

Annual Report 2017



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



CONTENTS

OUR BUSINESS

Introduction	3
Group structure	3
Geographical footprint	4
Business model	5
Our leadership	6

OPERATING CONTEXT AND STRATEGY

CEO and Chairman's Report	8
Operational context	10
Stakeholder engagements	13
Risk management	15

OUR PERFORMANCE

Value added Statement	19
Five-year review	20

GOVERNANCE

Corporate Governance Report	23
Social and Ethics Committee Report	29

PEOPLE

30

ENVIRONMENT AND COMMUNITY

34

FINANCIAL STATEMENTS

Statement of Financial Position	38
Statement of Profit or Loss and Other Comprehensive Income	39
Statement of Changes in Equity	40
Statement of Cash Flows	41
Corporate Details	42



OUR BUSINESS

OPERATING CONTEXT & STRATEGY

SOCIAL CAPITAL

FINANCIAL STATEMENTS

Our Business



OUR BUSINESS

INTRODUCTION

Wearne was established in 1910 as a sole trader, originally as a construction concern by its founder, William George Wearne. The concern became involved in the sand and stone business on the goldfields of the West Rand in the 1920's when a dump crushing operation was started in Carletonville in support of the shaft sinking operations of gold mining companies in the area.

The business grew quickly and operations commenced in other mining areas such as Virginia and Welkom in the Free State. At one stage the company operated stone crushers at seven mines in the Carletonville area and three in the Free State goldfields. The company's main customers being Goldfields and Anglo American.

In 1971 the company acquired Noordvaal Crushers to further expand its footprint into the Northern Province. The company's Bethlehem quarry which was sold during the 2017 financial year was acquired in 1974.

The Ready Mixed Concrete Division was started in the 1970's and has subsequently grown to eight fixed plants and two mobile plants.

From supporting mine construction projects in its inception years, the company expanded, enabling it to become involved in various big construction projects such as the construction of Rand Afrikaans University, the Western Bypass, the Lesotho Highlands Water Scheme, Soccer City and FNB in Fairlands Johannesburg.

Wearne's ability to deliver aggregates and ready mixed concrete has ensured that the Group is included in the tender process for the majority of large scale construction contracts.

The delivery of aggregates (sand and stone) for civil projects has also seen the company supporting the big construction companies in the construction and resurfacing of various national roads and highways.

Wearne listed on ALTx of the JSE in 2006 as a strategic step to allow the Group to raise capital in support of its vision of becoming a prominent supplier of concrete-based products and aggregates to the whole of South Africa. The listing also allowed the Group to finalise its empowerment transaction and provided the capital which it required for organic growth and acquisition opportunities that have been identified in its market sector.

VISION

To be the preferred supplier of aggregate and concrete related products in the construction industry by ensuring our customers' expectations are exceeded, by delivering quality service and products, thereby creating prosperity for all stakeholders.

WHO WE ARE

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.

WHAT WE DO

The Wearne Group of Companies, supplies the construction industry with a complete building material solution.

OUR VALUES

Our value system is based on the principle value of professionalism. We are passionate about the services and products we provide and seek to incorporate our core values in everything we do.

GROUP STRUCTURE



SPECIAL PURPOSE ENTITIES



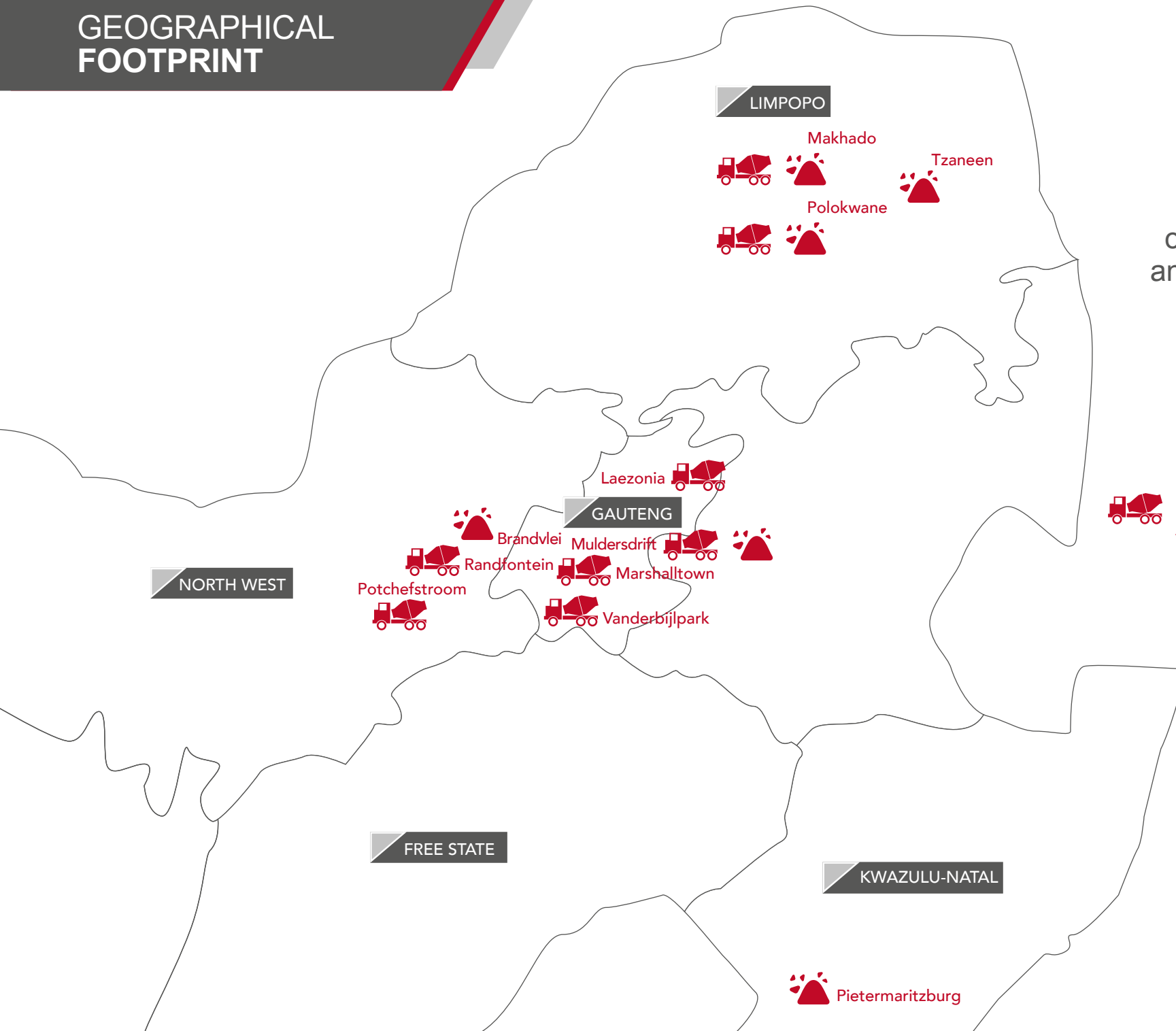
WG
WEARNE
SHARE
INCENTIVE
TRUST



WG
WEARNE
REHABILITATION
TRUST



GEOGRAPHICAL FOOTPRINT



We operate across
South Africa
with concentrated
operations in Limpopo
and Gauteng provinces

 **AGGREGATES**

 **READY-MIX CONCRETE**

 Pietermaritzburg

BUSINESS MODEL

SECURE

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.

FIND

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".

SELL

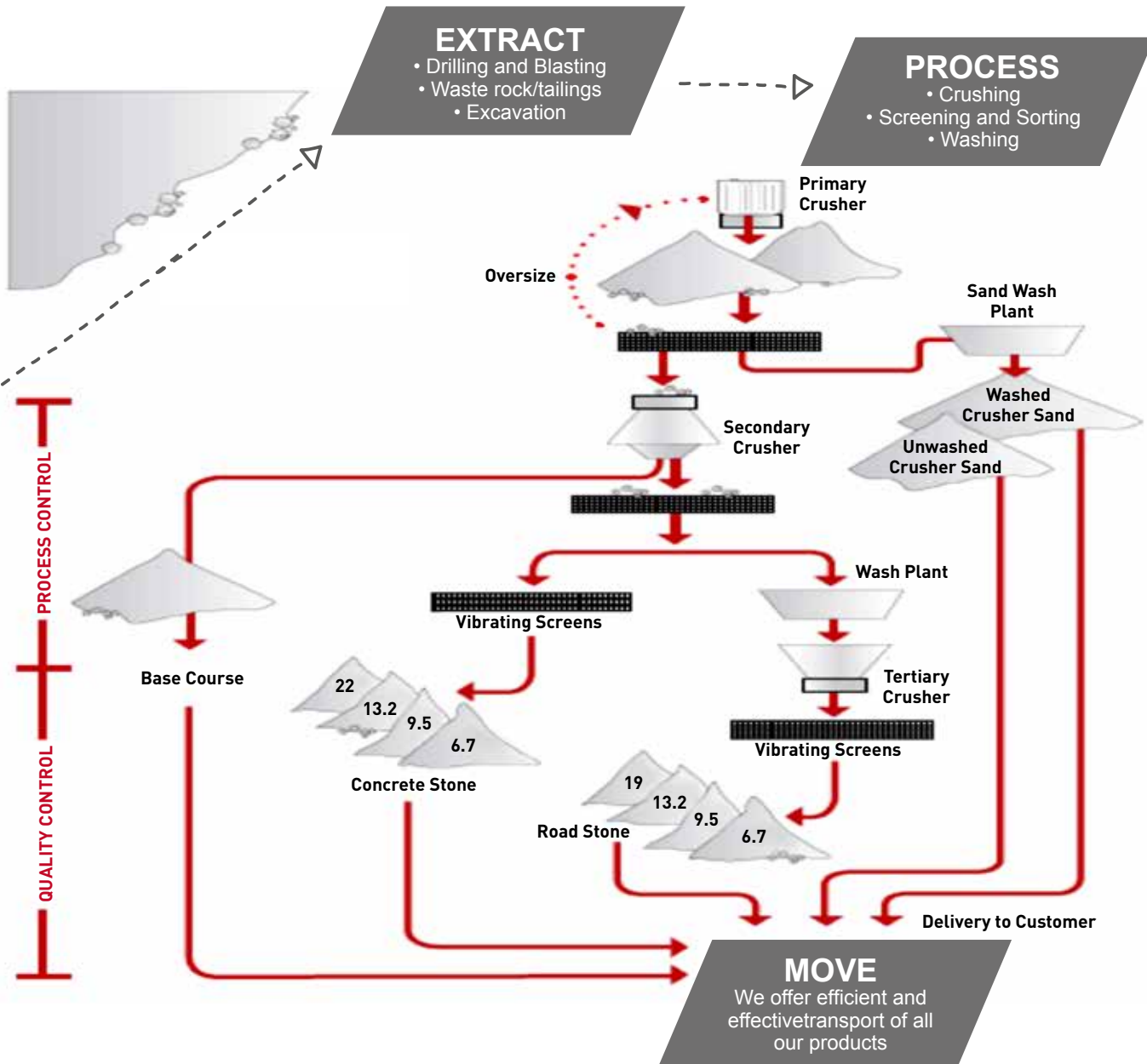
We collaborate with customers around the country to tailor products to their specific needs. Aggregates are internally supplied to the readymix and precast division for the manufacture of product. Our Products range from aggregates, readymix concrete, concrete manufacturing products and crushing and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

