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WG Wearne is one of South Africa's oldest suppliers of materials and contracting services to the building and construction industry.



GROUP OVERVIEW

INTRODUCTION

WG Wearne Limited and its subsidiaries (“the Group”), is proudly one of South Africa’s oldest suppliers of materials to the building and construction industry. Established in 1910 as a construction concern by its founder William George Wearne, the company was initially involved in the sand and stone business in the small town of Carletonville, 120 kilometres from Johannesburg.

The ready-mix division was established in the early 1970s and firmly positioned Wearne as a serious player in the industry. From there the company grew and became what is now known as the Wearne Group of Companies, supplying the construction industry with a complete building material solution.

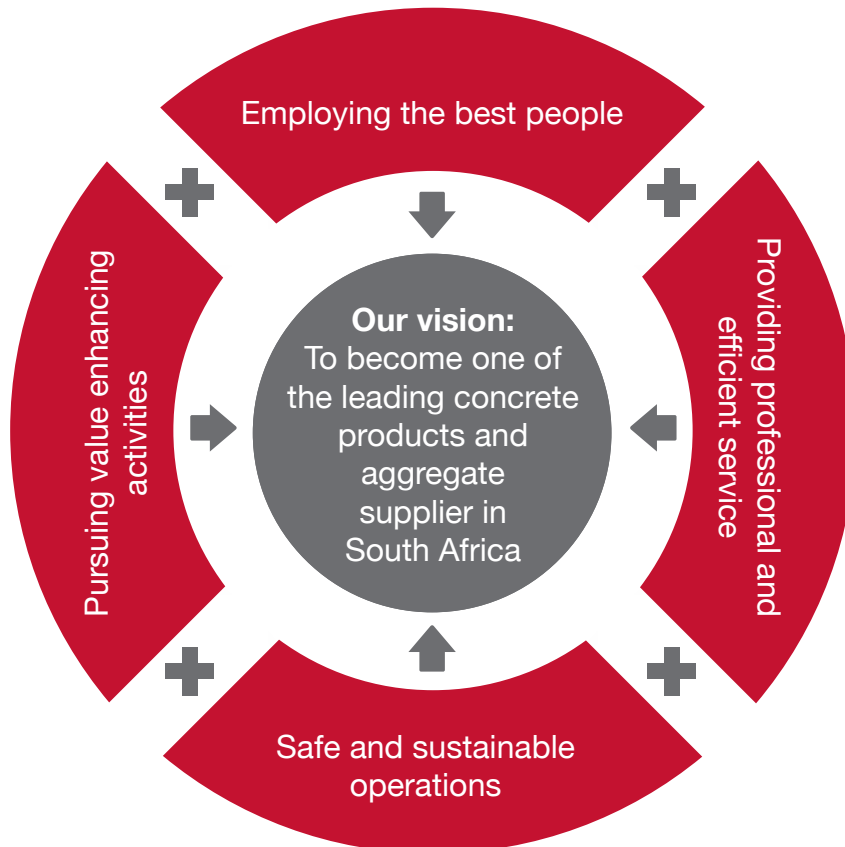
The Group has operations in Gauteng, North West, Limpopo, Free State and KwaZulu-Natal. Our products

and services include aggregates, ready-mixed concrete, pre-cast concrete products, mobile crushing and contracting services. The Group supplies customers in the construction, housing and mining industries and to various government projects.

What was once a small family business is today a JSE AltX listed company operating across a large portion of South Africa with a staff compliment of over 600 people.

The Group’s goal is to be one of the leading concrete products and aggregate suppliers in South Africa. We strive to achieve this by providing a professional service and a complete range of products and contracting services to the building industry, establishing us as the preferred supplier in all the areas we operate.

OUR VISION



GROUP STRUCTURE






WG WEARNE LTD



GEOGRAPHICAL FOOTPRINT



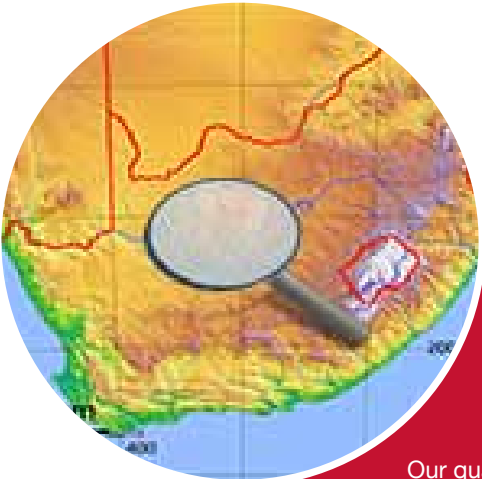
| | |
|--------------------------------------------------------------------------------------|--------------------|
|  | AGGREGATES |
|  | PRECAST |
|  | READY-MIX CONCRETE |

BUSINESS MODEL OVERVIEW



Gaining and maintaining our social and legal license to operate is critical to the sustainability of our business. We continuously assess our processes to ensure that we meet legislative and legal requirements.

SECURE



Our quarries and plants are situated in 5 provinces of the country. We strategically locate areas of the country after performing assessments and market research. Careful quarry planning ensures the best method of exposing the "production face".

FIND



- Drilling and Blasting
- Waste rock/tailings
- Excavation

EXTRACT

- Crushing
- Screening and Sorting
- Washing



PROCESS

We offer efficient and effective transport of all our products

MOVE



SELL

We collaborate with customers around the country to tailor products to their specific needs. Aggregates are internally supplied to the readymix and precast division for the manufacture of product. Our Products range from aggregates, readymix concrete, concrete manufacturing products and crushing and earthworks services



SUMMARY OF KEY ACHIEVEMENTS

HEALTH AND SAFETY

- ➔ **Zero** Fatalities
- ➔ Reduction in lost time injuries



PEOPLE

- ➔ **No** retrenchments
- ➔ **77%** of workforce HDSA
- ➔ 3 year wage deal signed with two unions



CORPORATE GOVERNANCE

- ➔ Compliant with King III
- ➔ Continued rollout of whistle blowing facility with financial reward incentive
- ➔ Continuously improved induction processes



FINANCIAL

- ➔ Increase in revenue of **9.3%**
- ➔ Increase in operating profit of **62.8%** to R23 million
- ➔ Increase of EBITDA to R58.3 million from R53.5 million
- ➔ Headline loss per share improved to 2.83 cents from 6.07 cents in 2014



OPERATIONAL CONTEXT



FAST FACTS

- Founded in 1910
- Supplier of Aggregates to the road and construction industry
- 8 Operational quarries situated in the following provinces: Gauteng, Limpopo, Free State, KZN
- Percentage contribution to Group revenue: 43%
- Member of ASPASA (Aggregate Producers Association of South Africa)

PRODUCTS AND SERVICES

Base course materials (G1 – G3)

- Sub base materials (G5– G7)
- 6.7mm-37mm Concrete stone
- 6.7mm-19mm Road stone
- Dump rock
- Ballast stone
- Crusher sand
- River sand (Decomposed Granite)



FINANCIAL OVERVIEW AND PROSPECTS

FINANCIAL OVERVIEW

The business unit performed well in the current year achieving an increase in external turnover of 25%. Higher margins were achieved as a result of increased revenue and cost cutting measures which yielded higher margin percentages. The improved performance was as a result of a robust marketing strategy, competitive pricing and increased government infrastructure spend in certain areas. Construction in the residential market also contributed to the business units results.

PROSPECTS

We remain optimistic that the Aggregates business will continue to grow as the construction industry and road building industries are set to improve in the years to come as a result of government's infrastructure expenditure. This along with management's continued monitoring of spending and marketing will ensure that our aggregate business continues to remain a steady player within the industry.

MOBILE CRUSHING & EARTHWORKS

FAST FACTS

MOBILE CRUSHING

- Contract Crushing
- Over 30 years of experience in mobile crushing and screening
- Provides mobile crushing, contract crushing and services to mines, civil companies, demolition contractors and construction companies throughout South Africa
- Percentage contribution to Group revenue:7%

EARTHWORKS

- Established in 2013
- Engineering, procurement and construction (EPC)
- Current project – supply of earthworks and concrete products to Abeinsa EPC in Northern Cape

PRODUCTS AND SERVICES

The most popular stone sizes our mobiles crush:

- Base course materials (G1-G3)
- Sub base materials (G5-G7)
- 6.7mm stone
- 9.5mm stone
- 13.2mm stone
- 19 mm stone
- 26.5mm stone

EQUIPMENT AVAILABLE FOR HIRE:

- 8 x Jaw crushers
- 6 x Cone crushers
- 8 x Aggregate Screens
- 3 x vSI Crushers
- Excavators and loaders required to effectively operate a plant



FINANCIAL OVERVIEW AND PROSPECTS

FINANCIAL OVERVIEW

The contract crushing division contributed R35 million revenue to the Group. The biggest contributor to this was an EPC contract to provide earthworks services for the construction of Xina Solar farms in the Northern Cape which is considered a remarkable achievement for the Group, as the Group expands into the EPC sector. The Group is well placed in the market having obtained the contract despite tough competition. The project involves the development of Xina Solar one, a 100 MW parabolic plant with a five hour thermal energy storage system using molten salts.

PROSPECTS

The business unit expects to obtain more contracts in the EPC segment as more contracts for earthworks are expected to be rolled out in the next financial year which will benefit the business unit and Group. The mobile division is also expected to grow as more external work has been awarded.

FAST FACTS

- Operates in Polokwane but services the entire Limpopo province
- Makes use of internally produced internationally recognised technology
- Concrete manufactured products meet SANS specifications ISO 9001 quality assurance system
- Industries served: Road construction, civil industry as well as any other industry requiring specialised products
- Percentage contribution to Group revenue: 5%

PRODUCTS AND SERVICES

Our superior technology provides the following quality products:

- Concrete Pipes
- Culverts
- Man Holes



FINANCIAL OVERVIEW AND PROSPECTS

FINANCIAL OVERVIEW

The business unit continued to grow and improve on its remarkable performance in the prior year with an increase in revenue of 51.6%. The new state of the art machinery manufactured in the prior year assisted in new product lines being introduced and allowed for product to be produced in a faster time frame. This gave the business unit a competitive edge which was capitalised on. The government's infrastructure spend in the Limpopo area materialised in the current year.

PROSPECTS

We are optimistic that the impressive results gained in the current year will be improved on in the next financial year as the business unit continues to improve on its business model and strategy. The current machinery will continue to give the business an added advantage and firmly set it as a steady player in the industry.

FAST FACTS

- Operating in the industry for over 45 years
- Situated in 4 provinces in South Africa with 10 active plants
- Supplier of concrete to the following industries: Housing, industrial, commercial, mining and civil sectors
- Member of SARMA (South African Readymix Association)
- Percentage Contribution to group revenue: 45%

PRODUCTS AND SERVICES

GENERIC CONCRETE RANGE

- No fines
- Screeds
- Mortars (retarded and normal)
- Concrete for pumping

WEARNE SPECIALITY CONCRETE

- Wearne Easyflow
- Wearne Triblend

HIGH PERFORMANCE CONCRETE

- High-Strength Concrete
- Early-Strength Concrete
- FibreCrete
- High Density Concrete



FINANCIAL OVERVIEW AND PROSPECTS

FINANCIAL OVERVIEW

The Ready Mix business unit saw a decrease in revenue of 1.1% as a result of a tough macroeconomic environment. Sales margins were under pressure due to the highly competitive environment and oversupply of cement in the industry.

PROSPECTS

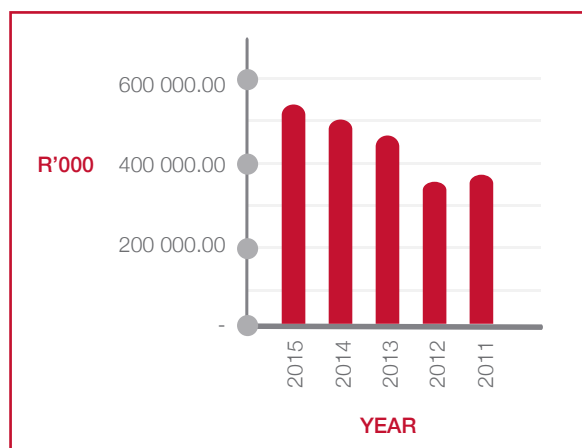
The company implemented a new sales and operational strategy which is expected to improve the financial and operational results of the company. As the construction industry continues to improve and recover in the short term, we remain optimistic of the future. As a company and Group, we are determined to continue contributing to the economy by providing the best quality materials for construction and thus aiding in the development of the country. The residential market has shown promising improvement in the current year and this is expected to have a positive impact on the business unit.

FINANCIAL REVIEW

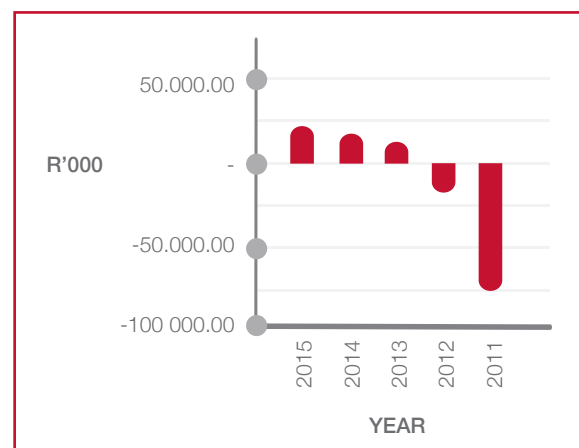
FIVE YEAR FINANCIAL REVIEW

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|----------------------------------------------------------------------------|----------|----------|----------|----------|-----------|
| Total assets (R'000) | 429,653 | 440,845 | 433,062 | 450,584 | 504,886 |
| Net working capital (R'000) | (26,549) | (17,084) | (27,698) | (33,705) | (14,265) |
| Total equity (R'000) | 54,701 | 48,908 | 35,489 | 52,786 | 61,451 |
| Total borrowings (R'000) | 227,111 | 266,123 | 270,739 | 263,032 | 223,215 |
| Net asset value per share (cents per share) | 20.03 | 17.91 | 13.00 | 19.33 | 24.91 |
| EBITDA interest cover (times) | 0.86 | 0.27 | (0.72) | (1.47) | (3.13) |
| Revenue (R'000) | 506,561 | 463,278 | 400,001 | 305,870 | 370,461 |
| Gross Profit (R'000) | 110,688 | 91,856 | 84,523 | 58,072 | 26,701 |
| Gross profit margin (%) | 21.85 | 19.83 | 21.13 | 18.98 | 7.2 |
| Normalised EBITDA | 58,300 | 53,786 | 41,176 | 20,296 | (28,819) |
| Normalised EBITDA margin (%) | 11.5 | 11.6 | 10.3 | 6.63 | (7.78) |
| Operating profit (R'000) | 23,001 | 14,127 | 7,160 | (18,346) | (77,499) |
| Profit/(loss) for the year (R'000) | 5,791 | 13,421 | (17,374) | (11,683) | (148,502) |
| Normalised EPS (cents per share) | (2.28) | 3.69 | (5.61) | (21.76) | (45.36) |
| Normalised HEPS (cents per share) | (2.83) | (6.07) | (6.15) | (19.88) | (21.12) |
| Cash generated from operations (R'000) | 46,299 | 53,411 | 31,729 | 24,516 | 75,102 |
| Dividends paid | - | - | - | - | - |
| Investment in property, plant and equipment | 16,051 | 16,191 | 9,003 | 18,370 | 8,490 |
| Weighted average number of ordinary shares in issue during the year ('000) | 273,038 | 273,038 | 273,038 | 273,038 | 246,715 |

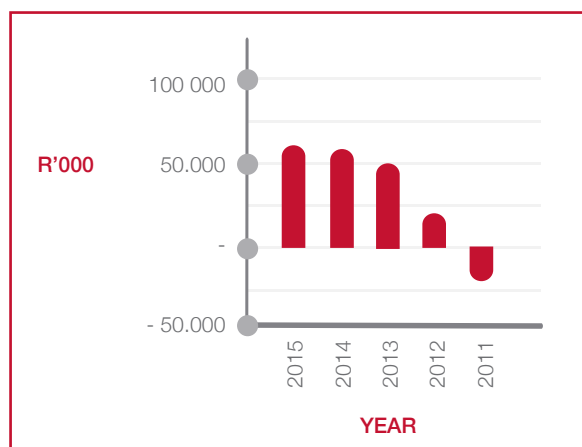
REVENUE



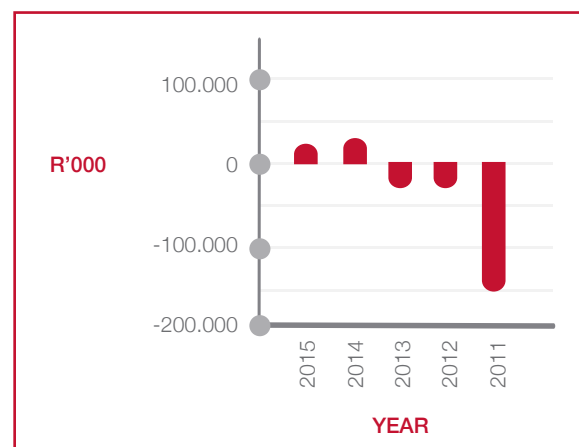
OPERATING PROFIT



NORMALISED EBITDA



PROFIT/(LOSS) FOR THE YEAR



MANAGEMENT REVIEW



MANAGEMENT REVIEW

OVERVIEW

The Chairman and CEO are proud to present the Group's 2015 annual report reflecting another year of significant improvement despite operating in a tough macro-economic environment. The Group continued to improve in a difficult economic environment plagued by the energy crisis, industrial action in the mining and steel sectors, slow growth, high competition and less than anticipated government spend on infrastructure. This improvement is clearly reflected in the Group's continued improvement in EBITDA and headline earnings over the last few years which is the result of the continued monitoring and implementation of turnaround strategies implemented in 2012. These strategies continue to bear fruit as improvements were seen in almost all of the individual operating units.

The Group continues to strive to be one of the leading concrete products and aggregate suppliers in South Africa. We aim to achieve this by providing a professional service and a complete range of products to the building industry, establishing the Group as a preferred supplier to the sectors in which it operates. The Group is excited as the expansion into contracting services had another successful year and will continue to remain a strategic growth area.

FINANCIAL PERFORMANCE

Group revenue increased by 9.3% (or R43.3 million) to R507 million (2014: R463 million) for the year ended 28 February 2015. The ready-mixed concrete division sales decreased by 1.1% (or R2.5 million) to R228 million (2014: R231 million). The Group's aggregates and contracting divisions performed admirably with a 17.5% or R37.9 million increase in revenue period-on-period (excluding inter-company sales) to R255 million. The precast division (concrete manufactured products) had another successful year with a 51.6% or R7.9 million increase in revenue.

The Group's gross profit margins increased to 21.9% (2014: 19.8%) despite margins falling in the ready mixed concrete division. This was due to higher margins in the contracting and aggregate divisions where increased turnover and additional cost cutting measures yielded higher margin percentages.

The Group's EBITDA improved by 9% to R58.3 million (2014: R53.5 million). During the year the Group disposed of unproductive assets resulting in proceeds of R7.6

million. In addition, the Group also improved some of its critical plant by spending R16 million on these assets.

The Group reflects a total comprehensive profit of R5.8 million (2014: R13.4 million which included the gain on property revaluations of R29.5 million, net of deferred tax). The 2015 comprehensive profit includes the revaluation of R11.6 million on the Brandvlei Quarry.

Total liabilities decreased by R17 million to R375 million (2014: R392 million) and the Group settled R39 million in borrowings.

The current year performance resulted in a headline loss per share of 2.83 cents (2014: loss of 6.07 cents) and a diluted loss per share from continuing operations of 2.28 cents (2014: earnings of 3.69 cents). The net asset value per share increased to 20.03 cents (2014: 17.91 cents).

SOLVENCY, LIQUIDITY AND GOING CONCERN

The Group incurred a headline loss for the 2015 financial period of R7.7 million. This highlights a material uncertainty regarding the going concern issue which is emphasised further by the Group's negative liquidity position and high gearing.

The Group is currently technically solvent with a net asset value of R54.7 million. Current liabilities of R177 million exceed current assets of R101 million by R76 million. An arrangement was made with the Industrial Development Corporation where the loan repayments have been restructured in order to better assist the Group with its working capital requirements. The Group has been working closely in conjunction with its financiers in order to meet all its obligations.

CASH FLOW

The Group's cash flow management remains a priority and is monitored and reviewed by management in order to ensure the Group's obligations are met when due. Working capital remains a focus area as management continue to closely manage cash flow as liquidity remains under pressure mainly due to the highly geared position of the Group.

PROSPECTS

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. This constant monitoring has seen improvements in almost all of the individual operating units.

The ready mixed concrete division was the most affected by the tough macro-economic environment which was compounded by the over-supply of cement in the industry resulting in increased margin pressures. An intensive sales drive and pricing strategy has been implemented to gain market share and increase volumes sold. The residential market has shown improvement recently which is positive based on our position in the market.

The aggregates and contracting business improved external turnover by 17.5% year on year. Margins continued to remain under pressure due to high energy costs but there was improvement year on year as further cost cutting measures bore fruit. The aggregates division's outlook remains positive as infrastructure projects have materialised and government infrastructure should ensure the divisions growth.

The Concrete Manufactured Products division benefited from the additional capital expansion resulting in new product lines. The increased competitiveness in the market resulted in a turnover increase of an admirable 51.6% or R7.9 million. A greater demand for concrete pipes and culverts are occurring as increased road building projects materialise in the Limpopo Province.

Despite the difficult macro-economic environment the Group is positive for the future. There is continued focus on strategic initiatives and cost reduction opportunities in order to continue with the implemented turnaround. Together with expected industry improvements, our current position in the market and valued employees we will continue to grow and improve within the market.

SUSTAINABILITY

The Group values the importance of sustainable development and the Board and executive leadership remain committed to ensure that our activities takes into account the economic, social and environmental impacts on the communities in which the Group operates. We continue to evaluate our activities against best practices, implement corrective action where necessary and make meaningful progress in benefitting the communities in

which we operate. Managing the economic, social and environmental impacts of our operations is essential to our long term success.

The Group continues its emphasis on safe work environments and is proud to meet the key safety objective of zero fatalities during the period under review. The Group is proud of the improvements it has made during the past financial year in prioritising a safe work environment.

GOVERNANCE

This annual report outlines how the Group is progressing with its journey to apply the principles set out in the King Report. The Group's Directors endorse the code of corporate practices and conduct set out in the King III report on corporate governance. The Group complies with the Companies Act no. 71 of 2008, the Listing Requirements of the JSE Limited and other relevant legislation.

DIVIDEND POLICY

In line with Group Policy, the Board has resolved that no dividend has been declared.

APPRECIATION

We extend our gratitude to the Board and the Executive Team for their leadership and counsel and to the employees who have continued to show loyalty and commitment.

A special thanks to all stakeholders including our bankers, creditors, advisers and customers for your ongoing support.



M Patel



SJ Wearne

HUMAN CAPITAL



HIGHLIGHTS

- ➔ **Zero** Retrenchments
- ➔ No incidents of discrimination reported
- ➔ 3 Year wage deals signed with 2 Unions
- ➔ Only 1 day of Industrial Action in Pietermaritzburg
- ➔ **1 585 410** Person Hours Worked

2016 OBJECTIVES

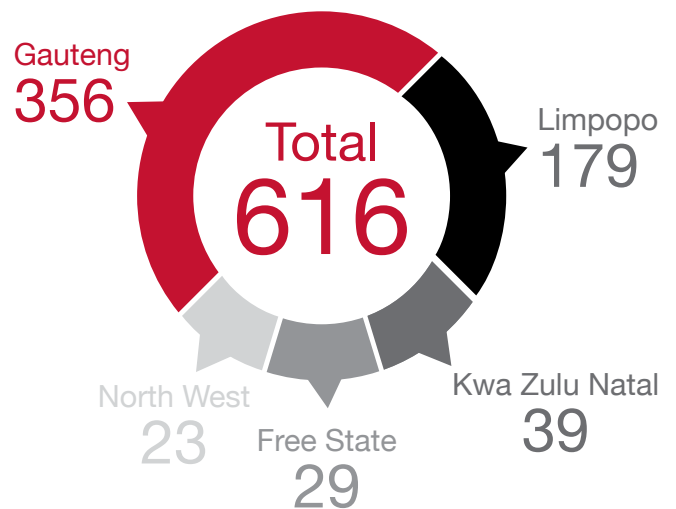
- ➔ **Zero** Retrenchments
- ➔ Successful completion of learnership programmes
- ➔ Approval and Implementation of Social and Labour Plans for Limpopo region and Pietermaritzburg

While the Group is highly regarded for our service quality and vast experience in the opencast mining and ready mixed concrete field, we are equally recognised as a company which takes care of its employees and provides an excellent work environment coupled with opportunities for development. We are committed to providing a workplace based on professionalism, passion, respect, integrity and non-discrimination. We strive to ensure compliance with all labour legislation.

We attract and retain employees by focusing on the development of employees, communicating openly and sharing information, caring for employees and recognising achievements and celebrating success.

| Resignations and Dismissals as a percentage of total terminations | 2015 | 2014 |
|-------------------------------------------------------------------|------|------|
| Resignations | 8.9% | 6.6% |
| Dismissals | 3.4% | 2.1% |

TOTAL WORKFORCE PER REGION



HUMAN CAPITAL

EMPLOYMENT EQUITY



Recruitment and development plans are focused on meeting the Group's Employment Equity target as set out in the 3 year employment equity plan. The plan addresses the following long and short term measures: Affirmative action measures, skills development programmes, learnership programmes as well as diversity training.

