

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011 R'000	2010 R'000
CONTINUING OPERATIONS		
Revenue	384 548	534 932
Cost of sales	(264 993)	(342 481)
Gross profit	119 555	192 451
Other income	11 394	5 134
Operating expenses	(120 542)	(132 132)
Earnings before depreciation, amortisation, impairments, hedging, interest and taxation	10 407	65 453
Depreciation	(43 493)	(52 324)
Amortisation	-	(2 238)
Hedging loss	-	(11 433)
Impairments	(42 468)	(17 969)
Loss before interest and taxation	(75 554)	(18 511)
Investment income	19	846
Finance costs	(36 517)	(45 855)
Loss before taxation	(112 052)	(63 520)
Income tax	1 539	14 096
Loss attributable to shareholders	(110 513)	(49 424)
Other comprehensive (loss) / income	-	-
Total comprehensive loss for the period	(110 513)	(49 424)
Loss from discontinued operation	37 992	-
Total comprehensive loss for the period	(148 505)	(49 424)
Loss profit attributable to:		
Owners of the company	(148 505)	(49 382)
Non-controlling interest	-	(42)
	(148 505)	(49 424)
Total comprehensive loss attributable to:		
Owners of the company	(148 505)	(49 382)
Non controlling interest	-	(42)
	(148 505)	(49 424)
Reconciliation of headline earnings		
Loss attributable to shareholders	(148 505)	(49 382)
Impairments	42 468	17 969
Fair valuing of non-current asset held for sale	56 859	-
(Profit)/loss on disposal of property, plant and equipment	(2 804)	2 755
Headline loss attributable to owners	(51 982)	(28 658)
Loss per share (cents)	(60.25)	(26.74)
Headline loss per share (cents)	(21.09)	(15.52)
Fully diluted loss per share (cents)	(60.25)	(26.74)
Fully diluted headline loss per share (cents)	(21.09)	(15.52)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	2011 R'000	2010 R'000
Balance as at 01 March	226 186	179 082
Reclassification of fair value adjustment	-	2
Fair value adjustments on available-for-sale investments	179	(665)
Release of fair valuing on disposal	197	-
Total comprehensive loss for the period	(49 382)	(18 235)
Share capital issued during the year	30 252	65 409
Share issue expenses	(580)	(58)
Movement on treasury shares	4 530	(216)
Share-based payments	-	122
Dividends paid	(1 094)	-
Non-controlling interest	(42)	(80)
Non-controlling interest acquired in business combination	-	825
Balance as at 28 February	210 246	226 186
Fair value adjustments on available for sale investments	98	179
Release of fair valuing on disposal	-	197
Total comprehensive loss for the period	(148 505)	(49 382)
Share capital issued during the year	1 500	30 252
Share issue expenses	(5)	(580)
Movement on treasury shares	(1 886)	4 530
Dividends paid	-	(1 094)
Non-controlling interest	(703)	(42)
Balance as at 28 February	60 745	210 246

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	2011 R'000	2010 R'000
Cash flows from operating activities	75 129	83 004
Investment income	96	1 424
Finance costs	(38 094)	(45 855)
Dividends received	19	65
Taxation paid	(1 176)	(717)
Net cash from operating activities	35 974	37 921
Cash flows from investing activities		
Acquisition of property, plant and equipment		
- Replacement	(8 220)	(6 498)
- Expansion	(295)	(3 316)
Proceeds on disposal of property, plant and equipment	16 189	8 201
Acquisition of intangible assets	-	(1 127)
Movement on other financial asset	(10)	-
Proceeds on disposal of available-for-sale assets	-	1 489
Movement on external loans	2 932	(257)
Net cash from investing activities	10 596	(1 508)
Cash flows from financing activities		
Proceeds from the issue of share capital	(391)	29 672
Dividend paid	-	(1 094)
Net repayment of loans and borrowings	(50 858)	(71 844)
Net cash used in financing activities	(51 249)	(43 266)
Decrease in cash and cash equivalents	(4 679)	(6 853)
Opening cash and cash equivalents	(66 923)	(60 070)
Closing cash and cash equivalents	(71 602)	(66 923)

CONDENSED CONSOLIDATED SEGMENTAL REPORT

	2011 R'000	2010 R'000
Revenues		
External sales		
- Aggregates	188 472	308 862
- Readymix concrete	170 984	208 143
- Concrete manufactured products	25 092	17 927
	384 548	534 932
Internal sales		
- Aggregates	41 520	37 926
- Readymix concrete	4 129	2 153
- Concrete manufactured products	-	110
	45 649	40 189
Total revenue		
- Aggregates	229 992	346 788
- Readymix concrete	175 113	210 296
- Concrete manufactured products	25 092	18 037
	430 197	575 121
Earnings before depreciation, amortisation, impairments, hedging, interest and taxation		
- Aggregates	8 940	69 731
- Readymix concrete	(3 194)	(6 398)
- Concrete manufactured products	4 661	2 120
	10 407	65 453
Property, plant and equipment		
- Aggregates	277 692	389 991
- Readymix concrete	61 820	105 399
- Concrete manufactured products	25 954	50 050
	365 466	545 440

INTRODUCTION

Wearne and its subsidiaries provide a comprehensive range of products to the building and construction industry in South Africa. The major operating divisions comprise aggregates, ready mixed concrete and the manufacture of specialised cast concrete products.

