ANNUAL REPORT 2011

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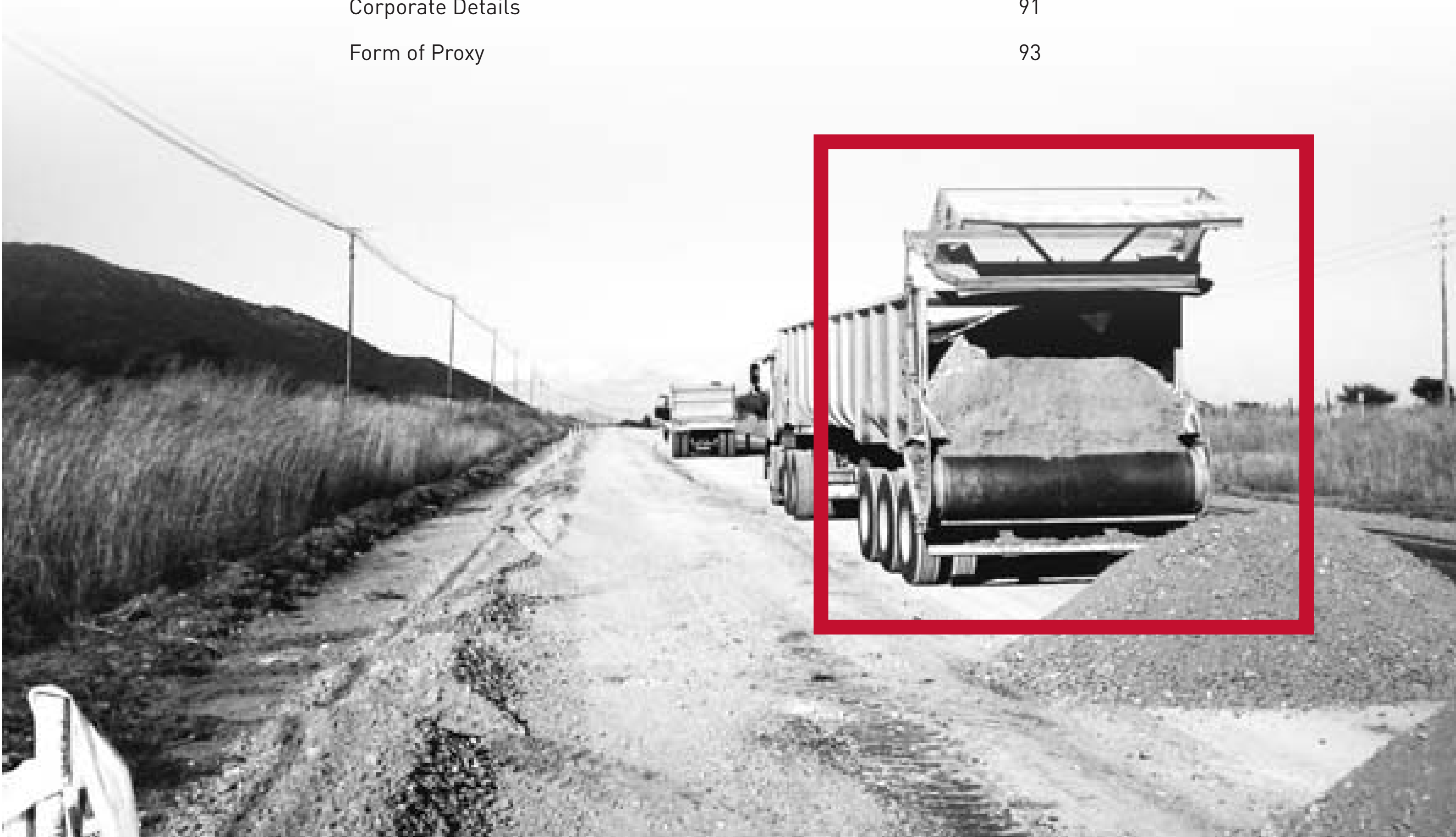


CORPORATE **PROFILE**

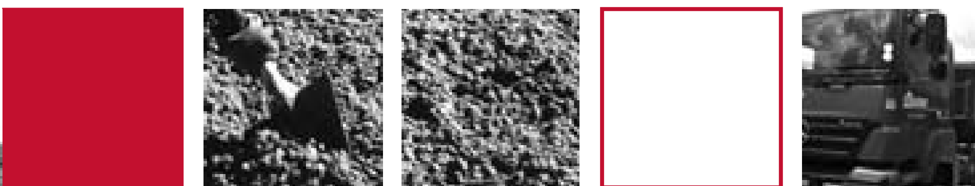
WG Wearne is one of South Africa's oldest suppliers of materials to the building and construction industry. Established in 1910 as a construction concern by its founder William George Wearne, the company was initially involved in the sand and stone business in the town of Carletonville, near Johannesburg, the ready-mix division was established a lot later in the early 1970's. Since then, the company has grown into what is now known as The Wearne Group, supplying the construction industry with a complete building material solution.

Historically operating in the northern areas of the country, the Group now has operations not only in Gauteng, North West and Limpopo, but also in KwaZulu-Natal and the Free State. What was once a small family business is today a JSE AltX-listed company operating in many of the major metropolitan areas.

Its products and services include aggregates, ready-mixed concrete, pre-cast concrete products, bricks, drilling and blasting, and mobile crushing. The Group supplies customers in the construction, housing and mining industries as well as various government-initiated projects.

Wearne's goal is to be one of the leading concrete products and aggregate suppliers in South Africa. It strives to achieve this by providing a professional service and a complete range of products to the building industry, establishing Wearne as the preferred supplier in all areas in which it operates.

CEO'S AND CFO'S **REVIEW**



Overview

The 2011 financial year was yet another difficult time for the Group. Operating results continued to reflect the effects of the economic downturn and its consequent contracting impact on the construction industry in general, and on residential construction in particular.

As in the previous financial year, Wearne continued to downsize its vehicle fleet, streamline operational structures, and sell off surplus assets. Cash flows came under further pressure to fund borrowings as customer markets remained depressed. This lack of funding severely constrained Wearne's ability to operate and in the final three months of this financial year operating activity levels were exceptionally low.

Despite the restructuring and streamlining efforts of the past two years, Wearne incurred further operating losses. The Group reports a headline loss of R52,1 million (2010: R28,7 million headline loss) for the year under review, and a total comprehensive loss of R148,5 million (2010: R49,4 million comprehensive loss). This includes a number of non-recurring items such as the:

- R33 million impairment of the Muldersdrift (Johannesburg) properties (acquired in August 2006) as a result of a decrease in the values of property in this area
- R9 million impairment of plant and equipment, following a detailed review of asset values
- R57 million fair value write down adjustment to the net asset value of the 'asset held for sale' (being the Portland Group).

The 2008 acquisition of the Portland Group has disappointed and in an effort to reduce debt, this operation has now been sold back to the original vendors – a detailed review of this disposal will follow later in the report.

As a result of the difficult trading conditions experienced by the Group and the impact thereof on cash flow, the Group's secured creditors agreed to debt payment moratoriums, and together with concurrent creditors, entered into a Section 311 scheme of arrangement. The directors wish to express their appreciation to all these creditors for their support.

Furthermore, The Industrial Development Corporation ("IDC") has commenced with the provision of loan funding to the Group, and will acquire a significant shareholding, through a financial package totaling R85,2 million.

As a return to profitability is imperative, a number of measures to cut costs and improve financial performance of the Group have been implemented:

- streamlining of the Group's various operating companies, which has resulted in the reduction of administration and statutory compliance costs and an improvement in internal operational efficiencies;
- creation of centralised shared services at the Group's head office in Johannesburg for finance and procurement in order to better co-ordinate Group activities;
- rightsizing of the workforce in order to accomodate the decrease in operational activity;
- disposal of surplus and unproductive assets, which favourably impacts on depreciation, and on finance charges where borrowings have been paid down;
- consideration of various offers relating to the disposal of Group properties and non-performing operational assets.

With the resignation of John Wearne as CEO on 17 November 2010, the CFO Alan Bruens was appointed as acting CEO. On 13 April 2011, the Board appointed Rob Devereux as the new CEO

with a special focus on a turnaround strategy appropriate for the Group.

As a result of these actions and plans (further detailed in this review), these financial statements have been prepared on the going concern basis.

Operating Results

One of the most significant events in the financial year under review was the disposal of the Portland Group which was sold back to the original vendors effective 1 October 2010. Because the sale transaction was not completed as at year end, in terms of International Financial Reporting Standards ("IFRS"), IFRS 5, the Portland Group was classified as a discontinued operation. As a result of this the 2011 Statement of Comprehensive Income has been classified into continuing operations (the results of the Wearne Group excluding the Portland Group) and discontinued operations (the results of the Portland Group including fair value adjustments relating to the non-current assets held for sale).

