

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")

Highlights

Increase in Revenue of 16%
Total Comprehensive Profit of R 13,4 million compared to loss of R17.3 million in 2013
Increase of EBITDA to R53.5 million from R41.2 million
Cash generated from operations of R21,8 million
Increase in net cash of R11.9 million
Headline loss per share improved to 6.07 cents from 6.15 cents in 2013

Audited condensed financial results for the year ended 28 February 2014

Condensed Consolidated Statement of Financial Position

	Audited 12 months February 2014 R'000	Audited 12 months February 2013 R'000
Assets		
Non-Current Assets	344,832	355,161
Property, plant and equipment	332,307	339,726
Other financial assets	5,213	4,875
Deferred Taxation Asset	7,312	10,560
Current assets	87,828	73,401
Inventories	26,874	19,848
Other financial assets	-	987
Trade and other receivables	60,025	45,519
Cash and cash equivalents	929	7,047
Non-current asset held for sale	8,185	4,500
Total assets	440,845	433,062
Equity and Liabilities		
Equity	48,908	35,489
Issued capital	178,357	178,357
Reserves	892	759
Revaluation reserves	45,098	39,296
Accumulated losses	(175,439)	(182,923)
Non-current liabilities	224,560	244,007
Borrowings	203,658	218,272
Deferred taxation liability	9,152	13,860
Environmental provision	11,750	11,875
Current liabilities	167,377	153,566
Borrowings	62,465	52,467
Current taxation payable	899	647
Trade and other payables	87,112	65,567

Bank overdraft	16,901	34,885
Total liabilities	391,937	397,573
Total equity and liabilities	440,845	433,062
Number of shares in issue ('000)		
After eliminating treasury shares	273,038	273,038
Net asset value per share (cents)	17.91	13.00
Net tangible asset value per share (cents)	17.91	13.00

Condensed Consolidated Statement of Comprehensive Income

	Audited 12 months February 2014 R'000	Audited 12 months February 2013 R'000
Continuing Operations		
Revenue	463,277	400,001
Cost of sales	(371,422)	(315,478)
Gross profit	91,855	84,523
Other income	7,147	2,065
Operating expenses	(84,876)	(79,428)
Operating profit	14,126	7,160
Investment income	322	475
Finance costs	(31,980)	(27,318)
Fair value adjustment	2	-
Revaluation of Land and Buildings:		
Reversal of impairment loss	26,391	-
Profit/(Loss) before taxation	8,861	(19,683)
Taxation	1,208	4,365
Profit/(Loss) from continuing operations	10,069	(15,318)
Loss from discontinued operations	-	(2,393)
Profit/(Loss) for the year	10,069	(17,711)
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss:		
Fair value adjustments: Available-for-sale	133	337
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of property	3,218	-
Total comprehensive profit/(loss) for the year	13,420	(17,374)
Total comprehensive profit/(loss) attributable to:		
Owners of the parent	13,420	(17,374)
Profit/(loss) for the year	13,420	(17,374)

Weighted average number of shares in issue ('000)	273,038	273,038
Fully diluted weighted average number of shares ('000)	273,038	273,038
Continuing operations Basic and diluted earnings/(loss) per share (cents)	3.69	(5.61)
Continuing and discontinued operations basic and diluted earnings/(loss) per share (cents)	3.69	(6.49)
Reconciliation of headline earnings/(loss):		
Profit/(Loss) for the year	10,069	(17,711)
Reversal of impairment	(26,391)	-
(Profit)/Loss on sale of property, plant and equipment	(241)	258
(Profit)/Loss on sale of interest in joint venture	-	667
Headline loss attributable to ordinary shareholders	(16,563)	(16,786)
Basic and diluted headline loss per share (cents)	(6.07)	(6.15)

Condensed Consolidated Statement of Changes in Equity

	Audited 12 months February 2014 R'000	Audited 12 months February 2013 R'000
Balance at beginning of the year	35,489	52,786
Profit/(Loss) for the year	10,068	(17,711)
Other comprehensive income	3,351	414
Balance at end of the year	48,908	35,489

