WG Wearne Limited
(Incorporated in the Republic of South Africa)
(Registration number 1994/005983/06)
JSE Code: WEA
ISIN: ZAE000078002
("Wearne" or "the company" or "the Group")

Reviewed condensed consolidated financial results for the year ended 28 February 2017

Reviewed Condensed Consolidated Statement of Financial Position

	Reviewed 12 months February 2017 R'000	Audited 12 months February 2016 R'000
Assets		
Non-Current Assets	**263,136**	**305,444**
Property, plant and equipment	250,524	294,426
Other financial assets	6,366	6,167
Deferred taxation asset	1,851	4,851
Trade and other receivables	4,395	0
Current assets	**80,119**	**76,470**
Inventories	17,967	27,642
Trade and other receivables	61,512	48,195
Cash and cash equivalents	640	633
Assets in disposal group classified as held for sale	**7,877**	**21,291**
Total assets	**351,132**	**403,205**
Equity and Liabilities		
Equity	**10,049**	**42,233**
Issued capital	178,357	178,357
Reserves	1,567	1,392
Revaluation reserves	52,871	57,326
Accumulated losses	(222,746)	(194,842)
Non-current liabilities	**61,122**	**148,051**
Other financial liabilities	43,740	129,950
Deferred taxation liability	9,497	7,039
Environmental provision	7,885	11,062
Current Liabilities	**279,377**	**196,294**
Other financial liabilities	108,972	56,681
Current taxation payable	55	55
Trade and other payables	148,006	116,066
Bank overdraft	22,344	23,492
Liabilities directly associated with assets in the disposal group classified as held for sale	**584**	**16,627**
Total liabilities	**341,083**	**360,972**

Total equity and liabilities	**351,132**	**403,205**
Number of shares in issue ('000)		
After eliminating treasury shares	273 038	273 038
Net asset value per share (cents)	3.68	15.47
Net tangible asset value per share (cents)	3.68	15.47

Reviewed Condensed Consolidated Statement of Comprehensive Income

	Reviewed 12 months February 2017 R'000	Audited 12 months February 2016 R'000
Continuing Operations		
Revenue	417,829	511,859
Cost of sales	(347,633)	(403,763)
Gross profit	**70,196**	**108,096**
Other income	23,026	4,292
Operating expenses	(91,364)	(107,315)
Operating profit	**1,858**	**5,073**
Investment income	182	196
Finance costs	(25,585)	(26,670)
Loss before taxation	**(23,545)**	**(21,401)**
Taxation	(5,268)	2,950
Loss from continuing operations	**(28,813)**	**(18,451)**
Discontinued Operations		
Profit from Discontinued operations	909	644
Loss for the year	**(27,904)**	**(17,807)**
Other comprehensive income: Items that will be reclassified subsequently to profit or loss:		
Fair value adjustments:		
Available-for-sale	175	39
Items that will not be reclassified subsequently to profit or loss:		
(Loss)/Gain on revaluation of property, plant and equipment (net of taxation)	(4,456)	5,300
Total comprehensive loss for the year	**(32,185)**	**(12,468)**

Weighted average number of shares in issue ('000)*	273 038	273 038
Continuing operations: Basic loss per share (cents)	(10.55)	(6.76)
Discontinued operations: Basic profit per share (cents)	0.33	0.24
Continuing and discontinued operations: Basic loss per share (cents)	**(10.22)**	**(6.52)**

*There were no dilutive instruments in issue during the year.