In accordance with IFRS, the Statement of Comprehensive Income for the 2010 financial year has been restated to facilitate the comparability between the 2011 and 2010 financial years.

Group revenue decreased by 21% to R384,5 million as the industry was faced with few opportunities in an increasingly competitive market and the Group's ability to deliver and operate normally was negatively impacted by a severe working capital shortage. Commercial and industrial developments and government expenditure had slowed in the previous year, and the effects of this were still being felt. The residential development sector showed no signs of recovery. Margins remained under pressure and the resulting gross profit of R119,5 million was a R39,9 million decline on the prior year.

Operating expenses of R206,6 million were 13% higher than last year, however they include a number of one-off charges as follows:

- bad debts of R8,5 million resulting from the continued poor trading conditions that affected customers as well as difficulties in collecting payments from government initiated contracts,
- retrenchment costs of R3,9 million incurred as a result of the planned downsizing exercise implemented during the year,
- consultancy and legal fees of R5,7 million incurred principally in respect of turnaround consultants and legal costs in effecting the debt moratoriums and IDC agreements,
- impairments of R42 million in respect of property, plant and equipment;

and pleasing cost savings year-on-year as follows:

- salaries and wages savings amounting to R8 million as a result of a right sizing of the workforce
- insurance costs were renegotiated to take into account the revised asset base, higher self insurance and lower overall risk, resulting in savings of R1,7 million
- depreciation and amortization decreased by R3,8 million as a result of asset disposals
- the elimination of the fuel hedge resulted in savings of R11,4 million.

All of the above have resulted in an operating loss of R75,6 million, which was significantly greater than the R21,4 million loss reported in 2010.

Group finance charges decreased by R6.3 million to R36,5 million principally as a result of the decrease in interest-bearing borrowings of R50,8 million. This reduction was due to the proceeds on sale of assets being applied to repay long term borrowings coupled with a greater portion of monthly installment payments being allocated towards the capital balances outstanding.

The Group provided for company taxation payable in Wearne Bricks and Wearne Drilling and Blasting as both these subsidiaries were profitable. Given the current period's results, deferred tax assets have not been raised on entities within the Group which have significant tax losses and this accounts for the significant decrease in the tax credit year-on-year.

The loss on the discontinued operation of R37,9 million (2010 restated: R2,9 million profit) is in respect of the Portland Group which has been discussed in detail below and in note 36.

Group total comprehensive loss for the period was R148,5 million (2010: R49,4 million loss) and headline loss (excluding the impairment charge, the loss on fair valuing of the Portland Group, and profits on fixed asset disposals) was R52,1 million compared to the prior year R28,7 million headline loss (see note 34 for details).

Divisional Analysis

Aggregates

This division was hardest hit by prevailing industry conditions and saw revenue fall by 34% to R188,5 million (2010: R283,5 million). Many of the quarries were negatively impacted by the shortage of working capital in the Group which saw curtailed preventive maintenance programs result in a significant increase in plant breakdowns.

In addition to experiencing a tough year, the aggregates division was hardest hit by the impairments and fair value adjustments which comprised the majority of the operating loss of R56,4 million for this division. Much time and funding is being spent on repairs and maintenance in the current financial year in order to return plants to normal operating conditions.

Ready-mix

This division has been under pressure for some time with ongoing squeezes on margins, and has been particularly exposed to the contracting residential housing market and slowdown in government RDP housing spend. In an over-traded segment, it saw a 6% decrease in revenue to R170,9 million (2010: R182,0 million). However this decrease was principally due to the loss of revenue attributable to unprofitable plants that were shut down and this is born out in the increase in the gross profit year on year. On the positive side there has been a pleasing increase in the average selling price per cube year-on-year in the remaining plants.

Although the operating loss of R22,3 million has only shown a marginal improvement over the prior year, losses attributable to the remaining active plants have been significantly reduced, mainly due to stricter vigilance on margins and stock control.

The size of Wearne's ready-mix transport fleet continued to be reduced and this operation is now right-sized for the muted turnover levels currently being experienced.

Concrete Manufactured Products

This division, comprising Wearne Precast and Wearne Bricks, has started to show improvements – albeit off a low base - with revenue increasing by 31% to R25,1 million (2010: R19,1 million).

A relatively new division, it has been steadily gaining market share and from a loss in 2009, is now generating an operating profit of R3,1 million (2010: R0.6 million).

The Bricks business continues to provide an acceptable return on assets, but the highly capitalised Precast business still requires attention to improve its profitability.

Intangibles

As at year end 2011, the Group has no intangible assets of any form remaining on the balance sheet. The opening net balance of R34,2 million, comprising the value of the mining rights of the Portland quarry has been transferred to non-current assets held for sale in anticipation of the conclusion of the Portland sale.

Cash Flows

Net cash from operating activities was positive at R35,9 million (2010: R37,9 million). Net cash flow from investing activities amounting to R10,6 million (2010: -R1,5 million) - principally due to the disposal of unproductive assets, which resulted in cash inflows of R16,2 million (2010: R8,2 million).

Cash inflows were however insufficient to cover the capital repayments on long term borrowings totaling R50,8 million (2010: R71,8 million), which resulted in a net negative cash movement for the year of R4,6 million (2010: -R6,8 million) and a closing overdraft position of R71,6 million (2010: R66,9 million overdraft).

Capital Assets

During 2011, the Group continued to dispose of assets that were surplus to requirements, particularly its excess ready-mix vehicles, obsolete tippers and redundant plant. These disposals helped to reduce depreciation and finance costs for the year.

Although capital expenditure has been curtailed, a number of tipper vehicles were purchased during the year to replace essential end-of-life equipment. A comprehensive repairs and maintenance programme has been implemented using the IDC cash injection, to ensure that all plants meet required operating and safety standards, and that the Group is well placed to take advantage of any new projects.

The Group also disposed of three fixed properties located in Kroonstad, Marshalltown and Kempton Park where either obsolete plants have been shut down because the original business opportunities have ceased to be profitable or a decision has been made to rather rent local sites to enhance flexibility.

Capital structure – debt

Interest-bearing debt, comprising loans and borrowings and the bank overdraft, has decreased from R359,7 million to R298,4 million – a decrease of R61,3 million year-on-year.

This decrease is a result of the pay down of term debt through monthly installments and the settlement of asset-based finance agreements subsequent to the sale of secured assets. The overdraft increased by R5,4 million year-on-year due to operational requirements.

There has been a reclassification of some debt from short-term to long-term as a result of the terms of the various moratoriums which accounts for the large reduction in current liabilities.

Liquidity and going conern

The comprehensive loss, negative liquidity and large amount of borrowings have called into question the ability of the Group to continue as a going concern. In order to address these matters, the directors of Wearne have secured a creditors' moratorium through a S311 scheme of arrangement, funding from the IDC, and the proceeds from the disposal of property assets relating to the Portland Group transaction. A turnaround CEO has also been appointed to devise and implement a recovery plan to return the Group to sustainable profitability.

Debt Moratorium and S311 Creditors' Scheme of Arrangement

In the previous financial year, Wearne's secured lenders responded to the Group's constrained financial position by agreeing to a debt repayment moratorium in August 2009, December 2009 and January 2010, conditional upon a R26,3 million rights issue which was successfully concluded in February 2010.

In the year under review, these financiers agreed to a further debt moratorium to assist the Group, re-scheduling installments on asset-based debt, and granting payment relief for July, August and December 2010 and January 2011.

In order to obtain further formal and enforceable debt relief, the Group entered into a Section 311 Scheme of Arrangement with its concurrent and secured creditors relating to balances owing as at 31 December 2010. This scheme was sanctioned by the South Gauteng High Court on 15 March 2011.

Concurrent Creditors

The majority of the concurrent creditors of WG Wearne Ltd and Wearne Aggregates (Pty) Ltd voted in favour of the scheme. The voting outcome can be found on the Wearne website, www.wearne.co.za.

Although some concurrent creditors voted against the scheme, S311 requires that they will all be bound by the majority vote. The payment terms are as follows:

- a payment moratorium for a period of eight months, from 1 January to 31 August 2011, then repayable in 19 equal installments each to the value of 5% of the aggregate of the claims plus interest at the rate of 3% per annum, plus one final payment of the full amount then outstanding.

Secured Creditors

All secured creditors of WG Wearne Limited, Wearne Aggregates (Pty) Ltd, Wearne Readymix (Pty) Ltd and Wearne Precast (Pty) Ltd voted in favour of the scheme. The payment terms are as follows:

- a capital payment moratorium for a period of 24 months, from 1 February 2011 to 31 January 2013 with the Group continuing to pay interest on all existing debt of the secured creditors as provided for in existing contractual arrangements.

