WG Wearne Limited
("Wearne" or "the company" or "the Group")

(Incorporated in the Republic of South Africa)
(Registration number 1994/005983/06)
JSE Code: WEA
ISIN: ZAE000078002

Abridged Audited Consolidated Financial Statements
For the year ended 28 February 2017

Abridged consolidated statement of financial position As at 28 February 2017	12months **(Audited)** February 2017 **R'000**	12months **(Audited)** February 2017 **R'000**	12months **(Audited)** February 2016 **R'000**
Assets			
Non-Current Assets	**263,136**	**263,136**	**305,444**
Property, plant and equipment	250,524	250,524	294,426
Other financial assets	6,366	6,366	6,167
Deferred taxation asset	1,851	1,851	4,851
Trade and other receivables	4,395	4,395	0
Current assets	**70,291**	**80,119**	**76,470**
Inventories	17,967	17,967	27,642
Trade and other receivables	51,684	61,512	48,195
Cash and cash equivalents	640	640	633
Assets in disposal group classified as held for sale	**7,877**	**7,877**	**21,291**
Total assets	**341,304**	**351,132**	**403,205**
Equity and Liabilities			
Equity	**10,049**	**10,049**	**42,233**
Issued capital	178,357	178,357	178,357
Reserves	1,567	1,567	1,392
Revaluation reserves	52,006	52,871	57,326
Accumulated losses	(221,881)	(222,746)	(194,842)
Non-current liabilities	**61,123**	**61,122**	**148,051**
Other financial liabilities	43,741	43,740	129,950
Deferred taxation liability	9,497	9,497	7,039
Environmental provision	7,885	7,885	11,062
Current Liabilities	**269,548**	**279,377**	**196,294**
Other financial liabilities	108,971	108,972	56,681
Current taxation payable	55	55	55
Trade and other payables	138,178	148,006	116,066
Bank overdraft	22,344	22,344	23,492
Liabilities directly associated with assets in the disposal group classified as held for sale	**584**	**584**	**16,627**
Total liabilities	**331,255**	**341,083**	**360,972**
Total equity and liabilities	**341,304**	**351,132**	**360,972**

Abridged Consolidated Statement of Comprehensive Income

For the year ended 28 February 2017	12months **(Audited)** February 2017 **R'000**	12months **(Audited)** February 2017 **R'000**	12months **(Audited)** February 2016 **R'000**
Continuing Operations			
Revenue	389,429	417,829	511,859
Cost of sales	(347,633)	(347,633)	(403,763)
Gross profit	**41,796**	**70,196**	**108,096**
Other income	23,026	23,026	4,292
Operating expenses	(62,964)	(91,364)	(107,315)
Operating profit	**1,858**	**1,858**	**5,073**
Investment income	182	182	196
Finance costs	(25,585)	(25,585)	(26,670)
Loss before taxation	**(23,545)**	**(23,545)**	**(21,401)**
Taxation	(5,268)	(5,268)	2,950
Loss from continuing operations	**(28,813)**	**(28,813)**	**(18,451)**
Discontinued Operations			
Profit from Discontinued operations	909	909	644
Loss for the year	**(27,904)**	**(27,904)**	**(17,807)**
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss:			
Fair value adjustments:			
Available-for-sale	175	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)	(4,456)	5,300
Total comprehensive loss for the year	**(32,185)**	**(32,185)**	**(12,468)**
Weighted average number of shares in issue ('000)*	273 038	273 038	273 038
Continuing operations: Basic loss per share (cents)	(10.55)	(10.55)	(6.76)
Discontinued operations: Basic profit per share (cents)	0.33	0.33	0.24
Continuing and discontinued operations: Basic loss per share (cents)	**(10.22)**	**(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)	(27,904)	(27,904)
Profit on sale of property, plant and equipment	(19,640)	(19,640)	(2,904)
Impairment of property, plant and equipment	1,421	1,421	
Headline loss attributable to ordinary shareholders	(46,123)	(46,123)	(18,966)
Basic and diluted headline loss per share (cents)	(16.89)	(16.89)	(6.95)