EXTRACT

- Drilling and Blasting
- Waste rock/tailings
- Excavation

PROCESS

- Crushing
- Screening and Sorting
- Washing



OUR LEADERSHIP

EXECUTIVE DIRECTORS

JOHN WEARNE (47)

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.



MARIUS BIERMAN (48)

Chief Financial Officer
B Comm (UJ), B Comm Hons, CA (SA), MBA

Marius completed his articles at the now-named PWC and has been employed since then in various financial roles by a number of listed companies.



NON-EXECUTIVE INDEPENDENT DIRECTORS

MITESH PATEL (43) (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.



WESSEL VAN DER MERWE (48) (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.



NON-EXECUTIVE INDEPENDENT DIRECTORS

TERRENCE CHAUKE (49) (INDEPENDENT)

B.Admin (UL), PDM (Wits), MBA (UCT)

Terrence is the Chairman of Mathaveiya Holdings and Director of Ubuntu-Botho (Gauteng). He has previously served as CEO, Principal Officer and MD of a number of companies in the Financial Services Sector and Senior manager in the first democratic government.

Terrence also serviced on a number of boards and board committees in regulatory bodies, parastatals and bluechip businesses since 2001. In the past 10 years he has been serving as Founder CEO of Mathaveiya Skills Enhancement.



Operating context and strategy



CEO & CHAIRMAN'S REPORT

CEO AND CHAIRMAN'S REPORT

The chairman and CEO are proud to present the Group's 2017 annual report. Trading conditions were considerably tougher amidst declining economic growth, high levels of competition and an over-supply of cement in the industry. The upward trend achieved in the prior year fell somewhat flat in the current year with losses being incurred.

The board's response to trading conditions was to actively pursue its turnaround strategy and combining this with a restructure plan. The careful monitoring of costs continued to form part of this strategy in conjunction with reviewing the different operational segments for underperforming assets and converting these to liquid assets, identifying core assets and diverting resources to these assets in a cost effective manner. Despite the efforts however, the operational performance fell below expectations.

The board's vision in implementing the turnaround strategy was and still remains establishing a profitable Group of companies which provides a sustainable return to its stakeholders and is firmly established in the industry. The Group currently employs close to 500 employees. These employees and the surrounding communities rely on the Group for their own sustenance, hence it holds true that in considering the strategies and business operations in this tough environment all effected stakeholders would be taken into account and their needs heavily evaluated. We are determined to continue to add value to our various stakeholders despite the challenging circumstances that currently face the Group.

FINANCIAL PERFORMANCE

The Group revenue from continuing operations, decreased by 24% (or R122 million) to R389 million for the year ended 28 February 2017. The decrease was mainly due to a subdued construction market as well as the closing out of the construction services business that contributed R 59 million to turnover during the previous financial year.

Revenue in the Aggregates division decreased by R53 million to R142 million (R196 million in 2016), this resulted in an operating profit of R3.3 million (R3.1 million in 2016) being achieved in the division. The reduced revenue was due to the sale of the Bethlehem quarry as well as an increase in competition in certain areas. The Ready Mix concrete division also saw a decrease in revenue of 17% to R213 million (R256 million in 2016). Operating profit however improved to R 7.7 million from an operating loss of R 1.3 million in 2016. This was mainly due to a major concrete contract secured in the Northern Cape Solar farm. The contracting division saw a decrease in revenue from R59.8 million in 2016 to R34.3 million in the current year. This was mainly due to closing out contracts that were awarded to the Group for construction services on the solar farm projects.

The Group's gross profit margins from continuing operations decreased to 11% (2016: 21.1%).

The total proceeds on disposal of assets were R45 million. The Group expanded its plant and equipment by R12 million.

The Group reflects a total comprehensive loss (including discontinued operations) of R32.2 million (2016: R12.5 million loss).

Total liabilities decreased by R30 million to R331 million (2016: R360 million) and R41 million in borrowings were settled during the current year.

The current year's performance resulted in a headline loss per share of 16.89 cents (2016: loss of 6.95 cents) and a loss per share from continuing and discontinued operations of 10.22 cents (2016: loss of 6.52 cents). The net asset value per share decreased to 3.68 cents (2016: 15.47 cents).

The board made a decision prior to year end to dispose of the Brandvlei Quarry as a going concern which was announced on SENS on 04 April 2017. Brandvlei's assets and liabilities were reclassified as a disposal Group held for sale in the statement of financial position. The property, plant and equipment of Brandvlei were revalued to their fair value less costs to sell of R7.8 million.

SOLVENCY, LIQUIDITY AND GOING CONCERN

The Group is currently technically solvent with a net asset value of R10.05 million. Current liabilities of R269.5 million exceed current assets of R70.3 million by R199.3 million.

At year end the IDC loans in the amount of R68.75 million as well as Nedbank loans of R9.2 million were reclassified as Current.

These long term liabilities were reclassified from Non-Current to Current in compliance

with the International Financial Reporting Standards (IAS 1) which requires an entity to classify a liability as current when the entity is in breach of a provision of a loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand even if the lender agreed, after the reporting period and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach.

The IDC has indicated that it is unlikely that they will call up their loans within the next 12 months.

Also included in Current Liabilities is an amount of R40 million due to SARS.

Subsequent to year end the Group has entered into a deferment agreement with SARS which resulted in the majority portion becoming long term (R36.4 million), as long as the current and deferral payments remain up to date.

CASH FLOW

The Group generated cash flows from operating activities of R29.9 million. The Group will continue to maintain its strict cash flow management policy as cash flow management remains key in this challenging period. Cash resources are expected to improve with the full implementation of the restructure plan.

The ability of the Group to fund short term operations in the foreseeable future is largely dependent on the continued support of the Group's funders, the return to profitable

CEO & CHAIMAN'S REPORT

trading and the ability to generate sufficient cash flows to honor commitments made to SARS in respect of deferral agreement concluded post year end.

The financial results have been prepared on the going concern basis as the directors are of the view that the Group has adequate resources in place to continue in operation for the foreseeable future.

While management are aware of the cash-flow pressures and significant liquidity uncertainty at year-end, they continue to assess the situation as one whereby the Group is able to service its debts that will become due in the next 12 months and also fund operational losses that may arise. Management has developed and implemented a re-structuring plan in 2016 and will continue rolling out the plan.

The first phase of the re-structuring process was implemented with the sale of the Bethlehem quarry and the Precast Division during this financial year. Subsequent to year end the sale of the Brandvlei sand quarry was also concluded. The aim of the process is to reduce the cash flow pressures of the Group and improve liquidity and solvency of the individual subsidiaries. The Group is optimistic that once the re-structure plan has been implemented in full, a viable and profitable business will emerge.

In addition to the re-structuring plan, management continues to review all aspects of the business in order to ensure that resources are being utilised effectively. This ensures that all cost areas are closely

monitored in order to reduce expenditure and relieve cash reserves for the Group's working capital.

PROSPECTS

The Group again experienced a tough financial year as the ongoing over supply of cement and lack of infrastructure spend by government caused intense competition in the markets that the Group is involved in.

The board's decision to sell some non-core assets and focus on areas where synergies between the aggregate and ready mixed concrete businesses could be achieved resulted in the sale of the Bethlehem quarry as well as the Wearne Precast business. The result of these sales was that approximately R15 million's worth of long term debt was settled and working capital was improved by R35 million.