Group EE profile as at 28 February 2015:

| Occupational Level | Male | | | | | Female | | | | | Total |
|--------------------|------------|----------|----------|-----------|----------|-----------|----------|----------|-----------|----------|------------|
| | African | Coloured | Indian | White | FN | African | Coloured | Indian | White | FN | |
| Top Management | 1 | 0 | 0 | 4 | 0 | 0 | 0 | 1 | 0 | 0 | 6 |
| Senior Management | 1 | 0 | 1 | 8 | 0 | 1 | 0 | 0 | 2 | 0 | 13 |
| Professional | 7 | 0 | 2 | 14 | 0 | 1 | 0 | 0 | 3 | 0 | 27 |
| Skilled | 50 | 1 | 2 | 59 | 3 | 7 | 4 | 2 | 29 | 3 | 159 |
| Semi-skilled | 260 | 2 | 0 | 10 | 1 | 14 | 1 | 0 | 12 | 1 | 306 |
| Unskilled | 100 | 0 | 0 | 1 | 0 | 12 | 0 | 0 | | 0 | 100 |
| Total | 419 | 3 | 5 | 96 | 4 | 35 | 5 | 3 | 46 | 4 | 611 |

SKILLS DEVELOPMENT AND TRAINING

We consider our employees as part of a team that values individual strengths and believes that each employee contributes to the success of the organisation; we do our best to demonstrate this.

The overall Human Resources Development approach in the Group provides a broad scope for growth opportunities allowing employees to access career developments across all operations.

| | 2015 | 2014 |
|---------------------------------------|------------------|------------------|
| Training Spend | Decreased by 38% | Increased by 57% |
| ABET (percentage of employees) | 8.76% | 11.47% |
| Learnership (percentage of employees) | 1.94% | 2.1% |

The Group offers ABET Training to all employees in order to equip them to meet the entry requirements of the Learnership Programme.

In an effort to increase the artisan pool to meet the Group's technical requirements, emphasis is placed on the recruitment and development of learners through registered learnership programmes. The company plans to have a new intake of learners in 2017. This process applies to both employed and unemployed learners. The placement of learners to gain practical experience is managed according to the size of the operation in order to give learners as much experience as possible to develop their skills.

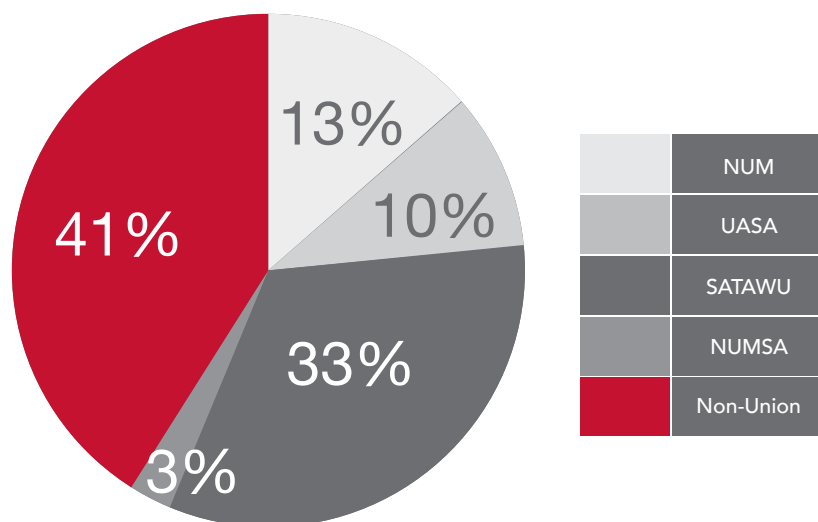
The Skills Development and Training Plan is geared to ensure that all employees have the necessary skills and competencies to meet required performance standards and to address training and development needs, that will enhance present job competence and prepare employees for career growth and portable skills. A training needs analysis was done to identify training needs and spend for the year.

We place emphasis on technical skills training to assist in overcoming scarce-skills shortages in our business environment as well as ensuring our overall equipment effectiveness (OEE) targets are achieved. In addition to the Group's technical focus, the Group will continue to develop management and supervisory competencies and to support individual development priorities.

We place emphasis on technical skills training to assist in overcoming scarce-skills shortages in our business environment as well as ensuring our overall equipment effectiveness (OEE) targets are achieved. In addition to the Group's technical focus, the Group will continue to develop management and supervisory competencies and to support individual development priorities.

STAKEHOLDER COMMUNICATION

The Group supports the rights of employees regarding union representation. We believe in a proactive approach in terms of stakeholder engagement. 59% of our workforce are represented by unions with the majority union being SATAWU.



We will continue transparent stakeholder engagement with concerned parties to ensure a harmonious work environment.

BROAD BASED BLACK ECONOMIC EMPOWERMENT

The Group is presently rated as a level 3 contributor in terms of the generic codes of the Department of Trade and Industry. The verification was performed by SERV (Pty) Ltd and is valid until February 2016.

| | 2015 | 2014 |
|----------------------------|--------------|--------------|
| Ownership | 22.50 | 22.24 |
| Management | 7.84 | 8.55 |
| Employment Equity | 3.55 | 3.91 |
| Skills Development | 10.54 | 11.00 |
| Preferential Procurement | 18.12 | 18.04 |
| Enterprise Development | 10.26 | 10.32 |
| Socio-Economic Development | 5 | 5 |
| Total Score | 78.81 | 79.06 |
| BBBEE Level | 3 | 3 |

SOCIAL CAPITAL AND THE COMMUNITY

The Group acknowledges its responsibility towards the communities' in which it operates as well as broader development projects. We are committed to the development and up-liftment of local stakeholders whereby we engage in Local Economic Development Projects and offer community bursaries. During the financial year we awarded 26 bursaries to students who successfully completed their matric year and furthering their studies at the University at Witwatersrand and the Maluti FET College.

HEALTH & SAFETY



HIGHLIGHTS

- ➔ **Zero** fatalities
- ➔ **67%** improvement in the disabling injury frequency rate (DIFR)
- ➔ Favourable external compliance audits conducted by ASPASA and SARMA
- ➔ No new cases of Silicosis or Noise Induced Hearing Loss reported
- ➔ **3 Safety officers appointed**

2016 OBJECTIVES

- ➔ **Zero** Fatalities
- ➔ Reduction in lost injuries by 55%
- ➔ No medical treatment cases (MTC)
- ➔ Reduction of First Aid Cases (FAC) by 5%
- ➔ Reduction in DMR Section 54 stoppages by 20%
- ➔ No new cases of Silicosis and Noise Induced Hearing Loss
- ➔ Maintain compliance with NEMA, MPRDA and all applicable legislation

DEALING WITH REGULATORY BODIES

Improved relationships with the DMR by implementing timeous corrective actions and review of systems to correct deviations.

ENHANCING POLICIES

Annual review of current SHE policies, procedures and codes of practice in order to resolve potential non-compliance issues.

HEALTH & SAFETY

2015 SHE CORPORATE OBJECTIVES

| OBJECTIVE | MEASURE | TARGET FOR THE YEAR | % TARGET OBTAINED | STATUS |
|--------------------------------------------------------------------|-------------------------------------|---------------------|-------------------|----------|
| Zero Fatalities | Operations to achieve zero fatality | 100% | 100% | Achieved |
| Reduction in lost time injuries | Reduction in lost time injuries | 50% | 78% | Achieved |
| Reduce NIHL (Noise Induced Hearing Loss) Cases as compared to 2014 | No New Cases reported | Zero | 100% | Achieved |

One of the Group's main focuses is to ensure a safe and healthy workplace for all employees in order to work towards achieving Zero Harm. The purpose of the health and safety system is to define how the Group will manage risks, identify and mitigate risks, implement a process to identify and correct non-conformances and continually improve processes.

Furthermore the health and safety system is continuously reviewed to ensure compliance with the relevant legislation namely, the Occupational Health and Safety Act and Mine Health and Safety Act as well as other relevant legislation and guidelines provided by the Department of Mineral and Resources.

The Group ensures that all employees are equipped with the relevant training to enhance and emphasise a safe and healthy workplace for all stakeholders. The following training was conducted during the year: Safety induction, Environmental Induction for all employees, First Aid, Fire Fighting, Risk Assessment, Incident Investigation, Safety Representative, Mine Health and Safety Act, and Operator training.

Annual periodical and exit medicals are conducted by a registered Occupational Nurse and Medical Practitioner in order to detect occupational illness and/or diseases.

Monthly Occupational Hygiene surveys are carried out on all quarries by a registered Occupational Hygienist as per the requirements of the Mine, Health and Safety Act.

All accidents and incidents (which include damage to property, near misses, first aid and medical cases as well as environmental incidents) are reported on the daily incident/accident report. A competent investigation team conducts a full formal investigation to identify the root cause of incidents or accidents which is then addressed to ensure non-recurrence. We are active members of the Aggregates and Sand Producers Association of South Africa (ASPASA) and the South African Ready Mix Association (SARMA) who annually conduct audits at our operations.

STATISTICS FOR FINANCIAL YEAR



ENVIRONMENTAL RESPONSIBILITY

ENVIRONMENTAL
RESPONSIBILITY

ENVIRONMENTAL RESPONSIBILITY

ENVIRONMENT

The Group's Environmental Policy recognises concern for the environment as fundamental to our operations. The Group's policy not only requires legislative compliance but extends to best practice. Periodic audits of our environmental policies against international standards and guidelines are undertaken to meet the Group policy statement. Annual review of the environmental management programme reports are conducted in order to identify any aspects that could have a significant impact on the environment.

All Stakeholders are obliged to comply with the environmental management programme reports and take preventive action to mitigate the potential and actual environmental impact of the Group's activities, products and services. All operations have an alien vegetation removal programme in which unwanted vegetation is removed in accordance with government legislation.

Monthly reporting of dust fallout levels for each quarry, with specific focus on the compliance of fallout levels with the National Dust Control Regulations.

All operations are engaged in the recycling of waste and bi-products from our production process. Water recycling has been introduced at a number of the Groups quarries and ready mix concrete operations. Where water is present on our operations we endeavour to maintain these areas free from pollution.

About Face Environmental Audits are conducted at all quarries by ASPASA, furthermore, an external party measures all quarries against the Environmental Management Plan (EMP) on a bi-annual basis



SOCIAL CAPITAL



SOCIAL CAPITAL

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

JOHN WEARNE (45)

CHIEF EXECUTIVE OFFICER

B Rek (Stell), Hons B Compt

John joined Wearne as Financial Manager in 1998, was appointed as Financial Director in 2000 and then as CEO in 2003. He resigned as CEO in November 2010 and was re-appointed with effect from 29 February 2012. John



has extensive operational and industry knowledge and has been instrumental in growing the Group into the listed entity it is today.

MICHAEL ROSS (30)

CHIEF FINANCIAL OFFICER

B Comm (Wits), B Compt
Hons (UNISA), CA (SA)

Michael completed his articles with RSM in 2010 and joined the Group's finance team in 2011. After performing roles of the Group Accountant and Financial Manager he was appointed as Chief Financial Officer effective 7 March 2014.



NON-EXECUTIVE INDEPENDENT DIRECTOR

MITESH PATEL (41) (INDEPENDENT)

CHAIRMAN

B Acc (Wits), CA (SA)

Mitesh is currently the Managing Partner at Nkonki Inc, one of the leading black firms of chartered accountants, and also serves on the Boards of various other listed companies.



MATSOBANE KHWINANA (51)

B COMPT HONS (UNISA)

Matsobane served articles at Deloitte and Touche in Johannesburg. As part of his career development, Matsobane has attended various courses in Private Equity and Venture Capital. He currently works for

Industrial Development Corporation of South Africa Limited (IDC) in the Workout and Restructuring Department where he is responsible for managing a portfolio of IDC clients that are in distress.



WESSEL VAN DER MERWE (45) (INDEPENDENT)

B COMM (UJ), B COMM HONS, CA (SA),

Wessel has been involved with Wearne since its initial listing and brings a wealth of experience and knowledge to the Board. He has served as a member of the AltX Advisory Committee since 2007 and previously headed a corporate advisory business for more than 16 years. He also serves on the boards of several listed companies.



CORPORATE GOVERNANCE REPORT

The JSE has included certain aspects of South Africa's King III Report on Corporate Governance ("King III") in its Listings Requirements. The Board has adopted the recommendations on good corporate governance contained in the King III Report, as well as the King Code of Governance Principles for South Africa. The King III principles and recommendations have been implemented across the Group. A full report of the Group's compliance with each of the King III principles is available on pages 38 to 39.

MEMORANDUM OF INCORPORATION

On 1 May 2011, South Africa's Companies Act No 71 of 2008 (as amended) ("the Act") came into force – replacing the Companies Act No 61 of 1973. Although already compliant with most of the terms of the Act prior to it coming into force, during 2013 the Group embarked upon additional actions to ensure full conformance with the Act and the amended JSE Listings Requirements, including implementation of the new Memorandum of Incorporation ("MOI") (which replaces the previous Memo and Articles of Association).

THE BOARD OF DIRECTORS

The Board is the focal point for corporate governance and responsible to set the tone for ethical leadership throughout the organisation. It is responsible to shareholders and stakeholders for sustainable performance of the Group. The Board takes overall responsibility for the success and prosperity of the Group. The Board's role is to exercise sound leadership and judgment in directing the Group to achieve sustainable growth, having due consideration to a balanced financial, social and environmental performance, and taking into account the legitimate expectations of its stakeholders in making decisions in the best interest of the Group. The Board charter articulates the objectives and responsibilities of the Board. Likewise, each of the Board sub-committees operates in accordance with written terms of reference, which are regularly reviewed by the Board.

At the date of issuing the Annual Report the Board comprised five Directors, of which only two are executive Directors and three are non-executive Directors, two of whom are independent and free from any business or other relationships which could materially interfere with the exercise of their independent judgement. Advised by the remuneration and nominations committee, the Board ensures that the election of independent Directors falls on reputable persons of well-known competence and experience, who are willing to devote a sufficient part of their time to the Group.

Details of the Directors in office on 28 February 2015 appear on page 30 of this report.

The roles of the chairman of the Board and the chief executive officer ("CEO") are kept separate, each with clearly defined roles and responsibilities. Independent non-executive director, Mr MM Patel, was the chairman of the Board with executive director Mr SJ Wearne as the CEO of the Group throughout the financial year under review. There is a clear division of responsibilities on the Board which forms part of the policy to ensure a balance of power.

The Board reviewed the previously approved Board charter to align it to the recommendation of King III. The Board charter compels Directors to promote the vision of the Group, while upholding sound principles of corporate governance. The Board charter sets out the primary functions of the Board as being to:

- retain full and effective control of the Group;
- review and approve corporate strategy;
- approve and oversee major capital expenditure, acquisitions and disposals;
- review and approve annual budgets and business plans;
- monitor operational performance and management;
- determine the Group's purpose and values;
- ensure that the Group complies with sound codes of business behaviour;
- ensure that appropriate control systems are in place for the proper management of risk, financial control and compliance with all laws and regulations;
- appoint the CEO and ensure proper succession planning for executive management;
- regularly identify and monitor key risk areas and the management thereof; and
- oversee the Group's disclosure and communication process.

SOCIAL CAPITAL

The Board's governance procedures and processes are continuously being reviewed and a number of specific policies have been adopted by the Board, expanding on the content of the Board charter in the following areas:

- Communication on behalf of the Group and the Board;
- Conflict of interest;
- Access to professional advice;
- Social responsibility policies;
- Access to external professional advice;
- Legal compliance;
- Trading in company shares.

To avoid conflict of interest and in compliance with section 75 of the Companies Act 71 of 2008, Board members must disclose their interest in material contracts involving the Group. In addition, Board members must recuse themselves from deliberations or the decision-making process relating to any matter in which such member may have a personal financial interest.

The Board is required to meet at least four times a year. During the 2015 financial year, the Board convened five times. Quarterly Board meetings have been included in the Board's annual calendar. In addition to the above, the Board reviewed the previously approved governance work plan to ensure that Board discharged its duties in a structured manner and that all governance issues are considered and appropriately dealt with in an annual cycle.

The daily management of the Group's affairs is the responsibility of the CEO. In addition to the annual work plan, an approvals' framework is also in place, setting out the respective responsibilities and levels of authority of the Board and executive management. The Board is kept informed of all developments at the Group, primarily through the executive Directors. At the time of publishing the annual report, the composition of the Board was as follows:

| | |
|--------------------|---------------------------------------------|
| Mr M Patel | Chairman Independent non-executive director |
| Mr SJ Wearne | Chief executive officer, executive director |
| Mr W van der Merwe | Independent non-executive director |
| Mr M Khwinana | Non-executive director |
| Mr MJ Ross | Chief financial officer, executive director |

All Directors have access to the advice and service of the company secretary who is responsible to the Board for ensuring compliance with procedures and applicable statutes and regulations. The company secretary administers corporate governance within the Group and provides counsel and guidance to the Board on the proper discharging of their powers, duties and responsibilities. All Directors, executive and non-executive, may liaise with the company secretary on agenda items for Board meetings.

iThemba Governance and Statutory Solutions Propriety Limited, represented by Claire Middlemiss (FCIS CSSA) is the company secretary. Ms Middlemiss has nearly 15 years' experience as a company secretary and is actively involved in assisting the Board in its governance initiatives.

During the year under review, the Board is satisfied with the competence, qualifications and experience of the company secretary and that an arms-length relationship was maintained with the Board of Directors. Contact details of the secretary are disclosed under corporate details. In addition, the board has satisfied themselves that there is an arms-length relationship with the company secretary, due to the fact that the company secretary is not a director of the group.

In accordance with the MOI, and in order to facilitate continuity of the Board, one-third of the non-executive Directors shall retire from office at each AGM and their reappointment is subject to shareholders' approval. All non-executive Directors are subject to retirement and re-election by shareholders every second year. In addition, all Directors are subject to election by shareholders at the first opportunity after their initial appointments. The Board, assisted by the remuneration and nominations committee, recommends the eligibility of retiring Directors (subject to availability and their contribution to the business) for reappointment. The director retiring by rotation at the forthcoming AGM is Mr M Khwinana.

Summary of attendance table of Board meetings during the financial year ended 28 February 2015

| Member | 07/03/2014 | 29/05/2014 | 29/07/2014 | 04/11/2014 | 23/02/2015 |
|------------------|------------|------------|------------|------------|------------|
| M Patel | P | P | P | P | P |
| WP van der Merwe | P | A | P | P | A |
| M Khwinana | P | P | P | P | P |
| SJ Wearne | P | P | P | P | P |
| MJ Ross | P | P | P | P | P |

Key:
P - Present

REMUNERATION

Details of Directors' fees and remuneration are fully disclosed in note 33 to the consolidated financial statements. In addition, the proposed fees to be paid to non-executive Directors for approval by shareholders by way of a special resolution are set out in the notice of the AGM forming part of this report. Non-executive Directors only receive remuneration that is due to them as members of the Board. Directors serving as members on Board sub-committees receive additional remuneration. Remuneration of executive Directors in their capacities as executive members of the management team as approved by the remuneration and nominations committee is fully disclosed in note 33 to the consolidated financial statements.

MONITORING OF PERFORMANCE

The chairman is appointed on an annual basis by the Board, with the assistance of the remuneration and nominations committee. The remuneration and nominations committee assesses the independence of non-executive Directors annually.

In line with recommendations by King III, in 2015, a detailed self-assessment of the performance of the Board and its committees was conducted in line with the latest recommendations by King III and the results thereof were considered in order to identify areas for improvement. The assessments found the structures and processes governing the Board and its committees were well established and functioning satisfactorily. It also found that the Board had fulfilled its role and responsibilities and had discharged its responsibility to the Group, shareholders and other stakeholders in an exemplary manner.

The independence of the independent non-executive Directors has been assessed and there are no conflicts to be reported.

BOARD COMMITTEES

The Board has established a number of standing committees with delegated authority from the Board. Each committee has agreed terms of reference as approved by the Board that addresses issues such as composition, duties, responsibilities and scope of authority.

Although the Board delegates certain functions to these committees, it retains ultimate responsibility for their activities. The committee members are all non-executive Directors and the chief executive officer and Group financial director are permanent invitees to each committee meeting. Each Board committee is chaired by an independent non-executive director.

Committees operate in accordance with Board approved terms of reference, as well as annual work plans, which are reviewed and updated on a regular basis to align them further with best practice. The Board appoints the chairmen and the members of these committees. In addition, the committees are required to evaluate their effectiveness and performance on an annual basis and to report the respective findings to the Board for consideration. The Board has an audit, risk, remuneration and nomination committee as well as a social and ethics committee. All these committees operate under Board approved terms of reference.

AUDIT COMMITTEE

The committee consisted of two independent non-executive Directors and one non-executive director from 28 October 2014 to 28 February 2015. Mr Salanje who had been a member resigned in March 2014 and was officially replaced by Mr Patel in October 2014. It is recommended that the committee consist of three independent non-executive Directors. However, dispensation has been received from the JSE in this regard. At the time of publishing the annual report, the composition of the audit committee was as follows:

| | |
|---------------------|-----------------------------------------------|
| Mr WP van der Merwe | Independent non-executive director (Chairman) |
| Mr M Khwinana | Non-executive director |
| Mr M Patel | Independent non-executive director |

SOCIAL CAPITAL

Summary of attendance table of Audit Committee meetings during the financial year ended 28 February 2015

| Member | 07/03/ 2014 | 26/05/ 2014 | 28/10/ 2014 | 23/02/ 2015 |
|------------------|----------------|----------------|----------------|----------------|
| WP van der Merwe | P | P | P | P |
| M Khwinana | P | P | P | P |
| M Patel | NA | NA | P | P |

Key:

P - Present

The relevant resolution for the appointment of the audit committee as required by the Act is set out in the notice of the AGM as contained in this report. The Board is satisfied that the members as proposed for approval by shareholders meet the definition of non-executive Directors, acting independently, as defined in the Act.

The audit committee has updated, formal Board approved terms of reference. The Board is satisfied that the committee has complied with these terms and with its legal and regulatory responsibilities as set out in the Act, King III and the JSE Listings Requirements. The terms of reference for the audit and risk committee intend to ensure compliance with both governance recommendations and statutory requirements.

The Board believes that the members collectively possess the knowledge and experience to exercise oversight of the Group's financial management, internal and external auditors, the quality of the Group's financial controls, the preparation and evaluation of the Group's financial statements and financial reporting. The Board has established and maintains internal controls and procedures, which are reviewed on a regular basis. These are designed to manage the risk of business failures and to provide reasonable assurance against such failures but this is not a guarantee that such risks are eliminated.

It is the duty of this committee, among other things, to monitor and review:

- Audit findings, audit reports and the appointment of external auditors including an assessment of their performance, independence and objectivity;
- Approving the audit fee of the external auditors;
- Reports of external auditors;
- Evaluation of the performance of the Group financial director;
- Internal controls in place, through consultation with internal and external auditors;
- Governance of information technology (IT) and the effectiveness of the Group's information systems;
- Quarterly and annual financial and operational reports, the annual financial statements and all other widely distributed documents;

- Mandatory term limits on the period that the lead audit partner of the external auditors may serve the Group;
- The nature, scope and extent of audit and any non-audit services which the external auditors may provide to the Group;
- Undertaking the prescribed functions (in terms of section 94(7) of the Companies Act 71 of 2008) on behalf of the Group and all subsidiary companies;
- Overseeing internal controls;
- Assisting the Board on the going concern statement;
- Accounting policies of the Group;
- Compliance with applicable legislation, requirements of appropriate regulatory authorities;
- The integrity of the annual report (by ensuring that its content is reliable and recommending it to the Board for approval);
- Receiving and dealing appropriately with any complaints relating to the accounting practices and internal audit of the Group, or to the content or auditing of its financial statements, or to any related matter;
- Considering and recommending to the Board the need to engage external assurance providers to provide assurance on the accuracy and completeness of integrated sustainability reporting; and
- Performing any other functions as may be determined by the Board.

The committee is responsible for facilitating the relationship with the external auditors and for monitoring the non-audit services provided by the external auditors. The external auditors have direct access to the chairman of the committee and attend all meetings of the committee ensuring that auditors are able to maintain their independence. The chairman of the committee is expected to attend the AGM in order to answer any questions that shareholders may have relevant to the committee's areas of responsibility. The committee is responsible for recommending the appointment of a firm of external auditors to the Board who in turn will recommend the appointment to the shareholders. The committee is also responsible for determining that the designated appointee has the necessary experience, qualifications and skills and that the audit fee is adequate. The audit committee is satisfied that the external auditors, the respective audit partner and the internal audit department observed the highest level of business and professional ethics and independence. Rotation of the engagement partner responsible for the external audit happens every five years.

Committee members have unlimited access to all information, documents and explanations required in the discharge of their duties. This authority has been extended to external auditors.

The committee has, in addition to its other duties, also satisfied itself as to the appropriateness of the experience and expertise of the Group financial director as required in terms of the JSE Listings Requirements and the entire financial function.

The Board is satisfied that the committee has been equipped to properly fulfil its duties going forward.

The statutory report of the committee as required by the Act can be found on page 52 of the annual report.

RISK COMMITTEE

The committee consisted of two members throughout the financial year. At the time of publishing the annual report, the composition of the risk committee was as follows:

| | |
|---------------------|-----------------------------------------------|
| Mr WP van der Merwe | Independent non-executive director (Chairman) |
| Mr SJ Wearne | Chief executive officer |

Summary of attendance table of Risk Committee meetings during the financial year ended 28 February 2015

| Member | 03/03/2014 | 20/05/2014 | 28/10/2014 |
|-----------------|------------|------------|------------|
| W van der Merwe | P | P | P |
| SJ Wearne | P | P | P |

Key:

P - Present

The Board believes that the members collectively possess the knowledge and experience to exercise oversight of the business risks of the Group. The committee identifies and manages the risk of business failures and provides reasonable assurance against such failures, however this does not guarantee that such risks are eliminated.

It is the duty of this committee, among other things, to monitor and review:

- Adequacy and effectiveness of the Group's enterprise-wide risk management policies, processes and mitigating strategies;
- Performing any other functions as may be determined by the Board.