Reviewed Condensed Consolidated Statement of Changes in Equity	12months **(Audited)** February 2017 **R'000**	12months **(Audited)** February 2017 **R'000**	12months **(Audited)** February 2016 **R'000**
For the year ended 28 February 2017			
Balance at beginning of the year	42,233	42,233	54,701
Loss for the year	(27,904)	(27,904)	(17,807)
Other comprehensive income	(4,281)	(4,281)	5,339
Balance at end of the year	10,049	10,049	42,233

Reviewed Consolidated Statement of Cash Flows (from continuing and discontinued operations)	12months **(Audited)** February 2017 **R'000**	12months **(Audited)** February 2017 **R'000**	12months **(Audited)** February 2016 **R'000**
Cash flows from operating activities	23,860	9,837	61,627
Cash flows from investing activities	18,643	38,129	(22,027)
Cash flows from financing activities	(41,348)	(46,811)	(27,586)
Net increase in cash and cash equivalents	**1,155**	**1,155**	**12,014**
Cash and cash equivalents at beginning of the year	**(22,859)**	**(22,859)**	**(34,873)**
Cash and cash equivalents at end of the year	**(21,704)**	**(21,704)**	**(22,859)**

Segmental reporting	12months **(Audited)** February 2017 **R'000**	12months **(Audited)** February 2017 **R'000**	12months **(Audited)** February 2016 **R'000**
External sales			
Aggregates	142,396	162,796	195,719
Ready mixed concrete	212,646	220,646	256,313
Contracting	34,387	34,388	59,827
Total external sales	**389,429**	**417,829**	**511,859**
Inter-segment sales			
Aggregates	69,529	69,529	95,780
Ready mixed concrete	34,883	34,883	7
Contracting	44,081	44,081	27,847
Total inter-segment sales	**148,493**	**148,493**	**123,634**
Total revenue			
Aggregates	232,325	232,325	291,499
Ready mixed concrete	255,529	255,529	256,320
Contracting	78,469	78,469	87,674
Total revenue	**566,323**	**566,323**	**635,493**
Operating profit / (loss)			
Aggregates	3,319	3,319	3,167
Ready mixed concrete	7,725	7,725	(1,368)
Contracting	(9,186)	(9,186)	3,274
Total Operating Profit	**1,858**	**1,858**	**5,073**
Aggregates	231,469	231,469	303,246
Ready mixed concrete	57,475	57,475	57,923
Contracting	54,311	54,311	20,745
Total assets (excluding assets in disposal group)	**343,255**	**343,255**	**381,914**

NOTES TO THE FINANCIAL INFORMATION

1. Restatement of reviewed results for the year ended 28 February 2017

The reviewed financial results for the year ended 28 February 2017 which was released on SENS on 3 July 2017 has been restated. The reviewed financial results for the period ended 28 February 2017 have been restated due to the following items:

1. Revenue decreased from R417,829 to R389,429 due to the elimination of Intercompany administrative charges resulting in a decrease in Gross Profit to R41,769. The restatement of Revenue has no impact on the comprehensive loss for the year under review of R32,185 (2016: R12,468)
2. A decrease in Operating expenses to R62,964 due to the re-classification of Intercompany expenses previously recognised.
3. A decrease in both Trade Payables and Receivables of R9,828 due to the elimination of intercompany Sundry Debtors and Creditors.

There were no changes to the Statement of Changes in Equity and hence there was no change to any of the key indicators that relate to this, including the Earnings per Share and Headline Earnings per share. The effect on the individual line items are contained in the notes below:

1.1 Revenue

	28 February 2017 (Audited)	28 February 2017 (Reviewed)	Difference
	R'000	R'000	R'000
Revenue	389,429	417,829	(28,400)
Gross Profit	41,796	70,196	(28,400)
Operating expenses	(62,964)	(91,364)	(28,400)

Intercompany administration charges were erroneously not eliminated from the Consolidated figures, after review from management and auditors this mistake was detected and subsequently corrected.