Reconciliation of headline(loss)/earnings:		
Loss for the year	(27,904)	(17,807)
Profit on sale of property, plant and equipment	(19,640)	(2,904)
Impairment of property, plant and equipment	1,421	
Headline loss attributable to ordinary shareholders	(46,123)	(18,966)
Basic and diluted headline loss per share (cents)	(16.89)	(6.95)

Reviewed Condensed Consolidated Statement of Changes in Equity

	Reviewed 12 months February 2017 R'000	Audited 12 months February 2016 R'000
Balance at beginning of the year	42,233	54,701
Loss for the year	(27,904)	(17,807)
Other comprehensive income	(4,281)	5,339
Balance at end of the year	10,049	42,233

Reviewed Condensed Consolidated Statement of Cash Flows (from continuing and discontinued operations)

	Reviewed 12 months February 2017 R'000	Audited 12 months February 2016 R'000
Cash flows from operating activities	9,837	61,627

Cash flows from investing activities	38,129	(22,027)
Cash flows from financing activities	(46,811)	(27,586)
Net increase in cash and cash equivalents	**1,155**	**12,014**
Cash and cash equivalents at beginning of the year	**(22,859)**	**(34,873)**
Cash and cash equivalents at end of the year	**(21,704)**	**(22,859)**

Segmental reporting	Reviewed 12 months February 2017 R'000	Audited 12 months February 2016 R'000
External sales		
Aggregates	162,796	195,719
Ready mixed concrete	220,646	256,313
Contracting	34,388	59,827
Total external sales	**417,829**	**511,859**
Inter-segment sales		
Aggregates	69,529	95,780
Ready mixed concrete	34,883	7
Contracting	44,081	27,847
Total inter-segment sales	**148,493**	**123,634**
Total revenue		
Aggregates	232,325	291,499
Ready mixed concrete	255,529	256,320
Contracting	78,469	87,674
Total revenue	**566,323**	**635,493**
Operating profit / (loss)		
Aggregates	3,319	3,167
Ready mixed concrete	7,725	(1,368)
Contracting	(9,186)	3,274
Total Operating Profit	**1,858**	**5,073**
Property, plant and equipment		
Aggregates	213,241	249,157
Ready mixed concrete	21,683	26,608
Contracting	15,600	18,659
Total property, plant and equipment	**250,524**	**294,424**
Total assets		

Aggregates	231,469	303,246
Ready mixed concrete	57,475	57,923
Contracting	54,311	20,745
Total assets (excluding assets in disposal group)	**343,255**	**381,914**

INTRODUCTION

WG Wearne Limited and its subsidiaries ("the Group") provide a comprehensive range of raw materials and other products to the building and construction industry in South Africa. The major operating divisions comprise aggregates, ready mixed concrete, and contracting services.

CHANGES OF DIRECTORATE

The following changes in the directorate occurred during the year under review:

1. MC Milazi resigned as the Chief Financial Officer on 31 December 2016.
2. JJ Bierman was appointed as Chief Financial Officer on 24 January 2017.
3. M Khwinana (Non-Executive Director) passed away on 16 December 2016.
4. T Chauke was appointed as a Non-Executive Director on 22 March 2017.

REVIEW OF RESULTS

The Group revenue from continuing operations, decreased by 18%(or R94 million) to R417 million for the year ended 28 February 2017. The decrease was mainly due to a subdued construction market as well as the closing out of the construction services business that contributed R 59 million to turnover during the previous financial year.
Revenue in the Aggregates division decreased by R33 million to R163 million (R196 million in 2016), this resulted in an operating profit of R3.3 million (R3.1 million in 2016) being achieved in the division. The reduced revenue was due to the sale of the Bethlehem quarry as well as an increase in competition in certain areas. The Ready Mix concrete division also saw a decrease in revenue of 14% to R220 million (R256 million in 2016).Operating profit however improved to R 7.7 million from an operating loss of R 1.3 million in 2016.This was mainly due to a major contract secured for the supply of concrete to a solar farm project in the Northern Cape. The contracting division saw a decrease in revenue from R59.8 million in 2016 to R 34.3 million in the current year. This was mainly due to closing out contracts that were awarded to the group for construction services on the solar farm projects.