REMUNERATION AND NOMINATIONS COMMITTEE

At the time of publishing the annual report, the composition of the remuneration and nomination committee was as follows:

| | |
|---------------------|---------------------------------|
| Mr WP van der Merwe | Remuneration committee chairman |
| Mr M Khwinana | Non-executive director |
| Mr M Patel | Nomination committee chairman |

Summary of attendance table of Remuneration and Nominations Committee meetings during the financial year ended 28 February 2015

| Member | 03/03/2014 | 22/07/2014 |
|-----------------|------------|------------|
| W Van der Merwe | P | p |
| M Khwinana | P | P |
| M Patel | P | P |

Key:

P - Present

The committee is primarily responsible for assisting the Board in formulating remuneration and other employment policies as well as the remuneration philosophy of the Group and to structure appropriate remuneration packages for executive Directors, based on industry standards and the best interests of all parties concerned. The objective is to ensure that remuneration is fair and appropriate to attract, retain and motivate individuals of high calibre to run the Group successfully and to ensure that executive Directors are fairly rewarded for their individual contribution to the Group's operating and financial performance in line with its corporate objectives and business strategy. The committee regularly consults with a range of external independent advisers on market information and remuneration trends to ensure that the remuneration is aligned with the industry and market benchmarks. The committee also assists the Board in the nomination of new Board candidates and ensuring regular assessment of Board performance.

SOCIAL CAPITAL

The committee's terms of reference ensure that, for Board appointments, a rigorous, fair and open nomination and appointment process is established which will promote meritocracy in the Boardroom and support strong corporate performance. The committee leads that process and makes recommendations to the Board.

The remuneration and nominations committee comprises of members of the Board and has a majority of non-executive Directors. The majority of the non-executive Directors serving on the remuneration and nominations committee are independent. The chairman of the Board is a member of the remuneration and nominations committee, but does not chair the meeting. However when matters pertaining to nominations are discussed, the chairman of the Board chairs this portion of the meeting, as required by the JSE Listings Requirements.

SOCIAL AND ETHICS COMMITTEE

At the time of publishing the annual report, the composition of the social and ethics committee was as follows:

| | |
|---------------------|-------------------------|
| Mr WP van der Merwe | Chairman |
| Mr SJ Wearne | Chief executive officer |
| Mr MJ Ross | Chief financial officer |

Summary of attendance table of Social and Ethics Committee meetings during the financial year ended 28 February 2015

| Member | 03/03/2014 | 28/10/2014 |
|-----------------|------------|------------|
| W Van der Merwe | P | P |
| SJ Wearne | P | P |
| MJ Ross | P | P |

Key:
P - Present

It is the duty of this committee, among other things, to monitor and review:

- the Group's Directors and staff comply with the Group's Code of Ethics;
- the Group practices labour and employment policies that comply with the terms of the International Labour Organisation (ILO) protocol on decent work and working conditions;
- the Group ensures the continued training and skills development of its employees; and
- the Group performs its responsibilities in respect of social and ethics matters in line with relevant policies and that these policies are reviewed on an annual basis, or as required.
- an annual work plan is in place to ensure the committee met all of its statutory requirements.

It is the responsibility of this committee, to ensure, among other things, that:

- the Group discharges its statutory duties in respect of section 72 of the Act dealing with the structure and composition of Board sub-committees;
- the Group upholds the goals of the Organisation of Economic Co-operation and Development (OECD) recommendations regarding corruption;
- the Group complies with the Employment Equity Act (as amended) and the Broad-based Black Economic Empowerment Act (as amended).



JSE LIMITED

The Group is subject to, and remains compliant with, the Listings Requirements of the JSE Limited.

King Report on Governance for South Africa, 2009

The Wearne Group remains committed to compliance with the regulatory requirements of sound corporate governance principles. The Group endorses the application of the principles recommended in the King III Report, and has been effectively implementing and reporting on a spectrum of governance principles, underpinned by the values of responsibility, accountability, fairness and transparency.

The provisions of King III became effective on 1 March 2010. The Group is committed to applying these principles to all its subsidiaries and joint ventures as appropriate. We continue to improve our well-established corporate governance processes and remain abreast of the latest industry developments. A number of these

principles are reflected in the Group's internal controls and policy procedures. The Board is satisfied that every effort has been made to comply in all material aspects with King III. Where we do not comply, this is stated and explained. While the Board is satisfied with its level of compliance with applicable governance and regulatory requirements, it recognises that its practices can always be improved, and accordingly the Board has and will continuously review the Group's governance framework against governance best practices. The following matrix was compiled to indicate the level of compliance based on the 27 main principles per Chapter 2 of King III. Refer to our website for a detailed matrix that considers all 75 principles of King III at www.wearne.co.za.

In accordance with sections 863 (o) and (p) of the JSE Listing Requirements, no repurchased equity securities or any restrictive funding arrangements took place during the financial year ended 28 February 2015. There has been no change in director's shareholding since year end.



SOCIAL CAPITAL

| KING III COMPLIANCE | | APPLIED (A)/ EXPLAINED (E) | DETAILS/EXPLANATION AS PER THE RELEVANT SECTIONS OF THE ANNUAL REPORT NOTED BELOW |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. | BOARD AND DIRECTORS | | |
| 2.1 | The Board should act as the focal point for and custodian of corporate governance | A | Corporate governance: Board of Directors |
| 2.2 | The Board should appreciate that strategy, risk, performance and sustainability are inseparable | A | Corporate governance: Board of Directors |
| 2.3 | The Board should provide effective leadership based on an ethical foundation | A | Corporate governance: Board of Directors |
| 2.4 | The Board should ensure that the Group is and is seen to be a responsible corporate citizen | A | Sustainability report |
| 2.5 | The Board should ensure that the Group's ethics are managed effectively | A | Corporate governance: Board committees – Social and Ethics committee |
| 2.6 | The Board should ensure that the Group has an effective and independent audit committee | E | Corporate governance: Board committees – Audit committee |
| 2.7 | The Board should be responsible for the governance of risk | A | Corporate governance: Board committees – Risk committee |
| 2.8 | The Board should be responsible for information technology (IT) | A | Corporate governance: Board committees – Audit and Risk committees |
| 2.9 | The Board should ensure that the Group complies with applicable laws and considers adherence to non-binding rules, codes and standards | A | Corporate governance: Board committees – Social and Ethics committee |
| 2.10 | The Board should ensure that there is an effective risk-based internal audit | E | Due to the financial constraints of the Group, the Board has delegated the responsibility for ensuring that a system of internal controls are implemented and assessed regularly by management. The Group Finance department regularly reviews the internal controls at the various operations. The Audit Committee and Risk Committees also play an important role in monitoring the credibility of internal controls and risk management processes |
| 2.11 | The Board should appreciate that stakeholders' perceptions affect the Group's reputation | A | Corporate governance: Board committees – Audit and Risk committees |
| 2.12 | The Board should ensure the integrity of the Group's Annual Report | A | Corporate governance: Board committees – Audit and Risk committees |
| 2.13 | The Board should report on the effectiveness of the Group's system of internal controls | A | Annual financial statements – Directors' Report |

| KING III COMPLIANCE | | APPLIED (A)/ EXPLAINED (E) | DETAILS/EXPLANATION AS PER THE RELEVANT SECTIONS OF THE ANNUAL REPORT NOTED BELOW |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.14 | The Board and its Directors should act in the best interests of the Group | A | Corporate governance: Board of Directors |
| 2.15 | The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Group is financially distressed as defined in the Act | A | Corporate governance: Board of Directors |
| 2.16 | The Board should elect a chairman of the Board who is an independent non-executive director. The CEO of the Group should not also fulfill the role of chairman of the Board | A | Corporate governance: Board of Directors The roles of chairman and CEO have been separated. An independent director has been appointed as the Chairman. |
| 2.17 | The Board should appoint the chief executive officer and establish a framework for the delegation of authority | A | Corporate governance: Board of Directors |
| 2.18 | The Board should comprise a balance of power, with a majority of non-executive Directors. The majority of non-executive Directors should be independent | A | Corporate governance: Board of Directors |
| 2.19 | Directors should be appointed through a formal process | A | Corporate governance: Board of Directors |
| 2.20 | The induction of, and ongoing training and development of Directors should be conducted through formal processes | A | Corporate governance: Board of Directors |
| 2.21 | The Board should be assisted by a competent, suitably qualified and experienced company secretary | A | Corporate governance: Company secretary |
| 2.22 | The evaluation of the Board, its committees and the individual Directors should be performed every year | A | Corporate governance: Monitoring of performance |
| 2.23 | The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities | A | Corporate governance: Board committees |
| 2.24 | A governance framework should be agreed between the Group and its subsidiary Boards | A | Corporate governance: Board of Directors |
| 2.25 | Companies should remunerate Directors and executives fairly and responsibly | A | Corporate governance: Board committees – Remuneration and Nominations committee |
| 2.26 | Companies should disclose the remuneration of each individual director and persons falling within the definition of prescribed officers of the Group | A | Annual financial statements: Note: 33 |
| 2.27 | Shareholders should approve the Group's remuneration policy | A | Corporate governance: Board committees – Remuneration and Nominations committee Notice of Annual General Meeting |

REMUNERATION PHILOSOPHY

Details of Directors' fees and remuneration are fully disclosed in note 33 to the financial statements. In addition, the proposed fees to be paid to Non-Executive Directors for approval by shareholders by way of a special resolution are set out in the notice of the AGM forming part of this report. Non-Executive Directors only receive remuneration that is due to them as members of the Board. Directors serving as members on Board sub-Committees receive additional remuneration. Remuneration of Executive Directors in their capacities as executive members of the management team as approved by the Remuneration and Nominations Committee is fully disclosed in note 33 to the financial statements. Executive Directors do not receive Board fees in addition to their remuneration packages.

Our Remuneration and Nomination Committee meets half-yearly and its mandate includes:

- ensuring alignment of the remuneration strategy and policy with the Group's business strategy, desired culture, shareholders' interests and commercial well-being;
- determining remuneration packages needed to attract, retain and motivate high performing executives without paying more than is necessary for this purpose;
- ensuring that remuneration levels relative to other comparable companies are pitched at the desired level taking relative performance into account;
- ensuring adequacy of retirement and healthcare funding for senior executives;
- communicating remuneration policies and strategic goals and objectives to all stakeholders; and
- identifying candidates and making recommendations for the appointment of Directors.

The remuneration and nomination committee reviews its terms of reference annually. In discharging its responsibilities the committee consults with the company secretary and draws extensively on external surveys, independent outside advice and information.

REMUNERATION PHILOSOPHY, STRATEGY AND POLICY

Using a consultative process our remuneration policy and approach, retention policy and incentive schemes were aligned with our business objectives. Our primary remuneration philosophy is to employ and retain high-calibre, high-performing individuals who subscribe to our shared values and the culture of our Group. Our key aim is to motivate our employees and align their behaviour with our business objectives and our shared values.

RETENTION POLICY

Our retention policy provides mechanisms that allow us to identify the type of potential employees we need to attract in terms of the skills we require and the type of employees we need to retain. The policy assists us in proactively identifying retention risks at supervisory level and above and ensuring that critical resources are remunerated at market levels.

SOCIAL AND ETHICS COMMITTEE REPORT

Wearne's Social and Ethics Committee was established in 2012 in accordance with the requirements of the Companies Act No. 71, 2008 (the Act), Section 72 (4) and Regulation 43 (2). The Social and Ethics Committee of a company is entitled to the rights set out in Section 72(8) of the Act and carries the responsibilities described in the Companies Act Regulations.

A distinction is made for purposes of the terms of reference of the Committee between those functions where the Committee has a direct line of sight and those which have been allocated to other committees of the Board and where the Committee will only fulfil an oversight role. As required in terms of the Act, the Committee shall monitor the activities of the Company and relevant subsidiaries, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, in the areas as prescribed by law.

The Committee is chaired by Wessel van der Merwe, an independent non-executive director, and as at the date of this report, consists of two additional executive Directors. A summary of its membership, the meetings held during the year under review as well as attendance at these meetings is reported in the Corporate Governance report on page 36 of the Annual Report. The Committee has an independent role and is governed by formal terms of reference which are reviewed annually by the Board. The

Committee assists the Board in monitoring the Group's activities in terms of legislation, regulation and codes of best practice relating to:

- ethics;
- stakeholder engagement, including employees, customers, communities and the environment;
- strategic empowerment and compliance with the transformation codes;

and is responsible for:

- monitoring the Group's activities relating to social and economic development, good corporate citizenship, the environment, and health and public safety;
- ensuring appropriate short- and long- term targets are set by management monitoring progress on strategic empowerment and performance against targets;
- monitoring changes in the application and interpretation of empowerment charters and codes; and
- monitoring functions required in terms of the Companies Act and its regulations.

The Committee also assists the Board in implementing and monitoring the Broad-Based Black Economic Empowerment and Employment Equity programmes and policies, directing affirmative procurement initiatives, monitoring the skills development policy and the development of Enterprise Development and Socio Economic Development programmes. The members of the Committee believe that the Group is substantively addressing the issues it is required to monitor in terms of the Companies Act.

ETHICS AND HUMAN RIGHTS

Wearne believes in ethical business conduct and has a zero tolerance approach to corruption. Employees, contractors and consultants, are required to apply the highest ethical standards when conducting business on behalf of the Group. Both a Code of Ethics and a whistleblowing facility are in place to facilitate the management and monitoring of ethics. Members of the workforce and suppliers are encouraged to report any suspicions they may have of irregularities. Anyone using the whistleblowing facility is guaranteed anonymity. Reported cases on the whistleblowing facility are investigated and corrective action is taken if it is required. During the past financial year, zero cases have been reported. These cases are reported on to the Audit and Risk Committee and the Social and Ethics Committee.

CODE OF ETHICS

The Code of Ethics confirms that acts of bribery or fraud by employees, contractors, suppliers, joint venture partners and other business partners are not tolerated. Immediate action is taken (which may include dismissal and legal action) against any organisation or person committing bribery or fraud. The Group remains committed to fair trade and purchasing in an ethical manner.

HUMAN RIGHTS

Wearne is committed to upholding the UN Universal Declaration of Human Rights and the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work and complying with all relevant South African legislation.



Mr. W P van der Merwe
Chairman



RISK MANAGEMENT

Risk is inherent in everything the Group does. Our aim is to achieve best practice in controlling all the risks to which the Group is exposed to. We will achieve this by identifying our priority exposures, addressing these, incorporating appropriate risk management strategies, risk improvements and contingency planning into our business, monitoring and reviewing on-going risk to account for changes in our operations and to enable us to make well-informed decisions on risk controls.

RISK MANAGEMENT STRUCTURE AND RESPONSIBILITIES

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.



The Risk Management function is one directed by the Group's Board, facilitated by the Group's Risk Management Steering Committee and carried out by every manager in each area as a core activity.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

| RISK CATEGORY | RISK CATEGORY RISK DESCRIPTION | RESPONSE TO RISK |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CREDIT RISK | Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. | Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, trade references and bank references. Purchase limits are established for each customer, who represents the maximum open amount; these limits are reviewed on an annual basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a cash-before-delivery basis. |
| LIQUIDITY RISK | Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. | The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Liquidity remains a concern for the Group and this is closely monitored by management to ensure working capital is effectively managed. |
| MARKET RISK | Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. | The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group incurs financial liabilities in order to manage market risks. |
| OPERATIONAL RISK | Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. | <p>The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:</p> <ul style="list-style-type: none"> • requirements for appropriate segregation of duties, including the independent authorisation of transactions • requirements for the reconciliation and monitoring of transactions • compliance with regulatory and other legal requirements • documentation of controls and procedures • requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified • requirements for the reporting of operational losses and proposed remedial action. |

SOCIAL CAPITAL

| RISK CATEGORY | RISK CATEGORY RISK DESCRIPTION | RESPONSE TO RISK |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <ul style="list-style-type: none"> • development of contingency plans • training and professional development • ethical and business standards • risk mitigation, including insurance where this is effective. |
| LEGAL RISK | <p>Legal risk arises where:</p> <ul style="list-style-type: none"> • the Group's businesses or functions may not be conducted in accordance with applicable laws; • incorrect application of regulatory requirements takes place; • the Group may be liable for damages to third parties; and • contractual obligations may be enforced against the Group in an adverse way, resulting from legal proceedings being instituted against it. | <p>Although the Group has processes and controls in place to manage its legal risk, failure to manage risks effectively could result in legal proceedings impacting the Group adversely, both financially and reputational.</p> |
| ENVIRONMENTAL RISK | <p>Environmental Risk can be defined as the "actual or potential threat of adverse effects on living organisms and the environment by effluents, emissions, wastes, resource depletion, etc., arising out of an organization's activities."</p> | <p>Environmental risk falls within the Group sustainability management programme, which aims to create a consistent approach to environmental and social risk management within the Group's operations.</p> <p>Raising awareness and training will be an on-going element of managing environmental risk and identifying opportunities and business solutions to environmental and social concerns.</p> |
| OCCUPATIONAL HEALTH AND SAFETY | <p>Occupational safety and health is the risks associated with the safety, health and welfare of people engaged in work or employment.</p> | <p>The health and safety of employees, customers and other stakeholders is a priority and the Group aims to identify and reduce the potential for accidents or injuries in all its operations. Training of health and safety officers and staff awareness is an on-going endeavour. Standards that support uniform health and safety requirements across all Group operations are being developed. The focus on health and safety is closely linked to employee wellbeing and the Group's efforts to attract, retain and develop skilled and talented employees.</p> |
| COMPLIANCE RISK | <p>Compliance risk is the risk of legal or regulatory sanctions, financial loss or loss to reputation that the Group may suffer as a result of its failure to comply with all laws, regulations, codes of conduct and standards of good practice applicable to its activities.</p> | <p>The Group's approach to managing compliance risk is proactive and premised on internationally-accepted principles of risk management. It is also aligned with other Group risk type methodologies. Staff are made aware of their responsibilities in terms of current and emerging legislative and regulatory requirements and developments through induction programmes and on-going training and awareness initiatives.</p> |

The Board of Directors is committed to the management of risk to continue to protect its:

- Customers, clients and stakeholders
- Employees and their skills
- Environment
- Quality of service
- Assets and intellectual property
- Contractual and statutory obligations
- Image and reputation

Our challenge for the future is to infuse risk management into our culture, our everyday business operations and those of our contractors and business partners. Everyone's involvement and support is critical to an effective result.



SOCIAL CAPITAL

STAKEHOLDER ENGAGEMENT

CLIENTS

Why do we engage with our clients

We have a duty of care towards our clients, to build long-term relationships and provide them with transparent and sustainable solutions for their business.

Why do our clients engage with us

For reliable services and quality products that will add value in their business operations.



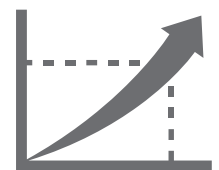
SHAREHOLDERS AND INVESTORS

Why do we engage with our Shareholders and Investors

To communicate our strategic plans, and initiatives that we are to undertake in order to improve profitability and create value for the shareholders.

Why do our Shareholders engage with us

To ensure reasonable return on their investments. They also have an interest in our dividend payout policy.



EMPLOYEES

Why do we engage with our Employees

To ensure we are an employer of choice, we are constantly seeking feedback from our employees to help us understand and respond to their needs and concerns.

Why do our Employees engage with us

Pleasant working environment, career growth prospects.



REGULATORS/GOVERNMENT

Why do we engage with regulatory bodies and the government

To show our commitment to being transparent and meet expectations of regulators.

Why do our regulatory bodies and the government engage with us

To ensure compliance to the relevant regulatory requirements. To work together with us in improving economic, social and environmental conditions.



TRADE UNIONS AND CIVIL SOCIETY GROUPS

Why do we engage with Trade Unions and Civil society Groups

The Group's engagement involves listening to the different perspectives of the people involved, learning about the issues that these Groups face.

Why do our regulatory bodies and the government engage with us

Labour negotiation and fair salaries and wages increases.



SUPPLIERS

Why do we engage with our suppliers

We engage with our suppliers to maintain good relationships with them through encouraging responsible policies across our supply chain, local procurement, and supplier conduct and considering the environmental impact of our choices.

Why do our suppliers engage with us

To ensure reliable supply of quality products at competitive prices as well as maintenance of payment terms.



OUR ENGAGEMENT WITH OUR STAKEHOLDERS

| | SHAREHOLDERS AND INVESTORS | CLIENTS | EMPLOYEES | GOVERNMENT/ REGULATORS | TRADE UNION AND CIVIL SOCIETY GROUPS | SUPPLIERS |
|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| TOPICS OF CONCERN | Sustainable return on investment, Risk, capital and liquidity management | Quality of products and service, Reliable supply of products and services | Employee wellbeing, Culture, Career development, Job security, HIV/AIDS Training | Compliance with all legal and regulatory aspects of business. Strong and open relationships with regulators and other supervisory bodies | Working conditions of employees, Fair salaries and wages | Reasonable payment terms. Supplier relationship |
| MODE OF COMMUNICATION | Media publications, our website, annual integrated report, SENS announcements and annual general meetings | Frequent Site visits, regular meetings, email and regular telephonic communication | Frequent Emails, focus groups, forums as needed, workshops as needed, intranet | Annual audit of our financial statements. Regular Meetings with relevant regulatory bodies, regular electronic communication | Regular Emails, regular telephonic conversations, meetings | Frequent Telephonic communication, regular meetings, frequent Electronic communication |
| OUR RESPONSE TO CONCERNS | SENS announcements on matters affecting the shareholder's investments. Communicate strategic matters such as our dividend payout policy, capital investments and financial results | We address customer concerns promptly. We continuously test the quality of our products and make deliberate efforts to provide the best products and services | We openly communicate with our employees regarding their benefits. We provide financial assistance to our employees wishing to further their studies or enhance their professional skills | We report any injuries promptly. We conduct Regular health and safety audits. We have meetings with SARS and other legislative regulators to insure continuous compliance with the tax legislation | We continuously engage with the trade unions to maintain healthy relationships | Consistent feedback on payments and payment terms. We continuously strive to enhance our relationships with our suppliers through open and transparent communication |

VALUE ADDED

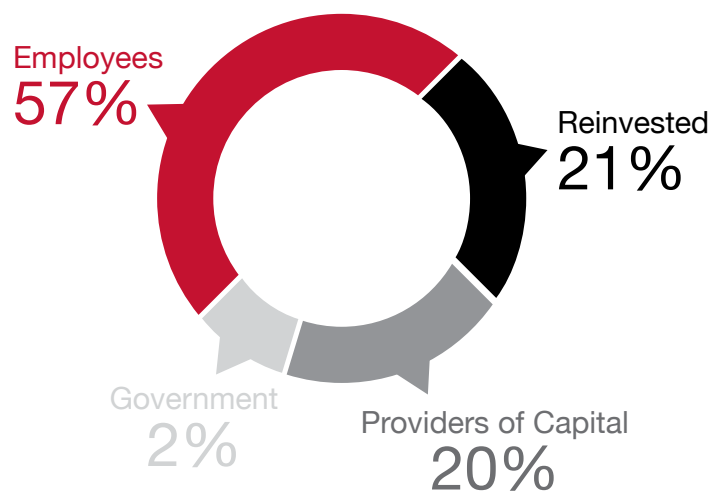
Value Added Statement for the year ended 28 February 2015

The value added statement shows how much value (wealth) has been created by the Wearne Group through utilization of its capacity, capital, manpower, and other resources, and how it is allocated among different stakeholders.

This statement shows the total wealth was created and how it was distributed.

| R'000 | % | 2015 | % | 2014 |
|-------------------------------------------------------------------|-------------|----------------|-------------|----------------|
| Revenue | | 506,561 | | 463,277 |
| Cost of goods sold | | 370,073 | | 282,990 |
| Value added | | 128,218 | | 180,287 |
| Other Income | | 8,270 | | 7,147 |
| Total wealth created | | 136,488 | | 187,434 |
| Wealth distribution: To employees | | | | |
| Salaries, wages and other benefits | 57% | 77,793 | 49% | 91,269 |
| Providers of capital | 20% | 26,630 | 17% | 31,980 |
| Finance Costs | | 26,630 | | 31,980 |
| Dividends | | - | | - |
| Government | 2% | 3,006 | 8% | 14,157 |
| Taxes | | | | |
| Reinvested in the Group to maintain and develop operations | 21% | 29,059 | 27% | 50,028 |
| Depreciation and amortisation | | 35,293 | | 39,960 |
| Retained Profit | | (6,234) | | 10,068 |
| | 100% | 136,488 | 100% | 187,434 |
| Value added ratios | | | | |
| Number of employees | | 616 | | 611 |
| Revenue per employee | | 822.34 | | 758.23 |
| Wealth created per employee | | 221.57 | | 306.77 |

TOTAL WEALTH CREATED



CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

A sunset over a body of water with a camera on a tripod in the foreground. The sun is low on the horizon, casting a warm orange glow across the sky and reflecting on the water. The foreground shows the silhouette of a camera on a tripod, suggesting a professional or artistic setting. The overall mood is serene and contemplative.

FINANCIAL STATEMENTS

CONTENTS

The reports and statements set out below comprise the consolidated annual financial statements presented to the shareholders:

| | |
|-------------------------------------------------------|----|
| Director's Responsibilities and Approval | 51 |
| Audit Committee Report | 52 |
| Independent Auditors' Report | 53 |
| Director's Report | 54 |
| Statement of Financial Position | 57 |
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| Statement of Changes in Equity | 59 |
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The following supplementary information does not form part of the consolidated annual financial statements and is unaudited:

| | |
|------------|----|
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|------------|----|

LEVEL OF ASSURANCE

These consolidated annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

PREPARER

MJ Ross CA(SA)

DIRECTOR'S RESPONSIBILITIES AND APPROVAL

The Directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

The consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and places considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently auditing and reporting on the Group's consolidated annual financial statements. The consolidated annual financial statements have been examined by the Group's external auditors and their report is presented on page 53.

