WEARNE
WG WEARNE LTD

Unaudited financial results for the period ended 31 August 2013

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

- Revenue up 14.66%
- Operating profit up 19.37%
- EBITDA up 7.29%
- Increased revenue across all business segments

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months August 2013 R'000	Unaudited 6 months August 2012 R'000	Audited 12 months February 2013 R'000
ASSETS			
Non-current assets	**336,884**	**362,479**	**355,161**
Property, plant and equipment	321,321	357,815	339,726
Other financial assets	5,003	4,664	4,875
Deferred taxation asset	10,560	-	10,560
Current assets	**99,943**	**87,626**	**73,401**
Inventories	25,539	20,514	19,848
Loans receivable	-	-	-
Other financial assets	539	3,314	987
Trade and other receivables	71,007	59,558	45,519
Cash and cash equivalents	2,858	4,240	7,047
Non-current asset held for sale	**4,500**	**4,500**	**4,500**
Total assets	**441,327**	**454,605**	**433,062**
EQUITY AND LIABILITIES			
Equity	**34,090**	**48,659**	**35,489**
Issued capital	178,316	177,857	178,357
Reserves	809	345	759
Revaluation reserve	37,294	43,299	39,296
Accumulated losses	(182,329)	(172,842)	(182,923)
Non-current liabilities	**244,897**	**247,185**	**244,007**
Borrowings	220,069	223,524	218,272
Deferred taxation liability	13,722	8,795	13,860
Environmental provision	11,106	14,866	11,875
Current liabilities	**162,340**	**158,761**	**153,566**
Loans payable	-	5,046	-
Borrowings	42,755	39,552	52,467
Current taxation payable	898	1,676	647
Trade and other payables	80,993	64,063	65,567
Bank overdraft	37,694	48,424	34,885
Total liabilities	**407,237**	**405,946**	**397,573**
Total equity and liabilities	**441,327**	**454,605**	**433,062**
Number of shares in issue ('000)	273,038	273,038	273,038
Net asset value per share (cents)	12.49	17.82	13.00
Net tangible asset value per share (cents)	12.49	17.82	13.00

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months August 2013 R'000	Reclassified Unaudited 6 months August 2012 R'000	Audited 12 months February 2013 R'000
Continuing Operations Revenue	243,917	212,720	400,001
Cost of sales	(188,631)	(160,354)	(315,478)
Gross profit	**55,286**	**52,366**	**84,523**
Other income	2,241	561	2,065
Operating expenses	(45,747)	(43,060)	(79,428)
Earnings before interest and taxation ("EBIT")	**11,780**	**9,867**	**7,160**
Investment income	985	97	475
Finance costs	(14,322)	(13,729)	(27,318)
Loss before taxation	**(1,557)**	**(3,765)**	**(19,683)**
Taxation	149	138	4,365
Loss from continuing operations	**(1,408)**	**(3,627)**	**(15,318)**
Loss from discontinued operations			(2,393)
Loss for the period	**(1,408)**	**(3,627)**	**(17,711)**
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Fair value adjustments	60	-	414
Deferred tax on revaluation	(10)	-	(77)
Total other comprehensive income for the year	**50**	**-**	**337**
Total comprehensive loss attributable to:			
Owners of the parent	(1,358)	(3,627)	(17,374)
Reconciliation of headline loss:			
Loss for the year	(1,408)	(3,627)	(17,711)
Loss on sale of property, plant and equipment	1,239	139	258
Profit on sale of interest in joint venture	-	-	667
Headline loss attributable to ordinary shareholders	(169)	(3,488)	(16,786)
Reconciliation of EBITDA:			
Earnings/(loss) before interest and taxation ("EBIT")	11,780	9,867	7,160
Depreciation – Cost of sales	17,634	17,617	24,680
Depreciation – Operating expenses	459	425	9,334
Earnings/(loss) before interest, taxation, depreciation and amortisation ("EBITDA")	**29,873**	**27,909**	**41,174**
Weighted average number of shares in issue('000)	273,038	273,038	273,038
Fully diluted weighted average number of shares ('000)	273,038	273,038	273,038
Continuing operations Basic and diluted loss per share (cents)	(0.52)	(1.33)	(5.61)
Continuing and discontinued operations basic and diluted loss per share (cents)	(0.52)	(1.33)	(6.49)
Basic and diluted headline loss per share (cents)	(0.06)	(1.28)	(6.15)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 months August 2013 R'000	Unaudited 6 months August 2012 R'000	Audited 12 months February 2013 R'000
Balance at beginning of period	35,489	52,786	52,786
Total comprehensive loss for the period	(1,408)	(3,627)	(17,711)
Other comprehensive income	49	-	414
Movement treasury shares	(40)	(500)	-
Balance at end of period	**34,090**	**48,659**	**35,489**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months August 2013 R'000	Unaudited 6 months August 2012 R'000	Audited 12 months February 2013 R'000
Cash flows from operating activities	1,453	(15,481)	6,661
Cash flows from investing activities	(428)	(4,083)	(11,713)
Cash flows from financing activities	(8,022)	(483)	2,154
Net cash flows from continuing operations	**(6,997)**	**(20,047)**	**(2,898)**
Net cash flows from discontinued operations	-	-	(803)
Net change in cash and cash equivalents	**(6,997)**	**(20,047)**	**(3,701)**
Cash and cash equivalents beginning of period	(27,838)	(24,137)	(24,137)
Cash and cash equivalents at end of period	**(34,835)**	**(44,184)**	**(27,838)**

