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

# Unaudited condensed financial results

## for the six months ended 31 August 2012

### Condensed Interim Consolidated Statement of Financial Position

| | Unaudited Six months August 2012 R'000 | Restated Six months August 2011 R'000 | Audited 12 months February 2012 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | **362 479** | 348 275 | 376 026 |
| Property, plant and equipment | **357 815** | 342 544 | 370 803 |
| Other financial assets | **4 664** | 4 114 | 5 223 |
| Deferred taxation asset | **–** | 1 617 | – |
| **Current assets** | **87 626** | 76 198 | 70 058 |
| Inventories | **20 514** | 12 608 | 17 305 |
| Loans receivable | **–** | 1 652 | – |
| Other financial assets | **3 314** | 2 850 | 4 014 |
| Trade and other receivables | **59 558** | 43 664 | 42 371 |
| Cash and cash equivalents | **4 240** | 15 424 | 6 368 |
| **Non-current asset held for sale** | **4 500** | 4 969 | 4 500 |
| **Total assets** | **454 605** | 429 442 | 450 584 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | **48 659** | 39 589 | 52 786 |
| Issued capital | **177 857** | 178 215 | 178 357 |
| Reserves | **345** | 452 | 345 |
| Revaluation reserve | **43 299** | – | 43 299 |
| Accumulated (losses)/profits | **(172 842)** | (139 078) | (169 215) |
| **Non-current liabilities** | **247 185** | 277 083 | 278 091 |
| Borrowings | **223 524** | 248 435 | 252 281 |
| Deferred taxation liability | **8 795** | 891 | 8 921 |
| Trade and other payables | **–** | 13 410 | 2 023 |
| Environmental provision | **14 866** | 14 347 | 14 866 |
| **Current liabilities** | **158 761** | 110 872 | 119 707 |
| Loans payable | **5 045** | 5 523 | 5 193 |
| Borrowings | **39 553** | 47 | 10 751 |
| Current taxation payable | **1 676** | 2 390 | 1 821 |
| Trade and other payables | **64 063** | 70 653 | 71 437 |
| Bank overdraft | **48 424** | 32 259 | 30 505 |
| **Non-current liabilities held for sale** | **–** | 1 898 | – |
| **Total liabilities** | **405 946** | 389 853 | 397 798 |
| **Total equity and liabilities** | **454 605** | 429 442 | 450 584 |
| Number of shares in issue ('000) | **273 038** | 273 017 | 273 038 |
| Net asset value per share (cents) | **17.82** | 14.50 | 19.33 |
| Net tangible asset value per share (cents) | **17.82** | 14.50 | 19.33 |

### Segmental reporting

| | Unaudited Six months August 2012 R'000 | Restated Six months August 2011 R'000 | Audited 12 months February 2012 R'000 |
|---|---|---|---|
| **Revenue: External sales** | | | |
| Aggregates | **111 054** | 110 636 | 174 361 |
| Readymix concrete | **95 092** | 56 954 | 118 262 |
| Concrete manufactured products | **6 574** | 8 402 | 13 247 |
| **Total revenue: External sales** | **212 720** | 175 992 | 305 870 |
| **Revenue: Inter-segment sales** | | | |
| Aggregates | **27 134** | 20 487 | 41 793 |
| Readymix concrete | **–** | 301 | 301 |
| Concrete manufactured products | **–** | – | – |
| **Total revenue: Inter-segment sales** | **27 134** | **20 788** | **42 094** |
| **Revenue: Total sales** | | | |
| Aggregates | **138 188** | 131 123 | 216 154 |
| Readymix concrete | **95 092** | 57 255 | 118 563 |
| Concrete manufactured products | **6 574** | 8 402 | 13 247 |
| **Total revenue: Total sales** | **239 854** | 196 780 | 347 964 |
| **Property, plant and equipment** | | | |
| Aggregates | **292 116** | 270 504 | 289 382 |
| Readymix concrete | **43 414** | 48 915 | 58 641 |
| Concrete manufactured products | **22 285** | 23 125 | 22 780 |
| **Total property, plant and equipment** | **357 815** | 342 544 | 370 803 |
| **Total assets** | | | |
| Aggregates | **354 751** | 331 394 | 354 175 |
| Readymix concrete | **75 386** | 65 206 | 71 917 |
| Concrete manufactured products | **24 468** | 32 842 | 24 492 |
| **Total assets** | **454 605** | 429 442 | 450 584 |

### 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 and the manufacture of precast concrete products.

### REVIEW OF RESULTS

For the six months ended 31 August 2012 ("2012 period") the Group generated revenue of R212.7 million (2011: R175.9 million) which represents a growth of 20.87% when compared to the six months ended 31 August 2011 ("2011 period"). The growth in revenue was realised in the Group's ready mixed concrete division which yielded a 66.69% or R38.1 million increase in revenue period-on-period. The Group's aggregates division has remained a consistent contributor to the Group's turnover whilst the precast division has shown a 21.76% or R1.8 million decrease in revenue.