The consolidated annual financial statements set out on page 54 to 96, which have been prepared on the going concern basis, were approved by the Board on 29 May 2015 and were signed on its behalf by:



SJ Wearne
Chief Executive Officer
29 May 2015



MM Patel
Chairman
29 May 2015

AUDIT COMMITTEE REPORT

For the year ended 28 February 2015

The information below constitutes the report of the Audit Committee.

Following the resignation of Mr M Salanje as non-executive Director and Audit Committee chairman on 10 March 2014, Mr WP van der Merwe was appointed acting chairman of the Audit Committee. The Audit Committee comprises a further two independent non-executive Directors Mr M Khwinana and Mr MM Patel. A short CV for each of these Directors has been set out on page 30 of the integrated report demonstrating their suitable and relevant skills and experience. Although Mr MM Patel as Chairman of the Board should not be a member of the Audit Committee in terms of the King III Report, the Directors believe this is ameliorated by his qualification as a Chartered Accountant (SA) and the limited number of available non-executive Directors to take his place. However, dispensation has been received from the JSE in this regard.

The Committee's charter promotes the overall effectiveness of corporate governance in accordance with the King III Report. Further it provides for the monitoring of the Group's compliance with disclosure requirements, relevant laws and regulations and its own code of conduct. The Audit Committee charter is reviewed annually.

The Committee meets four times a year and attendance of Directors is set out on page 33 to 34. Special meetings are convened as required. The external auditors and executive management are invited to attend every meeting. The Committee annually conducts a self-assessment and the Board in addition evaluates the Committee, based on several factors including:

- Expertise
- Inquiring attitude, objectivity, and independence
- Judgement
- Understanding of the business
- Understanding of and commitment to the Committee's duties and responsibilities
- Willingness to devote the time needed to prepare for and participate in Committee deliberations
- Timely responses
- Attendance at meetings.

The Committee members were all satisfied with the functioning of the Committee. The Board was also satisfied that the Committee members collectively have sufficient academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs and human resource management as required by section 94(5) of the Companies Act, read with Regulation 42.

Internal financial control

The Audit Committee performed an assessment of the effectiveness of the Group's system of internal control and risk management, including internal financial controls. This assessment conducted formed the basis for the Audit Committee's recommendation to the Board that nothing has come to the attention of the Committee that would suggest that the prevailing internal controls are not, in all material aspects, effective.

The assurance provided by the Audit Committee serves to assist the Board in fulfilling its disclosure obligations to report annually to shareholders on the effectiveness of the Group's system of internal financial control and risk management procedures.

In terms of the Companies Act and the JSE Listings Requirements the Audit Committee has considered and satisfied itself of the appropriateness of the expertise and experience of the CFO, Mr M Ross.

The Audit Committee has further satisfied itself that Grant Thornton and Mr Z Sadek, the designated auditor, are independent of the group.

The Audit Committee recommended the annual financial statements for the year ended 28 February 2015, for approval to the Board. The Board has subsequently approved the annual financial statements which will be open for discussion at the forthcoming annual general meeting. The Audit Committee is satisfied that appropriate risk management processes are in place and has obtained combined assurance given by the external auditors and management.



Mr WP van der Merwe

Chairman

29 May 2015



INDEPENDENT AUDITORS' REPORT

To the Management of WG Wearne Limited

We have audited the consolidated annual financial statements of WG Wearne Limited, as set out on pages 54 to 96, which comprise the statement of financial position as at 28 February 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Director's Responsibility for the Consolidated Annual Financial Statements

The Company's Director is responsible for the preparation and fair presentation of these consolidated annual financial statements in accordance with International Financial Reporting Standards, and requirements of the Companies Act 71 of 2008, and for such internal control as the Director determines is necessary to enable the preparation of consolidated annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of WG Wearne Limited at 28 February 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 43 in the consolidated financial statements which indicates that the group incurred a headline loss of R7.7 million for the year ended 28 February 2015 and as of that date, the Group's current liabilities exceeds its current assets by R75.5 million. These conditions, along with other matters as set forth in Note 43, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2015, we have read the Directors' Report, Audit Committee Report and Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion thereon.

GRANT THORNTON

Chartered Accountants (SA)
Registered Auditors

MZ Sadek

Partner
Chartered Accountant (SA) Registered Auditor
29 May 2015

52 Corlett Drive Wanderers Office Park
Illovo, 2196

DIRECTOR'S REPORT

The Directors of WG Wearne Limited present their report for the Group for the year ended 28 February 2015.

1. NATURE OF BUSINESS

The Company and its subsidiaries are engaged in the mining, manufacturing, marketing and transport of crushed stone, sand, ready-mixed concrete and pre-cast concrete products in the Gauteng, North West, Free State, Limpopo and KwaZulu-Natal Provinces, all of which are in the Republic of South Africa. Contracting services are also offered throughout the country.

2. GROUP STRUCTURE

Details of the Company's subsidiary companies are contained in Annexure A of the annual financial statements

3. SHARE CAPITAL

In terms of the resolution passed at the annual general meeting, and valid until the next annual general meeting, the Company authorised the Directors, subject to the regulations of the JSE, to:

- repurchase shares in the Company, by special resolution and
- allot and issue for cash any shares in the Company, limited to 50% of the Company's issued capital, by ordinary resolution.

An analysis of the Company's shareholders is provided in Annexure B of the Annual Report. At 28 February 2015 there were 1338 public shareholders in the Company, who held 43.16% of the ordinary shares. There were no changes in the authorised or issued share capital of the Company during the year under review.

As far as the Company is aware, at 28 February 2015, the following represent shareholders who hold an interest of 5% or more in the Company:

| Shareholder | Percentage held |
|------------------------------------------|-----------------|
| Samant Trust | 17.94% |
| Industrial Development Corporation (IDC) | 15% |
| Richtrau No 329 Propriety Limited | 15% |
| SJ Wearne (Director as well) | 7.66% |

4. EQUITY CONTRIBUTIONS

During the current year management decided to recapitalise the financial position of the various subsidiary companies. This was done by way of transfer of rights and obligations between the various intercompany loans. The net result of this was that WG Wearne Limited was the net funder to the various subsidiary companies. This resulted in a reversal of a portion of the impairment loss previously recognised in the Company's accounting records, this had no impact on the consolidated annual financial statements.

5. DIVIDENDS

In line with Group policy no dividend has been declared for the year.

6. DIRECTORATE

The Directors in office at the date of this report are as follows:

| Executive Directors | Nationality |
|-------------------------|---------------|
| SJ Wearne | South African |
| MJ Ross | South African |
| Non-executive Directors | Nationality |
| WP van der Merwe | South African |
| MM Patel | South African |
| MC Khwinana | South African |

7. SHAREHOLDING OF DIRECTORS

Details of the number of shares in the Company beneficially held by Directors and their associates at 28 February 2015 are as follows:

| Executive Directors | | |
|--------------------------------|------------|------------|
| SJ Wearne * | 21 180 400 | 21 180 400 |
| Non-executive Directors | | |
| WP Van Der Merwe | 3 400 000 | 3 400 000 |

The shares listed above were all beneficially held.

* *Beneficiaries of the Samant Trust hold 49 588 967 (2014: 49 588 967) shares in the Company.*

There have been no changes in the above shareholding post year end.

8. DIRECTORS' AND OFFICERS' INTEREST IN CONTRACTS

No material contract in which Directors have an interest was entered into during the year.

9. PROPERTY, PLANT AND EQUIPMENT

The Directors have critically reviewed the fixed asset requirements of the Group as well as the carrying values. As a result of this, nonessential and surplus-to-requirement fixed assets have been sold. Where carrying values were higher than recoverable amount, these assets have been appropriately impaired. The revaluation on land and buildings was conducted by an independent appraiser. The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances, current use and discounted cash flows. The valuator's report showed a force sale amount of R 20 million but after a more prudent discounted cash flow calculation performed by the Directors the land is disclosed at R 15 million, which the Directors believe is the fair value. Other than the acquisitions, disposals, impairments and revaluation disclosed in note 3, there have been no major changes in the property, plant and equipment of the Group during the period or any changes in the policy relating to their use.

10. REMUNERATION OF DIRECTORS

The Directors' remuneration is reflected in full in note 33 to the annual financial statements.

11. ACCOUNTING POLICIES

Detailed accounting policies are set out on pages 61 to 71 of the annual financial statements.

12. EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any material event which occurred after the reporting date and up to the date of the annual financial statements.

13. GOING CONCERN

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

In order to ensure that these required funds are available, the Directors of Wearne implemented a turnaround strategy from March 2011. The most significant features of the strategy include the following in the current financial year.

- The sale of non-critical assets and business segments, which includes the disposal of non-essential components of property, plant and equipment. The proceeds from these disposals were applied to reduce the Group's outstanding debt.
- The Group has entered into a re-payment plan with its financiers regarding the outstanding long term debt in order to ensure optimal cash flow management, and
- Cost cutting programmes focusing on reducing unnecessary expenditure.

The Board considered the material uncertainty regarding the going concern assumption in the context of the deliberations on the annual financial statements. These indicate that the Group has yielded headline losses for the last several years, high levels of borrowings and negative liquidity.

In addressing these matters the Directors have taken into account the headline losses incurred in the current financial year attributable to the implementation of the turnaround strategy as well as expected revenues for the foreseeable future combined with budgets and cash flow forecasts, indicating that the Group will be able to honour its commitments.

Lastly, the Group still maintains the support of its financiers and creditors with whom it continues to work closely in order to ensure that its working capital is managed. Furthermore, the Group continues to maintain a strict financial discipline ensuring that costs are tightly managed and assets effectively utilised.

As a result of the actions and plans presented above, the annual financial statements have been prepared on the going concern basis as the Directors are of the view that the Group has adequate resources and facilities in place to continue in operation for the foreseeable future.

14. AUDITORS

Grant Thornton will continue in office in accordance with section 90 of the Companies Act 71 of 2008.

15. FINANCIAL RESULTS

The Group's business and operations, and the results thereof, are reflected in the attached annual financial statements and no other fact or circumstance material to a fair assessment of the financial position of the Group has occurred.

The current year performance saw the Group make a basic headline loss per share of 2.83 cents (2014: 6.07 cents) and basic and diluted earnings/(loss) per share of 2.28 cents (2014: 3.69 cents). The net asset value per share increased to 20.03 cents (2014: 17.91 cents).

16. COMPANY SECRETARY

Ithemba Governance and Statutory Solutions Proprietary Limited continued to act as Company secretary during the current financial year.

17. ACQUISITIONS AND DISPOSALS

The Group made no acquisitions or disposals of businesses in the financial year under review.

18. BORROWINGS

The borrowing powers of the Directors are unlimited in terms of the Company's Memorandum of Incorporation. However, in terms of the Loan Agreement with the IDC the Company shall not without prior written consent from the IDC lend a excess of R 5 million per calendar year except if such liabilities are incurred in the ordinary course of business.

19. APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements as set out on pages 54 to 96 were approved by the Board of Directors at Johannesburg on 29 May 2015, and were signed on its behalf by:



SJ Wearne
Chief Executive Officer
29 May 2015



MM Patel
Chairman
29 May 2015

STATEMENT OF FINANCIAL POSITION

| Figures in Rand thousand | Note | Group | | Company | |
|----------------------------------------------------------------|------|----------------|----------------|----------------|-----------------|
| | | 2015 | 2014 | 2015 | 2014 |
| ASSETS | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 3 | 316 931 | 332 309 | 211 884 | 214 824 |
| Investments in subsidiaries | 4 | - | - | 2 | 2 |
| Other financial assets | 5 | 5 864 | 5 213 | - | - |
| Deferred taxation | 6 | 5 709 | 7 312 | - | - |
| | | 328 504 | 344 834 | 211 886 | 214 826 |
| CURRENT ASSETS | | | | | |
| Inventories | 7 | 37 058 | 26 874 | 733 | 4 234 |
| Trade and other receivables | 8 | 63 912 | 60 026 | 21 864 | 12 467 |
| Cash and cash equivalents | 9 | 179 | 929 | 141 | 252 |
| | | 101 149 | 87 829 | 22 738 | 16 953 |
| Non-current assets held for sale and assets of disposal Groups | 10 | - | 8 185 | - | 8 185 |
| Total Assets | | 429 653 | 440 848 | 234 624 | 239 964 |
| EQUITY AND LIABILITIES | | | | | |
| EQUITY | | | | | |
| Share capital | 11 | 178 357 | 178 357 | 181 837 | 181 837 |
| Revaluation reserve | 12 | 52 735 | 45 098 | 47 770 | 39 423 |
| Reserves | 12 | 1 353 | 892 | - | - |
| Accumulated loss | | (177 744) | (175 437) | (181 470) | (256 318) |
| | | 54 701 | 48 910 | 48 137 | (35 058) |
| LIABILITIES | | | | | |
| NON-CURRENT LIABILITIES | | | | | |
| Other financial liabilities | 13 | 178 153 | 203 658 | 136 238 | 142 849 |
| Deferred taxation | 6 | 8 884 | 9 152 | - | 1 564 |
| Provisions | 14 | 11 259 | 11 750 | - | - |
| | | 198 296 | 224 560 | 136 238 | 144 413 |
| CURRENT LIABILITIES | | | | | |
| Loans from Group companies | 15 | - | - | - | 66 016 |
| Other financial liabilities | 13 | 48 958 | 62 465 | 28 378 | 46 403 |
| Current tax payable | | 1 119 | 899 | - | - |
| Trade and other payables | 16 | 91 157 | 87 113 | 15 046 | 18 066 |
| Bank overdraft | 9 | 35 422 | 16 901 | 6 825 | 124 |
| | | 176 656 | 167 378 | 50 249 | 130 609 |
| Total Liabilities | | 374 952 | 391 938 | 186 487 | 275 022 |
| Total Equity and Liabilities | | 429 653 | 440 848 | 234 624 | 239 964 |

STATEMENT OF COMPREHENSIVE INCOME

| Figures in Rand thousand | Note | 2015 | Group 2014 | 2015 | Company 2014 |
|----------------------------------------------------------------|-----------|----------------|---------------|---------------|-----------------|
| Revenue | 17 | 506 561 | 463 278 | 127 225 | 116 693 |
| Cost of sales | 18 | (395 873) | (371 422) | (60 411) | (59 518) |
| Gross profit | | 110 688 | 91 856 | 66 814 | 57 175 |
| Other income | 19 | 8 270 | 7 147 | 2 742 | 3 954 |
| Operating expenses | | (95 957) | (84 876) | (56 793) | (118 954) |
| Operating profit (loss) | 20 | 23 001 | 14 127 | 12 763 | (57 825) |
| Investment revenue | 21 | 401 | 322 | 265 | 13 343 |
| Fair value adjustments | | - | 2 | - | 2 |
| Revaluation of land and buildings: reversal of impairment | 22 | - | 26 391 | - | 26 391 |
| Impairment of loans: reversal | | - | - | 72 489 | - |
| Finance costs | 23 | (26 630) | (31 980) | (13 887) | (19 886) |
| (Loss) profit before taxation | | (3 228) | 8 862 | 71 630 | (37 975) |
| Taxation | 24 | (3 006) | 1 208 | - | 2 593 |
| (Loss) profit for the year | | (6 234) | 10 070 | 71 630 | (35 382) |
| Other comprehensive income: | | | | | |
| Items that will not be reclassified to profit or loss: | | | | | |
| Fair value adjustments: Revaluation of land and buildings | 25 | 11 564 | 3 218 | 11 564 | 3 218 |
| Items that may be reclassified to profit or loss: | | | | | |
| Fair value adjustments: Available for sale | | 573 | 174 | - | - |
| Deferred tax on fair value adjustment | | (112) | (41) | - | - |
| Total items that may be reclassified to profit or loss | | 461 | 133 | - | - |
| Other comprehensive income for the year net of taxation | | 12 025 | 3 351 | 11 564 | 3 218 |
| Total comprehensive income (loss) for the year | | 5 791 | 13 421 | 83 194 | (32 164) |
| Continuing operations | | | | | |
| Basic and diluted (loss)/ earnings per share (cents) | 37 | (2,28) | 3,69 | - | - |

STATEMENT OF CHANGES IN EQUITY

| | Share capital | Share premium | Total share capital | Revaluation reserve | Available for sale | Total reserves | Accumulated loss | Total equity |
|------------------------------------|---------------|----------------|---------------------|---------------------|--------------------|----------------|------------------|---------------|
| Group | | | | | | | | |
| Balance at 01 March 2013 | 273 | 178 084 | 178 357 | 39 296 | 759 | 40 055 | (182 923) | 35 489 |
| Profit for the year | - | - | - | - | - | - | 10 070 | 10 070 |
| Other comprehensive income | - | - | - | 3 218 | 133 | 3 351 | - | 3 351 |
| Transfer between reserves | - | - | - | 2 584 | - | 2 584 | (2 584) | - |
| Balance at 01 March 2014 | 273 | 178 084 | 178 357 | 45 098 | 892 | 45 990 | (175 437) | 48 910 |
| Loss for the year | - | - | - | - | - | - | (6 234) | (6 234) |
| Other comprehensive income | - | - | - | 11 564 | 461 | 12 025 | - | 12 025 |
| Transfer between reserves | - | - | - | (3 927) | - | (3 927) | 3 927 | - |
| Balance at 28 February 2015 | 273 | 178 084 | 178 357 | 52 735 | 1 353 | 54 088 | (177 744) | 54 701 |

| | Share capital | Share premium | Total share capital | Revaluation reserve | Available for sale | Total reserves | Accumulated loss | Total equity |
|------------------------------------|---------------|----------------|---------------------|---------------------|--------------------|----------------|------------------|-----------------|
| Company | | | | | | | | |
| Balance at 01 March 2013 | 276 | 181 561 | 181 837 | 32 912 | - | 32 912 | (217 646) | (2 897) |
| Loss for the year | - | - | - | - | - | - | (35 379) | (35 379) |
| Transfer between reserves | - | - | - | 3 218 | - | 3 218 | - | 3 218 |
| Transfer between reserves | - | - | - | 3 293 | - | 3 293 | (3 293) | - |
| Balance at 01 March 2014 | 276 | 181 561 | 181 837 | 39 423 | - | 39 423 | (256 318) | (35 058) |
| Profit for the year | - | - | - | - | - | - | 71 630 | 71 630 |
| Other comprehensive income | - | - | - | 11 564 | - | 11 564 | - | 11 564 |
| Transfer between reserves | - | - | - | (3 218) | - | (3 218) | 3 218 | - |
| Balance at 28 February 2015 | 276 | 181 561 | 181 837 | 47 769 | - | 47 769 | (181 470) | 48 136 |

STATEMENT OF CASH FLOWS

| Figures in Rand thousand | Note | 2015 | Group 2014 | 2015 | Company 2014 |
|-----------------------------------------------------|----------|-----------------|-----------------|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash generated/ (used) in operations | 26 | 46 299 | 53 411 | 15 670 | (48 370) |
| Interest income | | 95 | 322 | 6 | - |
| Dividends received | | 306 | 13 | 259 | 13 343 |
| Finance costs | | (26 630) | (31 980) | (13 887) | (19 886) |
| Net cash from operating activities | | 20 070 | 21 766 | 2 048 | (54 913) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchase of property, plant and equipment | 3 | (16 051) | (16 191) | (2 946) | (6 798) |
| Sale of property, plant and equipment | 3 | 7 615 | 9 634 | 4 063 | 3 834 |
| Proceeds on sale of non-current asset held for sale | | 8 185 | - | 8 185 | - |
| Proceeds on sale of other financial asset | | - | 987 | - | 987 |
| Net movement on other financial asset | | (78) | (338) | - | 14 |
| Net cash from investing activities | | (329) | (5 908) | 9 302 | (1 963) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Overdraft converted to long term loan | | - | 16 302 | - | 16 302 |
| Repayment of borrowings | | (39 012) | (20 294) | (24 636) | (11 041) |
| Loans to Group companies | | - | - | - | 2 435 |
| Receipt from Group Company's loans | | - | - | 6 473 | 65 407 |
| Net cash from financing activities | | (39 012) | (3 992) | (18 163) | 73 103 |
| Total cash movement for the year | | (19 271) | 11 866 | (6 813) | 16 227 |
| Cash at the beginning of the year | | (15 972) | (27 838) | 129 | (16 098) |
| Total cash at end of the year | 9 | (35 243) | (15 972) | (6 684) | 129 |

ACCOUNTING POLICIES

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated financial statements of WG Wearne Limited have been prepared in accordance with International Financial Reporting Standards and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listing Requirements and the Companies Act of South Africa. The consolidated annual financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

Functional and presentation currency:

These financial statements are presented in South African Rand, which is the Group's functional currency.

These accounting policies are consistent with the previous financial period, except for the adoption of amendments and standards set out in note 2.

1.1 CONSOLIDATION

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Group and all investees which are controlled by the Group.

Control exists when the Group has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries

Subsidiaries are all entities where the Company has the power to govern the financial and operating policies controlled by the Group. The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal. Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated annual financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are Grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each Group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Decommissioning and quarry rehabilitation provision

Group companies are required to restore quarry and processing site at the end of their useful lives to a condition acceptable to the relevant authorities. A rehabilitation trust fund has been established at the request of the regulatory authorities, and annual contributions have been made to the trust as required, in order for the ultimate rehabilitation cost to be provided for at the end of the useful life of a site.

Quantifying the future costs of these obligations is complex and requires various estimates to be made as well as interpretations of and decisions regarding regulatory requirements, particularly with respect to the degree of rehabilitation required, with reference to the sensitivity of the environmental area surrounding the sites. Consequently, the guidelines issued for quantifying the future rehabilitation cost of a site, as issued by the Department of Minerals and Energy, have been used to estimate future rehabilitation costs.

The expected costs of any decommissioning and rehabilitation programme, discounted to its net present value, are capitalised at the beginning of a project and amortised over the estimated remaining useful life of the quarry.

The quantification of future rehabilitation costs was conducted by an independent expert, Pieter Jacobus Greyling (a Quantity Surveyor, member of Plato as Professional Mine Surveyor 1995, Member.PMS0122) in 2013. The rehabilitation costs were determined by the quantity surveyor based on a quantification calculation in the current financial year.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income.

Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Property, plant and equipment

The useful lives and residual values of items of property, plant and equipment are assessed annually and may differ depending on various factors. The details of useful lives are disclosed in note 1.3.

Items of property, plant and equipment may consist of separately identifiable components with a cost that is significant in relation to the total cost of the item. The determination of what constitutes a significant separately identifiable component requires judgement. Where management has determined that components of particular items of property, plant and equipment are significant, having different useful lives and residual values, these components are depreciated separately.

Significant judgement is required in the valuation classes of property, plant and equipment measured according to revaluation model. In valuing these classes of assets the Group makes use of independent experts.

Inventory

The determination of what constitutes slow moving, damaged, or obsolete inventory requires judgement. When inventory has been identified as slow moving, damaged, or obsolete it is written off.

A significant portion of the Group's inventory relates to Aggregate that is held in stockpiles at various locations. The determination of the volume of a stockpile is complex and requires both a degree of judgement and estimation. Management utilizes independent quantity surveyors in order to quantify the volume of Aggregate on hand.

1.3 PROPERTY, PLANT AND EQUIPMENT**Cost model**

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

- Motor vehicles
- Office equipment
- IT equipment
- Plant-under-construction

Recognition and measurement:

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Revaluation model

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

- Land and buildings
- Plant and machinery

Recognition and measurement:

Items of property, plant and machinery are measured at their revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment. On initial recognition application of the revaluation model to a particular class of property, plant and equipment any revaluation surplus is credited directly to equity via the statement of other comprehensive income under the heading revaluation reserve. A decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of the asset. Any further impairment balance remaining after the debit against other comprehensive income is taken to profit and loss as an impairment loss.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment. The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated except where the land is used for quarrying activities.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Average useful life |
|--------------------------|---------------------|
| Land: Commercial Land | Indefinite |
| Land: Quarry | Life of quarry |
| Buildings | 20 - 50 years |
| Plant and machinery | 1 - 15 years |
| Motor vehicles | 5 - 10 years |
| Office equipment | 5 - 10 years |
| IT equipment | 2 - 3 years |
| Plant under construction | * |

* The Plant-under-construction is not depreciated until it becomes ready for use.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The Group is required to restore quarry sites at the end of their productive lives to a condition acceptable to the relevant authorities. A rehabilitation trust fund has been established at the requirement of the regulatory authorities, and annual contributions are made to the trust as required, in order for the ultimate rehabilitation cost to be provided for at the end of the useful life of the site. These contributions are capitalised to the investment in the rehabilitation trust.

Assets relating to quarry resources are classified as tangible assets and are capitalised to the cost of land. Stripping costs in the production phase of a quarry are capitalised to the cost of land and are depreciated over the expected useful life of the quarry.

The commercial land has been revalued based on fair value whereas quarrying land has been revalued using the value in use based on the life of quarry.

1.4 FINANCIAL INSTRUMENTS

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables and available-for sale financial assets.

Loans and receivables

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to Group companies are classified as loans and receivables.

Loans from Group companies are classified as financial liabilities measured at amortised cost.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

1.5 TAXATION

Income tax, current tax assets and liabilities

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.6 LEASES

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

1.7 INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 IMPAIRMENT OF ASSETS

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by Grouping together receivables and held- to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Non-financial assets:

The carrying amounts of the Group's non-financial assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its estimated recoverable amount. Recoverable amount is determined as the greater of Fair value less cost to sell and Value-in-use. Impairment loss represents the difference between the asset's carrying amount and the recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (Group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9 SHARE CAPITAL AND EQUITY

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

Where any Group Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

1.10 EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

Headline Earnings per share is calculated as per the Johannesburg Stock Exchange requirements and prepared in accordance with The South African Institute of Chartered Accountants, Headline Earnings per share circular 2/2013.

1.11 INVESTMENT INCOME

Investment income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss.