The prospects of the ready mixed concrete division improved significantly during the latter part of the year through the award of an R126 million contract for the supply of concrete to a solar farm project in the Northern Cape. The project is estimated to finish in August 2019. The rest of the concrete business also improved its performance from the previous year but gross profit margins are still under pressure due to intense competition between current players in the market. Current conditions are set to continue for the foreseeable future as growth in cement sales is forecast to be minimal for the 2017 calendar year. The division will however seek to secure further contracts outside the urban areas where competition is less fierce.

The aggregate division turnover declined further due to the sale of the Bethlehem quarry as well as subdued turnover in the Limpopo province. Prospects for the year look significantly better though due to increased road infrastructure spend by Limpopo Roads Agency as well as a turnaround in the fortunes of the Pietermaritzburg quarry. Further capital expenditure is envisaged at this quarry as current demand is exceeding the supply capacity. The board is reviewing options on how to fund this capital expenditure.

The contracting division experienced an operating loss of R9.2 million. This was mainly caused by a loss making contract crushing project in the Northern Cape. This contract has now been closed out and the Group is in the process of selling some of the mobile crushing equipment. No further contract crushing will be entered into until all the older plant has been sold and replaced with new equipment.

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 benefiting the communities in which we operate.

GOVERNANCE

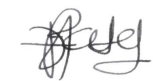
This annual report outlines how the Group is progressing with its journey to apply the principles set out in the King Report. The Group complies with the Companies Act No. 71 of 2008, the Listing Requirements of the JSE Limited and other relevant legislation.

DIVIDEND POLICY

In line with Group Policy, due to the losses incurred for the year under review no dividend has been declared.

APPRECIATION

We extend our gratitude to the Board and the Executive Team for their leadership and counsel during the difficult financial year to reposition the Group for growth. A special thanks to all stakeholders including our bankers, creditors, advisers and customers for your ongoing support. We also thank the staff, who continue to show extraordinary commitment and loyalty, who have given so much during these difficult times and will result in the Group meeting its strategic objectives in the future.



MM Patel
Chairman



SJ Wearne
Chief Executive Officer

OPERATIONAL CONTEXT

AGGREGATES

Material from quarries or rock dumps are crushed at the crushing plants and then delivered as sized aggregates for use in the company's ready mix division and for large scale civil engineering projects.

FAST FACTS

- Founded in **1910**
- Supplier of Aggregates to the road and construction industry
- 6 Operational quarries situated in the following provinces: Gauteng, Limpopo, and KZN.
- Percentage contribution to Group revenue >> **41%**



PRODUCTS & 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)
- Pit / Building sand
- Plaster sand
- Builders Mix
- UTFC (Ultra Thin Friction Course)

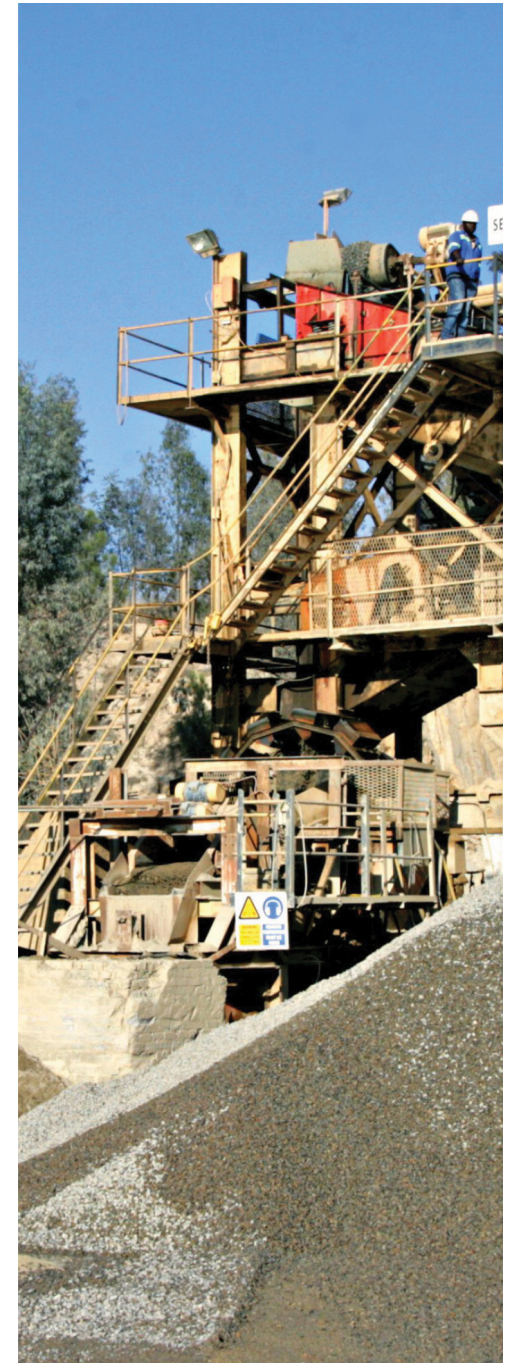
FINANCIAL OVERVIEW AND PROSPECTS

FINANCIAL OVERVIEW

Revenue decreased by R53 million to R142 million (R196 million in 2016), this resulted in an operating profit of R3.3 million (R3.1 million in 2016) being achieved in the division. The reduced revenue was due to the sale of the Bethlehem quarry as well as an increase in competition in certain areas.

PROSPECTS

Prospects for the year look significantly better though due to increased road infrastructure spend by Limpopo Roads Agency as well as a turnaround in the fortunes of the Pietermaritzburg quarry. Further capital expenditure is envisaged at this quarry as current demand is exceeding the supply capacity.



OPERATIONAL CONTEXT

READY MIX

Material is sourced from our own crushing operations and other suppliers to centralized batch plants where the concrete is manufactured and then delivered to construction sites using the company's fleet of vehicles

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 sector
- Member of SARMA (South African Readymix Association)
- Percentage Contribution to Group revenue **>>45%**



PRODUCTS & SERVICES

Generic Concrete Range

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

Wearne Speciality Concrete

- Wearne Easyflo
- Wearne Triblend

High performance concrete

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

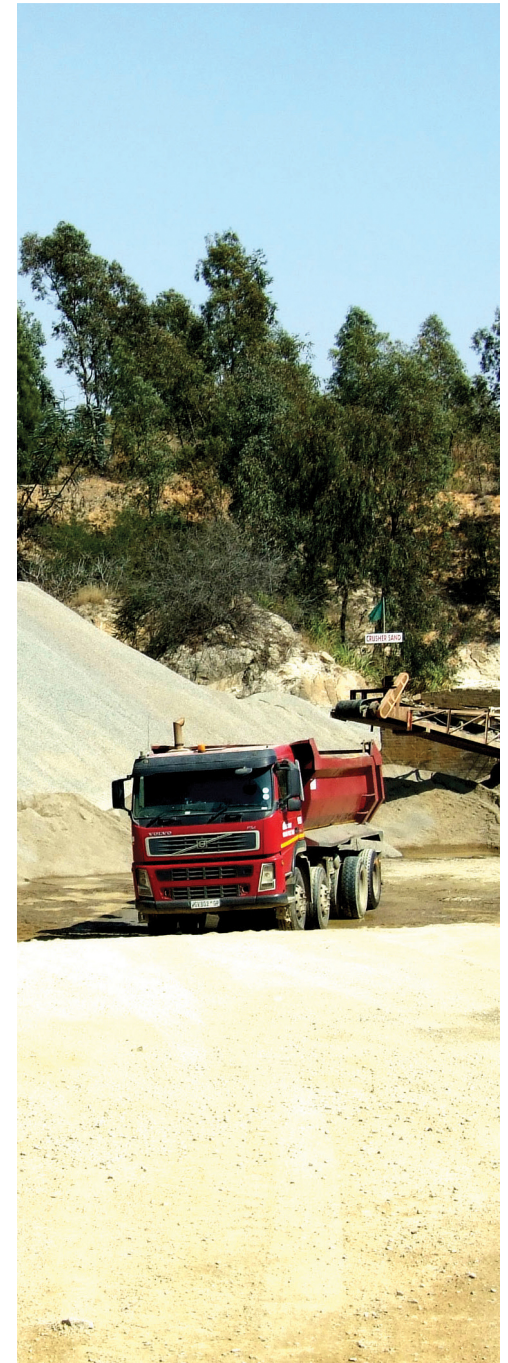
FINANCIAL OVERVIEW AND PROSPECTS

FINANCIAL OVERVIEW

The division also saw a decrease in revenue of 17% to R213 million (R256 million in 2016). Operating profit however improved to R 7.7 million from an operating loss of R1.3 million in 2016. This was mainly due to a major concrete contract secured in the Northern Cape Solar farm.

PROSPECTS

The prospects of the division improved significantly during the latter part of the year through the award of an R126 million contract for the supply of concrete to a solar farm project in the Northern Cape. The project is estimated to finish in August 2019. The rest of the concrete business also improved its performance from the previous year but gross profit margins are still under pressure due to intense competition between current players in the market. Current conditions are set to continue for the foreseeable future as growth in cement sales is forecast to be minimal for the 2017 calendar year. The division will however seek to secure further contracts outside the urban areas where competition is less fierce.



OPERATIONAL CONTEXT

MOBILE CRUSHING AND EARTHWORKS

FAST FACTS

- 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
- Established in **2013**
- Engineering, procurement and construction (EPC)
- Current project – supply of concrete products to Dankocom (Pty) Ltd in Northern Cape
- Percentage contribution to Group revenue **>>14%**

PRODUCTS & 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

Mobiles 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 Earthworks.



