

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")

Gross profit **Operating profit** **EBITDA** **Improved cash flow from**
up 8.7% up 23% up 8.7% **operating activities**

Unaudited condensed consolidated financial results for the period ended 31 August 2014

Condensed Interim Consolidated Statement of Financial Position

	Unaudited 6 months August 2014 R'000	Unaudited 6 months August 2013 R'000	Audited 12 months February 2014 R'000
ASSETS			
Non-current assets	335,632	336,884	344,832
Property, plant and equipment	322,789	321,321	332,307
Other financial assets	5,531	5,003	5,213
Deferred taxation asset	7,312	10,560	7,312
Current assets	93,698	99,943	87,828
Inventories	34,024	25,539	26,874
Other financial assets	-	539	-
Trade and other receivables	58,489	71,007	60,025
Cash and cash equivalents	1,185	2,858	929
Non-current asset held for sale	3,685	4,500	8,185
Total assets	433,015	441,327	440,845
EQUITY AND LIABILITIES			
Equity	47,730	34,090	48,908
Issued capital	178,357	178,316	178,357
Reserves	1,092	809	892
Revaluation reserve	44,743	37,294	45,098
Accumulated losses	(176,462)	(182,329)	(175,439)
Non-current liabilities	223,960	244,897	224,560
Borrowings	203,895	220,069	203,658
Deferred taxation liability	9,152	13,722	9,152
Environmental provision	10,913	11,106	11,750
Current liabilities	161,325	162,340	167,377
Borrowings	41,729	42,755	62,465
Current taxation payable	899	898	899
Trade and other payables	87,324	80,993	87,112
Bank overdraft	31,373	37,694	16,901
Total liabilities	385,285	407,237	391,937
Total equity and liabilities	433,015	441,327	440,845

Number of shares in issue ('000)	273,038	273,038	273,038
Net asset value per share (cents)	17.48	12.49	17.91
Net tangible asset value per share (cents)	17.48	12.49	17.91

Condensed Interim Consolidated Statement of Comprehensive Income

	Unaudited 6 months August 2014 R'000	Unaudited 6 months August 2013 R'000	Audited 12 months February 2014 R'000
Continuing Operations Revenue	244,705	243,917	463,277
Cost of sales	(184,629)	(188,631)	(371,422)
Gross profit	60,076	55,286	91,855
Other income	6,668	2,241	7,147
Operating expenses	(52,256)	(45,747)	(84,876)
Earnings before interest and taxation ("EBIT")	14,488	11,780	14,126
Investment income	342	985	322
Revaluation of land and buildings:			
Reversal of impairment	-	-	26,391
Finance costs	(16,261)	(14,322)	(31,980)
(Loss) / Profit before taxation	(1,431)	(1,557)	8,861
Taxation	53	149	1,208
(Loss) / Profit from continuing Operations	(1,378)	(1,408)	10,069
Other comprehensive income: Items that will be reclassified subsequently to profit or loss			
Fair value adjustments	237	60	3,392
Deferred tax on revaluation	(37)	(10)	(41)
Other comprehensive income for the year	200	50	3,351
Total comprehensive loss attributable to:			
Owners of the parent	(1,178)	(1,358)	13,420
Reconciliation of headline loss:			
Loss for the year	(1,378)	(1,408)	10,069
(Profit) / loss on sale of property, plant and equipment	(449)	1,239	(241)
Reversal of impairment	-	-	(26,391)
Headline loss attributable to ordinary shareholders	(1,827)	(169)	(16,563)

Reconciliation of EBITDA:

Earnings before interest and taxation ("EBIT")	14,488	11,780	14,126
Depreciation - Cost of sales	16,716	17,634	25,378
Depreciation - Operating expenses	1,254	459	13,982
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	32,458	29,873	53,486
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
Basic and diluted loss per share (cents)	(0.50)	(0.52)	3.69
Basic and diluted headline loss per share (cents)	(0.67)	(0.06)	(6.07)

Condensed Interim Consolidated Statement of Changes in Equity

	Unaudited 6 months August 2014 R'000	Unaudited 6 months August 2013 R'000	Audited 12 months February 2014 R'000
Balance at beginning of period	48,908	35,489	35,489
Total comprehensive (loss) / profit for the period	(1,378)	(1,408)	10,068
Other comprehensive income	200	49	3,351
Movement treasury shares	-	(40)	-
Balance at end of period	47,730	34,090	48,908

Condensed Interim Consolidated Statement of Cash Flows

	Unaudited 6 months August 2014 R'000	Unaudited 6 months August 2013 R'000	Audited 12 months February 2014 R'000
Cash flows from operating activities	8,232	1,453	21,766
Cash flows from investing activities	(3,856)	(428)	(5,908)
Cash flows from financing activities	(18,592)	(8,022)	(3,992)

Net cash flows from continuing operations	(14,216)	(6,997)	11,866
Cash and cash equivalents beginning of period	(15,972)	(27,838)	(27,838)

**Cash and cash equivalents at end
of period**

(30,188)