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

1.12 EMPLOYEE BENEFITS

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed retirement benefit schemes are dealt with as defined contribution plans where the Group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.13 PROVISIONS AND CONTINGENCIES

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

1.14 REVENUE

Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, volume rebates and value added taxes.

Revenue recognition criteria for Sale of goods

When persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably, the corresponding revenue is recognised. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards varies depending on the individual terms of the agreement of sale.

Revenue recognition Criteria for the Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the balance sheet date.

The outcome of the transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue recognition criteria for the receipt of rental income

Rental income is recognised as revenue on the straight line basis over the lease term.

1.15 COST OF SALES

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.16 FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Risk and Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, who represents the maximum open amount; these limits are reviewed on an ad hoc basis.

Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on cash-on-delivery basis.

As a result of the deteriorating economic circumstances certain purchase limits have been redefined.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

During the 2012 financial year the Wearne Limited Group and its subsidiary Wearne Aggregates Proprietary Limited entered into a scheme of arrangement with both its secured and concurrent creditors. In terms of the scheme of arrangement the companies have been granted payment moratoriums and extended repayment terms which have improved the Groups liquidity position. In March 2013 the moratorium has been lifted.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews. The results of reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Risk and Audit Committee and senior management of the Group.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

1.17 OPERATING SEGMENT

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Clarification of certain aspects concerning the requirements for offsetting financial assets and financial liabilities. The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 March 2015 or later periods:

IFRS 9 Financial Instruments

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is now complete for classification, measurement and derecognition of financial assets and liabilities. The following are main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value.
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Financial liabilities shall not be reclassified.
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The effective date of the standard is for years beginning on or after 01 January 2018.

The Group expects to adopt the standard for the first time in the 2018 consolidated annual financial statements. Management does not consider the impact to be material.

It is unlikely that the standard will have a material impact on the Company's consolidated annual financial statements.

2010 Annual Improvements Project: Amendments to IFRS 7 Financial Instruments: Disclosures

Additional clarification is provided on the requirements for risk disclosures

The effective date of the amendment is for years beginning on or after 01 July 2016.

The Group does not envisage the adoption of the amendment until such time as it becomes applicable to the Group's operations.

The impact of this amendment is currently being assessed.

IFRS 10 Consolidated Financial Statements

Standard replaces the consolidation sections of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The standard sets out a new definition of control, which exists only when an entity is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to effect those returns through power over the investee.

The effective date of the standard is for years beginning on or after 01 January 2016.

The Group does not envisage the adoption of the standard until such time as it becomes applicable to the Group's operations.

The impact of this amendment is currently being assessed.

IFRS 11 Joint Arrangements

The standard replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non Monetary Contributions by Venturers. The standard defines a Joint arrangement as existing only when decisions about relevant activities requires the unanimous consent of the parties sharing joint control in terms of a contractual arrangement. The standard identifies two types of joint arrangements as:

- Joint operations which exist when the entities sharing joint control have direct rights to the assets and obligations for the liabilities of the joint arrangements. In such cases the joint operators recognise their share of the assets and liabilities and profits and losses of the joint arrangements in their financial statements.
- Joint operations which exist when the entities sharing joint control have direct rights to the assets and obligations for the liabilities of the joint arrangements. In such cases the joint operators recognise their share of the assets and liabilities and profits and losses of the joint arrangements in their financial statements.

The effective date of the standard is for years beginning on or after 01 January 2016.

The Group does not envisage the adoption of the standard until such time as it becomes applicable to the Group's operations.

The impact of this standard is currently being assessed.

IFRS 12 Disclosure of Interests in Other Entities

The standard sets out disclosure requirements for investments in Subsidiaries, associates, joint ventures and unconsolidated structured entities. The disclosures are aimed to provide information about the significance and exposure to risks of such interests. The most significant impact is the disclosure requirement for unconsolidated structured entities or off balance sheet vehicles.

The effective date of the standard is for years beginning on or after 01 January 2014.

The Group does not envisage the adoption of the standard until such time as it becomes applicable to the Group's operations.

The impact of this standard is currently being assessed.

IFRS 13 Fair Value Measurement

New standard setting out guidance on the measurement and disclosure of items measured at fair value or required to be disclosed at fair value in terms of other IFRS's.

The effective date of the standard is for years beginning on or after 01 January 2016.

The Group does not envisage the adoption of the standard until such time as it becomes applicable to the Group's operations.

The impact of this standard is currently being assessed.

IFRS 15 Revenue from contracts with customers

- An entity applies IFRS 15 to each contract with a customer that has commercial substance and meets other specific criteria (such as the probability of the entity collecting its entitled consideration in exchange for promised goods or services)
- The standard has specific conditions that need to be met in order for a contract to be within the scope of IFRS 15.
- To identify the performance obligation(s), an entity must consider if the customer can benefit from the good or service on its own or together with other readily available resources. The entity must also consider whether its promise to deliver the good or service is separately identifiable from other promises in the contract.
- The transaction price is typically a fixed amount of customer consideration. However, the price could include estimates of consideration that are variable, or consideration that is in a form other than cash. Factors such as collection uncertainty and the effects of financing are also considered in the determination of the transaction price.
- An entity allocates the transaction price to each performance obligation on the basis of the stand-alone selling prices of each distinct good or service. The standard specifies when an entity should allocate the consideration to a specific part of the contract vs. all of the performance obligations in the contract.
- If it is determined that a contract contains a significant financing arrangement, an entity needs to adjust for the time value of money.
- Revenue is recognized when the entity satisfies a performance obligation by transferring a promised good or service to a customer (i.e., the customer obtains control of that good or service).
- Therefore, revenue is recognized as control is passed, either over time or at a point in time. Control of an asset is defined as the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. This includes the ability to prevent others from directing the use of, and obtaining the benefits from, the asset. The benefits related to the asset are the potential cash flows that may be obtained directly or indirectly.

The effective date of the standard is for years beginning on or after 01 January 2017.

The Group does not envisage the adoption of the standard until such time as it becomes applicable to the Group's operations.

The impact of this standard is currently being assessed.

3. PROPERTY, PLANT AND EQUIPMENT

| | 2015 | | | 2014 | | |
|-------------------------------------|------------------|------------------------------------------|----------------|-----------------|------------------------------------------|----------------|
| | Cost / Valuation | Accumulated depreciation and impairments | Carrying value | Cost Valuation/ | Accumulated depreciation and impairments | Carrying value |
| Group | | | | | | |
| Land and buildings | 222 990 | (36 576) | 186 414 | 216 842 | (39 868) | 176 974 |
| Plant and machinery | 249 958 | (142 514) | 107 444 | 256 713 | (132 209) | 124 504 |
| Motor vehicles | 87 107 | (64 775) | 22 332 | 86 304 | (56 650) | 29 654 |
| Office equipment | 1 569 | (1 169) | 400 | 1 575 | (1 043) | 532 |
| IT equipment | 5 143 | (4 802) | 341 | 5 022 | (4 407) | 615 |
| Other property, plant and equipment | - | - | - | 30 | - | 30 |
| Total | 566 767 | (249 836) | 316 931 | 566 486 | (234 177) | 332 309 |

| | 2015 | | | 2014 | | |
|---------------------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Company | | | | | | |
| Land and buildings | 205 119 | (32 910) | 172 209 | 199 192 | (37 025) | 162 167 |
| Plant and machinery | 130 791 | (91 831) | 38 960 | 137 377 | (85 779) | 51 598 |
| Motor vehicles | 2 720 | (2 203) | 517 | 2 694 | (2 043) | 651 |
| Office equipment | 270 | (183) | 87 | 260 | (153) | 107 |
| IT equipment | 3 055 | (2 944) | 111 | 3 039 | (2 738) | 301 |
| Total | 341 955 | (130 071) | 211 884 | 342 562 | (127 738) | 214 824 |

Reconciliation of property, plant and equipment - Group - 2015

| | Opening balance | Additions | Disposals | Revaluations | Depreciation | Total |
|---------------------|-----------------|---------------|----------------|---------------|-----------------|----------------|
| Land and buildings | 176 974 | 772 | (486) | 10 000 | (846) | 186 414 |
| Plant and machinery | 124 534 | 8 516 | (4 055) | - | (21 551) | 107 444 |
| Motor vehicles | 29 652 | 6 622 | (1 593) | - | (12 349) | 22 332 |
| Office equipment | 532 | 13 | - | - | (145) | 400 |
| IT equipment | 615 | 128 | - | - | (402) | 341 |
| | 332 307 | 16 051 | (6 134) | 10 000 | (35 293) | 316 931 |

Reconciliation of property, plant and equipment - Group - 2014

| | Opening balance | Additions | Disposals | Classified as held for sale | Transfers | Revaluations | Depreciation | Impairment loss | Impairment reversal | Total |
|--------------------------|-----------------|---------------|----------------|-----------------------------|-----------|--------------|-----------------|-----------------|---------------------|----------------|
| Land and buildings | 153 688 | 748 | (489) | (3 685) | 267 | 3 218 | (3 165) | - | 26 392 | 176 974 |
| Plant and machinery | 136 269 | 12 737 | (5 363) | - | 3 404 | - | (22 213) | (300) | - | 124 534 |
| Motor vehicles | 48 256 | 2 417 | (4 007) | - | (3 621) | - | (13 393) | - | - | 29 652 |
| Office equipment | 722 | 8 | - | - | - | - | (198) | - | - | 532 |
| IT equipment | 733 | 281 | (16) | - | 8 | - | (391) | - | - | 615 |
| Plant under construction | 58 | - | - | - | (58) | - | - | - | - | - |
| | 339 726 | 16 191 | (9 875) | (3 685) | - | 3 218 | (39 360) | (300) | 26 392 | 332 307 |

Reconciliation of property, plant and equipment - Company - 2015

| | Opening balance | Additions | Disposals | Transfers | Revaluations | Depreciation | Total |
|---------------------|-----------------|--------------|----------------|-----------|---------------|-----------------|----------------|
| Land and buildings | 162 167 | 172 | - | (107) | 10 000 | (23) | 172 209 |
| Plant and machinery | 51 599 | 2 648 | (3 389) | 125 | - | (12 023) | 38 960 |
| Motor vehicles | 650 | 96 | (38) | (14) | - | (177) | 517 |
| Office equipment | 107 | 10 | - | - | - | (30) | 87 |
| IT equipment | 301 | 20 | - | (4) | - | (206) | 111 |
| | 214 824 | 2 946 | (3 427) | - | 10 000 | (12 459) | 211 884 |

Reconciliation of property, plant and equipment - Company - 2014

| | Opening balance | Additions | Disposals | Classified as held for sale | Revaluations | Depreciation | Impairment reversal | Total |
|---------------------|-----------------|--------------|----------------|-----------------------------|--------------|-----------------|---------------------|----------------|
| Land and buildings | 135 621 | 642 | - | (3 685) | 3 218 | (21) | 26 392 | 162 167 |
| Plant and machinery | 63 350 | 5 729 | (3 656) | - | - | (13 824) | - | 51 599 |
| Motor vehicles | 1 069 | 292 | (386) | - | - | (325) | - | 650 |
| Office equipment | 137 | - | - | - | - | (30) | - | 107 |
| IT equipment | 418 | 135 | (16) | - | - | (236) | - | 301 |
| | 200 595 | 6 798 | (4 058) | (3 685) | 3 218 | (14 436) | 26 392 | 214 824 |

Revaluations

Fair value of certain of the Group's property, plant and equipment is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors and audit committee at each reporting date.

The revaluation in the current year on the Brandvlei Quarry (Level 3 in terms of IFRS 13) was conducted by an independent appraiser in April 2014. The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances, current use and discounted cash flows. The valuator's report showed a forced sale amount of R 20 million but after a more prudent discounted cash flow calculation was performed by the Directors, the land is disclosed at R 15 million, which the Directors believe is fair value.

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

| | Cost Model R `000 | Revaluation Model R `000 | Surplus R `000 |
|---------------------|----------------------|-----------------------------|-------------------|
| Group 2015 | | | |
| Land and buildings | 131 908 | 186 414 | 54 506 |
| Plant and machinery | 100 548 | 107 444 | 6 896 |
| Group 2014 | | | |
| Land and buildings | 119 630 | 176 974 | 62 553 |
| Plant and machinery | 113 294 | 124 534 | 11 240 |
| Company 2015 | | | |
| Land and buildings | 117 703 | 172 209 | 54 506 |
| Company 2014 | | | |
| Land and buildings | 119 630 | 162 167 | 42 537 |

| | | | | |
|--------------------------|-------------|--------------|-------------|----------------|
| Figures in Rand thousand | | Group | | Company |
| | 2015 | 2014 | 2015 | 2014 |

4. INVESTMENTS IN SUBSIDIARIES

| Name of Company Held by | % voting power | % voting power | Carrying amount | Carrying amount |
|-------------------------------------------------|----------------|----------------|-----------------|-----------------|
| Noordvaal Crushers Proprietary Limited | 100,00 % | 100,00 % | * | * |
| Wearne Platkop Quarry Proprietary Limited | 100,00 % | 100,00 % | * | * |
| Wearne Aggregates Proprietary Limited | 100,00 % | 100,00 % | * | * |
| Wearne Precast Proprietary Limited | 100,00 % | 100,00 % | 2 | 2 |
| Wearne Quarries Free State Proprietary Limited | 100,00 % | 100,00 % | * | * |
| Wearne Quarries Gauteng Proprietary Limited | 100,00 % | 100,00 % | * | * |
| Wearne Quarries Limpopo Proprietary Limited | 100,00 % | 100,00 % | * | * |
| Wearne Quarries Natal Proprietary Limited | 100,00 % | 100,00 % | * | * |
| Wearne Ready Mixed Concrete Proprietary Limited | 100,00 % | 100,00 % | * | * |
| | | | 2 | 2 |
| | | | 2 | 2 |

* Amounts less than R 1 000

The carrying amounts of subsidiaries are shown net of impairment losses.

Where the carrying value and fair value of investments in subsidiaries is less than a thousand rand it has been rounded to R Nil. Refer to annexure A for carrying value denominated in South African Rand.

All subsidiaries are incorporated in the Republic of South Africa.

5. OTHER FINANCIAL ASSETS**Available-for-sale**

| | | | | |
|--------------------------------------------------|-------|-------|---|---|
| Held by the Wearne Rehabilitation Trust: Stanlib | 5 864 | 5 213 | - | - |
| Wealth Management Limited | | | - | - |

Loans and receivables

| | | | | |
|------------------------------------|---------|---------|---|---|
| Loans to share scheme participants | 1 757 | 2 054 | - | - |
| | 1 757 | 2 054 | - | - |
| Impairment losses | (1 757) | (2 054) | - | - |
| | - | - | - | - |

Non-current assets

| | | | | |
|-------------------------------------|----------------|----------------|---|---|
| Available-for-sale | 5 864 | 5 213 | - | - |
| Reconciliation of impairment losses | | | - | - |
| Opening balance | (2 054) | (2 447) | - | - |
| Reversed during the year | 297 | 393 | - | - |
| | (1 757) | (2 054) | - | - |

The Stanlib Wealth Management Limited's fair value of quoted investments is based on the quoted market prices. These financial assets are therefore classified as Level 1 in the IFRS 13 fair value hierarchy. The fair values are determined at the Reporting date. The maximum exposure to credit risk at the reporting date is the fair value of the debt securities classified as available-for-sale and the credit risk exposures attributable from the loans and receivables classified in other financial assets.

Loans to the WG Wearne Share Scheme participants bear interest at 6.5%, are unsecured and have no fixed terms of repayment. These loans have been fully impaired. Refer to note 11 for further information on the share scheme.

| Figures in Rand thousand | 2015 | Group 2014 | 2015 | Company 2014 |
|------------------------------------------------------------------------------|----------------|----------------|----------|-----------------|
| 6. DEFERRED TAXATION | | | | |
| Deferred tax liability | | | | |
| Accelerated capital allowances for tax purposes | (23 697) | (25 620) | (10 989) | (9 867) |
| Provisions | 1 002 | 549 | 350 | 178 |
| Debtors payments in advance | 952 | 1 154 | 4 | 57 |
| Estimated loss | 13 020 | 14 798 | 10 642 | 8 055 |
| Prepayments | (49) | (33) | (7) | 13 |
| Fair value adjustments | (112) | - | - | - |
| Total deferred tax liability | (8 884) | (9 152) | - | (1 564) |
| Deferred tax asset | | | | |
| Accelerated capital allowances for tax purposes | (10 828) | (11 894) | - | - |
| Provisions | 330 | 420 | - | - |
| Debtors payments in advance | 1 124 | 744 | - | - |
| Estimated losses | 15 133 | 18 084 | - | - |
| Prepayments | (50) | (42) | - | - |
| Deferred tax balance from temporary differences other than unused tax losses | 5 709 | 7 312 | - | - |
| Total deferred tax asset | 5 709 | 7 312 | - | - |
| Deferred tax liability | (8 884) | (9 152) | - | (1 564) |
| Deferred tax asset | 5 709 | 7 312 | - | - |
| Total net deferred tax liability | (3 175) | (1 840) | - | (1 564) |
| Reconciliation of deferred taxation liability | | | | |
| At beginning of year | (8 151) | (13 860) | (1 564) | (4 157) |
| Accelerated capital allowances for tax purposes | 412 | 5 942 | (1 723) | 4 148 |
| Provisions | 452 | (68) | 172 | (4) |
| Debtors payments in advance | (202) | 559 | (53) | (72) |
| Estimated losses | (1 268) | (1 692) | 3 188 | (1 492) |
| Prepayments | (15) | (33) | (20) | 13 |
| Other comprehensive income | (112) | - | - | - |
| | (8 884) | (9 152) | - | (1 564) |
| Reconciliation of deferred taxation asset | | | | |
| At the beginning of the year | 6 312 | 10 560 | - | - |
| Originating temporary differences on tangible assets | 1 065 | 3 415 | - | - |
| Provisions | (90) | (135) | - | - |
| Debtors payments in advance | 380 | 15 | - | - |
| Estimated losses | (1 950) | (6 501) | - | - |
| Prepayments | (8) | (42) | - | - |
| | 5 709 | 7 312 | - | - |

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of R 20 635 548 (2014: R 16 937 586) in respect of total estimated losses amounting to R 73 698 389 (2014: R 60 491 378) that can be carried forward against future taxable income. In addition the Group has deferred capital losses amounting to R 36 988 362 which can be carried forward.

| Figures in Rand thousand | Group | | Company | |
|------------------------------|---------------|---------------|------------|--------------|
| | 2015 | 2014 | 2015 | 2014 |
| Raw materials and components | 11 543 | 9 773 | 586 | 2 347 |
| Finished goods | 23 570 | 15 243 | 34 | 29 |
| Diesel | 1 945 | 1 858 | 113 | 1 858 |
| | 37 058 | 26 874 | 733 | 4 234 |

8. TRADE AND OTHER RECEIVABLES

| | | | | |
|-------------------|---------------|---------------|---------------|---------------|
| Trade receivables | 58 729 | 55 039 | 18 083 | 8 482 |
| Prepayments | 2 154 | 1 942 | 926 | 986 |
| Deposits | 174 | 124 | - | - |
| Other receivables | 2 855 | 2 921 | 2 855 | 2 999 |
| | 63 912 | 60 026 | 21 864 | 12 467 |

Trade and other receivables pledged as security

For detail regarding the cession of trade receivables as security for overdraft facilities provided to the Group refer to note 9.

Credit quality of trade and other receivables

Trade receivables comprise a widespread customer base. The table below shows the balances of the five major trade receivables at the Reporting date. Credit ratings were obtained for all external trade receivables.

Trade receivables

| As at 28 February 2015 | Credit limit | Balance | Credit limit | Balance |
|-------------------------------|---------------|---------------|---------------|---------------|
| Debtor A | 15 000 | 6 432 | 15 000 | 6 432 |
| Debtor B | 7 000 | 6 144 | 2 000 | 3 475 |
| Debtor C | 3 500 | 3 475 | 1 000 | 278 |
| Debtor D | 1 400 | 1 326 | - | 56 |
| Debtor E | 1 500 | 1 321 | - | - |
| | 28 400 | 18 698 | 18 000 | 10 241 |
| As at 28 February 2014 | | | | |
| Debtor A | 4 000 | 2 936 | 1 000 | 743 |
| Debtor B | 3 000 | 2 171 | 3 000 | 571 |
| Debtor C | 2 500 | 1 362 | 1 000 | 475 |
| Debtor D | 2 000 | 1 352 | - | - |
| Debtor E | 2 000 | 1 027 | - | - |
| | 13 500 | 8 848 | 5 000 | 1 789 |

The table below shows the ageing of net trade receivables:

| | | | | |
|-------------------|---------------|---------------|---------------|--------------|
| Less than 30 days | 37 993 | 33 507 | 14 271 | 7 911 |
| 31 to 60 days | 13 826 | 13 957 | 2 628 | 456 |
| 61 to 90 days | 8 349 | 1 567 | - | - |
| 91 to 120 days | 2 977 | 2 092 | - | - |
| Over 120 days | 5 139 | 3 749 | 56 | 116 |
| | 68 284 | 54 872 | 16 955 | 8 483 |

Fair value of trade and other receivables

| | | | | |
|-----------------------------|--------|--------|--------|--------|
| Trade and other receivables | 65 729 | 60 026 | 23 681 | 12 467 |
|-----------------------------|--------|--------|--------|--------|

| Figures in Rand thousand | 2015 | Group 2014 | 2015 | Company 2014 |
|---------------------------------------------------------------------------------------------|-------|---------------|------|-----------------|
| Trade and other receivables past due but not impaired | | | | |
| Trade receivables which are past due but not considered to be impaired, are detailed below. | | | | |
| The ageing of amounts past due but not impaired is as follows: | | | | |
| Less than 3 months | 8 347 | 1 405 | - | - |
| 3 to 6 months | 3 805 | 4 661 | - | - |
| Over 6 months | 459 | 1 104 | 56 | 116 |

Group

As of 28 February 2015, trade and other receivables of R 3 382 284 (2014: R 1 936 000) were impaired and provided for.

Company

As at 28 February 2015 trade and other receivables of R 615 000 (2014: R Nil) were impaired and provided for.

The ageing of the impairment allowance is as follows:

| | | | | |
|--------------------|-------|-------|-----|---|
| Less than 3 months | 2 | 143 | - | - |
| 3 to 6 months | 893 | 775 | 615 | - |
| Over 6 months | 2 487 | 1 018 | - | - |

Reconciliation of allowance for impairment of trade and other receivables

| | | | | |
|-----------------------------------------|--------------|--------------|------------|----------|
| Opening balance | 1 936 | 2 736 | - | - |
| Utilised during the year | (701) | (2 426) | - | - |
| Raised during the year | 3 023 | 2 273 | 615 | - |
| Unused amounts reversed during the year | (876) | (647) | - | - |
| | 3 382 | 1 936 | 615 | - |

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

| | | | | |
|---------------------------------|-----------------|-----------------|----------------|------------|
| Cash on hand | 179 | 164 | 7 | 7 |
| Bank balances | - | 765 | - | (124) |
| Other cash and cash equivalents | (1 245) | - | 134 | 246 |
| Invoice discounting facility | (34 177) | (16 901) | (6 825) | - |
| | (35 243) | (15 972) | (6 684) | 129 |
| Current assets | 179 | 929 | 141 | 253 |
| Current liabilities | (35 422) | (16 901) | (6 825) | (124) |
| | (35 243) | (15 972) | (6 684) | 129 |

There is no material differences between the fair value of cash and cash equivalents and their nominal value. No credit ratings of the relevant banking institutions have been obtained.

The Group has a multi-optional facility with Nedbank Limited by way of overdraft, short term loan, factoring agreement with Nedbank Debtor Management (for R 70 000 000) letter of guarantee facility. As security for the facility, the bank holds:

- Unrestricted first cession of all present and future book debts;
- Unlimited inter-linking suretyships including a cession of loan funds in favour of the bank between WG Wearne Limited and its subsidiary companies;
- First and second covering mortgage bond for R 1 300 000 over the remaining extent of Portion 31 (a portion of Portion 1) of the farm Middelvlei No. 225;
- Continuing covering mortgage bond for R 11 200 000 over the remaining extent of Portion 31 (a portion of Portion 1) of farm Middelvlei No. 225 Randfontein;
- Continued covering mortgage bond for R 90 000 of portion 56 of erf 247 Pothindustria
- Continued covering mortgage bond for erf 4038 Bethlehem township of R 1 000 000
- First covering mortgage bond for Portion 64 of Farm Roodepoort 744 of R 10 000 000

WG Wearne Limited has a fixed term loan and a revolving loan with ABSA, as security for these facilities the bank holds:

- First ranking mortgage bond in the amount of R 103 000 000 in favour of ABSA of the farm Rietfontein 189 IQ and portion 7 of farm Groenplaats 157 IQ
- First ranking mortgage bond in the amount of R 4 600 000 of the farm Rietvlei 180 IQ
- Second continuous covering mortgage bond in the amount of R 10 000 000 in favour of ABSA, Nedbank and Wesbank sharing pro-rata basis to the existing exposure;
- Special Notarial bonds over moveable assets purchased from De Bruyn Sandwerke Group registered in favour of WG Wearne Limited in the amount of R 17 645 000 dated 8 January 2007
- Negative pledge over assets of WG Wearne Limited dated 17 November 2006;
- Unlimited Cross sureties by all WG Wearne Limited subsidiaries, including cession of loan accounts for: WG Wearne Limited,

Wearne Aggregates Proprietary Limited, and Noordvaal Crushers Proprietary Limited

Cession of loan account dated 17 November 2006 in Noordvaal Crushers Proprietary Limited; Cession of loan account dated 17 November 2006 in Wearne Aggregates Proprietary Limited; and 1st Charge over assets financed

10. NON CURRENT ASSET CLASSIFIED AS HELD FOR SALE

In the 2014 financial year the Company committed to a plan to sell the land situated in Roodekop, the selling price of which is R 3.6 million. At 28 February 2015 the property was sold.