Investment by the Industrial Development Corporation of South Africa Limited ("IDC")

The IDC has been mandated by government to participate in companies where job creation and preservation can be promoted. The Group approached the IDC in December 2010 for assistance and following a due diligence exercise received conditional approval for an injection of R65.2 million. Subsequent to the financial year end and following the partially successful Section 311 moratorium application, the IDC approved an increased financial assistance package amounting to R85,2 million which will be introduced into the Group through a combination of debt instruments and equity. Once concluded, this investment will improve Wearne's BBBEE credentials and raise the Group's BBBEE shareholding above the 25% required by the Department of Mineral Resources.

The IDC equity stake will comprise a direct investment of 15% and an indirect investment of 15% through a workers trust, resulting in a total investment of 30% of the issued share capital of the company. As a consequence of the new Companies Act which became effective 1 May 2011, the company needs to pass a special resolution to issue these shares and a shareholders' meeting has been called on 17 August 2011 to this end.

A total of R34 million in debt funding was advanced by the IDC in April 2011 and once the share subscription has been concluded, the balance of funds will flow. This investment entitled the IDC to nominate a director to the WG Wearne Limited board.

The S311 moratorium for secured and unsecured creditors and the investment by the IDC are seen as inextricably linked efforts and the Group is grateful to all participants.

Disposal of the Portland Group

In September 2008, Wearne acquired 100% of the Portland Group for R103,3 million. This business is based in Durbanville in the Western Cape, and supplies ready-mixed concrete, aggregates and precast hollowcore slabs. The Western Cape has been particularly hard hit by the economic downturn and the residential market in this region has seen very little activity. Infrastructural development has also been muted in the province. This has contributed to the disappointing performance of this investment since its acquisition.

In an effort to expediently restructure and deleverage Wearne, an offer to sell the business back to its original owners was accepted in October 2010.

In terms of the offer, the 32,461,617 shares originally issued at R1.95 per share as part of the purchase price of Portland as well as the 24,154,753 shares taken up by the Portland vendors for R10 million in terms of the February 2010 rights issue are being returned by the vendors, and will be cancelled and delisted from the JSE. In addition, Wearne will be receiving R30 million for the disposal of the Durbanville property acquired as part of the original Portland Group acquisition.

The sale-back transaction was classified as a related party transaction as the purchasers (the Portland vendors) were directors and major shareholders of Wearne. Consequently shareholder approval was required in terms of JSE Listings Requirements and this was obtained at a general meeting held on 21 February 2011.

The effective date of the sale was recorded as 1 October 2010. However certain of the suspensive conditions had not been met by year end and consequently, in terms of IFRS, the transaction had not been completed as at 28 February 2011. As the intention was to dispose of this investment, the provisions of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, have been applied. Consequently the results and assets and liabilities of the Portland Group have been separately disclosed in the Statements of Comprehensive Income and Financial Position.

This transaction was negotiated prior to the S311 scheme of arrangement and IDC transactions being finalised. The original purchase transaction was entered into in 2008 when the Wearne share price was R1.95, and unwound at a time when the share price had fallen to 14 cents. Ideally, the Group would have preferred to conclude this transaction on better terms, but it was entered into with the aim of immediately relieving the current debt burden of the Group.

Subsequent to year end, all suspensive conditions were met. The shares were cancelled on 15 April 2011 and the R30 million cash was received on 22 June 2011, of which R24 million was immediately applied to debt reduction, and the balance of R6 million to working capital. As a result of this transaction, the Wearne Group directors appointed by Portland – N Heyns and HWP Scholtz – resigned from the board.

Group rationalisation

The Group has been significantly rationalised and streamlined in an effort to reduce operating costs. The number of operating companies has been reduced by the 'divisionalisation' of the aggregates business. Several legal entity structures have been eliminated and a shared services centre implemented. Staff numbers and monthly payroll costs have been reduced by 20% year-on-year, through a planned retrenchment process and natural attrition. At February 2011, Group headcount (including 72 in Portland) was 810 compared to 988 a year ago.

Prospects

The building and construction industry remains under pressure, with improvements only anticipated in 2012. However, there are some positive signs that private commercial spending is beginning to recover. Also, government is starting to spend again, with a focus on smaller projects spread across a wider geographic region, with an emphasis on roads and housing. It has a pipeline of varied infrastructural projects relating to power generation and renewable energy, roads, water, and the provision of low cost-housing.

The Wearne turnaround strategy is a two-staged approach:

- the first is to improve the cash flow position of the company in order to stabilise operations by focussing on improving sales and carefully monitoring costs;
- the second is to generate additional cash in order to reduce the level of borrowings and thus interest and capital repayments, as well as to invest in required plant and equipment replacements. In the short-term, debt cannot be significantly reduced only by increasing sales, and therefore the approach has been to consider the disposal of unproductive assets which would have a meaningful impact on reducing debt levels.

To grow revenues means restoring Wearne's reputation in the market, improving customer relations and delivery processes, and ensuring the condition of assets is up to standard in order to service customers. In focusing on growing revenues, there has been an increase in demand for on-site crushing and the Group has secured a number of new contracts around the country.

Working capital management has been enhanced, particularly with regard to debtors and cash, through the Group entering into a debtors' discounting agreement with Nedbank. This has resulted in improved cash flow and a significantly better quality debtors' book as a result of vigilant credit control.

There is special effort regarding inventory management in the Group to ensure stock control, timely deliveries and effective use of assets.

Quarry operations are being assessed in terms of future mining plans as well as ensuring adequate provisions for rehabilitation costs. The Group has also given more prominence to quality control with the introduction of a Group quality manager to ensure that appropriate continuous testing is done on all products to ensure that they are within the required specifications.

Our turnaround strategy will be led from the top and penetrate all levels of management. This means establishing proper performance measurements, ensuring accountability and responsibility, uplifting staff morale, and ensuring compliance with all related health, safety and environmental legislation.

Wearne is now better positioned for the future, more focused on its core operations, and ready to take advantage of opportunities that present. The restructuring of the Group, the appointment of a turnaround specialist, the S311 scheme of arrangement and the entry of the IDC as a lender and shareholder will all support a gradual recovery and return to profitability.

Dividend policy

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

Human capital

The board of directors would once again like to thank all management and staff for their loyalty and commitment during such challenging times. We also thank all stakeholders, including our bankers, creditors, advisers and customers for their ongoing support.

RC Devereux

Chief Executive Officer

AW Bruens

Chief Financial Officer

Johannesburg

17 August 2011

DIRECTORATE

Executive Directors

Rob Devereux (50)
Chief Executive Officer

Bachelor of Accounting Science (Hons), CA (SA)

Rob is a corporate turnaround and restructuring specialist and consultant and runs his own consultancy business, Sirys Investments (Pty) Ltd, which offers services in general consulting, corporate finance, structured finance, group restructurings and turnaround strategies, and empowerment transactions. He has been employed by Wearne as the turnaround CEO on an initial one year contract, the renewal of which will be guided by mutual consent.

Alan Bruens (47)
Chief Financial Officer

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

Alan completed his articles at KPMG and has been employed since then in various executive financial roles by listed companies and multinationals.

Non-Executive Directors

John Wearne (41)
Chairman

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.

Mitesh Patel (37)
Independent

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.

Clara Ramushu (39)
Non-executive

B Comm, MBA (Potchefstroom)

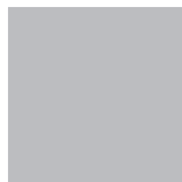
Clara is currently employed as the Regional Manager for the Industrial Development Corporation in Mpumalanga.

Mfanyana Salanje (49)
Independent

B Comm (Transkei), Hons B Compt, MBA (Natal), CA (SA), ACMA (UK), HDip Tax Law

Mfanyana is an independent financial consultant, offering services through Mfanyana Financial Solutions CC. Previously he was Group Financial Director at Thebe Investment Corporation, Chief Financial Officer at the State Information Technology Agency, Audit Partner at Ernst & Young and SizweNtsaluba vsp, and Financial General Manager at Transnet. He is presently an independent non-executive director of Merafe Resources Limited and the Passenger Rail Agency of South Africa, and member of the Audit & Risk Committee of ThebeMed.

CORPORATE **GOVERNANCE REPORT**



It has been widely recognised that good corporate governance practices and processes hold real benefits for organisations that are serious about being well governed. The board of directors of the company fully supports this notion and subscribes to the principles of fairness, accountability, responsibility and transparency in all its dealings. At the same time what is essential for good governance is that directors apply their minds to what is in the best interests of the Group. The King Report on Corporate Governance for South Africa, 2009 ("King III") is based on the principle of "apply or explain", expecting a board of directors to apply those recommendations it believes best serve the interests of the company and to explain instances where it does not apply the recommendations.