1.2 Trade Receivables

	28 February 2017 (Audited)	28 February 2017 (Reviewed)	Difference
	R'000	R'000	R'000
Trade receivables	51,684	61,512	(9,828)

The decrease in Trade receivables were due to the elimination of sundry debtors that was erroneously not eliminated at Consolidation level. The error was detected by management after the reviewed result were released on 3 July 2017 and subsequently corrected.

1. 3 Trade Payables

	28 February 2017 (Audited)	28 February 2017 (Reviewed)	Difference
	R'000	R'000	R'000
Trade Payables	138,178	148,006	(9,828)

The decrease in Trade Payables were due to the elimination of sundry creditors that was erroneously not eliminated at Consolidation level. The error was detected by management after the reviewed result were released on 3 July 2017 and subsequently corrected.

2. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND AUDIT REPORT

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require abridged 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 the 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 consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements

3. AUDITOR'S REPORT

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by Grant Thornton, refer to emphasis of matter as per the Auditors report in the Financial Statements. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office.

The directors take full responsibility for the preparation of the abridged report and that the financial information has been correctly extracted from the underlying annual financial statements.

4. PREPARER

These results were prepared under the supervision of JJ Bierman CA(SA), the Chief Financial Officer.

5. GOING CONCERN

The Group incurred a loss from continuing operations for the 2017 financial period of R28.8 million (2016: R18.5 million). At year end the Group's Current liabilities of R270 million (2016: R196 million) exceed current assets of R70 million (2016: R76 million) by R200 million (2016: R120 million). This highlights a material uncertainty casting significant doubt regarding the Group's ability to continue as a going concern.

The Group is currently technically solvent with a net asset value of R10 million (2016: R42 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.
Despite these breaches the Group still enjoys the support of both the IDC and Nedbank. Neither has condoned the breaches and have reserved their rights. Also included in Current Liabilities is an amount

of R40 million due to SARS. The group has entered into a repayment agreement with SARS but the agreement was only finalized and signed subsequent to year end. This resulted in the majority portion (R36.4 million) only becoming long term after the financial year end.

The Group still generated cash flows from operating activities of R18 million (2016: R55 million) and R5,6 million (2016: R6.5 million) from discontinued operations. The Group continued to maintain its strict cash flow management policy, however due to cash flow pressures delays were encountered in meeting working capital obligations. Cash flow management still remains key in this challenging period.

Although the Group experienced a positive first quarter of the new financial year the slowdown in the economy in the second quarter resulted in a significant decrease in revenue compared to the first quarter. This had a negative impact on the Group's cash flow resulting in the Group not being able to meet some of its obligations as it became due. Repayments on the ABSA term loan were 3 months in arrears and ABSA issued a letter instructing the group to rectify the situation within 10 working days failing which ABSA will end the agreement rendering all amounts payable. The last of these arrear payments were made in September 2017. The decrease in cash flow from operations also resulted in the group currently being in arrears with its VAT and PAYE obligations as well as the Pension/Provident Fund contributions.

The IDC loan repayment arrears are in excess of R 30 million at the end of September 2017. The IDC's Workout & Restructuring Team is currently considering recommending further restructuring of the existing facilities on condition that we commit to a payment arrangement still to be agreed upon. The IDC has not taken a decision to terminate the facilities but in the absence of a formal (revised) restructuring agreement between the IDC and WG Wearne, the IDC's rights in terms of the loan agreements are reserved. Forecasted repayments to the IDC for the period March 2018 to Aug 2018 are expected to be R 3 million instead of the current contractual R12 million. Management meets with all its funders on a quarterly basis and all funders are aware of the Group's current position.

The Dankocom Solar Project in Upington contributed significantly to the group's revenue for the year but unfortunately it ties up a significant amount in retentions being R10 million at the end of September 2017 and R12.6 million by the end of February 2018. We are forecasting that the project will finish by February 2018 at which point the R12.6 million will become due.

The group has also entered into a joint venture agreement with Right Gold Machinery (Pty) Ltd in July 2017. Right Gold will be constructing a new crushing plant which will double the current production capacity and allow the operation to take full advantage of the growth in the market in Kwa-Zulu Natal.

