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
Improved cash flow from operating activities
Gross profit percentage up 4.4% to 25%

Condensed consolidated financial results for the period ended 31 August 2016

Condensed Interim Consolidated Statement of Financial Position

	Unaudited 6 months August 2016 R'000	Unaudited 6 months August 2015 R'000	Audited 12 months February 2016 R'000
ASSETS			
Non-current assets	**251,762**	**334,128**	**305,444**
Property, plant and equipment	240,376	322,904	294,426
Other financial assets	6,535	5,864	6,167
Deferred taxation asset	4,851	5,360	4,851
Current assets	**78,587**	**133,905**	**76,470**
Inventories	19,740	37,930	27,642
Trade and other receivables	58,175	94,725	48,195
Cash and cash equivalents	672	1,250	633
Non-current asset held for sale	**58,081**	**-**	**21,291**
Total assets	**388,430**	**468,033**	**403,205**
EQUITY AND LIABILITIES			
Equity	**31,818**	**53,870**	**42,233**
Issued capital	178,357	178,357	178,357
Reserves	1,758	1,353	1,392
Revaluation reserve	51,522	52,380	57,326
Accumulated losses	(199,819)	(177,220)	(194,842)
Non-current liabilities	**121,491**	**189,628**	**148,051**
Borrowings	107,091	169,611	129,950
Deferred taxation liability	7,040	8,758	7,039
Environmental provision	7,360	11,259	11,062
Current liabilities	**215,605**	**224,535**	**196,294**
Borrowings	63,394	51,428	56,681
Current taxation payable	55	1,119	55
Trade and other payables	124,530	114,642	116,066
Bank overdraft	27,626	57,346	23,492
Liabilities directly associated With assets in the disposal group Classified as held for sale	**19,516**	**-**	**16,627**
Total Liabilities	**356,612**	**414,163**	**360,972**
Total equity and liabilities	**388,430**	**468,033**	**403,205**

Number of shares in issue ('000)	273,038	273,038	273,038
Net asset value per share (cents)	11.65	19.73	15.47
Net tangible asset value per share (cents)	11.65	19.73	15.47

Condensed Interim Consolidated Statement of Comprehensive Income

	Unaudited 6 months August 2016 R'000	Unaudited 6 months August 2015 R'000	Audited 12 months February 2016 R'000
Continuing Operations			
Revenue	198,963	273,783	511,859
Cost of sales	(148,690)	(217,430)	(403,763)
Gross profit	**50,273**	**56,353**	**108,096**
Other income	1,542	3,640	4,292
Operating expenses	(43,591)	(49,648)	(107,315)
Operating profit	**8,224**	**10,345**	**5,073**
Investment income	(29)	77	196
Finance costs	(12,434)	(12,947)	(26,670)
Loss before taxation	**(4,239)**	**(2,525)**	**(21,401)**
Taxation	-	(223)	2,950
Loss from continuing operations	**(4,239)**	**(2,748)**	**(18,451)**
Discontinued Operations			
(Loss)/Profit from discontinued Operations	(738)	1,917	1,502
Taxation	-	-	(858)
Loss for the year	**(4,977)**	**(831)**	**(17,807)**
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Fair value adjustments: Available-for-sales	367	-	39
Items that will not be reclassified subsequently to profit or loss:			
(Loss)/Gain on revaluation of property	(5,804)	-	5,300
Total comprehensive loss	**(10,414)**	**(831)**	**(12,468)**
Reconciliation of headline loss:			
Loss for the year	(4,977)	(831)	(17,807)
(Profit on sale of property, plant and equipment	(242)	(609)	(2,904)
Fair value adjustment of non-current assets held for sale	-	-	1,745
Headline loss attributable to ordinary shareholders	**(5,219)**	**(1,440)**	**(18,966)**

Continuing operations: Headline loss per share (cents)	(1.64)	(1.23)	(7.82)
Discontinued operations: Headline loss per share (cents)	(0.27)	0.70	0.87
Total basic headline loss per share (cents)	**(1.91)**	**(0.53)**	**(6.95)**
Reconciliation of EBITDA:			
Earnings before Interest and taxation ("EBIT")	8,412	13,440	8,374
Depreciation	13,369	15,940	31,168
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	**21,781**	**29,380**	**39,542**
Weighted average number of shares in issue ('000)*	273 038	273 038	273 038
Continuing operations: Basic loss per share (cents)	(1.55)	(1.00)	(6.76)
Discontinued operations: Basic profit per share (cents)	(0.27)	0.70	0.24
Continuing and discontinued operations: Basic loss per share (cents)	**(1.82)**	**(0.30)**	**(6.52)**

*There were no dilutive instruments in issue during the year.