Statement of Compliance

The JSE Listings Requirements stipulate that listed companies should include a statement of compliance in regard to the recommendations contained in the Code of Governance Principles ("the Code") which forms part of King III. Although some of the basic principles have been complied with during the period under review, the directors are aware of a number of principles that have not been complied with and relevant information in this regard is disclosed below. In certain instances, non-compliance is as a result of a conscious decision based on the best interests of the Group. As is evident from the various sections of this annual report, the company has had to face a number of challenges during the period under review, some of which have impacted on the board's ability to apply a number of the principles contained in the Code. As part of the board's strategy to turn the business around and to reposition the company on a solid foundation, the application of all corporate governance principles will undergo in depth scrutiny. A gap analysis of compliance with King III principles will be compiled during the current financial year to ensure that the Group applies all those principles that will make a positive contribution to achieving the turnaround strategy.

The Board

As at the date of this report, the unitary board consisted of two executive and four non-executive directors, chaired by SJ Wearne. With the resignation of SJ Wearne as CEO in November 2010, the roles of the CEO and Chairman have now been separated, each with clearly defined roles and responsibilities. The board has for some time recognised the need for more independent directors and will continue to seek further independent non-executive directors with the aim of obtaining a majority of independent non-executive directors. As a result of the Chairman not being independent by virtue of his significant shareholding in the Group, the appointment of a lead independent director will also be approved following the proposed changes to the composition of the board.

The company concluded a number of transactions during the period of review, some of which resulted in several changes to the composition of the board. The following changes to the Board occurred during the period under review and thereafter:

Appointments

AW Bruens (existing CFO appointed as acting CEO on 16 November 2010)

GM Salanje (independent non-executive director appointed on 1 February 2011)

RC Devereux (Chief Executive Officer appointed 13 April 2011)

RC Ramushu (non-executive director appointed on 17 August 2011)

Resignations

SJ (John) Wearne (resigned as CEO on 16 November 2010, remains as Chairman)

E Moloi (non-executive director resigned on 8 December 2010)

JC (Chris) Wearne (executive director resigned on 25 September 2010)

N Heyns (executive director resigned on 1 March 2011)

BA Mkhonto (non-executive director resigned on 26 May 2011)

HWP Scholtz (non-executive director resigned on 26 May 2011)

As at the date of this report, the board comprised:

Executive Directors

RC Devereux (CEO)

AW Bruens (CFO)

Non-Executive Directors

SJ Wearne (Chairman)

MM Patel (independent, audit committee chairman)

RC Ramushu (non-executive director)

GM Salanje (independent, member of audit committee and chairman of the risk committee)

The non-executive directors contribute a wide range of skills, knowledge and experience and are not involved in the day-to-day operations of the Group.

Currently directors' service contracts endure for an indefinite period subject to one third of the board retiring by rotation at the annual general meeting. The directors retiring by rotation at the forthcoming annual general meeting are Messrs SJ Wearne and MM Patel. Mr GM Salanje and Ms RC Ramushu filled a casual vacancies on the board and they have made themselves available for re-election. 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.

Details of the directors in office appear on page 10 of this report.

The board meets at least four times a year with additional meetings held when necessary, to review strategy, planning operations, financial performance, risk, capital expenditure, human resources and environmental management. To avoid conflict of interest, board members must disclose their interests in material contracts involving the Group. Board members must recuse themselves when participating in deliberations or decision-making processes that could in any way be affected by vested interests.

The board maintains full and effective control over the Group and is responsible for monitoring executive management. A board charter formally sets out the board's composition and procedures, and codifies the board's duties and responsibilities which include determining the Group's overall policy, strategic direction and planning, acquisitions and resource allocation. The charter further includes guidelines on regular self-evaluation protocol as well as the appraisal of directors' performance. There is a blance of power on the board to ensure that no one director has unfetted powers of decision making.

The number of resignations from the board during the period under review has made it difficult to perform a formal evaluation process as envisaged in the Code. A formal evaluation process of the board, board committees and individual directors will be implemented once the composition of the board has been addressed.

All directors have unrestricted access to the advice and services of the company secretary, and to the company records, information, documents and property. Non-executive directors also have unlimited access to management at any time. All directors are entitled, at the company's expense, to seek independent professional advice on any matters pertaining to the Group as is necessary to discharge their responsibilities.

Board Processes

Share dealings

Directors are required to declare their shareholdings, additional directorships and potential conflicts of interest as well as any share dealings to the chairman and company secretary, who together with the Designated Adviser ensure that share dealings are published on the Securities Exchange News Service ("SENS").

In addition, all directors and management with access to financial information and any other price sensitive information are prohibited from dealing in Wearne shares during 'closed periods', as defined by the JSE Limited, or while the company is trading under cautionary.

New Appointments

As the nominations committee (which is part of the newly established remuneration and nominations committee) was only established on 1 February 2011, the board as a whole was responsible for new board appointments. The process for new appointments is conducted in a formal and transparent manner as set out in the Board Charter.

The company secretary is responsible for implementing the company's informal induction program which includes introduction of new board members to key management and site visits. New appointees are provided with copies of recent interim and annual financial results and an overview of the company's accounting policies. In addition, all new appointees are required to attend the four-day AltX Directors Induction Programme run by the Wits Business School and endorsed by the Institute of Directors. The programme covers pertinent aspects of company law, stock exchange regulations, the roles, responsibilities and liabilities of directors, basic techniques of financial analysis and the importance of investor and media relations. All of Wearne's current directors have completed the AltX Directors Induction Programme.

Remuneration

Details of directors' fees and remuneration are fully disclosed in note 41 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 Annual General Meeting forming part of this report.

Company Secretary

The board is aware of the responsibilities and duties of the company secretary and has committed itself to ensure that the company secretary is afforded the support necessary in order to perform the required duties.

The company secretary's responsibilities include:

- providing assistance and advice to the board on matters of good governance and ethics;
- providing advice to directors on their duties and responsibilities to the company;
- induction of directors;
- updating the board on new developments in applicable laws, regulations and standards; and
- overseeing shareholder relations in respect of company notices, correspondence, shareholder meetings and ensuring that the company complies with relevant legislation.

iThemba Governance & Statutory Solutions (Pty) Limited, represented by Ms Elize Lensley, was appointed as company secretary during the period under review. Contact details of the secretary are disclosed on page 91. The company secretary acts as secretary to all board committees.

Board Committees

Executive committee ("EXCO")

The EXCO comprises the Group's executive directors, together with managers of business units. It is responsible for the daily running of the Group and regularly reviews current operations in detail, and develops strategy and policy proposals.

The CEO liaises on a regular basis with the CFO and other directors, with regard to matters concerning the daily running of the Group to be raised at EXCO meetings.

Audit Committee

The Audit Committee is chaired by Mr MM Patel, an independent non-executive director with financial expertise. Mr GM Salanje, an independent non-executive director, is also a member of the committee. In compliance with the provisions of the Companies Act of 2008 it is proposed to appoint a third member of the committee. Meetings are attended by invitees, including the CEO, CFO, external auditor and company secretary. The external auditors have unrestricted access to the audit committee and its chairman.

The audit committee charter sets out and codifies the role and responsibilities of the

committee including monitoring of the:

- integrity of the Group's financial statements and any formal announcements relating to the Group's performance and significant reporting judgements made therein;
- effectiveness of the Group's internal financial controls and systems of internal control and risk management;
- appointment, terms of engagement and remuneration of the external auditor;
- external auditor's independence, objectivity and effectiveness, and the supply of non-audit services by the external auditor; and
- compliance with applicable legislation and requirements of regulatory authorities.

The audit committee reports directly to the board on these matters.

Risk Committee

On 1 February 2011, the risk committee was constituted as a separate board committee of WG Wearne Limited. It consists of at least three members elected by the board, the majority of whom will be non-executive directors, and the chairman of this committee being be an independent non-executive director. The CEO may be a member of the committee. The members of the risk committee are Messrs SJ Wearne, GM Salanje (chairman) and RC Devereux. Meetings shall be held not less than twice a year, and additional meetings held as requested/necessary.

The charter of the committee *inter alia* addresses the responsibility of this committee to assist the board in fulfilling its oversight role with regard to risk management as contemplated in the Code.

Remuneration and Nominations Committee

On 1 February 2011, the board resolved to establish a committee of the board to be known as the remuneration and nominations committee. Its members are Messrs GM Salanje and MM Patel. The purpose of the committee is to provide an independent and objective body that will make recommendations on the:

- remuneration policies and practices for executive directors, senior management and the Group in general; and
- composition of the board and board committees, and ensure that the board of directors consists of suitable individuals.

The committee appointed by the board shall comprise a minimum of two non-executive directors of the company, at least one of whom must be independent.

Remuneration Philoshopy

The company's remuneration and nomination committee is advised by independent outside experts. The committee meets half-yearly and its mandate includes:

- ensuring alignment of the remuneration strategy and policy with Wearne 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.

On behalf of the board, the remuneration and nomination committee:

- reviews remuneration levels of senior executives;
- reviews performance-based incentive schemes, and the related performance criteria and measurements, including share option allocations; and
- reviews fees payable to non-executive directors (as a separate process from executive remuneration reviews) for confirmation of the board.