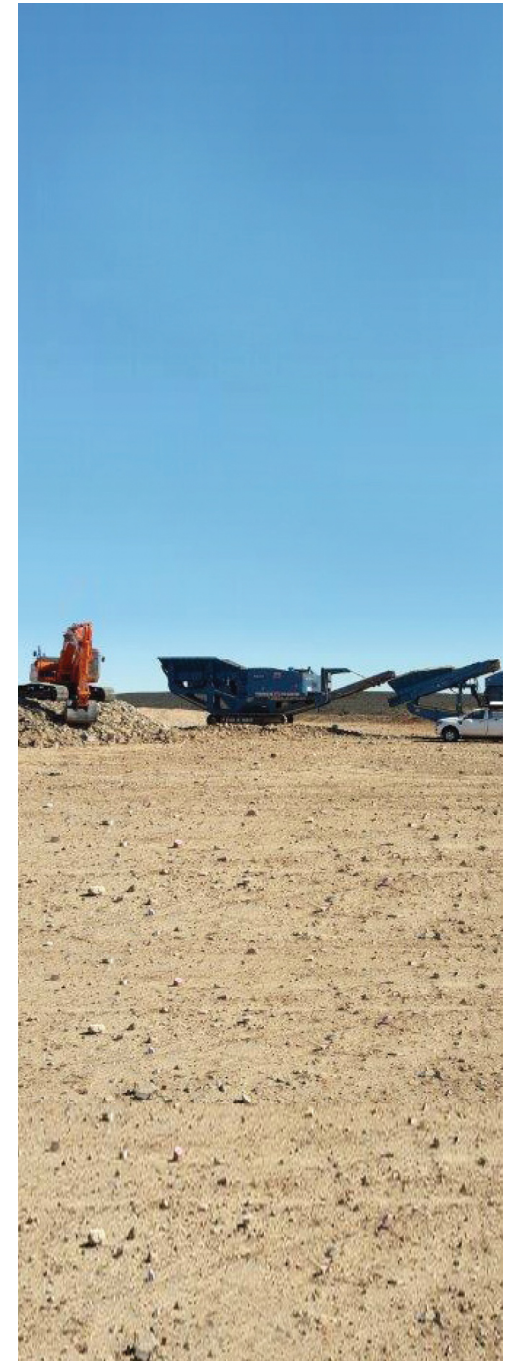
FINANCIAL OVERVIEW AND PROSPECTS

FINANCIAL OVERVIEW





The business unit saw a decrease in revenue from R59.8 million in 2016 to R 34.3 million in the current year. This resulted in an operating loss of R9.2 million which was mainly caused by a loss making contract crushing project in the Northern Cape. This contract has now been closed out and the Group is in the process of selling some of the mobile crushing equipment.

PROSPECTS


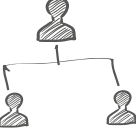

The Group will not seek to increase further construction service contracts as it remains focused on its core business of producing aggregates.



STAKEHOLDER ENGAGEMENTS

STAKEHOLDER	WHY DO WE ENGAGE WITH THEM?	WHY DO THEY ENGAGE WITH US	TOPICS OF CONCERN	MODE OF COMMUNICATION	OUR RESPONSE TO CONCERNS
CUSTOMERS 	<p>We have a duty of care towards our customers, build long-term relationships and provide them with transparent and sustainable solutions for their business.</p>	<p>For reliable services and quality products that will add value in their business operations</p>	<p>Quality of products and service. Reliable supply of products and services</p>	<p>Frequent Site visits, regular meetings, email and regular telephonic communication</p>	<p>We address customer concerns promptly. We continuously test the quality of our products and make deliberate efforts to provide the best services</p>
SHAREHOLDERS AND INVESTORS 	<p>To communicate our strategic plans, and initiatives that we are to undertake in order to improve profitability and create value for the shareholders</p>	<p>To ensure reasonable return on their investments. Also have interest in our dividend payout policy</p>	<p>Sustainable return on investment, Risk, capital and liquidity management</p>	<p>Media publications, our website, annual integrated report and SENS announcements and annual general meetings</p>	<p>SENS announcements on matters affecting the shareholder's investments. Communicate strategic matters such as our dividend payout policy and capital investments</p>
LENDERS/PROVIDERS OF CAPITAL 	<p>To ensure access to affordable funding, healthy relationships allowing on-going, honest conversation that provides stability</p>	<p>To ensure punctuality and ability to meet capital and interest payments. To ensure that debt covenants will be met</p>	<p>Capital management Sustainability Profitability Liquidity and solvency Cash generation Corporate governance and compliance Risk management Growth prospects Reputational issues</p>	<p>Media publications, our website, annual integrated report and SENS announcements and annual general meetings</p>	<p>SENS announcements on matters affecting the shareholder's investments. Communicate strategic matters such as our dividend payout policy and capital investments</p>
EMPLOYEES 	<p>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</p>	<p>Pleasant working environment, Career growth prospects</p>	<p>Employee wellbeing Culture Career development Job security HIV/AIDS Training</p>	<p>Frequent Email, focus groups, forums as needed, workshops as need, Frequent social events, intranet</p>	<p>We openly communicate with our employees regarding their incentives and benefits. We provide financial assistance to our employees wishing to further their studies or enhance their professional skills</p>

STAKEHOLDER ENGAGEMENTS

STAKEHOLDER	WHY DO WE ENGAGE WITH THEM?	WHY DO THEY ENGAGE WITH US	TOPICS OF CONCERN	MODE OF COMMUNICATION	OUR RESPONSE TO CONCERNS
<p>GOVERNMENT, LOCAL AUTHORITIES AND REGULATORY BODIES</p> 	<p>To show our commitment to being transparent and meet expectations of regulators</p>	<p>To ensure compliance to the relevant regulatory requirements. To work together with us in improving economic, social and environmental conditions</p>	<p>Compliance with all legal and regulatory aspects of business. Strong and open relationships with regulators and other supervisory bodies</p>	<p>Annual audit of our financial statements. Regular Meetings with relevant regulatory bodies, regular electronic communication</p>	<p>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.</p>
<p>TRADE UNIONS AND CIVIL SOCIETY GROUPS</p> 	<p>Wearne's engagement involves listening to the different perspectives of the people involved, learning about the issues that these groups face</p>	<p>Labour negotiation and fair salaries and wages increases</p>	<p>Working conditions of employees. Fair salaries and wages</p>	<p>Regular Emails, regular telephonic conversations, meetings</p>	<p>We continuously engage with the trade unions to maintain healthy relationships</p>
<p>SUPPLIERS AND BUSINESS PARTNERS</p> 	<p>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</p>	<p>To ensure reliable supply of quality products at competitive prices as well as maintenance of payment terms</p>	<p>Reasonable payment terms. Supplier relationship</p>	<p>Frequent Telephonic communication, regular meetings, frequent Electronic communication</p>	<p>Consistent feedback on payments and payment terms. We continuously strive to enhance our relationships with our suppliers through open and transparent communication</p>

RISK MANAGEMENT

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 MANAGEMENT STEERING COMMITTEE

Co-ordinate the regular formal updating of business unit and corporate risk registers and risk treatment action plans and compiling into a master set

Maintain corporate risk and risk control information

Ensure that all relevant risk areas are considered including those emanating from the services of external providers and contractors

Analyse and report to the Group's Executive

Ensure appropriate linkages to the Group's business and corporate planning processes, and where necessary, to budget processes

BUSINESS UNIT MANAGERS

Oversee the business unit risk management program and endorse risk mitigation strategies and action plans

ALL EMPLOYEES

Responsible for managing risk within their span of control, for promoting the application of risk management by contractors, and assisting with the identification of global or broadly based risks that could impact the Group as a whole



RISK MANAGEMENT

THE GROUP HAS EXPOSURE TO THE FOLLOWING RISKS:

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 ad hoc 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 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.
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 • development of contingency plans • training and professional development • ethical and business standards • risk mitigation, including insurance where this is effective.

RISK MANAGEMENT

THE GROUP HAS EXPOSURE TO THE FOLLOWING RISKS:

RISK CATEGORY	RISK DESCRIPTION	RESPONSE TO RISK
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.

Our Performance



OUR PERFORMANCE

VALUE ADDED STATEMENT

for the year ended 28th February 2017

Set out below is the wealth created by the Group and it's employees during the year under review and how it was applied:

	2017 R'000	2016 R'000
Revenue	389,429	511,859
Cost of services provided	-347,632	-403,763
Value added by operations	41,797	108,096
Profit from Discontinued Operation	4,482	12,233
Non-operating income	23,026	4,292
Total value added	69,305	124,621

Applied as follows:

To remunerate employees:				
- Salaries, wages, pensions and other benefit	54%	37,553	68%	84,881
To reward providers of capital:				
- Dividends		-		-
- Interest on borrowings	37%	25,585	23%	28,470
To the state:				
- Direct taxes	8%	5,268	-2%	-2,092
To replace assets:				
- Depreciation	42%	28,802	25%	31,169
To expand the Group				
- Retained Earnings	-40%	-27,903	-14%	-17,807
Total value added		69,305		124,621