The Group’s gross profit margins from continuing operations decreased to 16.8% (2016: 21.1%)
The total proceeds on disposal of assets were R50 million. The Group expanded its plant and equipment by R12 million.
The Group reflects a total comprehensive loss (including discontinued operations) of R32.2 million (2016: R12.5 million loss).
Total liabilities decreased by R20 million to R341 million (2016: R360 million) and R47 million in borrowings were settled during the current year.
The current year’s performance resulted in a headline loss per share of 16.89 cents (2016: loss of 6.95 cents) and a loss per share from continuing and discontinued operations of 10.22 cents (2016: loss of 6.52 cents). The net asset value per share decreased to 3.68 cents (2016: 15.47 cents).

NON CURRENT ASSETS AND LIABILITIES HELD FOR SALE

The board made a decision prior to year end to dispose of the Brandvlei Quarry as a going concern which was announced on SENS on 04 April 2017. Brandvlei’s assets and liabilities were reclassified as a disposal group held for sale in the statement of financial position. The property, plant and equipment of Brandvlei were revalued to their fair value less costs to sell of R7.8 million.

CHANGE IN ACCOUNTING POLICY

During the current year the directors have not changed any accounting policies.

PROSPECTS

The group again experienced a tough financial year as the ongoing over supply of cement and lack of infrastructure spend by government caused intense competition in the markets that the group is involved in.

The board’s decision to sell some non-core assets and focus on areas where synergies between the aggregate and ready mixed concrete businesses could be achieved resulted in the sale of the Bethlehem quarry as well as the Wearne Precast business. The result of these sales was that approximately R15 million’s worth of long term debt was settled and working capital was improved by R35 million.

The prospects of the ready mixed concrete division improved significantly during the latter part of the year through the award of an R126 million contract for the supply of concrete to a solar farm project in the Northern Cape. The project is estimated to finish in August 2019. The rest of the concrete business also improved its performance from the previous year but gross profit margins are still under pressure due to intense competition between current players in the market. Current conditions are set to continue for the foreseeable future as growth in cement sales is forecast to be minimal for the 2017 calendar year. The division will however seek to secure further contracts outside the urban areas where competition is less fierce.

The aggregate division turnover declined further due to the sale of the Bethlehem quarry as well as subdued turnover in the Limpopo province. Prospects for the year look significantly better though due to increased road infrastructure spend by Limpopo Roads Agency as well as a turnaround in the fortunes of the Pietermaritzburg quarry. Further capital expenditure is envisaged at this quarry as current demand is exceeding the supply capacity. The board is reviewing options on how to fund this capital expenditure.

The contracting division experienced an operating loss of R9.2 million. This was mainly caused by a loss making contract crushing project in the Northern Cape. This contract has now been closed out and the group is in the process of selling some of the mobile crushing equipment. No further contract crushing will be entered into until all the older plant has been sold and replaced with new equipment.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The ability of the Group to fund short term operations in the foreseeable future is largely dependent on the continued support of the Group's funders, the return to profitable trading and the ability to generate sufficient cash flows to honor commitments made to SARS in respect of deferral agreement concluded post year end.
The financial results have been prepared on the going concern basis as the directors are of the view that the Group has adequate resources in place to continue in operation for the foreseeable future.
While management are aware of the cash-flow pressures and significant liquidity uncertainty at year-end, they continue to assess the situation as one whereby the group is able to service its debts that will become due in the next 12 months and also fund operational losses that may arise. Management has developed and implemented a re-structuring plan in 2016 and will continue rolling out the plan.
The first phase of the re-structuring process was implemented with the sale of the Bethlehem quarry and the Precast Division during this financial year. Subsequent to year end the sale of the Brandvlei sand quarry was also concluded. The aim of the process is to reduce the cash flow pressures of the group and improve liquidity and solvency of the individual subsidiaries. The group is optimistic that once the re-structure plan has been implemented in full, a viable and profitable business will emerge.

These conditions, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

Solvency and Liquidity

The Group is currently technically solvent with a net asset value of R10.05 million. Current liabilities of R287.4 million exceed current assets of R80.1 million by R207.3 million.