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

Directors' remuneration is a key component of the performance management process and an enabler for Wearne to attract, motivate and retain top-calibre people.

Directors' attendance at board meetings

During the financial year, the board met four times. The detail of directors' attendance of meetings is set out in the table below.

	Board	A G M	General Meeting
Number of meetings held during the year	4	1	1
Executive Directors			
AW Bruens	4	1	1
N Heyns	4	-	-
JC Wearne (resigned 25 September 2010)	2	1	-
Non-executive Directors			
SJ Wearne (Chairman)	4	1	1
B Mkhonto	3	1	-
E Moloi (resigned 8 December 2010)	-	-	-
MM Patel	4	1	-
HWP Scholtz	3	-	-

In compliance with the JSE Listings Requirements, a representative of the Group's Designated Adviser attends all Board and Audit Committee meetings.

The directors remuneration is reflected in full in note 41 to the financial statements.

SUSTAINABILITY REVIEW

Sustainability encompasses the balanced integration of social, ethical, economic, environmental, health and safety factors in all planning, implementation and decision making aspects of the business. Wearne is committed to exercising due diligence in all areas of its business to promote sustainable development of its operations, employees, the environment and the communities within which it operates.

Broad Based Black Economic Empowerment (BBBEE)

For the year under review, Wearne has been rated as a Level 6 contributor (60% Recognition Level) in terms of the generic codes of the Department of Trade and Industry. This BBBEE certification was performed by rating agency NERA and was valid from 29 April 2010 to 28 April 2011.

Wearne is currently in the process of obtaining its updated BBBEE rating which should be finalised by the end of August, once the funding transactions with the Industrial Development Corporation ("IDC") have been concluded. Wearne's ownership score is expected to increase from 5.86 to an estimated 14 out of a potential 20. This is as a direct result of the formation of the BBBEE Workers Trust to be funded by the IDC.

Currently the effective BBBEE shareholder base comprises 16,76% of the total issued share capital of the Group, which is above the current Mining Charter requirement of 15%. The Group is undergoing a capital restructuring which includes equity and loan finance from the IDC. In terms of this the IDC equity stake will comprise a direct investment of 15% and an indirect investment of 15% through a Workers Trust, which together with the current empowerment holdings and the existing Wearne Share Trust, will raise the Group's BBBEE shareholding to above the 26% ownership target requirement for 2014 as set out by the Department of Mineral Resources.

Employees

The Group's Employment Equity Committee is responsible for setting employment equity targets and ensuring that Wearne complies with the Employment Equity Act and any other relevant legislation. The committee ensures that its policies are continually reviewed to ensure adherence to international standards and best-practice in this area. Wearne is committed to fostering a nondiscriminatory environment and to this end has adopted a formal non-discrimination policy, in terms of which all employees are cautioned against all forms of discrimination relating to race, gender, marital status, family responsibility, ethnic or social origin, sexual orientation, age, disability, religion, HIV status, political opinion and language.

Although the principal objective is to eliminate discrimination entirely, the Group cannot account for individual behaviour.

The Group has developed a comprehensive employment equity plan that has been approved by the Employment Equity Forum. This forum is made up of Wearne employee representatives elected by employees from various plants as well as representatives from various unions. The EE plan also includes affirmative action measures.

One initiative identified was the assessment and re-alignment of all job descriptions. This process will be completed by the end of July 2011 and updated on a regular basis. All employees will receive an updated job description by August 2011.

Skills Development and Training

The Skills Development and Training Committee addresses the training requirements of the Group. The committee is made up of members representing the various areas of each division and meets quarterly.

In the financial year under review, no learnerships were renewed or provided. The principal reason for this was that the Mining Sector Education Training Authority ("SETA") did not have sufficient funding for the learnerships that the Group applied for and therefore would only approve a self funding model, which due to the financial constraints the Group has been operating under, has led to the postponement of this training.

Training that was conducted focused on Wearne's immediate business needs:

- Adult Basic Education Training
- Health and Safety
- Driver Training
- Training identified for mining licenses (as required by the DME)

Health and Safety

Wearne places a strong emphasis on health and safety in the work environment.

It ensures full compliance with the South African Occupational Health and Safety Act as well as with the Mine Health and Safety Act. Health and safety measures are continually scrutinised to ensure that programmes are in line with international standards and guidelines.

Wearne has implemented a formal health and safety programme which provides for risk assessment and evaluation structures and further encourages employees to highlight areas needing improvements. A Health and Safety Officer is responsible for implementing the programme's guidelines and conducting regular baseline risk assessments. Each plant has a safety representative who reports directly to the Health and Safety Officer at the monthly Safety, Health, Road Transport, Environment and Quality ("SHREQ") forum. All injuries and vehicle accidents are investigated to facilitate measures to prevent reoccurrences. Health, safety and environmental training are carried out on an ongoing basis. Various disciplines are addressed including SHREQ Induction, First Aid, Health and Safety Representatives and Mobile Equipment Operation.

In recognising Wearne's efforts in this regard, the Aggregates and Sand Producers Association of Southern Africa ("ASPASA") and the Southern African Ready-mix Association ("SARMA") conducted their annual audits at the Group's crushing and concrete plants with another year of favourable results.

The Group has obtained the ISO 9001 certification for its ready-mix division with the aggregates division to follow shortly. ISO 9001 is an international process certification, backed by the South African Bureau of Standards, designed to give assurance that consistent quality control measures are implemented and maintained.

HIV/AIDS

Wearne is committed to mitigating the impact of the HIV/AIDS pandemic on its staff and has undertaken a number of significant steps to achieve this aim. In accordance with the Group HIV/AIDS policy, antiretroviral medication is provided free-of-charge to all employees who voluntarily disclose their status to the various occupational practitioners retained by the Group. The policy is intended to create an environment that is responsive to workplace issues related to HIV/AIDS, including sensitivity to the special needs of an infected employee who has disclosed his/her status and assistance through counselling services, and further obliges co-workers to continue successful working relationships with infected colleagues. It also emphasises the critical importance of confidentiality regarding an employee's voluntarily disclosed status. As part of the policy, managers are encouraged to contact the Human Resources Department for assistance in providing employees with general information about HIV/AIDS infection. The policy is reviewed regularly to ensure compliance with legislative developments and medical advancements in this area. An education programme has now been implemented and all employees at plant level receive HIV education as part of their induction process.

Environment

Wearne's environmental policy recognises concern for the environment as fundamental to operations. The Group's formal policy not only requires legislative compliance but extends to best practice. Periodic audits of environmental policies against international standards and guidelines are undertaken to meet the policy's requirements. Managers are obliged to identify environmental risks and take preventative action to minimise the potential and actual environmental impact of Wearne's activities, products and services. Quarry operations are subjected to bi-annual About Face Environmental Audits accredited by ASPASA, and bi-annual SHREQ audits are conducted at the concrete plants. Environmental risks are also addressed at the monthly SHE forums in which deadlines and targets to minimise environmental risks are set. All operations have an alien vegetation removal programme in which unwanted vegetation is removed according to government legislation.

Socio Economic Development ("SED")

Wearne acknowledges its responsibility towards the communities in which it operates as well as broader development projects. Although Wearne has contributed to the establishment of an Adult Basic Education Training Centre in Diepsloot, which now includes a carpentry/woodwork section, as a consequence of working capital constraints in the financial year under review, minimal additional contributions were made. The current Socio Economic Development Plan for the 2011/12 year will see the Group continue to support the Diepsloot Community project, managed by St Mungo's Church.

INDEPENDENT AUDITORS' REPORT

To the members of WG Wearne Limited

We have audited the annual financial statements and Group annual financial statements of WG Wearne Limited, which comprise the statement of financial position as at 28 February 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 24 to 83.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, the AC500 standards as issued by the Accounting Practices Board and its successor, and in the manner required by the Companies Act 61 of 1973 of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to the results which indicate that the Group incurred a total comprehensive loss of R148,502,000 during the year ended 28 February 2011 and, as of that date, the Group's current liabilities exceeded its current assets by R92,955,000. These conditions, along with other matters as set forth in the directors' report, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of WG Wearne Limited and

its subsidiaries as at 28 February 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the AC 500 standards as issued by the Accounting Practices Board and its successor, and in the manner required by the Companies Act 63 of 1973 of South Africa.

RSM Betty & Dickson (Johannesburg)

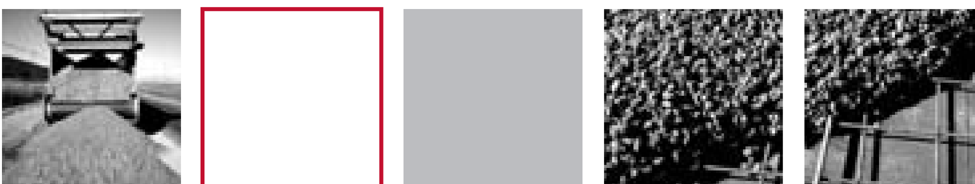
Registered Auditors

John Jones

Johannesburg

17 August 2011

AUDIT COMMITTEE **REPORT**



The Wearne Audit Committee was established in line with the requirements of the Corporate Laws Amendment Act ('the Act').