The increased revenues in conjunction with the Group's focus on efficiencies has resulted in a 1.9% increase in the gross profit margin and consequently an increase in gross profit of 38.98% or R8.8 million.

As a result of streamlining overhead structures and the implementation of cost monitoring processes in the prior year, operating expenses has decreased by 34.96% from R34.2 million to R22.2 million.

The Group's EBITDA increased by 134.5% to R27.8 million (2011 period: R11.9 million) for the six months ended 31 August 2012 ("2012 period").

Finance costs decreased by 12.27% to R13.7 million (2011 period: R15.6 million). The savings in finance costs arose as a result of the reduction in instalment sales agreements and term loans as part of the unproductive asset downsizing initiative undertaken in the prior year.

As a result of the increased revenues, increased margins and the reduction in operating expenses the Group reduced its total comprehensive loss by 85.34% or R21.1 million to R3.6 million (2011 period: R24.7 million). Consequently the basic and diluted headline loss per share decreased from 9.03 cents to 1.33 cents per share. Continuing and discontinued operations basic and diluted loss per share decreased from 11.93 cents to 1.33 cents per share.

Lastly, the Group's net asset value per share increased by 22.9% to 17.82 cents per share (2011 period: 14.5 cents per share).

### Condensed Interim Consolidated Statement of Comprehensive Income

| | Unaudited Six months August 2012 R'000 | Restated Six months August 2011 R'000 | Audited 12 months February 2012 R'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | **212 720** | 175 992 | 305 870 |
| Cost of sales | **(181 161)** | (153 285) | (247 798) |
| **Gross profit** | **31 559** | 22 707 | 58 072 |
| Other income | **561** | 2 089 | 3 397 |
| Operating expenses | **(22 253)** | (34 215) | (79 815) |
| **Earnings/(Loss) before interest and taxation ("EBIT")** | **9 867** | (9 419) | (18 346) |
| Investment income | **97** | 112 | 1 546 |
| Finance costs | **(13 729)** | (15 649) | (35 928) |
| **Loss before taxation** | **(3 765)** | (24 956) | (52 728) |
| Taxation | **138** | (563) | 425 |
| **Loss from continuing operations** | **(3 627)** | (25 519) | (52 303) |
| Profit/(Loss) from discontinued operations | **–** | 707 | (2 650) |
| **Loss for the period** | **(3 627)** | (24 812) | (54 953) |
| **Other comprehensive income** | | | |
| Fair value adjustments: | | | |
| Available-for-sale | **–** | 78 | 213 |
| Release of reserves | **–** | – | (242) |
| Gain on revaluation | **–** | – | 54 357 |
| Deferred tax on revaluation | **–** | – | (11 058) |
| **Total comprehensive loss for the year** | **(3 627)** | (24 734) | (11 683) |
| Total comprehensive (loss) attributable to: | | | |
| Owners of the parent | **(3 627)** | (24 734) | (11 683) |
| **Reconciliation of EBITDA:** | | | |
| Earnings/(Loss) before interest and taxation ("EBIT") | **9 867** | (9 419) | (18 346) |
| Depreciation – Cost of sales | **17 617** | 20 295 | 32 946 |
| Depreciation – Operating expenses | **358** | 1 000 | 5 696 |
| **Earnings/(Loss) before interest, taxation, depreciation and amortisation ("EBITDA")** | **27 842** | 11 876 | 20 296 |
| Weighted average number of shares in issue ('000) | **273 038** | 208 001 | 240 334 |
| Fully diluted weighted average number of shares ('000) | **273 038** | 208 001 | 240 334 |
| Continuing operations basic and diluted loss per share (cents) | **1.33** | 12.27 | 21.76 |
| Continuing and discontinued operations basic and diluted loss per share (cents) | **1.33** | 11.93 | 22.86 |
| Basic and diluted headline loss per share (cents) | **1.28** | 9.03 | 19.88 |
| Reconciliation of headline earnings: | | | |
| Loss for the year | **(3 627)** | (24 812) | (54 953) |
| Impairments and scrapping loss | **–** | 4 308 | 3 506 |
| Loss/(Profit) on sale of property, plant and equipment | **139** | 1 727 | 735 |
| Profit on sale of interest in joint venture | **–** | – | (1 212) |
| Fair value on non-current assets held for sale | **–** | – | 4 139 |
| Headline loss attributable to ordinary shareholders | **(3 488)** | (18 777) | (47 785) |