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 operations and the Precast Division during this financial year. Subsequent to year end the sale of the Brandvlei sand quarry was also concluded. This sale will result in a reduction in the ABSA Term Loan installments of R200 000 per month.

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.

The board has initiated the following cost cutting processes:

1. Reduction in Employment Costs of R500 000 per month, this should be fully implemented by November 2017.
2. Restructuring the sand supply chain for the Ready Mixed Concrete business which will result in a R200 000 a month reduction in Raw Material Cost and a further R100 000 a month saving in Transport Costs. This has been implemented from September 2017.
3. The relocation of the Group's Head Office to Randfontein which will result in a R100 000 a month saving. The Head office will be relocated by December 2017.
4. Reduction in vehicle rental of R100 000 a month by reducing the LDV fleet from November 2017.

5. With the closure of the Mobile Crushing Division non-core mobile crushing equipment will also be sold. This should result in an inflow of R2 million.

The Group has signed a funding commitment letter with Milost Global Inc ("Milost") on 21 September 2017 for equity and debt funding of up to R300 000 000, in terms of which Milost will, subject to certain terms and conditions:

- invest R50 million in Wearne for the subscription of ordinary shares in Wearne; and
- lend and advance R250 million in convertible notes.

Up until the 27th September 2017 Milost has acquired 3 428 130 shares on the open market to indicate their support and commitment. Final agreements still need to be concluded before funds will flow. Management expects that the agreements will be concluded by the middle of October 2017. Funds are expected to flow within 14 days after the agreements have been concluded. The Group may at any stage issue a draw down notice but the equity tranches may not exceed R5 million. There are no set limits between drawdowns. The equity drawdown is priced at the 5 day VWAP of the Group's shares as traded on the JSE on the business day preceding the drawdown notice plus a 275% premium on each equity draw down.

In the event of the "Milost funding projected cash flow" not materializing, the board has resolved to consider business rescue proceedings in the best interest of all stakeholders.
The first drawdown in October will be utilized to settle the current SARS and Pension Fund arrears amounting to approximately R8.5 million.

The directors have considered the operational budget and cash flow forecasts for the ensuing year which are based on the current expected economic and market conditions. The board has adopted the going concern basis in the preparation of the annual financial statements subject to the following material uncertainties casting significant doubt about the Group's ability to continue as a going concern:

1. The continued support from the Group's funders, specifically the IDC;
2. The successful conclusion of final agreements and the timeous drawdowns on the Milost Facility;
3. Receiving the contractual retention from Dankocom in February or March 2018; and
4. The successful implementation of the overhead reduction measures implemented by the board.

6. EVENTS SUBSEQUENT TO PERIOD END

The directors are not aware of any significant events, other than noted above, that have occurred between the year ended 28 February 2017 and the date of this report that may materially affect the results of the Group for the year or its financial position as at 28 February 2017.

7. ISSUE OF AUDITED ANNUAL FINANCIAL STATEMENTS

Shareholders are advised that the audited consolidated financial statements and the notices of the annual general meetings for Wearne Limited have been sent to shareholders. The Wearne Limited Integrated Report and the audited consolidated financial statements for 2017 are available online on the group's website (www.wearne.co.za).

8. ANNUAL GENERAL MEETING

Record date for posting Wednesday, 04 October 2017.

Notice of annual general meeting posted to shareholders Wednesday, 5 October 2017

Last date to trade in order to be eligible to vote at the annual general meeting Monday, 24 October 2017

Record date in order to vote at the annual general meeting Friday, 27 October 2017

Form of proxy to be lodged by no later than 10h00 on Monday, 30 October 2017

In compliance with section 3.22 of the JSE Listing Requirements shareholders are advised that the annual general meeting of the shareholders of Wearne will be held on Friday 3 November 2017 at 10h00 at 3 Kiepersol House; Stone Mill Office Park; 300 Acacia Road; Cresta to deal with the business as set out in the notice of annual general meeting forming part of the annual report.

04 October 2017

S J Wearne
Chief Executive Officer
JJ Bierman
Chief Financial Officer

CORPORATE INFORMATION

Non-executive directors: MM Patel (Chairman); WP van der Merwe; Terrence Chauke
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