The purpose of the committee is to:

- assist the Board in discharging its duties relating to safeguarding of assets, the operation of adequate systems, control and reporting processes and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards;
- provide a forum for discussing business risk and control issues for developing recommendations for consideration by the Board;
- oversee the activities of internal and external audit; and
- perform duties that are attributed to it by the Act.

Membership

The committee comprises Mr MM Patel as chairman, and Mr GM Salanje. Both these independent non-executive directors are chartered accountants with specific financial expertise.

External Audit

The committee has satisfied itself through enquiry that the auditor of WG Wearne Limited is independent as defined by the Act.

The committee, in consultation with executive management, agreed to a provisional audit fee for the 2011 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. The final adjusted fee will be agreed on completion of the audit. Audit fees are disclosed in note 27 to the financial statements. There is a formal procedure that governs the process whereby the auditor is considered for non-audit services, and each engagement letter for such work is reviewed by the committee.

Meetings were held with the auditor and no matters of concern, other than the ability of the business to continue as a going concern, were raised.

Chief Financial Officer

As required in terms of the JSE Listings Requirements, the committee has satisfied itself that the company's chief financial officer, Mr AW Bruens, has the appropriate expertise and experience to meet the responsibilities of his position.

Annual Financial Statements

The committee has recommended the financial statements for approval to the Board. The Board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.

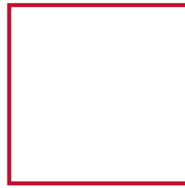
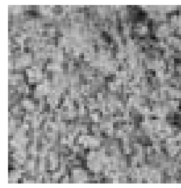
MM Patel

Chairman of the Audit Committee

Johannesburg

17 August 2011

DECLARATION BY

COMPANY SECRETARY

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, that the company has, in respect of the financial year reported upon, lodged with the Registrar of Companies all returns required of a public company in terms of the abovementioned act and that all such returns are true, correct and up to date.

Elize Lensley

iThemba Governance and Statutory Solutions (Pty) Ltd

Company secretary

Johannesburg

17 August 2011

STATEMENT OF RESPONSIBILITY BY THE DIRECTORS

The directors are required in terms of the Companies Act (2008) of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards ("IFRS") and the AC500 standards as issued by the Accounting Practices Board and its successor. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the Group's cash flow forecast for the year to 28 February 2012 and, in the light of this review and the current financial position, are satisfied that the Group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Group's financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on page 19 to 20.

The financial statements set out on pages 24 to 83, which have been prepared on the going concern basis, were approved by the board of directors and signed on its behalf by:

RC Devereux

Chief Executive Office

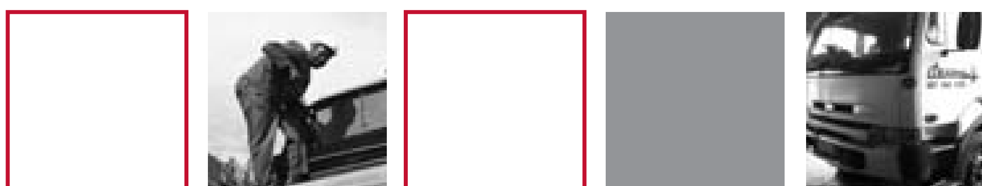
AW Bruens

Chief Financial Officer

Johannesburg

17 August 2011

REPORT OF THE DIRECTORS



The directors present the audited financial statements which forms part of the annual report of the company and the Group for the year ended 28 February 2011.

DIRECTORS

The directors of the company during the year and to the date of this report are as follows:

Executive directors	Nationality	Changes
JC Wearne	South African	Resigned 25 September 2010
SJ Wearne	South African	Resigned as CEO 17 November 2010
AW Bruens	South African	Appointed as acting CEO 17 November 2010 to 13 April 2011
N Heyns	South African	Resigned 1 March 2011
RC Devereux	South African	Appointed 13 April 2011

Non-executive directors	Nationality	Changes
SJ Wearne (Chairman)	South African	
MM Patel	South African	
E Moloi	South African	Resigned 8 December 2010
GM Salanje	South African	Appointed 17 February 2011
B Mkhonto	South African	Resigned 26 May 2011
HWP Scholtz	South African	Resigned 26 May 2011
RC Ramushu	South African	Appointed 17 August 2011

SHAREHOLDING OF DIRECTORS

Details of the number of shares in the company beneficially held by the directors and their associates at 28 February 2011 are as follows:

	2011		2010	
	Direct	Indirect	Direct	Indirect
Executive directors				
SJ Wearne [1]	-	-	19,741,867	165,000
N Heyns [2]	-	26,651,720	-	26,651,720
JC Wearne [1]	-	-	12,107,867	165,000
	-	**26,651,720**	**31,849,734**	**26,981,720**
Non-executive directors				
SJ Wearne [1]	19,741,867	-	-	-
B Mkhonto	-	6,250,000	-	6,250,000
E Moloi	-	-	-	6,250,000
HWP Scholtz [2]	-	26,651,720	-	26,651,720
	19,741,867	**32,901,720**	**-**	**39,151,720**
	19,741,867	**59,553,440**	**31,849,734**	**66,133,440**

Included in the indirect holdings of the directors, reflected above, are the following shares held by way of the WG Wearne Share Incentive Scheme (the "Trust"). These shares have been allocated to directors but are registered in the name of the Trust and may not be traded as they have not yet been paid for. Their sale is subject to restrictions, since they may only be sold in tranches over four years, subject to payment being made. In the analysis of shareholders presented in Annexure B of this report they are reflected as part of the shares held by the share Trust.

	2011	2010
SJ Wearne [1]	-	165,000
JC Wearne [1]	-	165,000
	-	**330,000**

[1] Beneficiaries of the Samant Trust hold 49,588,967 shares in the company.

[2] Beneficiaries of the Portland Ready-mix Trust hold 10,887,930 shares in the company.

The shares listed above were all beneficially held. Subsequent to the year end date, the shares indirectly held on behalf of N Heyns and HWP Scholtz were cancelled on 15 April in terms of the conditions of the sale of the Portland Group.

REMUNERATION OF DIRECTORS

The directors' remuneration is reflected in full in note 41 to the financial statements.

SHARE CAPITAL AND ISSUES DURING THE YEAR

In terms of a resolution passed at the annual general meeting, and valid until the next annual general meeting, the company authorised the directors, subject to the regulations of the JSE, to:-

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

An analysis of the company's shareholders is provided in Annexure B of the annual report.

At 28 February 2011 there were 1,968 public shareholders in the company, who held 47.1% of the ordinary shares.

As far as the company is aware, at 28 February 2011, no one shareholder other than directors and their associates hold an interest of 5% or more in the company.

PRINCIPAL ACTIVITIES

The company and its subsidiaries are engaged in the manufacture, marketing and transport of crushed stone, sand, ready-mixed concrete and pre-cast concrete products in the Gauteng, North West, Free State, Limpopo and KwaZulu-Natal Provinces, all of which are in the Republic of South Africa.

GENERAL REVIEW

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

ACQUISITIONS AND DISPOSALS

The Group made no acquisitions in the financial year under review. It concluded an agreement on 14 October 2010 to sell the Portland Group, which was acquired in September 2008, to the former owners and which was ratified by shareholders on 21 February 2011.

COMPANY SECRETARY

Mr OJ le Roux resigned as company secretary with effect from 30 September 2010. iThemba Governance and Statutory Solutions (Proprietary) Limited was appointed with effect from 1 October 2010.

EVENTS SUBSEQUENT TO YEAR END

Stakeholders are referred to the CEO's and CFO's review for details regarding the IDC funding transaction, the approval of the S311 Scheme of Arrangement and the conclusion of the Portland deal.

PROPERTY, PLANT AND EQUIPMENT

The directors have critically reviewed the fixed asset requirements of the Group as well as the carrying values. As a result of this nonessential and surplus-to-requirement assets have been sold and where carrying values were higher than net realisable value, these assets have been appropriately impaired. Other than the acquisitions, disposals and impairments

disclosed in note 3, there have been no major changes in the property, plant and equipment of the Group during the period or any changes in the policy relating to their use.

BORROWINGS

The borrowing powers of the directors are unlimited in terms of the company's articles of association, however in terms of the Loan Agreement with the IDC they are limited to R5 million unless prior written consent is obtained.

DIVIDENDS

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

GROUP STRUCTURE

Details of the company's subsidiary companies are contained in Annexure A of the financial statements.