Condensed Interim Consolidated Statement of Changes in Equity

	Unaudited 6 months August 2016 R'000	Unaudited 6 months August 2015 R'000	Audited 12 months February 2016 R'000
Balance at beginning of period	42,233	54,701	54,701
Total comprehensive (loss) / profit for the period	(4,977)	(831)	(17,801)
Other comprehensive income	(5,437)	-	5,339
Movement treasury shares	-	-	-
Balance at end of period	**31,819**	**53,870**	**42,233**

Condensed Interim Consolidated Statement of Cash Flows

	Unaudited 6 months August 2016 R'000	Unaudited 6 months August 2015 R'000	Audited 12 months February 2016 R'000
Cash flows from operating activities			
Cash generated/(used) in operations	23,470	18,532	89,901
Interest income	29	-	140
Dividends received	19	-	56
Finance costs	(13,360)	(14,126)	(28,470)
Net cash from operating activities	**10,158**	**4,406**	**61,627**
Cash flows from investing activities			
Purchase of property, plant and Equipment	(1,017)	(23,242)	(27,984)
Sale of Property, plant and equipment	2,281	4,054	6,179
Increase in other financial assets	-	-	222
Net cash from investing activities	**1,265**	**(19,189)**	**(22,027)**
Cash flows from financing activities			
Repayment of borrowings	(14,965)	(6,071)	(27,586)
Net cash from financing activities	**(14,965)**	**(6,071)**	**(27,586)**
Net cash flows from operations	**(3,543)**	**(20,854)**	**12,014**
Cash and cash equivalents beginning of period	(23,229)	(35,243)	(35,243)
Cash and cash equivalents at end of period	**(26,772)**	**(56,097)**	**(23,229)**

Segmental reporting

	Unaudited 6 months August 2016 R'000	Unaudited 6 months August 2015 R'000	Audited 12 months February 2016 R'000
Revenue: External sales			
Aggregates	68,561	110,003	195,719
Readymix concrete	117,539	142,197	256,313
Concrete manufactured products	-	11,774	-
Contracting	12,864	34,192	59,827
Total revenue: External sales	**198,963**	**298,166**	**511,859**
Revenue: Inter-segment sales			
Aggregates	51,501	48,664	95,780
Readymix concrete	308	387	7
Concrete manufactured products	-	-	-
Contracting	8,485	16,485	27,847
Total revenue: Inter-segment sales	**60,294**	**65,536**	**123,634**

Revenue: Total sales			
Aggregates	120,062	158,667	291,499
Readymix concrete	117,847	142,584	256,320
Concrete manufactured products	-	11,774	-
Contracting	21,348	50,677	87,674
Total revenue: Total sales	**259,257**	**363,702**	**635,493**
Property, plant and equipment			
Aggregates	202,418	251,072	249,157
Readymix concrete	23,178	30,201	26,608
Concrete manufactured products	-	21,595	-
Contracting	14,782	20,036	18,659
Total property, plant and equipment	**240,378**	**322,904**	**294,424**
Total assets			
Aggregates	244,301	302,295	303,246
Readymix concrete	53,052	86,898	57,923
Concrete manufactured products	-	25,287	-
Contracting	32,996	53,903	20,745
Total assets	**330,349**	**468,382**	**381,914**

*The concrete manufactured products segment was classified as a discontinued operation in the prior year hence revenue and operating profits have been excluded from the segmental report. The related assets and liabilities of the segment are accounted for under "Assets in disposal group classified as held for sale" and "Liabilities directly associated with assets in the disposal group classified as held for sale" in the statement of financial position.

INTRODUCTION

The Group provides a comprehensive range of products and contracting services to the building and construction industry in South Africa. The major operating divisions comprise aggregates, ready mixed concrete, the manufacture of precast concrete products and contracting services.

REVIEW OF RESULTS

Group revenue from continuing operations decreased by 27% (or R75 million) to R199 million (2015: R274 million) for the six months ended 31 August 2016 ("2016 period"). The ready-mixed concrete division sales decreased by 17% (or R24.7 million) to R117.5 million (2015: R142.2 million). The Group's aggregates and contracting division's revenue decreased by a 44% or R62.8 million period-on-period (the current year revenue excludes revenue of R10.1 million from discontinued operations that formed part of the segment) to R81.4 million (2015: R144.2 million). The subdued economy and lack of infrastructure spend roll out had a negative impact on the group's results over the last six months.

The Group's gross profit margins increased to 25% (2015: 20.6%) due to the new solar farm project in the ready mixed concrete division that was initiated towards the end of the second quarter. Margins remained fairly consistent in the aggregates and contracting divisions.

The Group's EBITDA decreased by 25.2% or R7.4 million to R22 million (2015: R29.4 million).

The current period performance resulted in a headline loss per share of 1.91 cents (2015: loss of 0.53 cents) and a loss per share from continuing operations of 1.55 cents and loss per share from discontinued operations of 0.27 cents (2015: loss of 0.3 cents from continuing and discontinuing operations). The net asset value per share decreased to 11.65 cents (2015: 19.73 cents).

DISCONTINUED OPERATIONS

The board's plans to dispose of non-core assets and operations bore fruition in the last six months as a decision was made to sell two additional quarries in conjunction with the Precast Business which was re-classified as a discontinued operation on 29 February 2016.