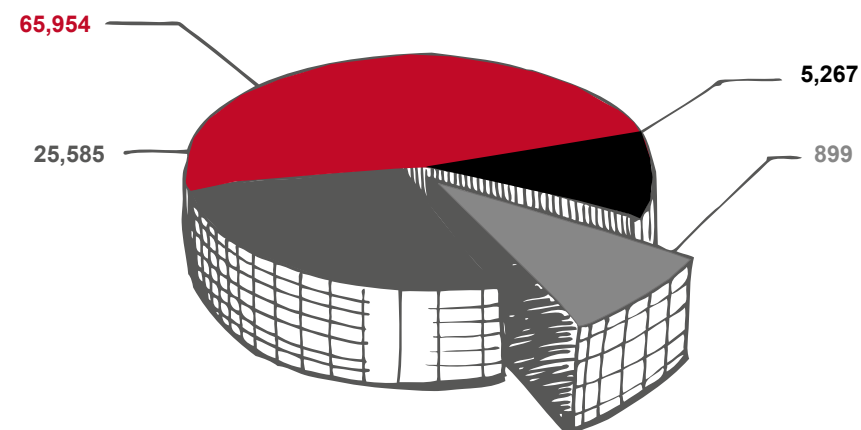
Value added ratios

Number of employees	497	593
Revenue per employee	841	831
Wealth created per employee	197	202

WEALTH DISTRIBUTION

Total wealth created:

Employees	65,954	68%
Government	5,267	5%
Providers of Capital	25,585	26%
Reinvested	899	1%
	97,705	



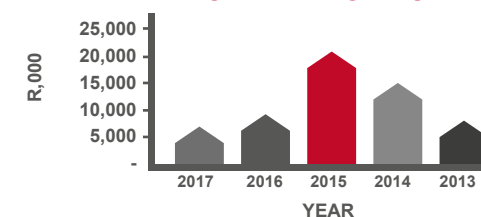
- Employees 65,954
- Government 5,267
- Providers of Capital 25,585
- Reinvested 899

OUR PERFORMANCE

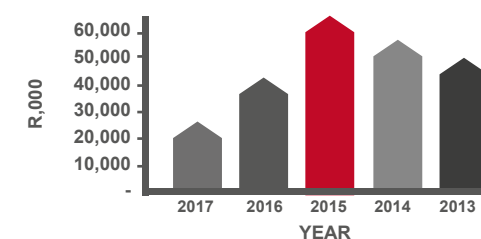
FIVE-YEAR FINANCIAL REVIEW

	2017	2016	2015	2014	2013
Total assets (R'000)	341,304	404,041	429,653	440,845	433,062
Net working capital (R'000)	-90,286	-63,165	-26,549	-17,084	-27,698
Total equity (R'000)	10,049	41,224	54,701	48,908	35,489
Total borrowings (R'000)	175,056	186,585	227,111	266,123	270,739
Net asset value per share (cents per share)	4	15	20	18	13
EBITDA interest cover (times)	0	0	1	0	-1
Revenue (R'000)	389,429	511,860	483,342	463,277	400,001
Gross Profit (R'000)	41,796	108,096	99,212	91,855	84,523
Gross profit margin (%)	10.7	21.1	20.5	19.8	21.1
Normalised EBITDA	30,660	39,542	58,300	53,786	41,176
Normalised EBITDA margin (%)	7.87	7.73	11.50	11.60	10.30
Operating profit (R'000)	1,859	5,051	23,001	14,126	7,160
Profit/(loss) for the year (R'000)	-27,903	-13,558	5,791	13,420	-17,374
Effective taxation rate (%)	22	28	93	14	22
Normalised EPS (cents per share)	-10.55	-6.52	-2.28	3.69	-5.61
Normalised HEPS (cents per share)	-16.89	-6.95	-2.83	-6.07	-6.15
Dividends per share (cents per share)	-	-	-	-	-
Cash generated from operations (R'000)	23,860	61,627	46,299	53,411	31,729
Cash conversion ratio	0.78	1.56	0.79	0.99	0.77
Dividends paid	-	-	-	-	-
Investment in property, plant and equipment	12,230	15,100	16,051	16,191	9,003
Weighted average number of ordinary shares in issue during the year ('000)	273,038	273,038	273,038	273,038	273,038

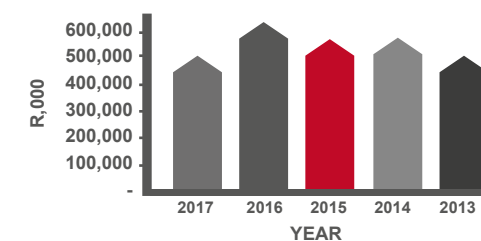
OPERATING PROFIT



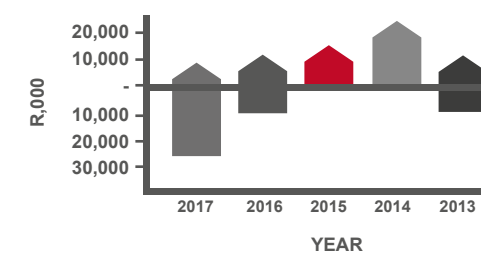
NORMALISED EBITDA



REVENUE



PROFIT/(LOSS) FOR THE YEAR



Governance



GOVERNANCE

GOVERNANCE AND MANAGEMENT APPROACH

Integrating sustainability best practice into core business processes has been an ongoing priority for us. The tough economic conditions we face serve to focus our efforts on finding innovative and efficient ways to effect change in the business and to define ourselves as partners in the future.

Our approach to sustainability is underpinned by a well-defined process for identifying and evaluating the risks and opportunities that are most material to the business. This process is reviewed in more detail in the Risk Management section (pages 15 to 17).

GOVERNANCE

The Board of directors understands the responsibility it has to lead the Company effectively, ethically and transparently. Directors thus focus on steering the Company in the right direction through a combination of strategy, effective leadership and sound corporate governance. Our Board of directors remains committed to adhering to the highest standards of corporate governance, including King III, the Companies Act, the JSE Listings Requirements, other applicable regulations, and governance frameworks.

The Board delegates responsibility for the governance of sustainability to its Social and Ethics Committee, chaired by Mr W van der Merwe. The Committee is tasked with ensuring that the Group attains its goals relating to the management of safety, health

and the environment, as well as social, transformation and ethics issues across the Company.

Its responsibilities include developing sustainable development policies and guidelines to manage these focus areas, monitoring performance against key indicators, and facilitating stakeholder participation, cooperation and consultation on key issues.

The CEO, CFO and Executive head of safety, health and environment, and human resources attend the meetings as invitees.

Each year, the Board conducts an assessment of its own performance and of the appropriateness and effectiveness of its committees, procedures and processes.

A detailed review of our corporate governance structures and practices is provided in the Corporate Governance Report (pages 23 to 28).

MANAGEMENT APPROACH

Our overall approach to doing business is guided by our Code of Ethics. The code sets the expectations we have of employees, affiliate companies, contractors, suppliers and agents in relation to business integrity, safety, health and environmental management, human rights, and our relationships with stakeholders. Policies and procedures have been implemented across our value chain to ensure uniform understanding of requirements. Living up to our standard for integrity is essential for earning and maintaining trust with our stakeholders.

BUSINESS INTEGRITY POLICY AND STANDARDS

Wearne has a zero-tolerance approach to unethical and corrupt practices, and every member of our organisation is accountable for ensuring that our values are always upheld in all we do.

We endorse and comply with all applicable anti-corruption laws and conventions. Our Code of Ethics states that we will neither give nor accept bribes, nor permit others to do so in our name.

WHISTLEBLOWING

Our Whistleblowing facility is a confidential and secure means for our employees, contractors, suppliers, business partners and other external stakeholders to report concerns about conduct that is contrary to our values and integrity standards. We do not tolerate any form of retaliation against employees raising concerns in good faith. Every alert is evaluated and, where appropriate, investigated. Any allegation of harassment or intimidation by others as a result of contacting Whistleblowing is investigated and, if required, appropriate action is taken.



GOVERNANCE

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 the Group website: www.wearne.co.za

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 conformity 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).



GOVERNANCE

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 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 2017 appear on page 6 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 the 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.

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 2017 financial year, the board convened four 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.

The company is aware of the recommendations of the JSE Limited to introduce a policy on the promotion of diversity at board level, including ethnicity and gender. The board will endeavour to draft a policy to take into account the recommendations.

At the time of publishing the annual report, the composition of the board was as follows:

Mr MM Patel	Chairman (Independent non-executive director)
Mr SJ Wearne	Chief executive officer, executive director
Mr W van der Merwe	Independent non-executive director
Mr T Chauke	Non-executive director (appointed 22 March 2017)
Mr JJ Bierman	Chief financial officer, executive director (appointed 24 January 2017)

GOVERNANCE

CHANGES TO THE BOARD DURING THE FINANCIAL YEAR:

Shareholders are advised that Ms V Milazi resigned as Chief Financial Officer of the company on the 31 December 2016 and Mr M Khwinana, a non-executive director of the company, passed away during December 2016. The board expresses its sincere condolences to the family and friends of Mr Khwinana.

Mr JJ Bierman was appointed as Chief Financial Officer of the company on the 24 January 2017. Mr T Chauke was appointed as a non-executive director of the company on the 22 March 2017.

Summary attendance table of board meetings during the financial year ended 28 February 2017

MEMBER	31/05/2016	30/08/2016	26/10/2016	23/02/2017
Mr M Patel	P	P	P	P
WP van der Merwe	P	P	P	P
M Khwinana	P	P	P	
SJ Wearne	P	P	P	P
MC Milazi	P	P	P	P
JJ Bierman				P

Key:

P - Present
A - Apology
R - Resigned

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 (Pty) Ltd, represented by Claire Lindsay (FCIS CSSA) is the company secretary. Claire has 16 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, qualification 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 information (IBC).

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 T Chauke.