THE WG WEARNE SHARE INCENTIVE SCHEME

The WG Wearne Share Trust was registered on 2 March 2006, and 5 million shares in the company were allotted to it on that date. Prior to the listing of the company's shares on the JSE's AltX, an offer was made to its employees, with the approval of the AltX, to take up shares in the company at the listing price of 100 cents per share. This is not a share option scheme and consequently there were no options issued or cancelled during the year.

GOING CONCERN

The comprehensive loss, negative liquidity and large amount of borrowings have called into question the ability of the Group to continue as a going concern.

In order to address these matters, the directors of Wearne have secured a creditors' and bank moratorium and funding from the IDC. In addition, a turnaround CEO has also been appointed to devise and implement a turnaround plan to return the Group to sustainable profitability.

The moratoriums will give the Group a payment holiday on certain of the unsecured and the capital portion of the secured creditors' repayments. This, together with the funds injected by the IDC, will give the Group the time it needs to implement operational restructuring and asset maintenance, in addition to the sale of unproductive and non-core assets. The proceeds from the sale of assets, including Portland, will be applied to the reduction of any associated debt and to working capital.

The Group continues to work closely with its bankers who are assisting with the management of day to day working capital. In accordance with strict financial discipline, costs are being closely managed and assets are being utilised so as to ensure maximum efficiencies are extracted.

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

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements were approved by the board of directors at Johannesburg on 17 August 2011, and are signed on its behalf by:

RC Devereux

Chief Executive Office

AW Bruens

Chief Financial Officer

Johannesburg

17 August 2011

STATEMENT OF FINANCIAL POSITION

		Group		Company	
Figures in Rand thousand	**Note(s)**	**2011**	**2010**	**2011**	**2010**
Assets					
Non-Current Assets					
Property, plant and equipment	3	365,466	545,441	190,032	280,943
Intangible assets	4	-	34,153	-	-
Investments in subsidiaries	5	-	-	2	38,565
Investment in joint ventures	6	-	-	*	*
Investments in associates	7	-	*	-	*
Other financial assets	8	3,968	3,712	11	10
Deferred taxation	9	1,617	13,002	-	-
		371,051	**596,308**	**190,045**	**319,518**
Current Assets					
Inventories	10	14,281	28,658	1,204	842
Loans to Group companies	11	-	385	22,512	79,895
Other financial assets	8	2,953	5,572	-	-
Current taxation receivable		270	1,492	-	1,459
Trade and other receivables	12	36,394	76,814	9,882	32,169
Cash and cash equivalents	13	3,535	2,844	109	84
		57,433	**115,765**	**33,707**	**114,449**
Non-current assets held for sale	14	**76,402**	**-**	**37,928**	**-**
Total Assets		**504,886**	**712,073**	**261,680**	**433,967**
Equity and Liabilities					
Equity					
Equity attributable to the equity holders of the parent					
Share capital	15	174,637	175,028	178,126	176,631
Reserves	16	374	276	242	342
Accumulated (losses) profits		(114,344)	34,239	(159,813)	8,103
Non-controlling interest		784	703	-	-
		61,451	**210,246**	**18,555**	**185,076**
Non-Current Liabilities					
Borrowings	17	220,377	193,883	123,976	97,901
Deferred taxation	9	1,369	28,849	-	9,542
Trade and other payables	19	19,620	-	8,029	-
Provisions	18	13,990	14,833	-	-
		255,356	**237,565**	**132,005**	**107,443**
Current Liabilities					
Loans from Group companies	11	5,678	4,777	11,355	9,555
Borrowings	17	2,838	96,019	-	45,992
Current taxation payable		1,795	2,782	-	-
Trade and other payables	19	64,940	90,917	25,096	22,032
Bank overdraft	13	75,137	69,767	74,669	63,869
		150,388	**264,262**	**111,120**	**141,448**
Liabilities classified as held for sale	14	**37,691**	**-**	**-**	**-**
Total Liabilities		**443,435**	**501,827**	**243,125**	**248,891**
Total Equity and Liabilities		**504,886**	**712,073**	**261,680**	**433,967**

* Amount less than R1,000

STATEMENT OF COMPREHENSIVE INCOME

Figures in Rand thousand	Note(s)	Group 2011	Group 2010	Company 2011	Company 2010
Continuing operations					
Revenue	24	384,548	484,662	120,368	152,222
Cost of sales	25	(264,993)	(325,228)	(47,511)	(61,690)
Gross profit		**119,555**	**159,434**	**72,857**	**90,532**
Other income		11,394	1,508	6,138	3,958
Operating expenses		(206,601)	(182,297)	(159,181)	(162,622)
Operating loss	26	**(75,652)**	**(21,355)**	**(80,186)**	**(68,132)**
Investment revenue	30	19	630	11,758	15,303
Finance costs	31	(36,517)	(42,862)	(24,860)	(25,784)
Loss before taxation		**(112,150)**	**(63,587)**	**(93,288)**	**(78,613)**
Taxation	32	1,542	11,118	9,542	(3,359)
Loss from continuing operations		**(110,608)**	**(52,469)**	**(83,746)**	**(81,972)**
Discontinued operations					
(Loss) profit from discontinued operations	36	(37,992)	2,866	(84,170)	-
Other comprehensive income					
Fair value adjustments on available for sale investments		98	179	-	-
Total comprehensive loss for the year		**(148,502)**	**(49,424)**	**(167,916)**	**(81,972)**
Total comprehensive loss attributed to:					
Owners of the parent		(148,583)	(49,382)	(167,916)	(81,972)
Non-controlling interest		81	(42)	-	-
		(148,502)	**(49,424)**	**(167,916)**	**(81,972)**
Continuing operations					
Basic and diluted loss per share (cents)	33	(44.87)	(28.41)		
Continuing and discontinued operations					
Basic and diluted loss per share (cents)	33	(60.28)	(26.74)		

STATEMENT OF CHANGES IN EQUITY

Figures in Rand thousand	Share capital	Share premium	Total share capital	Reserves	Accumulated (loss) income	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
Group								
Balance at 01 March 2009 as restated	**179**	**142,198**	**142,377**	**(100)**	**83,164**	**225,441**	**745**	**226,186**
Total comprehensive loss for the year	-	-	-	-	(49,382)	(49,382)	(42)	(49,424)
Other comprehensive income	-	-	-	179	-	179	-	179
Issue of shares	67	30,185	30,252	-	-	30,252	-	30,252
Share issue expenses	-	(580)	(580)	-	-	(580)	-	(580)
Movement of treasury shares	*	2,979	2,979	-	1,551	4,530	-	4,530
Release of fair value on disposal of available for sale investments	-	-	-	197	-	197	-	197
Dividends	-	-	-	-	(1,094)	(1,094)	-	(1,094)
Total changes	**67**	**32,584**	**32,651**	**376**	**(48,925)**	**(15,898)**	**(42)**	**(15,940)**
Balance at 01 March 2010	**246**	**174,782**	**175,028**	**276**	**34,239**	**209,543**	**703**	**210,246**
Total comprehensive loss for the year	-	-	-	-	(148,583)	(148,583)	81	(148,502)
Other comprehensive income	-	-	-	98	-	98	-	98
Issue of shares	*	1,500	1,500	-	-	1,500	-	1,500
Share issue expenses	-	(5)	(5)	-	-	(5)	-	(5)
Movement on treasury shares	*	(1,886)	(1,886)	-	-	(1,886)	-	(1,886)
Total changes	*****	**(391)**	**(391)**	**98**	**(148,583)**	**(148,876)**	**81**	**(148,795)**
Balance at 28 February 2011	**246**	**174,391**	**174,637**	**374**	**(114,344)**	**60,667**	**784**	**61,451**
Notes	15	15	15	16				
Company								
Balance at 01 March 2009	**183**	**144,776**	**146,959**	**46**	**90,075**	**237,080**	**-**	**237,080**
Total comprehensive loss for the year	-	-	-	-	(81,972)	(81,972)	-	(81,972)
Issue of shares	67	30,185	30,252	-	-	30,252	-	30,252
Share issue expenses	-	(580)	(580)	-	-	(580)	-	(580)
Release of fair value on disposal of available for sale investments	-	-	-	196	-	196	-	196
Shareholders equity contribution	-	-	-	100	-	100	-	100
Total changes	**67**	**29,605**	**29,672**	**296**	**(81,972)**	**(52,004)**	**-**	**(52,004)**
Balance at 1 March 2010	**250**	**176,381**	**176,631**	**342**	**8,103**	**185,076**	**-**	**185,076**
Total comprehensive loss for the year	-	-	-	-	(167,916)	(167,916)	-	(167,916)
Issue of shares	*	1,500	1,500	-	-	1,500	-	1,500
Share issue expenses	-	(5)	(5)	-	-	(5)	-	(5)
Shareholders equity contribution	-	-	-	(100)	-	(100)	-	(100)
Total changes	*****	**1,495**	**1,495**	**(100)**	**(167,916)**	**(166,521)**	**-**	**(166,521)**
Balance at 28 February 2011	**250**	**177,876**	**178,126**	**242**	**(159,813)**	**18,555**	**-**	**18,555**
Notes	15	15	15	16				