SALE OF THE PORTLAND HOLDINGS GROUP ("PORTLAND")

In an announcement dated 15 October 2010, Wearne advised that it had entered into a related party transaction in terms of which it would dispose of Portland in exchange for the cancellation of 56,616,370 of its shares owned by the purchasers. Portland would in addition acquire a property for an amount of R30 million from Wearne.

The transaction was classified as a related party transaction as the purchasers were and are directors and major shareholders of Wearne. Consequently shareholder approval was required in terms of the JSE Listings Requirements and this was obtained at a general meeting held on 21 February 2011.

The effective date of the sale was recorded as 1 October 2010. However this was subject to a number of suspensive conditions which were only fulfilled subsequent to the financial year end. In terms of International Financial Reporting Standards ("IFRS"), the transaction had not been completed as at 28 February 2011 and because the intention was to dispose of this investment, the provisions of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, have been applied.

As a consequence of this, the preliminary results for the group for the year ended 28 February 2011 are not directly comparable with the reported results for the group for the prior year. This is because Portland is accounted for as a non-current asset held for sale and discontinued operation and therefore is disclosed as a separate line item on the face of the statement of financial position and the statement of comprehensive income.

REVIEW OF RESULTS

The group experienced another particularly difficult year, which is reflected in the headline loss of R51,9 million for the year compared to the R28,6 million headline loss reported for the prior year.

Intense competition in the light of decreased opportunities in this sector has seen year on year revenue decrease by 28% (17% including Portland). The hardest hit sector was the aggregates division, where revenues declined year on year by 39% (32% including Portland), followed by the ready-mix concrete division where the revenue decline was 18% (3% including Portland). The cast concrete products division has shown a gratifying revenue growth year on year of 40% (65% including Portland).

Group profitability continues to be squeezed as margins come under pressure. This was however compensated for by a reduction in operating expenses. The resulting group EBITDA before impairments amounted to R10,4 million vs. R65,4 million for the same period last year. The 2010 figures stated exclude hedging loss of R11,4 million which did not occur in 2011.

Depreciation, amortisation and net finance costs have decreased year-on-year and this has impacted positively on earnings. These decreases have arisen as a result of a decision by the directors to dispose of excess and unproductive assets. These assets consist of vehicles which are no longer required as a result of decreased volumes and land where obsolete plants have been shut down because the original business opportunity has ceased to be profitable. The proceeds of these disposals have been applied to long term borrowings where appropriate and this together with the impact of normal monthly instalment payments has resulted in a pleasing decrease in finance costs. Despite the experiencing significant cash flow pressure, the group still managed to repay R50,8 million in loans and borrowings during the financial year under review.

During the year under review the following actions were taken by the directors to streamline the business and reduce costs:

- the group's various operations were rationalised into three operating division-aggregates, ready-mix and cast concrete products - which has resulted in a significant decrease in unproductive administration and cost;
- shared services and centralised administration functions have been implemented to achieve greater purchasing synergies and administrative efficiencies;
- staff numbers and the monthly payroll costs have been reduced by 20% year-on-year through a planned retrenchment process and natural attrition; and
- unproductive and surplus assets were disposed of - the proceeds from which amounted to R16,2 million for the financial year under review vs. R8,2 million in the prior year.

IMPAIRMENTS AND REVALUATIONS

In accordance with the provisions of IFRS 5, the group has fair valued the Non-current Assets Held for Sale and as a result the carrying value has been impaired by R56,8 million which has been disclosed as part of the loss from discontinued operations.

Furthermore, the directors have reviewed the remaining assets and in instances where the recoverable amount was considered to be less than the carrying value, the directors impaired the assets to the recoverable amount.

STATEMENT OF GOING CONCERN

The comprehensive loss, negative liquidity and large amount of borrowings have called into question the ability of the group to continue as a going concern.

In order to address these matters, the directors of Wearne have secured a creditors and bank moratorium and funding from the IDC. A turnaround CEO has also been appointed to devise and implement a turnaround plan to return the company to sustainable profitability.