REMUNERATION

Details of directors' fees and remuneration are fully disclosed in note 32 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 32 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 2017, an in-house 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

GOVERNANCE

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 throughout the financial year. 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 W van der Merwe	Independent non-executive director
Mr T Chauke	Non-executive director (appointed 22 March 2017)
Mr MM Patel	Chairman (Independent non-executive director)

Summary attendance table of members at the audit committee meetings during the financial year ended 28 February 2017

MEMBER	31/05/2016	16/08/2016	25/10/2016	23/02/2017*
WP van der Merwe	P	P	P	P
M Khwinana	P	P	P	
Mr M Patel	P	P	P	P

*Combined with the board meeting

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 finding, 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 internal and external auditors. The committee has, in addition to its other duties, also satisfied itself as to the appropriateness of the experience

GOVERNANCE

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 company is aware that the audit committee should consist of three independent non-executive directors. The JSE has been advised that the committee currently consists of two independent non-executive directors and one non-executive director. Condonement has been received due to the size of the business. The company will endeavour to become compliant in the future. The statutory report of the committee as required by the Act can be found on pages 2- 3 of the Separate and Consolidated Annual Financial Statements as published on the Group's website.

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 attendance table of members at the risk committee meetings during the financial year ended 28 February 2017

MEMBER	31/05/2016	16/08/2016	25/10/2016	23/02/2017
WP van der Merwe	P	P	P	P
SJ Wearne	P	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 T Chauke	Non-executive director
Mr MM Patel	Nomination committee chairman

Summary attendance table of members at the remuneration and nomination committee meetings during the financial year ended 28 February 2017

MEMBER	30/08/2016
WP van der Merwe	P
M Khwinana	P
Mr M Patel	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. 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 JJ Bierman	Chief financial officer

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.

GOVERNANCE

- 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).

Summary attendance table of members at the social and ethics committee meetings during the financial year ended 28 February 2017

MEMBER	16/08/2016
WP van der Merwe	P
SJ Wearne	P
MC Milazi	P

Key:
P - Present

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 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. 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 8.63 (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 2017. There has been no change in director's shareholding since year end.

REMUNERATION PHILOSOPHY

Details of Directors' fees and remuneration are fully disclosed in note 32 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 32 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 & 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 xx 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 Committee also monitors the Group's policy on promoting gender diversity at all levels and reviews the progress of targets set as part of the Group's Employment Equity Plans. 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 have a zero tolerance approach to corrupt employees, including 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.

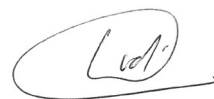
CODE OF ETHICS

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



People



PEOPLE

Wearne is committed to excellence in service, quality and a comprehensive foundation of knowledge and experience within the open cast mining and ready mixed concrete field. We thrive on building relationships with our people, coupled with getting the most out of our talent group, promoting career advancement and passion for the industry. A culture of commitment, professionalism, respect and integrity drive our company image toward the outside. These values add to loyalty toward compliance with labour legislation that build a foundation for a non-discriminatory working environment.

WORKFORCE MOVEMENT

Wearne has a policy of employing people from communities close to our operations where possible. We only recruit people from outside the areas of our operations if a specific skill is not available locally.

TOTAL WORKFORCE PER REGION		
REGION	No. of Employees	
	2016	2017
Limpopo	173	129
Gauteng	310	274
North West	26	12
Free State	33	0
KwaZulu-Natal	51	44
Northern Cape	0	38
Total	593	497

The group's headcount reduced by 19% over the past year. As with all South African companies the economy has been challenging and as a result the company unfortunately had to engage in retrenchments (7 employees). As part of the restructuring plan both the Precast business as well as

the Bethlehem operations were sold. The transition for the employees affected were limited as both these operations were sold as a going concerns. The relevant consultations with staff and unions were undertaken which resulted in a smooth transition. Additional causes for the reduction in headcount included resignations (8.7%), dismissals (1.6%), abscondments (1.2%), contract expirations (1.6%), pensioned staff (0.2%), ill health (1%) and staff who passed away while not on duty (1%).

	2016	2017
Resignations	8.50%	8.70%
Dismissals	2.60%	1.60%

Staff resignations are the highest contributor to staff turnover. We encourage staff by focusing on the development of employees, engaging with staff in a transparent, open door approach in order to share information and engage with employees in a caring way, recognising achievements and celebrating success.

Annual performance evaluation are done which contributes to the identification of developmental areas for staff and motivating them to improve their abilities in order to encourage career progression. These evaluations also contribute in the evaluation of employees who shows potential for advancement via mentorship, leading by example.

EMPLOYMENT EQUITY

- **77%** of workforce HDSA
- **15.3%** Female

The challenges faced by the company has had an immobilising effect on Employment Equity, regardless of these challenges faced the company is committed to equal employment opportunities. Therefore the recruitment and development plans is embedded in achieving the employment equity targets as at the end of 2018, and the companies Social Labour Plans in accordance to the requirements of the Department of Mineral Resources. These plans aim to address affirmative action measures in order to eradicate inequalities.

SKILLS DEVELOPMENT AND TRAINING

	2016	2017
ABET (% of employees)	9.94%	9.65%
Learnership (% of employees)	1.94%	3%

Employees are not only being provided with formal training opportunities but are briefed and refreshed on internal policies and procedure such as health and safety, operating requirements as well as vast amount of topic raised during these sessions. The safety of our employees is of paramount importance and the company embarks on the requirements set by the Occupational Health and Safety Act.

The company envisions employee's progression by investing in education from the bare minimums by providing Adult Basic Education and Training (ABET) to

employees as well as to unemployed youth from communities situated in close proximity to our operations. The motivation for those engaging in ABET training is the personal development and opportunity to advance toward the application of a learnership program once the minimum required level have been achieved. 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 programs. Successful applicants may be current employees or unemployed youth. Practical exposure within the industry is part of the learnership programs and the future intake of these qualified artisans is the technical skills required within the company.

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.

Another area of investing in unemployed youth is to support them with bursaries even if it's not related to our industry. The company adds value to communities investing in our youth who will path the way for a flourishing economy.

PEOPLE

PROVIDING A SAFE WORKPLACE

Executive management set the overall tone for participation by holding line management accountable for ensuring the workforce is involved and consulted in matters concerning their health and safety at work. Responsibility for health and safety is part of every employee's job description and KPI. The groups approach to operating safely and responsibly is guided by our SHE policy and our drive toward zero harm.

Initial assessment of the status of the management system is conducted. Competent people are identified and selected to identify the hazards in the workplace.

Objectives and targets have been set to eliminate and reduce the risks and define the performance criteria and the indicators to use when assessing whether the objectives are being achieved. Our safety health and environmental management system is risk based and integrates safe working practices into every task or aspect of what we do. SHE committees have been established at all sites in terms of legislation.

Our SHE system is OHSAS 18001 based, audited annually by ASPASA and SARMA. All sites are certified by the independent auditing bodies ASPASA and SARMA. Regular training forms an integral part of the SHE management program.

Our employees are trained on Hazard identification and risk assessment, Incident investigation, fire-fighting, first Aid, Legal Liability MSHA, Environmental awareness.

Task specific training is also done incorporating safe operating procedures and planned task observations.

Employees Well-Being - Occupational Health

Our employees' health is monitored through our medical surveillance program. All employees with chronic conditions are monitored regularly by our occupational health medical practitioner to minimise risks associated with uncontrolled chronic medical conditions.

Our drug and alcohol policy allows for random testing of employees and compulsory testing of all employees in high-risk occupations during medical surveillance.

Occupational Exposure Management

We implement dust exposure monitoring programmes at our operations, the results of which continue to inform the controls and interventions we implement for reducing exposure to dust and other air pollutants.

Managing Noise

No new cases of NIHL were diagnosed at all our operations (PLH shift >10%).

The industry health milestones require a revised formula for calculating NIHL, and that no person develops a hearing loss of greater than 10% using this formula. Our OMP (Occupational Medical Practitioner) has incorporated the required Standard Threshold Shift (STS) into our audiogram monitoring and conducts the 're-base lining' of performance data using the new formula.

A principal focus remains on controlling noise at source especially at our crushing plants. All equipment to be below 107 dB (A), in line with the Mine Health & Safety Council (MHSC) milestone requirement by 2025.

Health And Safety Performance

Lagging indicators

Zero Fatalities were recorded for all operations including Ready Mix plants. Eleven lost time injuries, six, minor injuries, and eight medical treatment cases were recorded. The Group obtained a 12% reduction in the LTIFR compared to the previous year. We recorded a total of 14 recordable injuries which includes any injury that requires more than first-aid treatment.

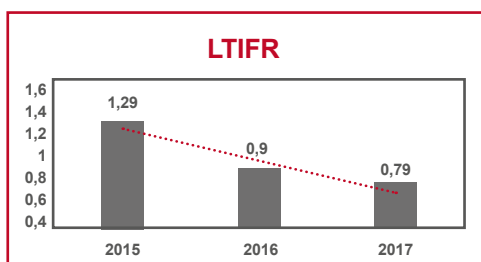
Two serious injuries were recorded, one machinery and one fall from height related safety incidents occurred:

- Laezonia Ready Mix Plant: the plant manager sustained a right hand injury which resulted in amputation when he put his hand into a screw conveyor
- Pietermaritzburg quarry: A plant operator was leaning against a handrail when the handrail broke and gave way and she fell from a height of four meters to the ground

A total of ten Section 54 stoppage instructions (excluding Section 55s) were issued resulting in 24 days of lost production.