(34,835)

(15,972)

Segmental reporting

	Unaudited 6 months August 2014 R'000	Unaudited 6 months August 2013 R'000	Audited 12 months February 2014 R'000
Revenue: External sales			
Aggregates	108,622	123,634	217,091
Readymix concrete	124,969	113,290	230,868
Concrete manufactured products	11,114	6,993	15,318
Total revenue: External sales	244,705	243,917	463,277
Revenue: Inter-segment sales			
Aggregates	45,182	34,195	65,953
Readymix concrete	28	-	78
Concrete manufactured products	-	-	-
Total revenue: Inter-segment sales	45,210	34,195	66,031
Revenue: Total sales			
Aggregates	153,804	157,829	283,045
Readymix concrete	124,997	113,290	230,947
Concrete manufactured products	11,114	6,993	15,318
Total revenue: Total sales	289,915	278,112	529,310
Property, plant and equipment			
Aggregates	269,195	261,977	277,788
Readymix concrete	31,304	37,145	32,780
Concrete manufactured products	22,291	22,199	21,738
Total property, plant and equipment	322,790	321,321	322,306
Total assets			
Aggregates	332,390	336,408	343,402
Readymix concrete	75,402	80,863	72,388
Concrete manufactured products	25,223	24,056	25,055
Total assets	433,015	441,327	440,845

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.

REVIEW OF RESULTS

For the six months ended 31 August 2014 ("2014 period"), the Group generated revenue of R244.7 million (2013: R243.9 million) which represents a growth of 0.3% when compared to the six months ended 31 August 2013 ("2013 period").

Included in the 2013 period revenue figure was revenue of R22.6 million that related to a civil works contract for Abeinsa EPC (Pty) Ltd. Excluding this contract, Group revenue increased by 10.6%.

The increased revenues in conjunction with the Group's focus on efficiencies have resulted in a 23% increase in the operating profit. The Group's gross profit margin has increased to 24.55% compared to the 22.67% for the 2013 period.

The Group's EBITDA also increased by 8.70% to R32.5 million (2013 period: R29.9 million) for the 2014 period. The Group's total comprehensive loss for the 6 month period has remained consistent with the prior year at R1.4 million. This resulted in the basic and diluted headline loss per share increasing from 0.06 cents to 0.67 cents per share. The main contributing factor to the loss incurred for the period was due to the high rainfall experienced in March 2014 where 40% of monthly turnover was lost.

PROSPECTS

The Group continues to focus on key strategic areas and monitor individual business operating units at an executive 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 continues to experience tough market conditions that remain competitive due to the oversupply in the cement industry. Gross profit margins and volumes sold are expected to remain under pressure. The division will continue to manage margins closely in addition to an improved marketing strategy, the division plans to offer more competitive pricing and increase volumes. Customer service and product quality will continue to remain the priority for the division.

The outlook for the aggregate business remains positive as the South African Government's planned infrastructure development starts to materialize. The division is performing well as sales targets have exceeded budget and the order book is full for the upcoming months. Forecasts for aggregates indicate that revenue targets set at the beginning of the financial year will be met.

All Quarries are contributing positively to the Group as the implemented pricing strategy continues to bear fruit.

The Concrete Manufactured Products division showed a remarkable growth in revenue of 59% period-on-period. The Limpopo Roads Agency has begun to increase their tenders which bode well for the prospects of the division. Closer management attention, improved product capability and less competitive pricing have all contributed to the divisions improved performance.

Wearne was awarded two contracts to the value of R 70 million for the supply of ready mixed concrete as well as earthworks services by Abeinsa EPC Xina (Pty) Ltd. Abeinsa EPC Xina is a subsidiary of the Abengoa group of companies that has been selected by the Department of Energy to develop Xina Solar One in Pofadder. Xina Solar One is a 100 MW parabolic trough plant with a five-hour thermal energy storage system using molten salts. The supply of ready mixed concrete will be over a period of twenty months while the earthworks contract will be completed in five months. Wearne was selected after successfully completing an R 30 million contract for Abeinsa EPC at their Khi Solar One project in Upington. The company is also tendering on numerous other contracts in the renewable energy sector and is confident that further contracts will be awarded.

GOING CONCERN

Solvency and Liquidity

The Group incurred a total comprehensive loss of R1.4 million for the 2014 period and continues to remain in a loss making position. This coupled with the negative liquidity position highlights a possible going concern issue. 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 R47.7 million or 17.48 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.

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, the requirements of the Companies Act of South Africa 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 2014. The Group has adopted the following new standards and interpretations effective as of 1 January 2014:

- Amendment to IAS 32 - Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities
- Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets

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.

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 MJ Ross (CA) SA.

By order of the board
7 November 2014

S J Wearne
Chief Executive Officer

M J Ross
Chief Financial Officer

CORPORATE INFORMATION

Non-executive directors: M M Patel (Chairman); M C Khwinana; WP van der Merwe

Executive directors: S J Wearne; M J 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) Limited

Designated Adviser: Exchange Sponsors

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