### Net change in cash and cash equivalents

| Bank and cash | Unaudited Six months August 2012 R'000 | Restated Six months August 2011 R'000 | Audited 12 months February 2012 R'000 |
|---|---|---|---|
| Cash on hand | **182** | 234 | 302 |
| Bank balances | **4 058** | 15 190 | 12 692 |
| Invoice discounting facility | **(19 673)** | (1 926) | (6 626) |
| Bank overdraft | **(28 751)** | (30 333) | (30 505) |
| **Cash and cash equivalents, end of period** | **(44 184)** | (16 835) | 24 137 |

For the current period the net cash outflow of R20 million (2011: inflow of R56.7 million) highlight a significant utilisation of cash reserves. The primary outflows have arisen from operating activities and investing activities.

Included in the cash outflows for the period are payments to concurrent creditors amounting to R11.4 million (2011: R nil) in terms of the Creditors' scheme of arrangement. In terms of the scheme the Group was only required to make payment to concurrent creditors from September 2011. In addition, the Group has incurred capital expenditure of R6.8 million on plant and equipment.

Lastly, the Group has seen its sales grow by 20.87% period on period and consequently its trade and other receivables by 40% or R17.2 million from its financial year-end.

### PROSPECTS

The prospects for the Group continue to improve on a monthly basis, however, the general market conditions remain challenging for the construction industry. The Group managed to break even in five of the six months under review with losses been realised in April 2012 as a consequence of the public holidays reducing the number of days available for trading.

In line with its asset utilisation strategy the Group has right sized its fleet enabling it to implement a flexible fleet management model based on business needs. This will allow the Group to react more rapidly to changes in its operating environment. Even though most of the Group's assets are now fully utilised, the excess capacity in the industry still makes it difficult for the Group to achieve attractive margins in the marketplace.

Conditions in the ready mixed concrete market have improved considerably over the last six months as more of the smaller operators have exited the industry. Despite these players exiting the market, highly competitive pricing conditions have resulted in greater discounting on major concrete projects.

Although no major growth is forecasted by the cement industry there are some major concrete projects in Gauteng, such as the Steyn City development, which should lead to positive growth for the ready mixed concrete division.

The aggregate business environment in Gauteng remains competitive. Even though volumes sold are pleasing, the majority of the products are sold at a low average selling price. The aggregate volumes in the Limpopo province saw a significant decline due to the freezing of all tenders issued by the Limpopo Roads Agency. The Free State quarry performed well due to a major SANRAL road contract as well as the building of a large shopping centre in Bethlehem. These projects will continue into the second half of the year. The prospects for the KwaZulu-Natal quarry looks very positive after a major plant refurbishment was completed. The planned investment in further rail infrastructure by Transnet will have a positive influence on the aggregate business as the demand for ballast stone is set to increase significantly.

The mobile crushing and drilling and blasting business, included under the aggregates division, performed well in the period under review. Opportunities for the expansion of these businesses into mining contracting still exist but it will require further capital expenditure. The planned infrastructure spend by Government should also lead to further growth opportunities for this division.

The Precast concrete business performed admirably in a challenging environment as it was also negatively affected by the Limpopo Road Agency issues. Market conditions should improve by the end of the 2013 financial year. The board is currently reviewing its investment in this business as it is a non-core activity.