At year end the IDC loans in the amount of R68.75 million as well as Nedbank loans of R9.2 million were reclassified as Current.

These long term liabilities were reclassified from Non-Current to Current in compliance with the International Financial Reporting Standards (IAS 1) which requires an entity to classify a liability as current when the entity is in breach of a provision of a loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand even if the lender agreed, after the reporting period and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach.

The IDC has indicated that it is unlikely that they will call up their loans within the next 12 months.

Also included in Current Liabilities is an amount of R40 million due to SARS. Subsequent to year end the group has entered into a deferment agreement with SARS which resulted in the majority portion becoming long term (R36.4 million), as long as the current and deferral payments remain up to date.

Cash flow

The group generated cash flows from operating activities of R9.8 million. The group will continue to maintain its strict cash flow management policy as cash flow management remains key in this challenging period. Cash resources are expected to improve with the full implementation of the restructure plan.

Continued focus

In addition to the re-structuring plan, management continues to review all aspects of the business in order to ensure that resources are being utilized effectively. This ensures that all cost areas are closely monitored in order to reduce expenditure and relieve cash reserves for the Group's working capital.

In light of the above, the going concern basis has been adopted in preparing these financial statements. The directors have no reason to believe that the Group or any company within the Group will not be a going concern in the foreseeable future.

BASIS OF PREPARATION

Fair value of the Group`s main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuators. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors and audit committee at each reporting date.

Fair value of available for sale financial instruments is considered level 2 in terms of IFRS 13 and is carried at R6.3 million. The investments are held in various funds to spread the risk related to returns and maximise the return to the Group for the purposes of rehabilitating the land upon which quarrying operations are performed.

The condensed reviewed consolidated financial results have been prepared under the supervision of the Chief Financial Officer, JJ Bierman CA (SA).

REVIEW CONCLUSION

Auditors' conclusion
These provisional condensed consolidated financial statements for the year ended 28 February 2017 have been reviewed by Grant Thornton. Their Conclusion and Emphasis of Matter is detailed below:

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of WG Wearne Limited for the year ended 28 February 2017 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, and the requirements of the Companies Act of South Africa.

Emphasis of matter – Going Concern
We draw attention to the material uncertainty related to going concern paragraph in the condensed consolidated financial results. The Group incurred a headline loss of R 46.1 million for the year ended 28 February 2017 and as of that date, the Group’s current liabilities exceeds its current assets by R 207 million and that the Group’s ability to fund its short-term liquidity requirements is dependent

on the financial support of the funders, the return to profitable trading and the ability to generate sufficient cash flows to honor the commitments made to SARS in respect of payment deferral agreements concluded post year end. This indicates the existence of a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

A copy of the auditors' review report on the reviewed condensed consolidated financial statements is available for inspection at the company's registered office.

Basis of preparation and accounting policies

The provisional condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

There has been no material effect on the results of the Group as a result of the adoption of new standards and amendments apart from some additional disclosure.

These results have been complied under the supervision of the Chief Financial Officer, JJ Bierman CA(SA).

DIVIDENDS

In line with the past practice, no dividend has been declared for the period. By order of the board.

3 July 2017

S J Wearne
Chief Executive Officer
JJ Bierman
Chief Financial Officer

CORPORATE INFORMATION

Non-executive directors: MM Patel (Chairman); WP van der Merwe
Executive directors: SJ Wearne; JJ Bierman
Registration number: 1994/005983/06
Registered address: 3 Kiepersol House; Stone Mill Office Park; 300 Acacia Road; Cresta; 2195
Postal address: PO Box 1674, Cresta, 2118
Company secretary: Ithemba Governance and Statutory Solutions (Pty) Ltd
Telephone: (011) 459 4500. Facsimile: (011) 478 5481
Transfer secretaries: Trifecta Capital Services (Pty) Ltd
Designated Adviser: Exchange Sponsors (2008) (Pty) Ltd
These results and an overview of Wearne are available at www.wearne.co.za