SEGMENTAL REPORTING

	Unaudited 6 months August 2013 R'000	Unaudited 6 months August 2012 R'000	Audited 12 months February 2013 R'000
Revenue: External sales			
Aggregates	123,634	111,054	197,592
Readymix concrete	113,290	95,092	191,747
Concrete manufactured products	6,993	6,574	10,662
Total revenue: External sales	**243,917**	**212,720**	**400,001**
Revenue: Inter-segment sales			
Aggregates	34,195	27,134	58,832
Readymix concrete	-	-	317
Concrete manufactured products	-	-	-
Total revenue: Inter-segment sales	**34,195**	**27,134**	**59,149**
Revenue: Total sales			
Aggregates	157,829	138,188	256,424
Readymix concrete	113,290	95,092	192,064
Concrete manufactured products	6,993	6,574	10,662
Total revenue: Total sales	**278,112**	**239,854**	**459,150**
Property, plant and equipment			
Aggregates	261,977	292,116	276,996
Readymix concrete	37,145	43,414	40,882
Concrete manufactured products	22,199	22,285	21,848
Total property, plant and equipment	**321,321**	**357,815**	**339,726**
Total assets			
Aggregates	336,408	354,751	338,080
Readymix concrete	80,863	75,386	70,779
Concrete manufactured products	24,056	24,468	24,203
Total assets	**441,327**	**454,605**	**433,062**

NOTES

Property, Plant and Equipment

The following classes of property, plant and equipment are carried according to the revaluation model;

- Land and buildings
- Specific plant and machinery

The revaluation was conducted by an independent appraiser, Fredrick Senekal (a Sworn Appraiser to the Master of the Supreme Court, duly appointed by the Minister of justice in terms of section 6(1) of the Administration of Estates Act, 1965 (Act 66 of 1965), effective 29th February 2012. The fair values were determined by the appraiser based on the current market values for similarly traded items of property, plant and equipment.

Had the assets continued to been carried according to the cost model the carrying values would be as follows:

	Cost R `000	Revaluation Model R `000	Surplus R `000
Group 2013			
Land	113,793	152,230	38,437
Plant and Machinery	118,400	126,774	8,374
	232,193	**279,004**	**46,811**

BASIS OF PREPARATION

These 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), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards and in compliance with the Listings Requirements of the JSE Limited.

Except for the new standards adopted as set out below, all accounting policies applied by the Group in the preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 28 February 2013. The Group has adopted the following new standards:

- Amendment to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income
- Revised IAS 27 and 28 – Investments in Associates and Joint Ventures

There was no material impact on the interim financial statements identified based on management's assessment of these standards.

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.

COMPARITIVE FIGURES

Certain items of salaries, indirect overheads and depreciation for the 2012 period have been reclassified from cost of sales to operating expenses to be comparative with the Audited results ending 28 February 2013 and Unaudited interim results as at 31 August 2013.