In the 2012 financial year the Company entered into an agreement to sell its land situated in Marshalltown (Wemmer Pan), the selling price of which was R 4.5 million. As at 28 February 2014 the fair value equals the carrying value of R 4.5 million. At 28 February 2015 the property was sold.

The land was reclassified as a non-current asset held for sale and measured in accordance with the requirements of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations:

| | | | | |
|--------------------------|-------------|--------------|-------------|----------------|
| Figures in Rand thousand | | Group | | Company |
| | 2015 | 2014 | 2015 | 2014 |

2015 Group and Company

| | Opening carrying value | Disposal | Closing carrying value |
|-------------------|------------------------|----------------|------------------------|
| Land:Marshalltown | 4 500 | (4 500) | - |
| Land: Roodekop | 3 685 | (3 685) | - |
| | 8 185 | (8 185) | - |

2014 Group and Company

| | Carrying value at reclassification date | Fair value adjustment | Carrying value under IFRS 5 |
|-------------------------------|-----------------------------------------|-----------------------|-----------------------------|
| Property, plant and equipment | 8 639 | (4 139) | 4 500 |
| Land: Roodekop | 467 | 3 218 | 3 685 |
| | 9 106 | (921) | 8 185 |

11. SHARE CAPITAL**Authorised**

| | | | | |
|---------------------------------------------------|---------|---------|---------|---------|
| 500 000 000 Ordinary par value shares of 0.1 cent | 500 000 | 500 000 | 500 000 | 500 000 |
|---------------------------------------------------|---------|---------|---------|---------|

At year end the Company had issued 273 037 963 (2014: 273 037 963) ordinary shares net of treasury shares of 0.1 cents each. The Group holds treasury shares in the WG Wearne Share Incentive Scheme of 3 355 250 (2014:3 355 250).

The ordinary shares shall have 1 vote in respect of each share at any meeting of the shareholders of the holding Company, the right to receive a dividend if declared, and the right to participate in the capital surplus on the winding up of the holding Company.

The Directors have the authority to allot the unissued shares, in terms of an ordinary resolution passed at the Company's annual general meeting. This authority lapses at the next annual general meeting, unless it is renewed.

Issued

| | | | | |
|---------------|----------------|----------------|----------------|----------------|
| Ordinary | 273 | 273 | 276 | 276 |
| Share premium | 178 084 | 178 084 | 181 561 | 181 561 |
| | 178 357 | 178 357 | 181 837 | 181 837 |

In 2006, an offer was made to the employees to purchase shares at R1 each prior to listing. Employees agreed to take up 4 185 000 shares. At the inception of the scheme the employees could elect how many shares they wanted to subscribe for. The shares offered to employees were at market value (the listing price) and IFRS 2 was not applicable. The WG Share Incentive Scheme Trust then loaned the employees the money to purchase the shares after this money was loaned from WG Wearne Limited. The loan carried interest and the employees repaid the loan over a period of 4 years. Only once the employees paid the full value of the loan could they receive shares. However, the shares were transferred into the respective employees names on initial offering date but the share certificates were held as security until the loan was settled. Shares not taken up by employees and shares subsequently repurchased from share participants are considered to be treasury shares and accounted for as such on consolidation.

The 885 000 shares which were not originally taken up by employees were offered to Directors and senior management on 20 December 2006 at a price of 340 cents per share (market price of 395 cents). The share based expense was recognized.

| Figures in Rand thousand | 2015 | Group 2014 | 2015 | Company 2014 |
|--------------------------|------|---------------|------|-----------------|
|--------------------------|------|---------------|------|-----------------|

12. RESERVES

Non-distributable reserves

Non-distributable reserves consist of share-based payments expenses and fair-value adjustments to available-for-sale investments.

Share-based payment expenses relate to expenses incurred during the settlement of the outstanding purchase price of business combinations and paid in by issue of shares.

For details regarding the fair value adjustments to available-for-sale investments refer to note 10.

Reserves consist of:

| | | | | |
|---------------------------------------------------------|--|-------|-----|----|
| Fair value adjustment to available-for-sale investments | | 1 353 | 892 | -- |
|---------------------------------------------------------|--|-------|-----|----|

Revaluation reserves

Revaluation reserves consist of non-distributable revaluation surpluses raised on classes of property, plant and equipment carried according to the revaluation model. In accordance with the requirements of IFRS the revaluation reserves are realised through equity via other comprehensive income over the useful lives of the respective revalued assets.

Reserves consist of:

| | | | | |
|---------------------|---------------|---------------|---------------|---------------|
| Land and buildings | 54 506 | 46 219 | 54 506 | 46 219 |
| Plant and machinery | 6 896 | 7 881 | - | - |
| Deferred tax | (8 667) | (9 002) | (6 736) | (6 796) |
| | 52 735 | 45 098 | 47 770 | 39 423 |

13. OTHER FINANCIAL LIABILITIES

Secured loans held at amortised cost

| | | | | |
|-----------------------------------------|---------------|---------------|---------------|---------------|
| Revolving loan - ABSA Bank Limited | 41 609 | 41 175 | 41 609 | 41 175 |
| Term loan - ABSA Bank Limited | - | 1 290 | - | 1 290 |
| Term loan - Nedbank Limited | - | 9 344 | - | 9 344 |
| | 41 609 | 51 809 | 41 609 | 51 809 |
| Less: current portion at amortised cost | (5 901) | (23 987) | (5 901) | (23 987) |
| | 35 708 | 27 822 | 35 708 | 27 822 |

Unsecured loans held at amortised cost

| | | | | |
|-----------------------------------------|---------------|---------------|---------------|---------------|
| IDC - A loan | 53 712 | 55 024 | 53 712 | 55 024 |
| IDC B - loan | 16 470 | 17 745 | 16 470 | 17 745 |
| Term loan - ABSA Bank Limited | - | 447 | - | 447 |
| IDC - C loan | 2 339 | 2 000 | 2 339 | 2 000 |
| Term loan - Wesbank | 1 593 | 1 948 | 1 593 | 1 948 |
| | 74 114 | 77 164 | 74 114 | 77 164 |
| Less: current portion at amortised cost | (8 799) | (9 916) | (8 799) | (9 916) |
| | 65 315 | 67 248 | 65 315 | 67 248 |

Instalment sale agreements

| | | | | |
|-----------------------------------------|---------------|----------------|---------------|---------------|
| ABSA Bank | 5 282 | 7 171 | 4 534 | 5 755 |
| Wesbank | 39 455 | 48 145 | 19 036 | 22 649 |
| Mercedes Benz Finance Services | 3 766 | 6 485 | - | - |
| Nedbank | 58 326 | 70 867 | 24 746 | 30 568 |
| ELB Equipment Holdings Limited | 2 346 | 4 482 | 577 | 1 307 |
| FAW vehicle manufactures | 2 213 | - | - | - |
| | 111 388 | 137 150 | 48 893 | 60 279 |
| Less: current portion at amortised cost | (34 258) | (28 562) | (13 678) | (12 500) |
| | 77 130 | 108 588 | 35 215 | 47 779 |

Non-current liabilities

| | | | | |
|---------------|--------|--------|--------|--------|
| Secured loans | 35 708 | 27 822 | 35 708 | 27 822 |
|---------------|--------|--------|--------|--------|

| Figures in Rand thousand | 2015 | Group 2014 | 2015 | Company 2014 |
|----------------------------|----------------|----------------|----------------|-----------------|
| Unsecured loans | 65 315 | 67 248 | 65 315 | 67 248 |
| Instalment sale agreements | 77 130 | 108 588 | 35 215 | 47 779 |
| | 178 153 | 203 658 | 136 238 | 142 849 |
| Current liabilities | | | | |
| Secured loans | 5 901 | 23 987 | 5 901 | 23 987 |
| Unsecured loans | 8 799 | 9 916 | 8 799 | 9 916 |
| Instalment sale agreements | 34 258 | 28 562 | 13 678 | 12 500 |
| | 48 958 | 62 465 | 28 378 | 46 403 |
| | 227 111 | 266 123 | 164 616 | 189 252 |

Secured loans held at amortised cost

There is no material difference between the fair value of the secured loans and their book value. The loans are secured by mortgage bonds and registered over certain of the Group's land and buildings. Refer to note for further details.

The ABSA Bank Limited revolving loan bears interest at prime plus 1.5% (10.5%) and is repayable at an average monthly instalment of R 850 000.

Unsecured loans held at amortised cost

The IDC A loan is repayable beginning March 2015 in 48 monthly instalments of R 650 000 per month for the first 12 months, R 1 250 000 for the following 24 months and R 1 987 000 for the remaining 12 months. IDC B loan bears interest at 9.5% per annum and is repayable at an average monthly instalment of R 431 000 for 20 months beginning May 2012.

The IDC C loan bears no interest and has no fixed terms of repayment.

Instalment sale agreements held at amortised cost

There is no material difference between the fair value of instalment sales creditors and their book value.

The instalment sale agreements are secured over property, plant and equipment with a carrying value in the Group excluding revaluations of R 64 527 544 (2014: R 136 241 754).

The instalment sale agreements for ABSA, Wesbank and ELB bears interest between prime less 1% to prime plus 2.75% (prime 9.25% at year end) and are repayable at an average monthly instalment of R 3 465 915 commencing

April 2013. FAW bears interest at 16% and are repayable at an average monthly instalment of R 111 456.

Instalment sale liabilities are carried at amortised cost. All financial liabilities held at amortised cost are denominated in South African Rand.

Fair value of borrowings

Other financial liabilities are recognised at amortised cost.

At cost

| | | | | |
|----------------------------|----------------|----------------|----------------|----------------|
| Secured loans | 41 609 | 51 809 | 41 609 | 51 809 |
| Unsecured loans | 74 114 | 77 164 | 74 114 | 77 164 |
| Instalment sale agreements | 111 388 | 137 150 | 48 893 | 60 279 |
| | 227 111 | 266 123 | 164 616 | 189 252 |

| Figures in Rand thousand | 2015 | Group 2014 | 2015 | Company 2014 |
|--------------------------|------|---------------|------|-----------------|
|--------------------------|------|---------------|------|-----------------|

14. PROVISIONS**Reconciliation of provisions - Group - 2015**

| | Opening balance | Reversed during the year | Total |
|------------------------------|-----------------|--------------------------|--------|
| Environmental rehabilitation | 11 750 | (491) | 11 259 |

Reconciliation of provisions - Group - 2014

| | Opening balance | Reversed during the year | Total |
|------------------------------|-----------------|--------------------------|--------|
| Environmental rehabilitation | 11 875 | (125) | 11 750 |

The quantification of future rehabilitation costs was conducted by an independent expert in March 2013, Pieter Jacobus Greyling (a Quantity Surveyor, member of Plato as Professional Mine Surveyor 1995, Member.PMS0122).

15. LOANS TO (FROM) GROUP COMPANIES**Subsidiaries**

| | | | | |
|-------------------------------------------------|---|---|-----------|-----------------|
| Noordvaal Crushers Proprietary Limited | - | - | (22) | (22) |
| Wearne Aggregates Proprietary Limited | - | - | 34 842 | 194 433 |
| Wearne Precast Proprietary Limited | - | - | 15 125 | 15 793 |
| Wearne Quarries Natal Proprietary Limited | - | - | 1 081 | 1 081 |
| Wearne Ready Mixed Concrete Proprietary Limited | - | - | 87 771 | (65 994) |
| | - | - | 138 797 | 145 291 |
| Impairment of loans to subsidiaries | - | - | (138 797) | (211 307) |
| | - | - | - | (66 016) |

During the current year management decided to recapitalise the financial position of the various subsidiary companies. This was done by way of transfer of rights and obligations between the various intercompany loans. The net result of this was that WG Wearne Limited was the net funder to the various subsidiary companies. This resulted in a reversal of a portion of the impairment loss previously recognised in the Company's accounting records.

Reconciliation of impairment

| | | | | |
|---------------------|---|---|----------------|---|
| Opening balance | - | - | 210 226 | - |
| Impairment of loans | - | - | (72 488) | - |
| | - | - | 137 738 | - |

Loans to special purpose entity

| | | | | |
|----------------------------------|---|---|--------------|--------------|
| WG Wearne Share Incentive Trust | - | - | 4 483 | 4 451 |
| | - | - | 4 483 | 4 451 |
| Allowance for impairment of loan | - | - | (4 483) | (4 451) |
| | - | - | - | - |

These loans bear interest at prime, are unsecured and have no fixed terms of repayment. For detail on cession of the above loans as security for overdraft facilities provided to the Group, refer to note 9.

16. TRADE AND OTHER PAYABLES

| | | | | |
|-----------------------------|---------------|---------------|---------------|---------------|
| Trade payables | 75 958 | 59 340 | 10 387 | 13 382 |
| Amounts received in advance | - | 6 375 | - | - |
| VAT | 4 544 | 7 276 | 502 | 351 |
| Payroll accruals | 7 118 | 10 595 | 1 563 | 1 431 |
| Trade accruals | 2 750 | 2 347 | 1 890 | 2 107 |
| Sundry creditors | 787 | 1 180 | 704 | 795 |
| | 91 157 | 87 113 | 15 046 | 18 066 |

Fair value of trade and other payables

| | | | | |
|----------------|--------|--------|--------|--------|
| Trade payables | 92 974 | 87 113 | 16 863 | 18 066 |
|----------------|--------|--------|--------|--------|

| Figures in Rand thousand | 2015 | Group 2014 | 2015 | Company 2014 |
|------------------------------------------------------------------------------------|------------------|------------------|-----------------|-----------------|
| 17. REVENUE | | | | |
| Sale of goods | 445 689 | 405 445 | 75 897 | 70 898 |
| Rendering of services | 40 376 | 34 963 | 30 832 | 22 925 |
| Rental Income | 8 592 | 8 955 | 8 592 | 8 955 |
| Recoveries | 11 904 | 13 915 | 11 904 | 13 915 |
| | 506 561 | 463 278 | 127 225 | 116 693 |
| 18. COST OF SALES | | | | |
| Sale of goods | | | | |
| Cost of goods sold | (374 088) | (349 536) | (60 411) | (59 518) |
| Rendering of services | (21 785) | (21 886) | - | - |
| | (395 873) | (371 422) | (60 411) | (59 518) |
| 19. OTHER INCOME | | | | |
| Profit and loss on sale of assets and liabilities | 1 481 | (103) | 636 | (224) |
| Commissions received | 20 | 217 | 3 | 4 |
| Rental income | 553 | 2 490 | 381 | 1 289 |
| Sale of fixed assets | 1 298 | 550 | 9 | 38 |
| Other income | 4 918 | 4 150 | 1 713 | 2 624 |
| | 8 270 | 7 304 | 2 742 | 3 731 |
| 20. OPERATING PROFIT (LOSS) | | | | |
| Operating profit (loss) for the year is stated after accounting for the following: | | | | |
| Operating lease charges | | | | |
| • Premises | 9 950 | 9 978 | 1 159 | 1 020 |
| • Motor vehicles | 51 | 4 | - | - |
| • Equipment | 420 | 241 | 384 | 241 |
| | 10 421 | 10 223 | 1 543 | 1 261 |
| Profit/loss on sale of property, plant and equipment | 1 481 | (103) | 636 | (224) |
| Impairment on loans to Group companies | - | 66 501 | 72 489 | 66 501 |
| Impairments | - | 959 | - | - |
| Amortisation on intangible assets | 646 | 539 | - | - |
| Depreciation on property, plant and equipment | 38 863 | 41 945 | 12 917 | 14 735 |
| Employee costs | 77 793 | 75 101 | 35 457 | 34 221 |
| 21. INVESTMENT REVENUE | | | | |
| Dividend revenue | | | | |
| Listed financial assets - Local | 259 | - | 259 | 13 228 |
| Unit trusts - Local | 47 | 13 | - | - |
| | 306 | 13 | 259 | 13 228 |
| Interest revenue | | | | |
| Bank | 6 | 58 | 6 | 58 |
| Other interest | 89 | 251 | - | 57 |
| | 95 | 309 | 6 | 115 |
| | 401 | 322 | 265 | 13 343 |

| Figures in Rand thousand | 2015 | Group 2014 | 2015 | Company 2014 |
|--------------------------|-------------|-----------------------|-------------|-------------------------|
|--------------------------|-------------|-----------------------|-------------|-------------------------|

22. REVALUATION OF LAND AND BUILDINGS: REVERSAL OF IMPAIRMENT

| | | | | |
|------------------------|---|--------|---|--------|
| Reversal of impairment | - | 26 391 | - | 26 391 |
|------------------------|---|--------|---|--------|

During the 2011 annual financial year the Muldersdrift quarry was impaired by R 32.8 million through profit and loss. During the 2014 annual financial year, the quarry was valued as disclosed in note 3. As previous revaluation resulted in an impairment that was recognised in profit and loss, the revaluation in the current year of R Nil (2014:R26.4 million) was credited to profit and loss to reverse the previous impairment.

23. FINANCE COSTS

| | | | | |
|------------------------------|---------------|---------------|---------------|---------------|
| Bank overdraft and loans | 7 797 | 12 416 | 7 618 | 12 082 |
| Trade payables | 395 | 871 | 395 | 871 |
| Instalment sales` agreements | 12 588 | 12 917 | 5 482 | 5 447 |
| Other interest paid | 5 850 | 5 776 | 392 | 1 486 |
| | 26 630 | 31 980 | 13 887 | 19 886 |

Reconciliation between applicable tax rate and average effective tax rate.

24. TAXATION**Major components of the tax expense****Current**

| | | | | |
|-------------------------------------------------|----------------|--------------|----------|--------------|
| Mineral taxation | (220) | (251) | - | - |
| Deferred | | | | |
| Originating and reversing temporary differences | 3 861 | 7 960 | (242) | 2 593 |
| Utilisation estimated losses | (6 647) | 1 466 | 242 | - |
| Reversal of deferred taxation asset | - | (7 967) | - | - |
| | (2 786) | 1 459 | - | 2 593 |
| | (3 006) | 1 208 | - | 2 593 |

Reconciliation of the tax expense

| | | | | |
|---------------------------------------------|----------------|-----------------|------------|----------------|
| Applicable tax rate | (28,00)% | 28,00 % | 28,00 % | (28,00)% |
| Disallowable charges | 10,00 % | (79,00)% | (28,00)% | 30,00 % |
| Royalty tax | - % | 3,00 % | - % | - % |
| Deferred tax not raised on estimated losses | 227,00 % | 137,00 % | 5,00 % | 11,00 % |
| Deferred tax previously not recognised | - % | (20,00)% | - % | (19,00)% |
| Capital losses recognised | (106,00)% | (83,00)% | (5,00)% | - % |
| Prior year tax adjustment | (17,00)% | - % | - % | - % |
| Royalty tax | 7,00 % | - % | - % | - % |
| | 93,00 % | (14,00)% | - % | (6,00)% |

25. RECONCILIATION OF REVALUATION RESERVE

| | | | | |
|--------------------------|---------------|----------|---------------|----------|
| Revaluation of property | 10 000 | - | 10 000 | - |
| Deferred tax | (1 865) | - | (1 865) | - |
| Estimated capital losses | 3 429 | - | 3 429 | - |
| | 11 564 | - | 11 564 | - |

| Figures in Rand thousand | 2015 | Group 2014 | 2015 | Company 2014 |
|--------------------------------------------|---------------|---------------|---------------|-----------------|
| 26. CASH GENERATED FROM OPERATIONS | | | | |
| (Loss) profit before taxation | (3 228) | 8 862 | 71 630 | (37 975) |
| Adjustments for: | | | | |
| Depreciation and amortisation | 35 293 | 39 660 | 12 459 | 14 436 |
| (Profit) loss on sale of assets | (1 481) | 241 | (636) | 224 |
| Dividends received | (306) | (13) | - | - |
| Interest received - investment | (95) | (309) | (265) | (13 343) |
| Finance costs | 26 630 | 31 980 | 13 887 | 19 886 |
| Fair value adjustments | - | (2) | - | (2) |
| Reversal of impairment | - | (26 391) | (72 489) | (26 391) |
| Reversal of impairment of loans receivable | - | (393) | - | - |
| Movements in provisions | (491) | (125) | - | - |
| Other non-cash items | | | | |
| Changes in working capital: | - | (111) | - | (403) |
| Inventories | (10 184) | (7 026) | 3 501 | (2 976) |
| Trade and other receivables | (3 886) | (14 506) | (9 397) | (2 883) |
| Trade and other payables | 4 047 | 21 544 | (3 020) | 1 057 |
| | 46 299 | 53 411 | 15 670 | (48 370) |

27. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group - 2015

| | Loans and receivables | Available- for- sale | Total |
|-----------------------------|--------------------------|-------------------------|---------------|
| Other financial assets | - | 5 864 | 5 864 |
| Trade and other receivables | 63 575 | - | 63 575 |
| Cash and cash equivalents | 179 | - | 179 |
| | 63 754 | 5 864 | 69 618 |

Group - 2014

| | Loans and receivables | Available- for- sale | Total |
|-----------------------------|--------------------------|-------------------------|---------------|
| Other financial assets | - | 5 213 | 5 213 |
| Trade and other receivables | 58 084 | - | 58 084 |
| Cash and cash equivalents | 929 | - | 929 |
| | 59 013 | 5 213 | 64 226 |

Company - 2015

| | Loans and receivables | Total |
|-----------------------------|--------------------------|---------------|
| Trade and other receivables | 22 755 | 22 755 |
| Cash and cash equivalents | 141 | 141 |
| | 22 896 | 22 896 |

Company - 2014

| | Loans and receivables | Total |
|-----------------------------|--------------------------|---------------|
| Trade and other receivables | 11 481 | 11 481 |
| Cash and cash equivalents | 252 | 252 |
| | 11 733 | 11 733 |

| | | | | |
|--------------------------|-------------|--------------|-------------|----------------|
| Figures in Rand thousand | | Group | | Company |
| | 2015 | 2014 | 2015 | 2014 |

28. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group - 2015

| | Financial liabilities at amortised cost | Total |
|-----------------------------|-----------------------------------------|----------------|
| Other financial liabilities | 227 111 | 227 111 |
| Trade and other payables | 88 430 | 88 430 |
| Bank overdraft | 35 422 | 35 422 |
| | 350 963 | 350 963 |

Group - 2014

| | Financial liabilities at amortised cost | Total |
|-----------------------------|-----------------------------------------|----------------|
| Other financial liabilities | 266 123 | 266 123 |
| Trade and other payables | 71 907 | 71 907 |
| Bank overdraft | 16 901 | 16 901 |
| | 354 931 | 354 931 |

Company - 2015

| | Financial liabilities at amortised cost | Total |
|-----------------------------|-----------------------------------------|----------------|
| Other financial liabilities | 164 616 | 164 616 |
| Trade and other payables | 16 361 | 16 361 |
| Bank overdraft | 6 825 | 6 825 |
| | 187 802 | 187 802 |

Company - 2014

| | Financial liabilities at amortised cost | Total |
|-----------------------------|-----------------------------------------|----------------|
| Other financial liabilities | 189 252 | 189 252 |
| Trade and other payables | 17 715 | 17 715 |
| Bank overdraft | 124 | 124 |
| | 207 091 | 207 091 |

29. RETIREMENT BENEFITS

It is the policy of the Group to provide retirement benefits to all its employees, all of which are subject to the Pension Funds Act. The Group is under no obligation to cover any undefined benefits.

| | | | | |
|-------------------------------------------|-------|-------|-------|-------|
| Total Group contributions to such schemes | 4 451 | 4 277 | 1 589 | 1 437 |
|-------------------------------------------|-------|-------|-------|-------|

30. COMMITMENTS**Operating leases – as lessee (expense)**

| | | | | |
|-------------------------------------|-----------------|----------------|----------------|--------------|
| Minimum lease payments due | | | | |
| - within one year | (4 123) | (1 191) | (1 179) | (544) |
| - in second to fifth year inclusive | (9 990) | (1 536) | (2 649) | - |
| | (14 113) | (2 727) | (3 828) | (544) |

The Group's operating leases relate to the rental of production vehicles, motor vehicles and the head office premises. These leases range between 1 and 6 years in length.

31. CONTINGENCIES

Disputes regarding the repayment of previously claimed diesel rebate from SARS including penalties and interest to the value of R 9 437 075 are pending.

32. RELATED PARTIES

Relationships

| | |
|------------------------------------------------|-----------------------------------------------------------------|
| Controlled entities (and related transactions) | Subsidiaries as set out in Annexure A |
| Executive Directors | SJ Wearne; MJ Ross |
| Entities controlled by the Directors | Senatla Structures Proprietary Limited |
| Special purpose entities | WG Wearne Rehabilitation Trust WG Wearne Share Incentive Scheme |

33. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Executive

2015

| | Basic | Total |
|------------------------|--------------|--------------|
| SJ Wearne | 1 588 | 1 588 |
| MJ Ross ⁽¹⁾ | 709 | 709 |
| | 2 297 | 2 297 |

2014

| | Basic | Total |
|------------|--------------|--------------|
| SJ Wearne | 1 512 | 1 512 |
| JJ Bierman | 910 | 910 |
| | 2 422 | 2 422 |

Non-executive

| | Type of earnings | 2015 | 2014 |
|---------------------------|------------------|------------|------------|
| MM Patel | Fees | 244 | 240 |
| GM Salanje ⁽²⁾ | Fees | - | 150 |
| WP van der Merwe | Fees | 172 | 100 |
| | | 416 | 490 |

Appointments and resignations of Directors

⁽¹⁾ MJ Ross was appointed as a Director on 7 March 2014. ⁽²⁾ GM Salanje resigned due to ill health on 7 March 2014.

34. RISK MANAGEMENT

Capital risk management

The Board of Directors has approved strategies for the management of financial risks which are in line with the corporate objectives. These guidelines set up the short and long-term objective and actions to be taken in order to manage the financial risks that the Group faces.

The major guidelines of the policy are the following:

- Minimise interest rate, currency and market risk for all kinds of transactions,
- All financial risk management activities are carried out and monitored at central level, and
- All financial risk management activities are carried out on a prudent and consistent basis, while following the best market practices.