### Condensed Interim Consolidated Statement of Changes in Equity

| | Unaudited Six months August 2012 R'000 | Restated Six months August 2011 R'000 | Audited 12 months February 2012 R'000 |
|---|---|---|---|
| **Balance at beginning of period** | **52 786** | 61 451 | 61 451 |
| Total comprehensive loss for the period | **(3 627)** | (24 734) | (54 953) |
| Other comprehensive income | **–** | 78 | 43 270 |
| Issue of share capital net of expenses | **–** | 11 638 | 11 638 |
| Redemption of shares | **–** | (7 926) | (7 926) |
| Movement treasury shares | **(500)** | (133) | 8 |
| Non-controlling interest | **–** | (785) | (702) |
| **Balance at end of period** | **48 659** | 39 589 | 52 786 |

### Condensed Interim Consolidated Statement of Cash Flows

| | Unaudited Six months August 2012 R'000 | Restated Six months August 2011 R'000 | Audited 12 months February 2012 R'000 |
|---|---|---|---|
| Cash flows from operating activities | **(15 483)** | (1 167) | (3 711) |
| Cash flows from investing activities | **(4 083)** | 24 839 | 25 048 |
| Cash flows from financing activities | **(483)** | 31 095 | 25 137 |
| Net cash flows from continuing operations | **(20 047)** | 54 767 | 46 474 |
| Net cash flows from discontinued operations | **–** | – | 991 |
| Net change in cash and cash equivalents | **(20 047)** | 54 767 | 47 465 |
| Cash and cash equivalents beginning of period | **(24 137)** | (71 602) | (71 602) |
| Cash and cash equivalents at end of period | **(44 184)** | (16 835) | (24 137) |

### GOING CONCERN

**Solvency and liquidity**

Realising a total comprehensive loss of R3.7 million for the 2012 period the Group continues to remain in a loss making position. This coupled with the negative liquidity position highlights a possible going concern issue. Included in Current Liabilities is the Bank Overdraft of R28.75 million as well as R14.3 million in terms of the Creditors' scheme of arrangement. Negotiations are currently underway to either sell further properties in the portfolio or extend the repayment terms of the overdraft. All debt outstanding in terms of the Creditors' scheme of arrangement will be settled by 28 February 2013. In addition, the Group has undrawn loans totalling R16 million from the Industrial Development Corporation (IDC) at 31 August 2012. 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 and the repayment terms of its Creditors' scheme of arrangement.

The Group continues to maintain a solvent position with a net asset value of R48.7 million or 17.82 cents per share.

**Cash flow**

In line with strict cash flow management policies the Group has managed to meet its working capital obligations and repayment in terms of its scheme of arrangement. In addition, the Group has a facility of R16 million available from the IDC against which it can draw.

**Cash management**

The Group has been operating under a cash management programme with its financiers for the last 17 months, which has seen the Group bridge its working capital demands. Under this management program the Group has met all its short-term obligations arising from both operations and its scheme of arrangement.

**Continued focus**

Management continues to review all aspects of the business in order to ensure that resources are being utilised 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 interim 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.

### COMPARATIVE FIGURES

The comparative figures for the 2011 period, as announced on SENS on 1 December 2011, has been restated due to certain items of direct salaries, direct overheads and direct depreciation being reclassified from operating expenses to cost of sales in terms of IAS 1: Presentation of Financial Statements. The reclassifications had no net impact on the results of the Group.

### BASIS OF PREPARATION

These unaudited condensed consolidated interim results have been prepared in accordance with and contain the information required in terms of International Financial Reporting Standards ("IFRS"), the Companies Act of South Africa (Act 71 of 2008), as amended, and International Accounting Standards (IAS 34: Interim Financial Reporting), AC 500 standards as issued by the Accounting Practices Board and in compliance with the Listings Requirements of the JSE Limited. The accounting policies and standards used to prepare these interim financial statements are in terms of IFRS and are consistent with those applied in the prior interim period and at year-end 29 February 2012, except for the application of IAS 1 (revised): Presentation of Financial Statements.

These condensed interim consolidated financial statements incorporate the financial information of the company, its subsidiaries and special purpose entities that, in substance, are controlled by the Group. Results of subsidiaries are included from the effective date of acquisition or up to the effective date of disposal. All significant transactions and balances between group enterprises are eliminated on consolidation.

### DIVIDENDS

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

The preparation of the condensed interim consolidated financial results was supervised by J J Bierman (CA)SA.

By order of the board

6 November 2012

**S J Wearne** — *Chief Executive Officer*
**J J Bierman** — *Chief Financial Officer*

**CORPORATE INFORMATION**

**Non-executive directors:** M M Patel (Chairman); M C Khwinana; M Salanje; W P van der Merwe

**Executive director:** S J Wearne; J J Bierman

**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) Limited

**Telephone:** +27 11 459 4500 • Facsimile: +27 11 478 5481

**Transfer secretaries:** Computershare Investor Services (Pty) Limited

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

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