared on the going concern basis in accordance with International Financial Reporting Standards. The appropriate principal accounting policies have consistently been applied. The directors have no reason to believe that the Company and the Group will not be a going concern in the foreseeable future.

The Board minutes the facts and assumptions used in the assessment of the going concern status of the Group at the financial year-end.

### **Auditing and accounting**

The Board is of the opinion that their auditors observe the highest level of business and professional ethics and that their independence is not in any way impaired. The auditors have the right of access to all information or personnel within the Group on any matter necessary to fulfill their duties. The external auditors attend audit and Risk Committee meetings by invitation.

### **Internal audit**

The Group internal audit function reports directly to the chairman of the Audit and Risk Committee. The internal audit function is regarded as being sufficiently independent of activities audited. The internal audit plan is reviewed and adjusted on a continuous basis to ensure effectiveness and is based on the relevant degree of inherent risk. The internal audit plan is reviewed and approved by the Audit and Risk Committee.

In compliance with King III, the Board will in future ensure that the internal audit function is subject to independent quality review at periods of at least once every three years.

### **Internal audit charter**

The mission of the internal audit function is to provide independent assurance and consulting services designed to add value and improve the Group's operations. It assists the Group in accomplishing its objectives by bringing a systematic, disciplined approach to the effectiveness of risk management, control and governance processes.

Internal audit determines whether the Group's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure that:

- risks are appropriately identified, quantified and managed;
- adequate systems of internal control are implemented and maintained and that their continued effectiveness are monitored;
- interaction with the various governance groups within the organisation occurs, as appropriate;
- significant financial, managerial and operating information is accurate, reliable and timely;
- employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- resources are acquired economically, used efficiently, and adequately protected;
- programmes, plans and objectives are achieved;
- quality and continuous improvement are fostered in the Group's control processes; and
- significant legislative or regulatory issues impacting the organisation are recognised and addressed appropriately.

Opportunities for improving management control, profitability and the Group's image may be identified during audits. These will be communicated to the appropriate level of management.

## **INTERNAL CONTROL**

The Group maintains systems of internal control, which include financial, operational and compliance controls. These controls are established to provide reasonable assurance of the effective and efficient operation of

the Group and its compliance with all relevant laws and regulations, as well as to the reliability of the annual financial reporting and to adequately safeguard, verify and maintain accountability for assets. The controls are reviewed and monitored regularly throughout the Group by internal audit, management and employees.

The Board of directors is accountable for establishing appropriate risk and control policies and is responsible for monitoring, reviewing and communicating these controls and policies through the organisation. Corrective actions are taken to address control deficiencies and other opportunities for improving the systems, as they are identified. The Board, operating through its Audit and Risk Committee, provides oversight of the financial reporting process.

All processes have been in place for the year under review and up to the date of the approval of the annual financial statements, nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of the internal financial controls has occurred during the year under review.

## **RISK MANAGEMENT**

The Board is responsible for the total process of risk management, as well as forming its own opinion on the effectiveness of the process, and sets the risk strategy, which is based on the need to identify, assess, manage and monitor all known forms of risk across the Group, in liaison with the executive directors and senior management. These policies are clearly communicated to all employees to ensure that the risk strategy is incorporated into the language and culture of the Group.

The Board decides the Group's appetite or tolerance for risk and has the responsibility to ensure that the Group has implemented an effective ongoing process to identify risk, to measure its impact against a broad set of assumptions and then to activate what is necessary to proactively manage these risks. Risk management and internal control are practiced throughout the Group and are embedded in day-to-day activities.

Risk is not only viewed from a negative perspective. The review process also identifies areas of opportunity, such as where effective risk management can be turned to competitive advantage.

Pure risks are identified and risk awareness is promoted at all business units and at the head office.

The Group insures against losses arising from catastrophic events, which include fire, flood, explosion, earthquake and machinery breakdown, as well as business interruption from these events. The Group renews its insurance policies annually on 1 January.

## **SHARE TRADING**

The Group has a formal policy, established by the Board and implemented by the company secretary, prohibiting dealing in securities by directors, officers and other selected employees from the end of the respective reporting period to the date of the announcement of the financial results or in any other period considered sensitive.

## **SHARE INCENTIVE SCHEMES**

Shares and options may not be encumbered, transferred or sold in any way before they have been released.

The Board, in terms of the Dawn Share Trust approved by the shareholders, makes recommendations for the award of share rights to directors and selected employees to increase proprietary interest of employees in the success of the Group, to encourage employees to promote the interest and the continued growth of the Group and to encourage employees to continue to render their best service to the Group.

The shareholders, in a general meeting on 6 December 2006, approved the proposed amendment to the Dawn Share Trust's deed allowing for the purchase of unrestricted shares in the equity of Dawn with funding provided by the Dawn Share Trust. In terms of this amendment the funding so provided must be repaid on the earlier of termination of employment and seven years from the date of the advance of the funding. The directors are entitled to require the relevant employee to provide security for any funding provided, provided that the unrestricted shares may not be encumbered to provide security for the funding.

Three share schemes, based on equity settled share appreciation rights, conditional awards and a deferred bonus plan, were approved by shareholders in a general meeting on 6 December 2006.

Participants are identified in terms of the rules of the three schemes and are invited to participate on the following bases:

- **Share Appreciation Rights (“SARs”)**

Eligible employees receive annual grants of SARs, which are conditional rights to receive Dawn shares equal to the value of the difference between the exercise price and the grant price. SARs vesting are conditional on the achievement of market-related set performance requirements. SARs carry a vesting period of three years after which vested SARs become exercisable. Unexercised SARs lapse four years after vesting.