The Group's activities expose it to a variety of financial risks. These risks include the following:

- Market risk (which includes interest rate risk, cash flow interest rate risk and price risk)
- Credit risk, and
- Liquidity risk

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Board provides principals for overall risk management as well as policies covering specific areas such as interest rate risk, credit risk and investment of excess liquidity.

At year end the Group's share capital consisted solely of share capital. The Group is currently aiming to reduce the debt equity ratio.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity Groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

| At 28 February 2015 | Less than 1 year | Between 1 and 2 years |
|-----------------------------|------------------|-----------------------|
| Other financial liabilities | 48 958 | 178 153 |
| Trade and other payables | 88 430 | - |
| Bank overdraft | 35 422 | - |
| At 28 February 2014 | Less than 1 year | Between 1 and 2 years |
| Other financial liabilities | 62 465 | 203 658 |
| Trade and other payables | 79 837 | - |
| Bank overdraft | 16 901 | - |

Company

| At 28 February 2015 | Less than 1 year | Between 1 and 2 years |
|-----------------------------|------------------|-----------------------|
| Other financial liabilities | 28 378 | 136 238 |
| Trade and other payables | 16 361 | - |
| Bank overdraft | 6 825 | - |
| At 28 February 2014 | Less than 1 year | Between 1 and 2 years |
| Other financial liabilities | 46 403 | 142 849 |
| Trade and other payables | 17 715 | - |
| Bank overdraft | 124 | - |

The carrying amount of the financial liabilities approximates the fair value at period end date.

At present the Group expects to pay all liabilities at their contractual maturity date. In order to meet such commitments the Group expects the operating activity to generate sufficient funds. In addition, the Group holds financial assets for which there is a liquid market and they are readily available to meet liquidity needs.

Interest rate risk

The Group's exposure to interest rate risk mainly concerns financial assets and financial liabilities. Financial assets and financial liabilities are categorised by interest rate type as follows:

- Non-interest bearing,
- Fixed, and
- Floating rate

The following table analysis the breakdown of financial assets and financial liabilities by interest rate type:

| | Non interest bearing | Fixed rate | Floating rate | Total |
|-----------------------------------|----------------------|---------------|----------------|----------------|
| Group - Assets 2015 | | | | |
| Other financial assets | - | - | 5 864 | 5 864 |
| Trade and other receivables | 63 575 | - | - | 63 575 |
| Cash and cash equivalents | - | - | 179 | 179 |
| | 63 575 | - | 6 043 | 69 618 |
| Group - Assets 2014 | | | | |
| Other financial assets | - | - | 5 213 | 5 213 |
| Trade and other receivables | 58 084 | - | - | 58 084 |
| Cash and cash equivalents | - | - | 929 | 929 |
| | 58 084 | - | 6 142 | 64 226 |
| Group - Liabilities 2015 | | | | |
| Other financial liabilities | - | - | 227 111 | 227 111 |
| Trade and other payables | 88 430 | - | - | 88 430 |
| Bank overdraft | - | - | 35 422 | 35 422 |
| | 88 430 | - | 262 533 | 350 963 |
| Group - Liabilities 2014 | | | | |
| Other financial liabilities | - | - | 266 123 | 266 123 |
| Trade and other payables | 79 837 | - | - | 79 837 |
| Bank overdraft | - | - | 16 901 | 16 901 |
| | 79 837 | - | 283 024 | 362 861 |
| Company - Assets 2015 | | | | |
| Loans to Group companies | - | - | - | - |
| Trade and other receivables | 22 755 | - | - | 22 755 |
| Cash and cash equivalents | 141 | - | - | 141 |
| | 22 896 | - | - | 22 896 |
| Company - Assets 2014 | | | | |
| Trade and other receivables | 11 481 | - | - | 11 481 |
| Cash and cash equivalents | 252 | - | - | 252 |
| | 11 733 | - | - | 11 733 |
| Company - Liabilities 2015 | | | | |
| Borrowings | - | - | 164 616 | 164 616 |
| Trade and other payables | 16 361 | - | - | 16 361 |
| Bank overdraft | 6 825 | - | - | 6 825 |
| | 23 186 | - | 164 616 | 187 802 |
| Company - Liabilities 2014 | | | | |
| Other financial liabilities | - | - | 189 252 | 189 252 |
| Loans from Group companies | - | 66 017 | - | 66 017 |
| Trade and other payables | 17 715 | - | - | 17 715 |
| Bank overdraft | 124 | - | - | 124 |
| | 17 839 | 66 017 | 189 252 | 273 108 |

| Figures in Rand thousand | 2015 | Group 2014 | 2015 | Company 2014 |
|--------------------------|-------------|-----------------------|-------------|-------------------------|
|--------------------------|-------------|-----------------------|-------------|-------------------------|

Sensitivity analysis

The analysis has been performed for floating interest rate financial liabilities. The impact of a change in interest rates on floating interest rate financial liabilities has been assessed in terms of the changing of their cash flows and therefore in terms of the impact on net expenses.

The Group's interest rate risk arises substantially from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings at variable rates are denominated in South African rand.

Group

A hypothetical increase/decrease in the interest rate by 50 basis points, with all other variables remaining constant, would result in an increase/decrease in profits after tax of R 31 170 (2014: R 860 730).

A hypothetical increase/decrease in the interest rate by 100 basis points, with all other variables remaining constant, would result in an increase/decrease in profits after tax of R 62 340 (2014: R 1 721 460).

Company

A hypothetical increase/decrease in the interest rate by 50 basis points, with all other variables remaining constant, would result in an increase/decrease in profits after tax of R 358 150 (2014: R 1 281 590).

A hypothetical increase/decrease in the interest rate by 100 basis points, with all other variables remaining constant, would result in an increase/decrease in profits after tax of R 716 300 (2014: R 2 563 180).

Credit risk

Credit risk is managed on a Group basis.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash. Refer to note for details on the quality and allowance for impairment of trade receivables.

Financial assets exposed to credit risk at year end were as follows:

| Financial instrument | | | | |
|-----------------------------|--------|--------|--------|--------|
| Trade and other receivables | 63 575 | 58 084 | 22 755 | 11 481 |
| Cash and cash equivalents | 179 | 929 | 141 | 252 |

The Group is exposed to a number of guarantees for its overdraft facilities. Refer to note 10 for additional details.

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The table below summarises the impact of increases/decreases of the indexes on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes has increased/decreased by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index:

Group

Post-tax profit for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

| Figures in Rand thousand | 2015 | Group 2014 | 2015 | Company 2014 |
|--------------------------|------|---------------|------|-----------------|
|--------------------------|------|---------------|------|-----------------|

35. EVENTS AFTER THE REPORTING PERIOD

There were no material events subsequent to year end.

36. TAX PAID

| | | | | |
|-------------------------------------------------------|----------------|----------|----------|----------|
| Balance at beginning of the year | (899) | (647) | - | - |
| Current tax for the year recognised in profit or loss | (220) | (251) | - | - |
| Balance at end of the year | - | 898 | - | - |
| | (1 119) | - | - | - |

37. BASIC AND DILUTED LOSS PER SHARE

| | | | | |
|-----------------------------------------------------------------------|--------|------|---|---|
| Continuing basic and diluted profit/(loss) per share | (2,28) | 3,69 | - | - |
| Continuing and discontinued basic and diluted profit/(loss) per share | (2,28) | 3,69 | - | - |

The calculation of continuing basic and diluted earnings per ordinary share is based on losses of R 7 715 000 (2014: R 10 069 000) and a weighted average number of shares in issue of 273 038 000 (2014: 273 038 000).

The calculation of continuing and discontinuing basic and diluted earnings per ordinary shares is based on losses of R 7 715 000 (2014: R 10 069 000) and a weighted average number of shares in issue of 273 038 000 (2014: 273 038 000).

The weighted average number of shares is calculated after taking into account the effect of setting off treasury shares of 3 355 000 (2014: 3 355 000).

38. HEADLINE AND DILUTED HEADLINE LOSS PER SHARE

| | | | | |
|------------------------------------------------------------|----------------|-----------------|----------|----------|
| Headline and diluted headline loss per share | (2,83) | (6,07) | - | - |
| Reconciliation of headline loss | | | | |
| Profit/(loss) for the period | (6 234) | 10 069 | - | - |
| (Profit)/loss on the sale of property, plant and equipment | (1 481) | 241 | - | - |
| Reversal of impairment | - | (26 391) | - | - |
| | (7 715) | (16 081) | - | - |

The calculation of basic and diluted headline loss per ordinary share is based on losses of R 7 715 000 (2014: R 16 563 000) and a weighted average number of shares in issue of 273 038 000 (2014: 273 038 000).

The weighted average number of shares is calculated after taking into account the effect of setting off treasury shares of 3 355 000 (2014: 3 355 000).

39. ASSET VALUE PER SHARE

| | | | | |
|------------------------------------|-------|-------|---|---|
| Net asset value per share | 20,03 | 17,91 | - | - |
| Net tangible asset value per share | 20,03 | 17,91 | - | - |

The calculation of net asset value per ordinary share is based on a net asset value of R 54 587 000 (2014: R 48 908 000) and an issued number of ordinary shares of 273 038 000 (2014: 273 038 000).

The calculation of net tangible per ordinary share is based on net tangible asset of R 54 587 000 (2014: R 48 908 000) and an issued number of ordinary shares of 273 038 000 (2014: 273 038 000).

The number of shares is calculated after taking into account the effect of setting off treasury shares of 3 355 000 (2014: 3 355 000). The treasury shares are held by the WG Wearne Share Incentive Scheme.

| Figures in Rand thousand | 2015 | Group 2014 | 2015 | Company 2014 |
|--------------------------|-------------|-----------------------|-------------|-------------------------|
|--------------------------|-------------|-----------------------|-------------|-------------------------|

40. MEASUREMENT OF FAIR VALUE OF FINANCIAL ASSETS

The Group's finance team performs valuations of financial items for financial reporting purposes, including level 3 fair values, in conjunction with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at least every two years, in line with Group's reporting dates.

Level 1

The Rehabilitation Trust Investment is held with Stanlib Wealth Management Limited as at 28 February 2014. The investments are held in various funds to spread the risk related to the investment returns and maximise the return to the Group for the purposes of Rehabilitation.

Level 2

The fair value of the Roodekop Property was determined based on observable average market related property prices in the Roodekop area as at 28 February 2014. The effects of non-observable inputs are not significant for the property valuation purposes. The property is in the process of being sold and all IFRS 5 requirements have been met.

Level 3

Fair value of certain of the Group's property, plant and equipment is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors and audit committee at each reporting date. The revaluation in the current year on the Branvlei Quarry was conducted by an independent appraiser in April 2014. The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances, current use and discounted cash flows. The discounted cash-flow analysis was performed over a 50 year period, a discount rate of 22.74% was used for the purposes of the valuation which takes into account the high risk and volatile nature of a mine.

41. SEGMENTAL REPORTING

Revenue: External sales

| | | | | |
|--------------------------------|----------------|----------------|---|---|
| Aggregates | 219 961 | 217 091 | - | - |
| Contracting | 35 058 | - | | |
| Ready mixed concrete | 228 323 | 230 868 | - | - |
| Concrete manufactured products | 23 219 | 15 318 | - | - |
| | 506 561 | 463 277 | - | - |

Revenue: Inter-segment sales

| | | | | |
|----------------------|----------------|---------------|---|---|
| Aggregates | 78 997 | 65 953 | - | - |
| Contracting | 23 654 | - | | |
| Ready mixed concrete | 33 | 78 | - | - |
| | 102 684 | 66 031 | - | - |

Revenue: Total sales

| | | | | |
|--------------------------------|----------------|----------------|---|---|
| Aggregates | 298 958 | 283 045 | - | - |
| Contracting | 58 712 | - | | |
| Ready mixed concrete | 228 355 | 230 947 | - | - |
| Concrete manufactured products | 23 219 | 15 318 | - | - |
| | 609 244 | 529 310 | - | - |

Operating profit (loss) before taxation

| | | | | |
|--------------------------------|---------------|---------------|---|---|
| Aggregates | 29 266 | 11 364 | - | - |
| Contracting | (234) | - | | |
| Ready mixed concrete | (10 308) | 1 067 | - | - |
| Concrete manufactured products | 4 276 | 1 695 | - | - |
| | 23 000 | 14 126 | - | - |

| Figures in Rand thousand | 2015 | Group 2014 | 2015 | Company 2014 |
|--------------------------------------|----------------|----------------|------|-----------------|
| Property, plant and equipment | | | | |
| Aggregates | 248 339 | 277 786 | - | - |
| Contracting | 18 584 | - | - | - |
| Ready mixed concrete | 27 971 | 32 780 | - | - |
| Concrete manufactured products | 22 037 | 21 738 | - | - |
| | 316 931 | 332 304 | - | - |
| Total assets | | | | |
| Aggregates | 301 409 | 343 405 | - | - |
| Contracting | 38 191 | - | - | - |
| Ready mixed concrete | 64 056 | 72 388 | - | - |
| Concrete manufactured products | 25 997 | 25 055 | - | - |
| | 429 653 | 440 848 | - | - |

The Group's business segments and segmental information presented above represent the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure. Inter-segment transactions are concluded at arm's length terms and conditions. At year end the Group did not have a customer who individually accounted for more than 10% of the Group's total sales.

All companies in the Group operate solely in the Republic of South Africa.

42. RECLASSIFICATION

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

43. GOING CONCERN

The Group incurred a headline loss for the 2015 financial period of R 7 715 000. This highlights a material uncertainty regarding the going concern issue which is emphasised further by the Group's negative liquidity position and high gearing.

The Group is currently solvent with net asset value of R 54 701 000 or 20.03 cents per share. Current liabilities (R 176 656 000) exceed current assets (R 101 149 000) by R 75 507 000. In addressing these matters the Directors have taken into account the implementation of the turnaround strategy as well as expected revenues for the foreseeable future combined with budgets and cash flow forecasts, indicating that the Group will be able to honour its commitments. The Group still maintains the support of its financiers with whom it continues to work closely in order to ensure that its working capital is managed. Furthermore, the Group continues to maintain a strict financial discipline ensuring that costs are tightly managed and assets effectively utilised.

As a result of the above the annual financial statements have been prepared on the basis of accounting policies applicable to going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

ANNEXURE A
SCHEDULE OF INVESTMENTS IN AND RELATED PARTY TRANSACTIONS WITH SUBSIDIARIES

| | Issued capital | | Interest | | Cost of Shares | | Loan amounts owing by / (to) subsidiary | | Amounts included in trade receivables | | Amounts included in trade payables | | Net profit / (loss) after tax attributable to group | | Services rendered by subsidiaries | | Services rendered to subsidiaries | | Interest received from / (paid to) subsidiaries | | Sale of assets to subsidiaries | | |
|---------------------------------------------------|----------------|------|----------|------|----------------|-----------|-----------------------------------------|-------------|---------------------------------------|------|------------------------------------|---------------|-----------------------------------------------------|------------|-----------------------------------|-----------|-----------------------------------|------|-------------------------------------------------|------|--------------------------------|-----------|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | |
| | R | % | R | % | R | R | R | R | R | R | R | R | R | R | R | R | R | R | R | R | R | R | |
| Subsidiaries (Direct) | | | | | | | | | | | | | | | | | | | | | | | |
| Noordval Crushers (Proprietary) Limited | 16 000 | 100 | 100 | 100 | 1 | 1 | - | (21 899) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Wearne Aggregates (Proprietary) Limited** | 3 | 100 | 100 | 100 | 3 000 000 | 3 000 000 | - | 194 433 290 | 3 092 167 | - | - | 149 713 938 | (73 251 721) | 62 641 570 | 45 131 299 | 3 903 727 | 831 009 | - | - | - | 13 805 902 | - | |
| Wearne Plakop Quarry (Proprietary) Limited | 100 | 100 | 100 | 100 | 100 | 100 | - | (100) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Wearne Precast (Proprietary) Limited | 100 | 100 | 100 | 100 | 1 770 | 1 770 | - | 15 792 877 | 58 410 | - | - | 1 506 856 | (37 761) | 482 576 | 470 756 | - | - | - | - | - | - | 1 175 212 | - |
| Wearne Quarries Free State (Proprietary) Limited | 100 | 100 | 100 | 100 | 100 | 100 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Wearne Quarries Gauteng (Proprietary) Limited | 100 | 100 | 100 | 100 | 100 | 100 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Wearne Quarries Limpopo (Proprietary) Limited | 100 | 100 | 100 | 100 | 100 | 100 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Wearne Quarries Natal (Proprietary) Limited | 100 | 100 | 100 | 100 | 100 | 100 | - | 1 081 519 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Wearne Ready Mixed Concrete (Proprietary) Limited | 100 | 100 | 100 | 100 | 100 | 100 | (65 994 167) | 107 636 | 107 636 | - | - | 52 015 004 | (74 146 537) | 26 263 705 | 19 433 808 | 45 064 | - | - | - | - | 3 046 626 | - | |
| Special purpose entities | | | | | | | | | | | | | | | | | | | | | | | |
| WG Wearne Share Incentive Scheme | - | - | - | - | - | - | - | 4 382 749 | - | - | - | (4 427 334) | - | - | - | - | - | - | - | - | - | - | |
| WG Wearne Rehabilitation Trust | - | - | - | - | - | - | - | - | 132 050 | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| TOTALS | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | 3 002 471 | 3 002 471 | - | 145 291 520 | 4 168 214 | - | (156 307 034) | (156 307 034) | 89 387 851 | 65 035 863 | 3 903 727 | 876 073 | - | - | - | - | 18 027 740 | - | |

* Wearne Aggregates Proprietary Limited was previously known as WG Wearne Logistics (Proprietary) Limited

** Wearne Contracts Proprietary Limited was previously known as Portland Quarry (Proprietary) Limited

ANNEXURE B

SHAREHOLDER ANALYSIS

Register date: 27 February 2015

Issued Share Capital: 276,393,213

| SHAREHOLDER SPREAD | No of Shareholdings | % | No of Shares | % |
|---------------------------|---------------------|---------------|--------------------|---------------|
| 1 - 1 000 shares | 187 | 13.91 | 110,601 | 0.04 |
| 1 001- 10 000 shares | 618 | 45.98 | 2,868,976 | 1.04 |
| 10 001- 100 000 shares | 417 | 31.03 | 15,268,052 | 5.52 |
| 100 001- 1 000 000 shares | 92 | 6.85 | 25,806,915 | 9.34 |
| 1 000 001 shares and over | 30 | 2.23 | 232,338,669 | 84.06 |
| Totals | 1,344 | 100.00 | 276,393,213 | 100.00 |

| DISTRIBUTION OF SHAREHOLDERS | No of Shareholdings | % | No of Shares | % |
|------------------------------|---------------------|---------------|--------------------|---------------|
| Banks/Brokers | 5 | 0.37 | 651,304 | 0.24 |
| Close Corporations | 27 | 2.01 | 3,187,382 | 1.15 |
| Government | 1 | 0.07 | 41,458,982 | 15.00 |
| Individuals | 1,201 | 89.36 | 96,561,032 | 34.94 |
| Other Corporations | 8 | 0.60 | 185,058 | 0.07 |
| Private Companies | 40 | 2.98 | 66,414,429 | 24.03 |
| Public Companies | 1 | 0.07 | 500,000 | 0.18 |
| Retirement Fund | 1 | 0.07 | 67,800 | 0.02 |
| Share Trust | 1 | 0.07 | 3,355,250 | 1.21 |
| Trusts | 59 | 4.39 | 64,011,976 | 23.16 |
| Totals | 1,344 | 100.00 | 276,393,213 | 100.00 |

| PUBLIC / NON - PUBLIC SHAREHOLDERS | No of Shareholdings | % | No of Shares | % |
|--------------------------------------------------|---------------------|---------------|--------------------|---------------|
| Non - Public Shareholders | 6 | 0.45 | 157,089,581 | 56.84 |
| Directors and Associates of the Company holdings | 2 | 0.15 | 21,227,400 | 7.68 |
| Strategic Holdings | 3 | 0.22 | 132,506,931 | 47.94 |
| Share Trust | 1 | 0.07 | 3,355,250 | 1.21 |
| Public Shareholders | 1,338 | 99.55 | 119,303,632 | 43.16 |
| Totals | 1,344 | 100.00 | 276,393,213 | 100.00 |

| Beneficial shareholders holding 5% or more | No of Shares | % |
|--------------------------------------------|--------------------|--------------|
| Samant Trust | 49,588,967 | 17.94 |
| Industrial Development Corporation | 41,458,982 | 15.00 |
| Richtrau No 329 (Pty) Ltd | 41,458,982 | 15.00 |
| Wearne, SJ | 21,180,400 | 7.66 |
| Totals | 153,687,331 | 55.60 |

NOTICE OF ANNUAL GENERAL MEETING

WG Wearne Limited

Registration number 1994/005983/06

Incorporated in the Republic of South Africa

Share code: WEA • ISIN: ZAE000078002

("Wearne" or "the Company" or "the Group")

Notice is hereby given that the annual general meeting of the shareholders of Wearne will be held in the Boardroom of the Company at the offices of the Company, Stonemill Office Park, 3 Kiepersol House, 300 Acacia Road, Cresta on Friday, 16 October 2015 at 10h00 (SA time), to deal with the business as set out below and to consider and, if deemed appropriate, pass the ordinary and special resolutions set out in this notice.

Kindly note that in terms of section 63(1) of the Companies Act of 2008, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the annual general meeting. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

The Board of Directors of the Company has determined that the record date in terms of section 59(1) of the Companies Act, No 71 of 2008, as amended ("the Companies Act") for the purpose of determining which shareholders of the Company are entitled to receive notice of the annual general meeting is Friday, 21 August 2015 and the record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 9 October 2015. Accordingly, the last day to trade in order to be eligible to vote at the annual general meeting is Friday, 2 October 2015.

For the purpose of approving resolutions, the support of more than 50% (fifty percent) of the voting rights exercised on the resolution by shareholders present in person, or represented by proxy, at the annual general meeting is required, unless otherwise indicated.

Shareholders are referred to the explanatory notes as attached to the notice of the annual general meeting for additional information, including abbreviated profiles of the Directors standing for re-election.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

The consolidated audited annual financial statements for the Company and the Group, including the external Independent Auditor's Report, the Audit Committee Report and the Directors' Report for the year ended 28 February 2015, have been distributed as required and will be presented to shareholders at the annual general meeting.

The summary consolidated audited annual financial statements, together with the above mentioned reports are set out on pages 54 to 96 of the Annual Report.

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

In accordance with Companies Regulation 43(5)(c), issued in terms of the Companies Act 71 of 2008, the Chairman of the Social and Ethics Committee, or in the absence of the Chairman any member of the Committee, will present the Committee's report to shareholders at the annual general meeting. The Report of the Social and Ethics Committee is set out on page 40 of the Annual Report 2015.

ORDINARY RESOLUTION NUMBER 1

Re-appointment of Director

Mr M Khwinana retires by rotation and, being eligible, offers himself for re-election as a Director of the Company.

Accordingly, shareholders are requested to consider and, if deemed fit, approve the separate ordinary resolution set out below.

Ordinary resolution number 1

"RESOLVED that the re-appointment of Mr M Khwinana as a non-executive Director of the Company be and is hereby approved."

Explanatory note

In accordance with the Company's Memorandum of Incorporation, one third of the non-executive Directors are required to retire at each annual general meeting and may offer themselves for re-election. In addition, any person appointed to the Board of Directors following the previous annual general meeting is required to retire and is eligible for election at the next annual general meeting.

Brief biographical details of the Director standing for re-election is set out on page 30 of the Annual Report 2015.

ORDINARY RESOLUTION NUMBER 2

Re-appointment of auditors

“RESOLVED that the reappointment of Grant Thornton, Registered Auditors, represented by Mr MZ Sadek, upon the recommendation of the current Audit Committee, as independent auditors of the Company be and is hereby approved.”

Explanatory note

Grant Thornton has indicated its willingness to continue in office and ordinary resolution 2 proposes the re-appointment of that firm as the Company’s auditors with effect from 1 April 2015. Section 90(3) of the Companies Act requires the designated auditor to meet the criteria as set out in section 90(2) of the Act. The Board of Directors of the Company is satisfied that both Grant Thornton and the designated auditor, Mr MZ Sadek, meet all relevant requirements and, on recommendation of the Audit Committee, it is proposed that Grant Thornton be re-appointed.

ORDINARY RESOLUTION NUMBER 3

Appointment of Audit Committee members for the year ending 29 February 2016

It is proposed that the non-executive Directors as indicated below be appointed as members of the Audit Committee.

Ordinary resolution number 3.1

“RESOLVED that the appointment of Mr WP van der Merwe as member and chairman of the Audit Committee until the conclusion of the next annual general meeting of the Company in 2016 be and is hereby approved.

Ordinary resolution number 3.2

“RESOLVED that the appointment of Mr M Khwinana as member of the Audit Committee until the conclusion of the next annual general meeting of the Company in 2016 subject to his re-election as a Director pursuant to ordinary resolution number 1.1, be and is hereby approved.”

Ordinary resolution number 3.3

“RESOLVED that the appointment of Mr M Patel as member of the Audit Committee until the conclusion of the next annual general meeting of the Company in 2016 be and is hereby approved.”

Explanatory note

In terms of section 94(2) of the Companies Act, a public company must at each annual general meeting elect an Audit Committee comprising at least three members who are non-executive Directors and who meet the criteria of section 94(4) of the Companies Act. Regulation 42 to the Companies Act specifies that one third of the members of the Audit Committee must have appropriate academic qualifications or experience in the areas as listed in the regulation.