Plans to dispose of the Bethlehem quarry and ancillary businesses as a going concern were announced on SENS on 7 July 2016. The sale has been finalised and the majority of the proceeds from the disposal were received in October 2016. Total proceeds of R30 million are expected from the sale.

The sale of the Precast Business was finalised in October 2016 and proceeds of R19.6 million were received from the sale.

The board is currently well along with its plans to dispose of an additional quarry in the Gauteng region. The measurement of the fixed assets of the quarry to their fair value resulted in a downward revaluation of R5.8 million.

CHANGE IN COMPARATIVES

The results of discontinued operations have been separately disclosed on the face of the statement of comprehensive income.

PROSPECTS

The group experienced a decline in performance as a result of low economic growth.

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. The board took a decision to sell all non-core assets and focus on areas where synergies can be achieved between the aggregate and ready mix concrete divisions. The sale of the Bethlehem Quarry and Precast Business form part of the restructure plan which has been in full swing over the last six months.

The ready-mixed concrete division saw a decline in its results during the six months under review. Margins continued to be subdued over the six months due to the over-supply of cement in the industry resulting in increased margin pressures. The division was awarded a contract worth R78 million in the solar farm market in the Northern Cape. This is expected to improve the turnover of the division in the ensuing six months.

The Aggregates business continued to experience tough trading conditions in the last six months contributed by low economic growth and increased levels of competition.

The results of the contracting division declined during the six months under review as most contracts in the division came to end. In addition, more focus will be placed on the group's core business of the production and selling of ready mixed concrete and aggregates.

GOING CONCERN

During the interim period ended 31 August 2016, the Group incurred a headline loss of R5.2 million (2015: Loss R1.4 million). The disappointing performance is a reflection of the difficult trading conditions currently experienced in the industry. The continued viability of the Wearne Group and its ability to continue as a going concern is dependent upon the Group being successful in its efforts to focus on core operations and sale of non-core operations.

As a result there is material uncertainty regarding the ability of the Group to continue as a going concern and therefore, whether it will realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial statements. This is emphasised further by the Group`s negative liquidity position and high gearing. However the directors believe that the group will be successful in the above matters and have prepared the interim results on a going concern basis.

Solvency and Liquidity

The Group currently has a net asset value of R37.6 million. Current liabilities of R233.1 million (including current portion of borrowings of R63.4 million) exceed current assets of R121.1 million by R112 million. The group encountered cash flow pressures over the last six months. A restructure plan was authorised by the board of directors on 31 May 2016 and a committee making up the non-executive directors was formed to monitor the implementation of the plan, which includes the selling off of non -core assets. The implementation of the plan is expected to improve the solvency and liquidity of the group. In addition the Group was in breach of one of its bank covenants, however the breach was condoned by the financial institution.

Cash Flow

The group generated cash flows from operations of R10 million and maintained fairly consistent working capital levels. The group maintained its strict cash flow management policy, however due to cash flow pressures delays were encountered in meeting working capital obligations. Cash flow management remains key in this challenging period. Cash resources are expected to improve with the sale of non- core and underperforming assets. The group maintains the support of its financiers.

Continued Focus

Management will continue to focus on core operations and implementation of the re-structure plan. The Group will continually seek ways in which the synergies between the Ready-mix and Aggregates division can be achieved and market share improved. The full implementation of the restructure plan will result in operations being more strategically located and allow for an appropriate amount of resources and management focus to be allocated to these operations. The sale of non- core assets will not only assist in the profitability of the Group going forward but improve the gearing thereof. Proceeds of R49,6 million are expected to be received from the sale of the Bethlehem Quarry and Wearne Precast. The group is highly geared due to historical debt, hence part of the proceeds received from the sale of the businesses will be allocated towards settling this debt. This will place the group in a more favourable position in the future as cash will be freed up for working capital requirements.

In addition to the re-structuring plan, 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 relieve 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. Accordingly no adjustments have been made relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might be necessary should the group not continue as a going concern. The directors do not believe that the Group or any company within the Group (with the exception of the Precast division which will be dormant after the sale) 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 Council ,the requirements of the Companies Act of South Africa and in compliance with the Listings Requirements of the JSE Limited.

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 29 February 2016.

These condensed interim consolidated financial statements incorporate the financial information of the company and its subsidiaries 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.

The directors take full responsibility for the preparation of the provisional report.

The interim financial results have been prepared under the supervision of the Group Financial Director, Ms MC Milazi(CA) SA. These condensed consolidated interim financial results have not been audited or reviewed by the Group’s auditors.

DIVIDENDS

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

By order of the board
30 November 2016

S J Wearne
Chief Executive Officer

MC Milazi
Chief Financial Officer

CORPORATE INFORMATION
Non-executive directors: M M Patel (Chairman); M C Khwinana; WP van der Merwe
Executive directors: S J Wearne; MC Milazi
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Designated Adviser: Exchange Sponsors
These results and an overview of Wearne are available at www.wearne.co.za