The moratoriums will give the company a payment holiday on certain of the unsecured and portion of the secured creditors payments and this together with the funds injected by the IDC will give the company the time it needs to implement operational restructuring and asset maintenance in addition to the sale of unproductive and non-core assets. The proceeds from the sale of assets will be applied to the reduction of any associated debt.

The company continues to work closely with its bankers who are assisting with the management of day to day working capital. In accordance with strict financial discipline, costs are being closely managed and assets are being utilised so as to ensure the maximum efficiencies are extracted.

As a result of the actions and plans presented above, the reviewed condensed consolidated 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.

SCHEME OF ARRANGEMENT IN TERMS OF SECTION 311 OF THE COMPANIES ACT

In a circular to the secured and concurrent creditors of the company dated 15 February 2011, notice was given of a meeting to be convened on 1 March 2011 in order to consider and accept a Scheme of Arrangement under Section 311 of the Companies Act (1973) for Wearne, Wearne Aggregates (Pty) Limited, Wearne Ready Mix (Pty) Limited and Wearne Precast (Pty) Limited.

The schemes for Wearne and Wearne Aggregates (Pty) Limited were accepted and subsequently ratified by the South Gauteng High Court. In terms of the schemes, the Court has approved a moratorium on the repayment of all existing debt at 31 December 2010 for a period of eight months from 1 January 2011 to 31 August 2011 for concurrent creditors and for a period of 24 months from 1 February to 31 January 2013 in respect of the secured creditors. Thereafter the existing debt of the concurrent creditors will be repaid in 19 equal instalments. The group will continue to pay interest on all the existing debt of the secured creditors.

INVESTMENT BY THE INDUSTRIAL DEVELOPMENT CORPORATION ("IDC")

Subsequent to the financial year end, the IDC approved a financial assistance package totalling R85,2 million. The funds will be introduced into the company through a combination of debt and equity. The equity stake, will comprise a direct investment of 15% and an indirect investment of an additional 15% through a workers trust resulting in a total combined investment of 30% of the issued share capital of the company. A total of R34 million in debt funding has already been advanced to the company and once the share subscription has been concluded, the balance of the funds will flow.

REVIEW OPINION

RSM Betty & Dickson (Johannesburg), the group's independent auditors, have reviewed the condensed consolidated financial results for the year ended 28 February 2011 and have expressed a modified review opinion which contains the following emphasis of matter: "Without qualifying our conclusion, we draw attention to the reviewed condensed results which indicate that the group incurred a total comprehensive loss of R148,505,000 during the year ended 28 February 2011 and as of that date the group's current liabilities exceeded its assets by R92,956,000. These conditions along with other matters as set out in the results commentary, indicated the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern. The review report is available for inspection at the company's registered office.

BASIS OF PREPARATION

The reviewed condensed consolidated results for the year have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the AC 500 standards as issued by the Accounting Practices Board or its successor, IAS 34: Interim Financial Reporting, the Companies Act No. 61 of 1973, as amended and the Listings Requirements of the JSE.

The accounting policies used to prepare these financial statements are also in accordance with IFRS and are consistent with those applied for the group's annual financial statements in 2010. No new or revised IFRS standards have been adopted.

PROSPECTS

Although the economy is experiencing a gradual recovery, conditions in the building and construction industry are expected to remain under pressure for the rest of 2011, with stronger improvement only anticipated in 2012.

The group restructure and turnaround initiatives that have been implemented are expected to result in more focus on the core businesses of the group and entrench greater cost and operational efficiencies.

Wearne has seen a pleasing increase in demand for on-site crushing and has secured a number of new contracts around the country. New contracts in ready-mix and cast concrete products have also been secured.

Capital expenditure has been significantly curtailed in line with increased focus on financial discipline and accountability. A comprehensive repairs and maintenance programme has however been authorised and initiated in order to ensure that all plants meet the required operating and safety standards and are well placed to take advantage of any new projects

CHANGES TO THE BOARD

During the year under review Mr Mfanyana Salanje was appointed as an independent non-executive director and member of the audit committee and Messrs Ernest Moloi and Nico Heyns resigned as non-executive and executive directors respectively. Subsequent to the financial year end Messrs Helenus Scholtz and Bonke Mkhonto resigned as non-executive directors. The board wished to express its appreciation for the contributions made by these departing directors.

DIVIDENDS

In line with past practice, no dividend has been declared for the year.

APPRECIATION

We thank our management and staff for their efforts and continued commitment throughout a difficult trading year. We also thank our advisors, customers and stakeholders for their ongoing support.

By order of the Board
31 May 2011

R Devereux
Chief Executive Officer

A W Bruens
Chief Financial Officer

CORPORATE INFORMATION

Non-executive directors:
Executive directors:
Registration number:
Registered address:

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Ithemba Governance & Statutory Solutions
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Computershare Investor Services (Pty) Limited
Vunani Corporate Finance

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