The Board of Directors of the Company is satisfied that the proposed members of the Audit Committee meet all relevant statutory requirements. As indicated in the Corporate Governance Report forming part of the Annual Report 2015, the Chairman of the Board is also proposed for appointment as a member of the Audit Committee. Also, the audit committee should consist of three independent non-executive Directors, however Mr Khwinana is not independent and is a non-executive Director and member of the audit committee. Dispensation has been received from the JSE due to the size of the Company. This is not in full compliance with the recommendations of the King III Report and an explanation for the non-application of this recommendation has been provided on page 38 of the Annual Report 2015.

Brief biographical details of Messrs WP van der Merwe, M Khwinana and M Patel appear on page 30 of the Annual Report 2015.

ORDINARY RESOLUTION NUMBER 4

Authority to Directors to allot and issue unissued ordinary shares and issue shares for cash

“RESOLVED that the Directors are authorised to allot and issue ordinary shares in the capital of the company for cash, as and when suitable situations arise, on the following conditions:

- any such issue of shares shall be to “public shareholders” as defined by the JSE Listings Requirements and not to “related parties”;
- this authority shall only be valid until the next annual general meeting of the company, provided it shall not extend beyond 15 months from the date of this annual general meeting;
- a SENS announcement giving details, including the impact on net asset value and earnings per share, will be published at the time of any such allotment and issue of shares representing, on a cumulative basis within one financial year, 5% or more of the number of shares of that class in issue prior to any such issues;
- issues of shares (excluding issues of shares exercised in terms of any company group share incentive scheme) in any one financial year, shall not, in aggregate, exceed 50% of the number of shares of the relevant class of the company's issued share capital; and
- in determining the price at which an allotment and issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price on the JSE of the class of shares to be issued measured over the 30 business days prior to the date that the price of issue is determined or agreed between the company and the party/ies subscribing for the shares.”

In terms of the JSE Listings Requirements, a 75% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution 4 for it to be approved.

ORDINARY RESOLUTION NUMBER 5

Advisory endorsement of the remuneration policy

“RESOLVED to approve, as a non-binding advisory vote, the Company's remuneration policy (excluding the remuneration of the non-executive Directors for their services as Directors and members of Board Committees) as set out in the Report of the Remuneration Committee contained in the Annual Report 2015 on page 40.”

Explanatory note

The King Report on Corporate Governance for South Africa, 2009 (King III) recommends that the remuneration philosophy of the Company be submitted to shareholders for consideration and for an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration philosophy and policy of the Company.

ORDINARY RESOLUTION NUMBER 6

Authority to implement the special and ordinary resolutions

“RESOLVED that, any Director of the Company or the company secretary be and is hereby authorised to do all such things, sign all such documents and take all such actions as may be necessary for or incidental to the implementation of the special and ordinary resolutions as set out in this notice of the annual general meeting.”

Explanatory note

Authority is required to do all such things and sign all documents and take all such action as necessary to implement the resolutions set out in the notice and approved at the annual general meeting. It is proposed that the company secretary and/or any Director be authorised accordingly.

SPECIAL RESOLUTION NUMBER 1

General authority to the Company to repurchase company shares

"RESOLVED as a special resolution that the Company, or a subsidiary, be and hereby is authorised, by way of general authority as contemplated in section 48 of the Companies Act no 71 of 2008, as amended, ("Act") to acquire from time to time any of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the Directors of the Company may from time to time determine, but subject to the Memorandum of Incorporation of the Company, the provisions of the Act and the Listings Requirements of the JSE Limited ("JSE").

It is recorded that the Listings Requirements of the JSE require, inter alia, that the Company or a subsidiary may make a general acquisition of shares issued by the Company only if:

- the repurchase of the ordinary shares is effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- at any point in time the Company may only appoint one agent to effect any repurchases on its behalf;
- this general authority shall only be valid until the next annual general meeting of the Company, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of the general authority to repurchase shares;
- the maximum price at which the shares may be acquired will be 10% (ten percent) above the weighted average market value at which such ordinary shares are traded on the JSE, for such ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction is effected;
- any such acquisition shall not, in any one financial year, exceed 10% (ten percent) of the Company's issued ordinary shares or as at the passing of the general authority;
- the Company or its subsidiaries may not repurchase ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- the repurchase may only be effected, if the shareholder spread requirements as set out in paragraph 3.37 of the JSE Listings Requirements are still met after such repurchase;
- should derivatives be used, such authority is limited to paragraphs 5.72(c) and (d) and 5.84(a) of the JSE Listings Requirements;
- a statement will be issued by the Directors that, after considering the maximum effect of such repurchase, for a period of at least 12 (twelve) months after the date of the notice of the annual general meeting:
 - o the Company and the Wearne Group will be able to repay its debts in the ordinary course of business;
 - o the assets of the Company and the Wearne Group fairly valued according to International Financial Reporting Standards and on a basis consistent with the last financial period of the Company ended 28 February 2015, exceed its liabilities;
 - o the Company and the Wearne Group have adequate share capital and reserves;
 - o the Company and the Wearne Group have sufficient working capital for their requirements;
- the Directors undertake not to effect a repurchase unless they are satisfied that the working capital requirements of the Company are adequate for its requirements; and
- when the Company has cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement must be made. Such announcement must be made as soon as possible and in any event by not later than 08:30 on the second business day following the day on which the relevant threshold is reached or exceeded."

In order for this special resolution number 1 to be adopted, the support of at least 75% (seventy-five per cent) of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

Explanatory note

Section 48 of the Companies Act authorises the Board of Directors of a Company to approve the acquisition of its own shares subject to the provisions of section 48 and section 46 having been met. The Directors of the Company do not have any specific intentions for utilising this general authority at the date of this annual general meeting.

Additional disclosure requirements required in terms of paragraph 11.26 of the JSE Listings Requirements**Material changes**

No material changes have occurred since the end of the last financial period, being 28 February 2015, and the date of this notice of annual general meeting.

Directors' responsibility statement

The Directors of WG Wearne Limited as set out on page 51 of the Annual Report 2015:

- have considered all the statements of fact and opinion in the Annual Report to which this notice is attached;
- accept, individually and collectively, full responsibility for such statements; and
- declare that, to the best of their knowledge and belief, such statements are correct and no material facts have been omitted, the omission of which would make any such statements false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this notice contains all information required by law and the JSE Listings Requirements.

Litigation statement

WG Wearne Limited nor its subsidiaries is party to any legal or arbitration proceedings (including such proceedings which are pending or (threatened) which may have or have had in the previous 12 (twelve) months a material effect on the Group's financial position except as disclosed in note 31 of the annual financial statements.

Other disclosure in terms of paragraph 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are contained in the Annual Report 2015:

| Requirements | Reference |
|-----------------------------------|-----------|
| Directors | Page 30 |
| Major shareholders | Page 98 |
| Directors' interest in securities | Page 98 |
| Share capital of the Company | Page 82 |

SPECIAL RESOLUTION NUMBER 2**Approval of non-executive Directors' fees**

"RESOLVED, as a special resolution:

- that the Company be and is hereby authorised to pay remuneration to its Directors for their services as Directors, as contemplated in section 66(8) and 66(9) of the Companies Act of 2008; and
- that the remuneration structure and amounts as set out below, be and is hereby approved until such time as rescinded or amended by shareholders by way of a special resolution:

| | R'000 Annually |
|-------------------------------------------------------------------------|----------------|
| Chairman | 257 |
| Non-Executive Directors | - |
| Chairman of Audit Committee and Chairman of Risk Committee | 206 |
| Chairman of Remuneration Committee and Chairman of Nomination Committee | - |
| Chairman of Social, Ethics and Transformation Committee | - |
| Committee members | |
| – Audit; Risk | - |
| – Remuneration: Nomination | - |

In order for this special resolution number 2 to be adopted, the support of at least 75% (seventy-five per cent) of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

Explanatory note

In terms of section 66(8) and section 66(9) of the Act, a Company may pay remuneration to Directors for their services as Directors unless otherwise provided by the Memorandum of Incorporation and on approval of shareholders by way of a special resolution. Executive Directors are not specifically remunerated for their services as Directors but as employees of the Company and as such, the resolution as included in the notice requests approval of the remuneration paid to non-executive Directors for their services as Directors of the Company.

SPECIAL RESOLUTION NUMBER 3

Authority to provide financial assistance to any company or corporation which is related or inter-related to the Company

"RESOLVED as a special resolution that:

- (i) for purposes of section 44 of the Companies Act, the Board of Directors of the Company, at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution, be and is hereby authorised (subject to compliance with the requirements of the Company's constitutional documents and the Companies Act, each as presently constituted and as amended from time to time), to grant financial assistance, as contemplated in section 44 of the Companies Act, to any person or entity for the purpose of, or in connection with, the subscription of any securities issued or to be issued by the Company or a related or inter-related Company, or for the purchase of any securities of the Company or a related or inter-related Company, on such terms and conditions as the Board of Directors of the Company deems fit; and
- (ii) for the purposes of section 45 of the Companies Act, the Board of Directors of the Company, at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution, be and is hereby authorised (subject to compliance with the requirements of the Company's constitutional documents and the Companies Act, each as presently constituted and as amended from time to time) to grant direct or indirect financial assistance, as contemplated in section 45 of the Companies Act, to a related or inter-related (as defined in section 1 of the Companies Act) company or corporation or to a member of a related or inter-related corporation or to a person related to any such company or corporation on such terms and conditions as the Board of Directors of the Company deems fit."

The percentage of voting rights that will be required for this resolution to be adopted is more than 75% of the votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution. The "Voting instructions" and "Shareholder rights" remain unchanged and are detailed in the Company's Annual Report 2015 on page 109, respectively.

Explanatory note

To the extent necessary under section 44 and 45 of the Companies Act, to authorise the Board of Directors of the Company to provide financial assistance as contemplated under section 44 of the Companies Act in connection with the issuance of any securities issued or to be issued by the Company or any related or inter-related Company and to authorise the Board of Directors of the Company to provide financial assistance as contemplated under section 45 of the Companies Act to a related or inter-related (as defined in section 1 of the Companies Act) Company or corporation or to a member of a related or inter-related corporation or to a person related to any such Company or corporation.

The Board will not authorise any financial assistance in terms of the above unless it has considered and is satisfied that:

- I. considering all reasonably foreseeable financial circumstances of the Company at that time, the Company will, immediately after providing the financial assistance to related or inter-related companies, satisfy the solvency and liquidity test as required in terms of the Companies Act;
- II. the terms under which any financial assistance is proposed to be given are fair and reasonable to the Company; and
- III. any conditions or restrictions in respect of the granting of any financial assistance as set out in the Company's Memorandum of Incorporation have been met.

This general authority is necessary for the Company to continue making loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances. A general authorisation from shareholders avoids the need to refer each instance to shareholders for approval with the resulting time delays and expense. If approved, this general authority will expire at the end of two years. It is, however, the intention to renew the authority annually at the annual general meeting.

Notifications

Shareholders are hereby notified in terms of section 45(5) of the Companies Act that the Board has passed the same resolution to take effect on the passing of this special resolution by shareholders.

Shareholders are also advised that the Board is satisfied that after providing the financial assistance, the Company will satisfy the solvency and liquidity tests and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

To transact such other business as may be required at an annual general meeting.**VOTING AND PROXIES**

The shareholders of the Company will be entitled to attend the general meeting and to vote on the resolutions set out above. On a show of hands, every Wearne shareholder who is present in person, by proxy or represented at the general meeting shall have one vote (irrespective of the number of shares held in the Company), and on a poll, which any shareholder can request, every Wearne shareholder shall have for each share held by him/her that proportion of the total votes in the Company which the aggregate amount of the nominal value of that share held by him bears to the aggregate of the nominal value of all the shares issued by the Company.

In terms of the JSE Listings Requirements any shares currently held by the Wearne Share Incentive Trust will not be taken into account in determining the results of voting on special resolution number 1.

Proxies

A Wearne shareholder entitled to attend and vote at the annual general meeting may appoint one or more persons as its proxy to attend, speak and vote in its stead. A proxy need not be a shareholder of the Company.

A form of proxy is attached for the convenience of certificated shareholders and "own name" dematerialised shareholders of the Company who are unable to attend the annual general meeting, but who wish to be represented thereat. In order to be valid, duly completed forms of proxy must be received by the Company's Transfer Secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), not later than 10:00 on 14 October 2015. Shareholders' rights regarding proxies in terms of section 58 of the Act are as follows:

- (1) At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to –
 - (a) participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder; or
 - (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.
- (2) A proxy appointment –
 - (a) must be in writing, dated and signed by the shareholder; and
 - (b) remains valid for –
 - (i) one year after the date on which it was signed; or
 - (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in sub-section (4) (c), or expires earlier as contemplated in subsection (8) (d).
- (3) Except to the extent that the Memorandum of Incorporation of a company provides otherwise –
 - (a) shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
 - (b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
 - (c) a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.
- (4) Irrespective of the form of instrument used to appoint a proxy –
 - (a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
 - (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
 - (c) if the appointment is revocable, a shareholder may revoke the proxy appointment by –
 - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
 - (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.

- (5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of –
- (a) the date stated in the revocation instrument, if any; or
 - (b) the date on which the revocation instrument was delivered as required in sub-section (4)(c)(ii).
- (6) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the instrument appointing the proxy otherwise provides.

Any shareholder of the Company who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the general meeting should he/she decide to do so.

Dematerialised shareholders of the Company, other than "own name" dematerialised shareholders of the Company, who have not been contacted by their CSDP or broker with regard to how they wish to cast their votes, should contact their CSDP or broker and instruct their CSDP or broker as to how they wish to cast their votes at the Company's annual general meeting in order for their CSDP or broker to vote in accordance with such instructions. This must be done in terms of the agreement entered into between such dematerialised shareholders of the Company and the relevant CSDP or broker. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

ELECTRONIC PARTICIPATION

Should any shareholder wish to participate in the annual general meeting by way of electronic participation, that shareholder should make application in writing (including details as to how the shareholder or its representative can be contacted) to so participate to the transfer secretaries at the address below, to be received by the transfer secretaries at least five business days prior to the annual general meeting in order for the transfer secretaries to arrange for the shareholder (and its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act, 2008 and for the transfer secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The Company reserves the right to elect not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the Company will be borne by the shareholder so accessing the electronic participation. Shareholders are advised that participation in the annual general meeting by way of electronic participation will not entitle a shareholder to vote. Should a shareholder wish to vote at the annual general meeting, he/she may do so by attending and voting at the annual general meeting either in person or by proxy.

By order of the Board

Claire Middlemiss

Company Secretary

Representing: iThemba Governance and Statutory Solutions (Pty) Ltd

Cresta

26 August 2015

WG Wearne Limited

Registration number 1994/005983/06

Incorporated in the Republic of South Africa

Share code: WEA • ISIN: ZAE000078002

("Wearne" or "the Company")

Registered Office:

3 Kiepersol House, Stone Mill Office Park, 300 Acacia Road, Cresta, 2195

Postal Address: PO Box 1674, Cresta, 2118

Transfer Secretaries: Computershare Investor Services Proprietary Limited

Designated Adviser: Exchange Sponsors Proprietary Limited

EXPLANATORY NOTES

Presentation of annual financial statements

At the AGM, the Directors must present the annual financial statement for the year ended 28 February 2015 to shareholders, together with the reports of the Directors, the audit and risk committee and the auditors. These are contained within the integrated annual report.

Ordinary resolution 1 – Re-election of Director

Directors required to retire in terms of MOI In accordance with the company's MOI, one third of the non-executive Directors are required to retire at each AGM and may offer themselves for re-election. In addition, any person appointed to the Board of Directors following the previous AGM is similarly required to retire and is eligible for re-election at the next AGM.

The following Director is eligible for re-election:

Mr M Khwinana

Brief biographical details of the above Director and the remaining members of the Board are contained on page 30 of the integrated annual report of which this notice forms part.

Ordinary resolution 2 – Reappointment of auditors

Grant Thornton and the individually registered auditor, Mr MZ Sadek, have indicated their willingness to continue in office and ordinary resolution 2 proposes the reappointment of that firm as the company's auditors with effect from 1 March 2015. Section 90(3) of the Act requires the designated auditor to meet the criteria as set out in section 90(2) of the Act.

The Board of Directors of the company is satisfied that both Grant Thornton and the designated auditor meet the relevant requirements.

Ordinary resolution 3 – Appointment of members of the audit and risk committee

In terms of section 94(2) of the Act, a public company must at each AGM elect an audit and risk committee comprising at least three members who are Directors and who meet the criteria of section 94(4) of the Act, Regulation 42 to the Act specifies that one third of the members of the audit and risk committee must have appropriate academic qualifications or experience in the areas as listed in the regulation. The Board of Directors of the company is satisfied that the proposed members of the audit and risk committee meet all relevant requirements.

Ordinary resolution 4 – Authority to Directors to allot and issue unissued ordinary shares and issue shares for cash

In terms of the Act, Directors are authorised to allot and issue the unissued shares of the company, unless otherwise provided in the company's MOI or in instances as listed in section 41 of the Act. The JSE requires that the MOI should provide that shareholders in a general meeting may authorise the Directors to issue unissued securities and/or grant options to subscribe for unissued securities as the Directors in their discretion think fit, provided that such transaction(s) has/have been approved by the JSE and are subject to the JSE Listings Requirements. Directors confirm that there is no specific intention to issue any shares, other than as part of and in terms of the rules of the company's share incentive scheme, as at the date of this notice. For this reason, the maximum number of unissued shares that may be issued by the Directors in terms of this authority is limited to 50% of the number of issued shares as at 28 February 2015.

Also, in terms of the JSE Listings Requirements, the authority to issue shares for cash as set out in ordinary resolution 5 requires the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the AGM for ordinary resolution number 5 to become effective.

Ordinary resolution 5 - Advisory endorsement of the remuneration policy

The King Report on Corporate Governance for South Africa, 2009 recommends that the remuneration philosophy of the Company be submitted to shareholders for consideration and for an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration philosophy and policy of the company.

Ordinary resolution 6 – Authority to implement the special and ordinary resolutions

Authority is required to do all such things and sign all documents and take all such action as necessary to implement the resolutions set out in the notice and approved at the AGM. It is proposed that the company secretary and/or Director be authorised accordingly.

General shareholders and proxies attending the AGM on behalf of shareholders are reminded that section 63(1) of the Act requires that reasonably satisfactory identification be presented in order for such shareholder or proxy to be allowed to attend or participate in the meeting.

Special resolution 1 – General authority to Directors to repurchase company shares

Section 48 of the Act authorises the Board of Directors of a company to approve the acquisition of its own shares subject to the provisions of section 48 and section 46 having been met. The JSE Listings Requirements require the shareholders of the company to approve the authority to repurchase shares and the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the AGM for special resolution number 1 to become effective.

Special resolution 2 – Approval of Directors' remuneration

In terms of section 66(8) and section 66(9) of the Act, companies may pay remuneration to Directors for their services as Directors unless otherwise provided by the MOI and on approval of shareholders by way of a special resolution. Executive Directors are not specifically remunerated for their services as Directors but as employees of the company and as such, the resolution as included in the notice requests approval of the remuneration paid to non-executive Directors for their services as Directors of the company. Proposed fees for the 2015 financial year have been included in the resolution for approval by shareholders.

Special resolution 3 – Authority to provide financial assistance to any company or corporation which is related or inter-related to the Company

In terms of section 44 and 45 of the Act, companies may provide financial assistance to related companies. This is done in accordance with schedule 4 of the act, after taking into consideration the solvency and liquidity of the Company and Board approval, as required.

FORM OF PROXY

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

FORM OF PROXY FOR THE ANNUAL GENERAL MEETING TO BE HELD IN the Boardroom of the Company at the offices of the Company, Stonemill Office Park, 3 Kiepersol House, 300 Acacia Road, Cresta on Friday, 16 October 2015 at 10h00 (SA time)

FOR USE BY CERTIFICATED ORDINARY SHAREHOLDERS AND DEMATERIALIZED ORDINARY SHAREHOLDERS WITH 'OWN NAME' REGISTRATION ONLY.

Holders of dematerialised ordinary shares other than 'own name' registration must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP to issue them with the necessary authorisation to attend the annual general meeting in person or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person but wish to be represented thereat.

I/We _____ (name in block letters) _____

being the registered holder(s) of _____ ordinary shares in the capital of the company do hereby appoint:

1 _____ or failing him/her

2 _____ or failing him/her

3 the chairman of the annual general meeting as my/our proxy to act for me/us and on my/our behalf at the annual general meeting of the company which will be held on Friday, 16 October 2015 at 10h00 and at any adjournment thereof for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions:

| | | Number of ordinary shares | | |
|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|---------------------------|---------|---------|
| | | For | Against | Abstain |
| Ordinary Resolutions | | | | |
| 1. | Approval of re-election of Director Mr M Khwinana | | | |
| 2. | Approval of re-appointment of external auditor | | | |
| 3. | Approval of election of audit committee members: | | | |
| | 3.1 Mr WP van der Merwe | | | |
| | 3.2 Mr M Khwinana* | | | |
| | 3.3 Mr M Patel | | | |
| * Subject to re-election as a Director pursuant to ordinary resolution number 1 | | | | |
| 4. | Authority to Directors to allot and issue unissued ordinary shares and issue shares for cash | | | |
| 5. | Approval of the remuneration policy by way of a non-binding, advisory vote | | | |
| 6. | Approval of signing authority | | | |
| Special Resolutions | | | | |
| 1. | Approval of general authority to repurchase company shares | | | |
| 2. | Approval of the remuneration of the non-executive Directors | | | |
| 3. | Authority to provide financial assistance to any company or corporation which is related or inter-related to the Company. | | | |

Please indicate with an 'X' in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy will be entitled to vote or abstain as he/she deems fit.

Signed at: _____
 _____ on _____

2015.

Signature

Assisted by me (where applicable) _____

NOTES TO THE FORM OF PROXY

Notes to form of proxy and summary of applicable rights established by section 58 of the companies act, 2008 ("the Act")

An ordinary shareholder holding dematerialised shares by 'own name' registration, or who holds shares that are not dematerialised, is entitled to appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder. Such ordinary shareholder may insert the name of a proxy or the names of two alternative proxies of the ordinary shareholder's choice in the space provided, with or without deleting 'the chairman of the annual general meeting', provided that any such deletion must be signed in full by the shareholder.

The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. Should a proxy not be specified, this will be exercised by the chairman of the annual general meeting. A proxy need not be a shareholder of the company.

All resolutions put to the vote shall be decided by way of a poll. An ordinary shareholder is entitled on a poll, to 1 (one) vote per ordinary share held. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the ordinary shareholder in the appropriate box(es). An 'X' in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will result in the proxy not being authorised to vote or to abstain from voting at the annual general meeting in respect of the shareholder's votes, except in the case where the chairman of the annual general meeting is the proxy. An ordinary shareholder or his/her proxy is not obliged to use all the votes exercisable by the ordinary shareholder, or to cast all those votes exercised in the same way, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the ordinary shareholder.

A proxy appointment must be in writing, dated and signed by the relevant shareholder.

Any alteration or correction made to this form of proxy must be signed in full and not initialled by the signatory.

Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form, unless previously recorded by the company or waived by the chairman of the annual general meeting.

A minor must be assisted by his/her parent/guardian and the relevant documentary evidence establishing his/her legal capacity must be attached to this form of proxy unless previously recorded by the company or waived by the chairman of the annual general meeting.

When there are joint holders of shares, any one holder may sign the proxy form.

The chairman of the annual general meeting may reject or accept any proxy form which is completed and/or received other than in compliance with these notes.

A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person other than the chairman of the annual general meeting.

The appointment of a proxy or proxies:

is suspended at any time to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder; is revocable in which case the shareholder may revoke the proxy appointment by:

cancelling it in writing or making a later inconsistent appointment of a proxy; and delivering a copy of the revocation instrument to the proxy and to the company.

Should the instrument appointing a proxy or proxies have been delivered to the company, as long as the appointment remains in effect, any notice that is required by the Companies Act or the company's memorandum of incorporation to be delivered by such company to the shareholder, must be delivered by such company to: the shareholder; or the proxy or proxies, if the shareholder has directed the company to do so in writing and has paid any reasonable fee charged by the company for doing so.

The proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

It is requested that this proxy form should be completed and returned to the company's transfer secretaries, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), so as to reach them by not later than Wednesday 14 October 2015 at 10h00.

ADDITIONAL FORMS OF PROXY ARE AVAILABLE FROM THE TRANSFER SECRETARIES ON REQUEST.

CORPORATE DETAILS

REGISTERED OFFICE

WG Wearne Limited

(Registration number 1994/005983/06)
Stonemill Office Park
3 Kiepersol House
300 Acacia Road
PO Box 1674
Cresta, 2118
Telephone: (011) 459 4500
Facsimile: (011) 459 5481
email:info@wearne.co.za

TRANSFER SECRETARY

Computershare Investor Services Proprietary Ltd

(Registration number 2004/003647/07)
Ground Floor 5th Floor
70 Marshall Street
Johannesburg
PO Box 61051
Marshalltown, 2107
Telephone: (011) 370 5000
Facsimile: (011) 688 5210

DESIGNATED ADVISER

Exchange Sponsors

(Registration number: 2008/019553/07)
44A Boundary Road
Inanda
2196, Sandton
P O Box 411216
Craighall
2024
Telephone: (011) 880 2113
Facsimile: (011) 447 4824

COMMERCIAL BANKERS

Nedbank Limited

(Registration number 1951/000009/06)
Nedbank House
12 Fredman Drive
Sandown
PO Box 784088
Sandton, 2146
Telephone: (011) 775 2600
Facsimile: (011) 783 4882

AUDITORS

Grant Thornton Johannesburg

52 Corlett Drive Wanderers Office Park
Illovo, 2196
Telephone: (011) 384 8000
Facsimile: (086) 555-8188

COMPANY SECRETARY

iThemba Governance and Statutory Solutions Proprietary Ltd

(Registration number 2008/008745/07) Monument Office Park
Suite 5 - 102
79 Steenbok Avenue
Monument Park
PO Box, 25160
Monument Park, 0105
Telephone: 086 111 10 10
Facsimile: 086 604 13 15