	Previous Unaudited 6 months August 2012 R'000	Reclassified Unaudited 6 months August 2012 R'000	Net Change R'000
Continuing Operations Revenue	212,720	212,720	-
Cost of sales	(181,161)	(160,354)	20,807
Gross profit	**31,559**	**52,366**	**20,807**
Other income	561	561	-
Operating expenses	(22,253)	(43,060)	(20,807)
Earnings before interest and taxation ("EBIT")	**9,867**	**9,867**	**-**
Investment income	97	97	-
Finance costs	(13,729)	(13,729)	-
Loss before taxation	**(3,765)**	**(3,765)**	**-**
Taxation	138	138	-
Loss from continuing operations	**(3,627)**	**(3,627)**	**-**
Loss from discontinued operations	-	-	-
Loss for the period	**(3,627)**	**(3,627)**	**-**

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, premix as well as contract crushing and screening services.

REVIEW OF RESULTS

For the six months ended 31 August 2013 ("2013 period")the Group generated revenue of R243.9 million (2012: R212.7 million) which represents a growth of 14.66% when compared to the six months ended 31 August 2012 ("2012 period"). The growth in revenue was realised in the Group's ready mixed concrete division which yielded a 19.13% or R18.2 million increase in revenue period-on-period. The Group's aggregates division has remained a consistent contributor to the Group's turnover with a 11.32% or R12.6 million increase in revenue period-on-period whilst the precast division has shown a 6.37% or R0.4 million increase in revenue.

The increased revenues in conjunction with the Group's focus on efficiencies have resulted in a 19.37% increase in the operating profit. This is a direct result of streamlining overhead structures and the implementation of cost monitoring processes. The Group's gross profit margin has increased to 22.67% compared to the 21.13% for the year ended 28 February 2013.

The Group's EBITDA also increased by 7.29% to R29.9 million (2012 period: R27.8 million) for the 2013 period. Consequently the Group reduced its total comprehensive loss by 61.18% or R2.22 million to R1.4 million (2012: R3.6 million). This resulted in the basic and diluted headline loss per share decreasing from 1.28 cents to 0.06 cents per share.

The 2013 period saw a R7 million net cash outflow compared to the net cash outflow of R20 million in the 2012 period. The primary outflows have arisen from operating activities caused by the Group's sales growth of 15.95% period on period and consequently its trade and other receivables increased by 19% or R25.5 million from its financial year end.

PROSPECTS

The Group continues to focus on key strategic areas and monitor individual business operating units at a management level. With relatively low gross margin levels at certain business units constant monitoring and early management intervention mitigates the risk of losses.

The ready-mixed concrete division showed continuous growth during the financial year and performance is expected to improve further. Market conditions are expected to remain competitive as there is still spare capacity in the cement industry. New entrants in the cement industry could also change the operating environment in this business. A supplier agreement with a cement provider was concluded in the current financial year which resulted in lower cement costs and higher gross profit margins.

The outlook for the aggregate business remains positive as the South African Government's planned infrastructure development starts to materialize. The increased demand for road building material and railway ballast that was seen towards the end of the 2013 financial year is expected to continue. The order book for aggregates indicates that revenue targets set at the beginning of the financial year will be met.

The Concrete Manufactured Products division showed a growth of 6.37% period-on-period. The issuing of very few tenders by the Limpopo Roads Agency still negatively affects the market for concrete pipes and culverts in the Limpopo area. Greater plant efficiencies however resulted in improved profitability on slightly lower revenue. The plant capacity was expanded further with an investment of R 700 000 in new product lines. The additional products lines have expanded the product offering and made the business more competitive in the concrete pipe market.

The Group continues to emphasize the importance of customer relations and an exceptionally strong focus has been placed on the constructive engagement with our customers in order to provide the highest levels of service.

GOING CONCERN

Solvency and Liquidity

The Group incurred a total comprehensive loss of R1.4 million for the 2013 period and continues to remain in a loss making position. This coupled with the negative liquidity position highlights a possible going concern issue. Under the Bank Overdraft included in Current Liabilities is an Overdraft with Nedbank of R12.87 million as well as an Invoice Discounting facility of R24.82 million. The Bank Overdraft was converted into a two year Term Loan in September 2013 and 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.

The Group continues to maintain a solvent position with a net asset value of R34.1 million or 12.49 cents per share.

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 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.

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 JJ Bierman (CA) SA.

By order of the board
13 November 2013

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; WP van der Merwe

Executive directors: S J Wearne; J J 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

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Transfer secretaries: Computershare Investor Services (Pty) Limited

Designated Adviser: Exchange Sponsors

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