- **Long-Term Incentive Plan (“LTIPs”)**

Eligible employees receive annual grants of conditional awards. Conditional awards vest after a three-year performance period if, and to the extent that, set market-related performance conditions have been satisfied. If, and to the extent that performance conditions have been satisfied at the vesting date, the relevant company in the Dawn Group procures the delivery of Dawn shares to settle the value of the vested portion of the conditional awards.

- **Deferred Bonus Plan (“DBPs”)**

Eligible employees are permitted to use a portion of the after-tax component of their annual bonus to acquire Dawn shares. A matching award is made to the participant after a three-year period on the condition that the participant retains the Dawn shares for the full three-year period.

## **COMMUNICATION WITH STAKEHOLDERS**

It is the policy of the Group to pursue dialogue with institutional investors based on constructive engagement and the mutual understanding of objectives taking due regard of statutory, regulatory and other directives regulating the dissemination of information by companies and their directors.

The Board accepts its duty to present a balanced and understandable assessment of the Group’s position in reporting to stakeholders, taking into account the circumstances of the communities in which it operates and the greater demands for transparency and accountability regarding non-financial matters. Reporting addresses material matters of significant interest and concern to all stakeholders and presents a comprehensive and objective assessment of the Group so that all shareowners and relevant stakeholders with a legitimate interest in the Group’s affairs can obtain a full, fair and honest account of its performance.

Deloitte & Touche Sponsor Services (Proprietary) Limited acts as Dawn’s sponsor in compliance with the Listings Requirements.

The Dawn Group of companies subscribes to non-financial reporting to cover environmental, ethical and social issues to contribute towards its role as responsible corporate citizen to the communities and environment in which it operates.

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**SHARE PRICE HISTORY OF DAWN**


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**Daily**

The highest, lowest and closing price of Dawn shares on the JSE for each trading day commencing from 30 September 2009 to 31 October 2009 (being the last practicable date) and the daily volume and value is as follows:

<b>DATE</b>	<b>HIGH (c)</b>	<b>LOW (c)</b>	<b>CLOSE (c)</b>	<b>VOLUME</b>	<b>VALUE (R)</b>
30 Oct 2009	725	685	710	111 386	786 957
29 Oct 2009	670	650	670	235 926	1 546 306
28 Oct 2009	650	635	640	276 194	1 770 150
27 Oct 2009	680	650	650	415 230	2 758 454
26 Oct 2009	725	670	680	151 883	1 059 971
23 Oct 2009	768	730	730	14 806	111 081
22 Oct 2009	780	750	750	13 395	101 529
21 Oct 2009	794	780	780	644 294	5 093 578
20 Oct 2009	800	785	800	42 235	337 082
19 Oct 2009	790	790	790	2 610	20 619
16 Oct 2009	810	800	810	84 793	680 733
15 Oct 2009	800	800	800	1 012 675	8 101 400
14 Oct 2009	810	800	808	79 419	641 302
13 Oct 2009	809	800	805	129 529	1 040 700
12 Oct 2009	810	800	800	45 610	367 301
09 Oct 2009	835	800	820	1 610 105	13 202 323
08 Oct 2009	845	825	840	255 655	2 146 043
07 Oct 2009	845	830	842	112 700	947 385
06 Oct 2009	845	823	845	66 189	546 479
05 Oct 2009	825	815	824	108 360	892 262
02 Oct 2009	850	800	822	2 420 214	19 842 023
01 Oct 2009	830	800	830	8 700	70 540
30 Sept 2009	811	790	811	81 482	644 805

**Monthly**

The highest, lowest and closing price of the shares of Dawn on the JSE for each month commencing from 31 October 2008 to 31 October 2009 and the aggregate monthly volume and value is as follows:

<b>DATE</b>	<b>HIGH (c)</b>	<b>LOW (c)</b>	<b>CLOSE (c)</b>	<b>VOLUME</b>	<b>VALUE (R)</b>
31 Oct 2009	850	635	710	7 841 908	62 064 216
30 Sep 2009	811	675	811	4 085 670	29 906 857
31 Aug 2009	760	650	695	3 828 170	26 601 020
31 Jul 2009	655	575	650	2 629 510	16 789 844
30 Jun 2009	732	600	650	7 423 904	50 078 478
29 May 2009	689	641	660	4 555 594	30 186 647
30 Apr 2009	690	652	680	1 867 709	12 589 912
31 Mar 2009	700	640	690	1 917 713	12 584 732
27 Feb 2009	730	687	701	3 261 588	22 949 317
30 Jan 2009	780	673	700	10 799 885	75 406 444
31 Dec 2008	820	725	775	2 569 560	20 541 163
28 Nov 2008	1000	760	800	2 482 353	21 500 065
31 Oct 2008	1240	950	990	622 314	194 920

## Quarterly

The highest, lowest and closing price of Dawn shares on the JSE for each quarter commencing from 31 December 2007 to 31 October 2009 and the aggregated quarterly volume and value is as follows:

<b>DATE</b>	<b>HIGH (c)</b>	<b>LOW (c)</b>	<b>CLOSE (c)</b>	<b>VOLUME</b>	<b>VALUE (R)</b>
31 Oct 2009	850	635	710	7 841 908	62 064 216
30 Sep 2009	811	575	811	10 543 350	73 297 722
30 Jun 2009	732	600	650	13 847 207	92 855 037
31 Mar 2009	780	640	690	15 979 186	110 940 493
31 Dec 2008	1 310	725	775	6 134 360	54 062 901
30 Sep 2008	1 450	1 005	1 310	10 507 205	129 068 035
30 Jun 2008	1 620	1 200	1 250	7 559 073	104 782 704
31 Mar 2008	1 750	1 300	1 449	9 507 463	145 985 531
31 Dec 2007	1 750	1 750	1 750	60 514	1 058 995

Source: JSE Market Information.