Condensed Consolidated Statement of Cash Flows

	Audited 12 months February 2014 R'000	Audited 12 months February 2013 R'000
Cash flows from operating activities	21,766	6,661
Cash flows from investing activities	(5,908)	(11,713)
Cash flows from financing activities	(3,992)	2,154
Net increase /(decrease) in cash	11,866	(2,898)

and cash equivalents

Net cash flows from discontinued operations	-	(803)
Cash movement for the year	11,866	(3,701)
Cash and cash equivalents at beginning of the year	(27,838)	(24,137)
Cash and cash equivalents at end of the year	(15,972)	(27,838)

Share Capital	Audited 12 months February 2014 R'000	Audited 12 months February 2013 R'000
Authorized 500,000,000 ordinary par value Share of 0.1 cent each	500,000	500,000
Reconciliation of number of shares Issued: (in millions)		
Opening balance	273	273
Closing balance	273	273
Issued share capital		
Ordinary share capital	273	273
Ordinary share premium	178,084	178,084
	178,357	178,357

Segmental reporting	Audited 12 months February 2014 R'000	Audited 12 months February 2013 R'000
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External sales

Aggregates	217,091	197,592
Ready mixed concrete	230,868	191,747
Concrete manufactured products	15,318	10,662
Total external sales	463,277	400,001

Inter-segment sales

Aggregates	65,953	58,832
Ready mixed concrete	78	317
Concrete manufactured products	-	-
Total inter-segment sales	66,031	59,149

Total revenue

Aggregates	283,045	256,424
Ready mixed concrete	230,947	192,064
Concrete manufactured products	15,318	10,662
Total revenue	529,310	459,150

Operating profit

Aggregates	11,364	6,207
Ready mixed concrete	1,067	364
Concrete manufactured products	1,695	589
Total Profit before taxation	14,126	7,160

Property, plant and equipment

Aggregates	277,789	276,996
Ready mixed concrete	32,780	40,882
Concrete manufactured products	21,738	21,848
Total property, plant and equipment	332,307	339,726

Total assets

Aggregates	343,402	338,080
Ready mixed concrete	72,388	70,779
Concrete manufactured products	25,055	24,203
Total assets	440,845	433,062

INTRODUCTION

WG Wearne Limited and its subsidiaries ("the Group") provide a comprehensive range of products to the building and construction industry in South Africa. The major operating divisions comprise aggregates, ready mixed concrete, the manufacture of precast concrete products as well as contract crushing and screening services.

CHANGES OF DIRECTORATE

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

1. JJ Bierman resigned as the Chief Financial Officer on 31 December 2013.
2. MJ Ross was appointed as the Chief Financial Officer on 07 March 2014.
3. M Salanje resigned as a non-executive director and Chairman of the Audit Committee with effect from 10 March 2014 due to ill health.
4. WP van der Merwe was appointed as acting Audit Committee Chairman effective 10 March 2014.
5. MM Patel was appointed as an interim audit committee member from 10 March 2014.

REVIEW OF RESULTS

Group revenue increased by 16% (or R63.2 million) to R463 million (2013: R400 million) for the year ended 28 February 2014. The largest contributor to the increase in turnover was the ready mixed concrete division where turnover increased by 20% (or R39.1 million) to R231 million (2013: R192 million). The Group's aggregates division has remained a consistent contributor to the Group's turnover with a 10% or R19.5 million increase in revenue period-on-period (excluding inter-company sales). The precast division has shown a 44% or R4.7 million increase in revenue.

The Group's gross profit margins were maintained at around 20% even though the Group increased its market share significantly.

The Group's EBITDA improved by 30% to R53.5 million (2013: R41.2 million). During the year the Group disposed of unproductive assets resulting in proceeds of R9.6 million. In addition, the Group also improved some of its critical plant by spending R16.1 million on these assets.

The Group reflects a total comprehensive profit of R13.4 million (2013: loss of R17.4 million) which included the gain on property revaluations of R29.5 million (net of deferred tax).

During the 2011 annual financial year the Muldersdrift quarry was impaired by R 32.8 million through profit and loss. During the 2014 annual financial year, the quarry was revalued. As the previous revaluation resulted in an impairment that was recognised in profit and loss, the revaluation in the current year of R 26.4 million was credited to profit and loss to reverse the previous impairment.

Total liabilities decreased by R5.4 million to R391.9 million (2013: R397.6 million) and the Group settled R31 million in short-term borrowings.

The current year performance resulted in a headline loss per share of 6.07 cents (2013: 6.15 cents) and a diluted earnings per share from continuing operations of 3.69 cents (2013: loss of 6.49 cents). The net asset value per share increased to 17.91 cents (2013: 13.00 cents).