PEOPLE



GROUP PERFORMANCE							
	Fatalities	FIFR	LTI's	LTIFR	TRCFR	Permanent Disabilities	Days lost due to injury
Corporate	-	-	-	-	-	-	-
Aggregates:	-	-	-	-	-	-	-
Carletonville	-	-	4	18.2	9.1	-	13
Polokwane	-	-	-	-	4.3	-	-
Makhado	-	-	1	2.7	2.7	-	3
Muldersdrift	-	-	1	2.1	2.1	-	8
Brandvlei	-	-	-	-	-	-	-
Tzaneen	-	-	1	3.1	6.3	-	9
Pietermaritzburg	-	-	1	1.6	3.2	-	24
Workshops	-	-	-	-	-	-	-
Ilanga Project	-	-	-	-	-	-	-
Central Lab	-	-	-	-	-	-	-
Mobiles	-	-	1	1.2	2.5	-	7
Ready Mix:	-	-	-	-	-	-	-
Vanderbijlpark	-	-	-	-	-	-	-
Wes-Drie	-	-	-	-	-	-	-
Randfontein	-	-	1	7.3	7.3	-	1
Potchefstroom	-	-	-	-	-	-	-
Marshalltown	-	-	-	-	-	-	-
Laezonia	-	-	1	11.1	22.1	-	26
Muldersdrift	-	-	-	-	-	-	-
Polokwane	-	-	-	-	-	-	-
Group	0	0	11	0.79	1.00	-	91
Group Target 2016	0	0	0	0	0	-	0
Group Target 2017	0	0	0	0	0	-	0

Definitions

FIFR - Fatal injury frequency rate (calculated) is the number of fatal incidents per 100 employees (assuming that each employee works, 2000 hours per year).

LTI – Lost time injury is a work-related injury resulting in the employee/contractor being unable to work, or to perform his/her regular work on the next calendar day after the day of the injury, whether a scheduled work day or not.

LTIFR – Lost-time injury frequency rate (calculated) is the number of lost-time incidents per 100 employees (LTI*200,000/ total hours).

TRCFR – total recordable case frequency rate (calculated) is the number of recordable injuries (fatalities + lost time + medical treatment cases) per 100 employees assuming that each employee works 2,000 hours per year.

Permanent disabilities – Lost-time injury where there is a disability of 25% or more (American Medical Association (AMA) Guides to the Evaluation of Permanent Impairment) and /of loss of job or redeployment results as a direct consequence of the injury.

Days lost due to injury – the total number of calendar days (not working days), from the day following that of the injury to the day on which the injured person is able to resume full duties of his/her regular work.

Leading Indicators

Our operations continue to increase and improve reporting of and learning from, NEAR MISS incidents as a preventative tool to improve safety performance. Near miss incidents are unplanned events that did not result in injury, illness or damage

but had the potential to do so. These are all investigated in order to determine their root causes and put measures in place to prevent the recurrence of similar incidents. Near Miss incident reporting increased by 13% compared to the previous year.

Risk assessments are reviewed regularly, after incidents and when changes are introduced to identify hazards and assess the risks in order to mitigate any potential incidents. On the job observations have also increased and help in identifying potential problem areas in advance.

STAKEHOLDER COMMUNICATION

The company actively engages with and supports the rights of employees engagement with Unions as 61% of the total headcount is represented by four different Unions. These Unions include; National Union of Mineworkers (NUM) and United Association of South Africa (UASA) within the Limpopo region, National Union of Metalworkers of South Africa (NUMSA) within KwaZulu-Natal and South African Transport and Allied Workers Union (SATAWU) in Gauteng.

Union	2016	2017
NUMSA	3%	7%
NUM	15%	11%
UASA	11%	11%
SATAWU	32%	31%
Non-Union	39%	39%
Total	100%	100%

Ongoing engagement with Union contribute to a harmonious working environment and enables the company show employees the value placed in legislation while allowing the Union to engage with member on a comfortable level.

The company therefor acknowledges the important role the Union plays and therefore values a good relationship with the Unions and their members.

This however does not exclude non-union member engagement as 39% of the workforce does not belong to a Union. These employees are treated with the same bearing as they are also included in forums after election of representation.

BROAD BASED BLACK ECONOMIC EMPOWERMENT

The new BEE codes were applied with the 2017 verification which in itself proved to be challenging. The Group was rated on a Generic code by DVS BEE Services and scored 78.77 points. This translates to a Broad Based Black Economic Empowerment Level 4. In translation the company scored 2.58 points more than in 2016 however due to the new code allocation implies that we dropped two levels. Another observable change which added to the effects is the combination of Management Control and Employment Equity to form the new Management Control, and the combination of Preferential Procurement and Enterprise Development to form the new Supplier and Enterprise Development.

	2016	2017
Ownership	22.56	24.27
Management	7.84	11.33
Employment Equity	3.46	11.33
Skills Development	8.96	8.38
Preferential Development	18.17	29.79
Enterprise Development	10.20	29.79
Socio-Economic Development	5	5
Total score	76.19	78.77
BEE Level	3	5

Environment & Community



ENVIRONMENT & COMMUNITY

ENVIRONMENTAL RESPONSIBILITY

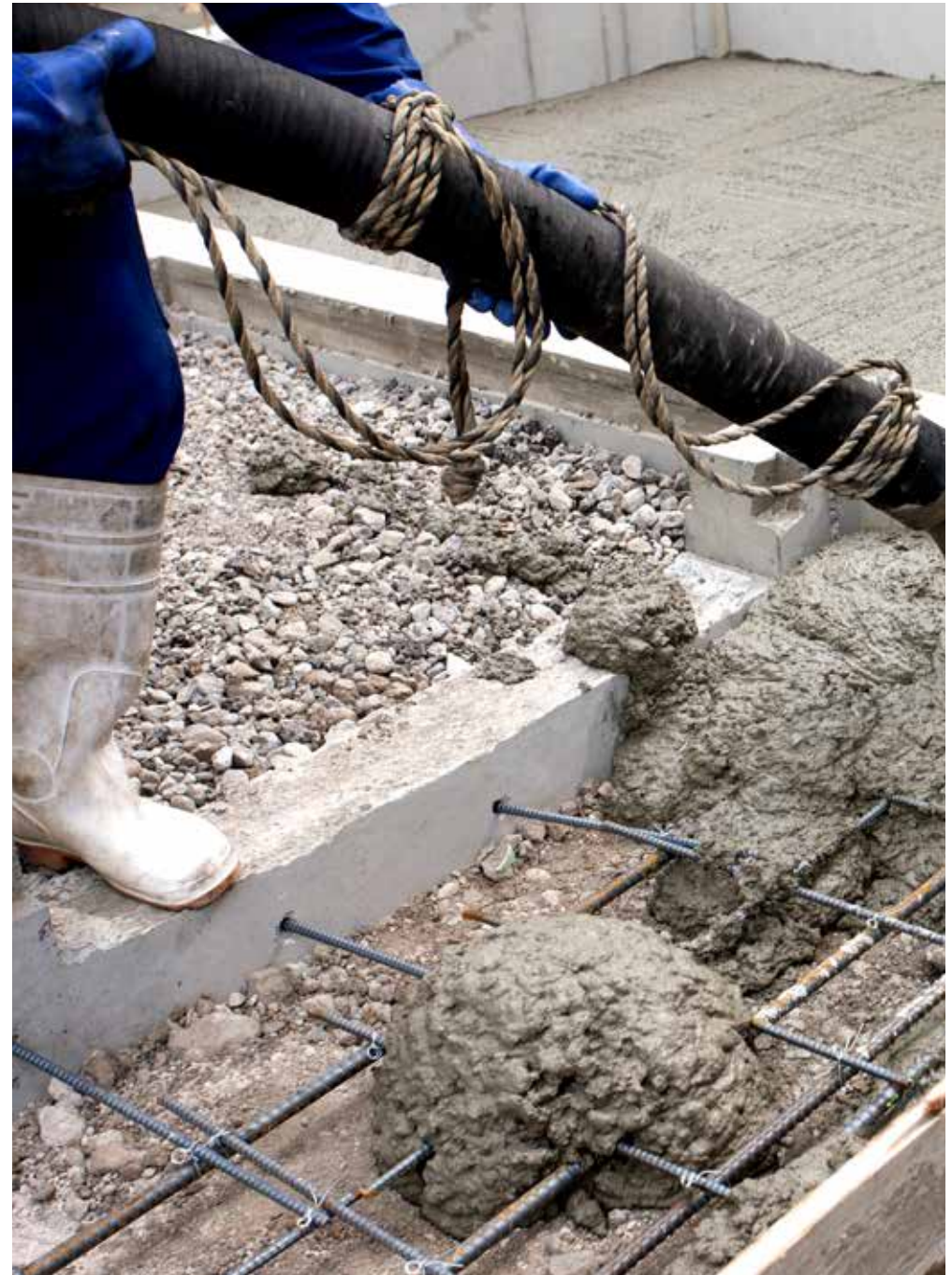
We believe in operating a sustainable business and we are committed to reducing the environmental impact of our operations while continually improving environmental performance. We encourage our customers, suppliers and business associates to meet similar environmental goals. Achieving continual improvement by identifying significant environmental aspects and setting objectives and targets while reviewing environmental performance of our workplace and surrounding environment. Ensuring compliance to environmental legislation and other requirements to which WEARNE subscribes. Managing natural resources through efficient implementation of waste reduction and recycling where possible, training and educating our employees in environmental responsibilities. Managing the land we mine on through concurrent rehabilitation and maintaining biodiversity.