CHANGE IN ACCOUNTING POLICY

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

PROSPECTS

The Group's strategy of focusing on key operational areas and the monitoring of individual business units continues to drive the business's turnaround initiatives. This constant monitoring has seen improvements in almost all of the individual operating units despite high competition, adverse weather conditions and less than anticipated government spend on infrastructure.

The ready mixed concrete division has continued to improve and has performed admirably, given market conditions, showing pleasing growth as the turnover increased by 20%. The industry continues to remain competitive and margins have to be carefully monitored. An intensive sales drive is to be implemented to gain market share, increase volumes sold and improve on gross profit margins. New entrants in the cement industry could also change the operating environment in this business.

The aggregates business improved external turnover by 10% year on year. Margins continued to remain under pressure due to higher energy costs. The aggregates division's outlook remains positive as road and railway projects have materialised and government infrastructure spend together with the improved business climate should ensure the divisions growth.

The Concrete Manufactured Products division benefited from the additional capital expansion resulting in new product lines. The increased competitiveness in the market resulted in a turnover increase of an admirable 44%. A greater demand for concrete pipes and culverts is occurring as increased road building projects materialise.

Together with strategic initiatives, focus on cost reduction, increased sales, investing in employees and improved industry conditions, the Group is confident that it can continue to offer the highest levels of customer satisfaction and grow within the market.

GOING CONCERN

The Group incurred a headline loss for the 2014 financial period of R 16.6 million. This highlights a material uncertainty regarding the going concern issue which is

emphasised further by the Group`s negative liquidity position and high gearing.

Solvency and Liquidity

The Group is currently technically solvent with net asset value of R48.9 million. Current liabilities of R167.4 million exceed current assets of R87.8 million by R79.6 million. The Group`s financiers have agreed to extend the repayment terms of long term borrowings and the Bank Overdraft was converted into a two year Term Loan in September 2013. Negotiations are underway to sell further properties in the portfolio to reduce the Term Loan. All debt outstanding in terms of the Creditors` scheme of arrangement was settled in March 2013. In response to this position the Group has been working closely in conjunction with its financiers in order to meet all its working capital requirements.

Cash flow

In line with strict cash flow management policies the Group has managed to meet its working capital obligations.

Continued focus

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 release cash reserves for the Group`s working capital.

In light of the above, the going concern basis has been adopted in preparing these audited 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

The audited condensed consolidated financial results for the year ended 28 February 2014 have been prepared in accordance with the framework concepts, in accordance with and containing the information required by IAS 34: Interim Financial Reporting, the recognition and measurement requirements of International Financial Reporting Standards, the SAICA financial reporting guides as issued by the Accounting Practices Committee and the South African Companies Act, No 71 of 2008, as amended, and comply with the JSE Listings Requirements. The accounting policies and method of computation applied in preparation of the financial

statements are consistent with those applied in the audited annual financial statements for the year ended 28 February 2013, except for necessary changes to accounting policies, related to the adoption of IFRS 10, which includes a revised definition of control as well as IFRS 13, which includes a revised definition of fair value. 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 condensed consolidated results have been extracted from the audited annual financial statements.

Fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. 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.

The revaluation on the Muldersdrift Quarry (Level 3 in terms of IFRS 13) was conducted by an independent appraiser in March 2013. The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances, current use and discounted cash flows.

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

AUDIT OPINION

Grant Thornton, the Group's independent auditors, have audited the consolidated financial statements for the year ended 28 February 2014 and have issued an unqualified audit opinion with the following emphasis of matter paragraph which in summary states the following: Without qualifying our opinion, we draw attention to the fact that the Group's current liabilities exceeds its current assets by R80 million. These conditions indicate the existence of a material uncertainty that may cast doubt about the Group's ability to continue as a going concern. The auditor's report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report

together with the accompanying financial information from the registered office of the company.

DIVIDENDS

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

30 May 2014

S J Wearne

Chief Executive Officer

M J Ross

Chief Financial Officer

CORPORATE INFORMATION

Non-executive directors: MM Patel (Chairman); MC Khwinana; WP van der Merwe

Executive directors: SJ Wearne; MJ Ross

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: Computershare Investor Services (Pty) Ltd

Designated Adviser: Exchange Sponsors (2008) (Pty) Ltd

These results and an overview of Wearne are available at www.wearne.co.za