ENVIRONMENTAL COMPLIANCE

In line with our environmental policy, we are committed to environmental compliance across the Group. To ensure this, we use a combination of targeted internal audits, legal registers, external legal auditing and external permit compliance audits by regulatory bodies. Our environmental management system ISO 14001 helps us in implementing and monitoring compliance.

COMMUNITY

The physical geographic of some of the plants directly influences surrounding communities, thus the company recognises that the benefits of giving back to the community is of great value. Whether it's via engaging with unemployed youth for training purposes or assist individuals within these communities who have been identified as individuals with potential with bursaries, or Local Economic Development Projects. Regardless of the shape of the upliftment, whether its monetary, a skill or donation of products the Group values people, one never knows, one of those people might in the near future be an employee.



Financial Statements





The Separate and Consolidated Annual Financial Statements for the year ended 28 February 2017 are published separately and please refer to the Group's website <http://www.wearne.co.za/index.php?s=investor>

FINANCIAL STATEMENTS

Statement of Financial Position
Statement of Profit or Loss and Other Comprehensive Income
Statement of Changes in Equity
Statement of Cash Flows
Corporate Details

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2017

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Assets				
NON-CURRENT ASSETS				
Property, plant and equipment	250,524	294,426	184,685	217,190
Investments in subsidiaries	-	-	2	2
Trade and other receivables	4,395	-	4,395	-
Other financial assets	6,366	6,167	-	-
Deferred tax	1,851	4,851	-	-
	263,136	305,444	189,082	217,192
CURRENT ASSETS				
Inventories	17,967	27,642	856	1,143
Trade and other receivables	51,684	48,195	22,074	10,509
Cash and cash equivalents	640	633	146	14
	70,291	76,470	23,076	11,666
Non-current assets held for sale and assets of disposal groups	7,877	21,291	6,642	-
Total Assets	341,304	403,205	218,800	228,858
Equity and Liabilities				
Equity				
Share capital	178,357	178,357	181,837	181,837
Reserves	1,567	1,392	-	-
Revaluation reserves	52,006	57,325	42,977	53,069
Accumulated loss	(221,881)	(194,842)	(193,569)	(186,267)
	10,049	42,232	31,245	48,639
Liabilities				
NON-CURRENT LIABILITIES				
Other financial liabilities	43,741	129,950	35,866	110,953
Deferred tax	9,497	7,039	-	-
Provisions	7,885	11,062	-	-
	61,123	148,051	35,866	110,953
CURRENT LIABILITIES				
Trade and other payables	138,178	116,06	46,110	21,171
Other financial liabilities	108,971	56,681	94,178	42,173
Current tax payable	55	55	-	-
Bank overdraft	22,344	23,492	11,401	5,922
	269,548	196,295	151,689	69,266
Liabilities of disposal groups	584	16,627	-	-
Total Liabilities	331,255	360,973	187,555	180,219
Total Equity and Liabilities	341,304	403,205	218,800	228,858

	Group		Company	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
Continuing operations				
Revenue	389,429	511,859	116,718	141,342
Cost of sales	(347,633)	(403,763)	(75,634)	(69,271)
Gross profit	41,796	108,096	41,084	72,071
Other operating income	23,026	4,292	1,508	1,284
Other operating expenses	(62,964)	(107,315)	(35,484)	(62,307)
Operating profit (loss)	1,858	5,073	7,108	11,048
Investment income	182	196	64	(1)
Finance costs	(25,585)	(26,670)	(13,668)	(15,844)
Loss before taxation	(23,545)	(21,401)	(6,496)	(4,797)
Taxation	(5,268)	2,950	(1,667)	-
Loss from continuing operations	(28,813)	(18,451)	(8,163)	(4,797)
Discontinued operations				
Profit from discontinued operation	909	644	-	-
Loss for the year	(27,904)	(17,807)	(8,163)	(4,797)
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Fair value adjustments: Revaluation of Property, plant and equipment	(4,252)	5,300	(10,895)	5,300
Deferred tax on Fair value adjustments	(204)	-	1,667	-
Total items that will not be reclassified to profit or loss	(4,456)	5,300	(9,228)	5,300
Items that may be reclassified to profit or loss				
Fair value adjustments: Available-for-sale	175	81	-	-
Deferred tax on Fair value adjustments	-	(42)	-	-
Total items that may be reclassified to profit or loss	175	39	-	-
Other comprehensive income for the year net of taxation	(4,281)	5,339	(9,228)	5,300
Total comprehensive (loss) income for the year	(32,185)	(12,468)	(17,391)	503
Earnings per share				
From continuing and discontinued operations				
Basic loss per share (c)	(10.22)	(6.52)	-	-
From continuing operations				
Basic loss per share (c)	(10.55)	(6.76)	-	-
From discontinued operations				
Basic earnings per share (c)	0.33	0.24	-	-

Financials 2017

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Total share capital	Revaluation reserve	Available-for-sale reserve	Total reserves	Accumulated loss	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group								
Balance at 01 March 2015	273	178,084	178,357	52,735	1,353	54,088	(177,744)	54,701
Loss for the year	-	-	-	-	-	-	(17,807)	(17,807)
Other comprehensive income	-	-	-	5,300	39	5,339	-	5,339
Total comprehensive Loss for the year	-	-	-	5,300	39	5,339	(17,807)	(12,468)
Transfer between reserves	-	-	-	(709)	-	(709)	709	-
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	(709)	-	(709)	709	-
Balance at 01 March 2016	273	178,084	178,357	57,326	1,392	58,718	(194,842)	42,233
Loss for the year	-	-	-	-	-	-	(27,904)	(27,904)
Other comprehensive income	-	-	-	(4,455)	175	(4,280)	-	(4,280)
Total comprehensive Loss for the year	-	-	-	(4,455)	175	(4,280)	(27,904)	(32,184)
Transfer between reserves	-	-	-	(865)	-	(865)	865	-
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	(865)	-	(865)	865	-
Balance at 28 February 2017	273	178,084	178,357	52,006	1,567	53,573	(221,881)	10,049
Note(s)	13	13	13	14	14			
Company								
Balance at 01 March 2015	276	181,561	181,837	47,770	-	47,770	(181,474)	48,133
Loss for the year	-	-	-	-	-	-	(4,797)	(4,797)
Other comprehensive income	-	-	-	5,300	-	5,300	-	5,300
Total comprehensive Loss for the year	-	-	-	5,300	-	5,300	(4,797)	503
Balance at 01 March 2016	276	181,561	181,837	53,070	-	53,070	(186,271)	48,636
Loss for the year	-	-	-	-	-	-	(8,163)	(8,163)
Other comprehensive income	-	-	-	(9,228)	-	(9,228)	-	(9,228)
Total comprehensive Loss for the year	-	-	-	(9,228)	-	(9,228)	(8,163)	(17,391)
Transfer between reserves	-	-	-	(865)	-	(865)	865	-
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	(865)	-	(865)	865	-
Balance at 28 February 2017	276	181,561	181,837	42,977	-	42,977	(193,569)	31,245

Financials 2017

STATEMENT OF CASH FLOWS

	Group		Company	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
Cash flows from operating activities				
Cash generated from (used in) operations	27,963	81,594	5,854	39,271
Interest income	64	140	64	-
Dividend income	-	56	-	-
Finance costs	(9,740)	(26,671)	(2,250)	(15,844)
Cash flows of held for sale / discontinued operations	5,573	6,507	-	-
Net cash from operating activities	23,860	61,626	3,668	23,427
Cash flows from investing activities				
Purchase of property, plant and equipment	(12,230)	(27,667)	(1,293)	(12,805)
Proceeds on sale of property, plant and equipment	44,622	6,179	20,041	1,644
Increase in other financial assets	-	(222)	-	-
Net cash flows of discontinued operations	-	(317)	-	-
Net cash from investing activities	18,643	(22,027)	18,748	(11,161)
Cash flows from financing activities				
Repayment of other financial liabilities	(41,348)	(24,099)	(27,763)	(11,490)
Net cash flows of discontinued operations	-	(3,487)	-	-
Net cash from financing activities	(41,348)	(27,586)	(27,763)	(11,490)
Total cash movement for the year	1,155	12,013	(5,347)	776
Cash at the beginning of the year	(22,859)	(35,243)	(5,908)	(6,684)
Total cash at end of the year	(21,704)	(23,230)	(11,255)	(5,908)

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
Tel: 011 459 4500
Fax: 011 459 5481
Email: info@wearne.co.za

TRANSFER SECRETARY

Terbium Financial Services (Pty) Ltd

Beacon House
31 Beacon Road
Florida North, 1709
Tel: 086 010 4191
Email: info@terbium.global

DESIGNATED ADVISER

Exchange Sponsors

44A Boundary Road
Inanda Sandton, 2196
PO Box 411216
Craighall, 2024
Tel: 011 880 2113
Fax: 011 447 4824

COMMERCIAL BANKERS

Nedbank Limited
(Registration number 1951/000009/06)

Nedbank House
12 Fredman Drive
Sandown
PO Box 784088
Sandton, 2146
Tel: 011 775 2600
Fax: 011 783 4882

AUDITORS

Grant Thornton
Johannesburg Partnership

52 Corlett Drive
Wanderers Office Park
Illovo, 2196
Tel: 011 384 8000
Fax: 086 555-8188

COMPANY SECRETARY

iThemba Governance and Statutory
Solutions Proprietary Ltd
(Registration number 2008/008745/07)

Route 21 Corporate Park
72 Regency Drive
Block A
Irene
0157