* Amount less than R1,000

STATEMENT OF CASH FLOWS

		Group		Company	
Figures in Rand thousand	**Note(s)**	**2011**	**2010**	**2011**	**2010**
Cash flows from operating activities					
Cash generated from operations	37	75,102	83,647	52,165	44,454
Interest income		96	782	11,758	15,277
Dividends received		19	64	-	26
Finance costs		(38,094)	(45,855)	(24,860)	(25,784)
Taxation (paid) refunded	38	(1,176)	(717)	1,459	-
Net cash from operating activities		**35,947**	**37,921**	**40,522**	**33,973**
Cash flows from investing activities					
Replacement of property, plant and equipment	3	(8,195)	(6,497)	(2,025)	(6,393)
Expansion of property, plant and equipment	3	(295)	(3,317)	-	-
Proceeds on disposal of property, plant and equipment		16,189	8,201	6,067	18,913
Purchase of intangible assets		-	(1,127)	-	-
Purchase of other financial assets		(10)	-	(9)	-
Proceeds on disposal of associates		*	-	*	-
Loans received from Group companies		2,934	-	1,800	-
Loan paid to Group companies		-	(257)	(46,734)	(44,411)
Loans to special purpose entity		-	-	-	(213)
Proceeds on disposal of available for sale assets		-	1,489	-	-
Proceeds on sale of other financial assets		-	-	-	1,859
Net cash from investing activities		**10,623**	**(1,508)**	**(40,901)**	**(30,245)**
Cash flows from financing activities					
Movement from the issue of shares	5	(391)	29,672	1,495	29,672
Repayment of borrowings		(50,858)	(71,844)	(11,891)	(43,924)
Dividends paid	39	-	(1,094)	-	-
Net cash from financing activities		**(51,249)**	**(43,266)**	**(10,396)**	**(14,252)**
Cash movement for the year		(4,679)	(6,853)	(10,775)	(10,524)
Cash at the beginning of the year		(66,923)	(60,070)	(63,785)	(53,261)
Total cash at end of the year	13	**(71,602)**	**(66,923)**	**(74,560)**	**(63,785)**

* Amount less than R1,000

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

Statement of compliance

The annual financial statements have been prepared on the going concern basis in accordance with International Financial Reporting Standards (IFRS's), the AC500 accounting standards as issued by the Accounting Practices Board and its successor, the Companies Act of South Africa of 1973 and the regulations of Johannesburg Stock Exchange.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value.

Functional and presentation currency

These financial statements are presented in South African Rand (ZAR), which is the Group's functional currency. All financial information presented in ZAR has been rounded to the nearest thousand.

These accounting policies are consistent with the previous period. The comparative statement of comprehensive income has been represented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations for the Portland Holdings (Pty) Ltd disposal.

1.1 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the consolidated annual financial statements of the Group and all entities, including special purpose entities, which are controlled by the Group.

Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries

Subsidiaries are entities controlled by the Group. The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal. Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the Group has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Investments in associates and jointly controlled entities (including equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

Investments in associate entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Special purpose entities

The Group has established special purpose entities (SPEs) for investment purposes. The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not effected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-For-Sale and discontinued operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is disclosed below:

Property, plant and equipment

The useful lives and residual values of items of property, plant and equipment are assessed annually and may differ depending on various factors. The details of useful lives are disclosed in note 1.4.

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

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

Inventory

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

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

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Fair value estimation

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

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

Impairment testing

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

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Taxation

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

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Decommissioning and quarry rehabilitation

The Group is required to restore quarry and processing sites at the end of their productive lives to a condition acceptable to the relevant authorities.

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

The expected cost of any decommissioning and rehabilitation program, discounted to its net present value, has been capitalised at current date and amortised over the estimated remaining useful life of the asset. The increase or decrease in the net present value of the provision for the expected costs is included with finance costs.

1.3 Impairment

Financial assets (including receivables)

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

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

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the company's non-financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

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

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

1.4 Property, plant and equipment

Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self- constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment.

Subsequent costs

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

Depreciation

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

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

The estimated useful lives for the current and comparative periods are as follows:

Item	Average useful life
Land and buildings	20 - 50 years
Plant and machinery	1 - 15 years
Motor vehicles	5 - 10 years
Office equipment	5 - 10 years
IT equipment	2 - 3 years
Plant-under-construction	less than 1 year

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

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

provided for at the end of the useful life of the site. These contributions are capitalised to the investment in the rehabilitation trust.

1.5 Intangible assets

Intangible assets are initially recognised when:

- it is probable that the expected future economic benefits are attributable to the asset will flow to the entity; and
- the cost can be measured reliably.

Intangible assets that are acquired by the company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Item	Useful life
Brand names	10 years
Customer contracts and relationships	3 years
Mining licences	30 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

1.6 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

1.7 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling expenses.

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

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

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

1.8 Share capital and equity

Ordinary shares

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

Repurchase of share capital (including treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

1.9 Share based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

If the share based payments granted do not vest until the counterparty completes a specified period of service, group accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

If the share based payments vest immediately the services received are recognised in full.

1.10 Provisions and contingencies

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

Decommissioning and quarry rehabilitation

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

The expected costs of any decommissioning and rehabilitation program, discounted to its net present value, are capitalised at the beginning of a project and amortised over the estimated remaining useful life of the mining asset. The increase or decrease in the net present value of the provision for the expected cost is included with finance costs.

1.11 Revenue

Goods sold

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

Revenue recognition criteria for sale of goods

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

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

Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. Measurement of Revenue from the rendering of services is at fair value of the consideration received or receivable. The stage of completion is assessed by reference to surveys of work performed.

Revenue recognition criteria for the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of the transaction can be estimated reliably when all the following conditions are satisfied:

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

1.12 Cost of sales

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

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

1.13 Employee benefits

Defined contribution plans

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

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

1.14 Leases

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

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

Lease payments

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

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

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

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Earnings per share and headline earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

Headline Earnings per share is calculated as per the Johannesburg Stock Exchange requirements and prepared in accordance with The South African Institute of Chartered Accountants, Headline Earnings per share circular 3/2009.

1.17 Investment income and finance costs

Investment income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

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

1.18 Taxation

Current taxation assets and liabilities

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

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

Deferred taxation assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

1.19 Financial instruments

Non-derivative financial assets

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

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

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

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and

certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Non-derivative financial liabilities

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

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

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

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

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

1.20 Financial risk management

Overview

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

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

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

Risk management framework

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

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

The Group 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 company.

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 company's receivables from customers and investment securities.

Trade and other receivables

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

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

As a result of the deteriorating economic circumstances in 2010 and 2011, certain purchase limits have been redefined.

Liquidity risk

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

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

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.

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

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

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

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

Capital management

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

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

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

1.21 Segmental reporting

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

NOTES TO THE FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year for the 2011 financial year end, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations. There is no initial impact other than additional disclosure requirements unless otherwise indicated.

IFRS 2 – Share-based Payment

The amendment clarifies that vesting conditions are only performance conditions or service conditions. All other conditions are non-vesting conditions. Non-vesting conditions are accounted for in the same manner as market conditions. It further clarifies that if either party can choose not to satisfy a non-vesting condition, then the arrangement is treated as a cancellation upon non fulfilment of that condition.

Amendments relating to group cash-settled share-based payment transactions, clarifying the definition of the term "Group" and where in a group share based payments must be accounted for.

IFRS 3 (Revised) Business Combinations

The amendments deal with:

- changes to accounting for business combinations;
- amendments to transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS;
- clarification on the measurement of non-controlling interests.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments deal with:

- plans to sell the controlling interest in a subsidiary;
- disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations.

The requirements of this standard have been applied in the treatment and disclosure of the non-current assets held for disposal, related liabilities and discontinued operations which the Group is in the process of selling.

IFRS 8 Operating segments

The amendment requires disclosure of information about segment assets and liabilities.

IAS 7 Statement of Cash Flows

The classification of expenditures on unrecognised assets.

IAS 17 Leases

The amendment deals with the classification of leases of land and buildings.

IAS 27 Consolidated and Separate Financial Statements

Consequential amendments resulting from changes to Business Combinations.

IAS 28 Investments in Associates

Consequential amendments resulting from changes to Business Combinations.

IAS 31 Interests in Joint Ventures

Consequential amendments resulting from changes to Business Combinations.

IAS 38 Intangible Assets

Changes dealing with additional consequential amendments arising from IFRS 3 and measuring the fair value of an intangible asset acquired in a business combination.

2.2 Standards and Interpretations early adopted

The Group has chosen not to early adopt any standards and interpretations:.

2.3 Standards and interpretations issued not yet effective

The Group and company have chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 March 2011 or later periods. The standards below are unlikely to have a material impact other than increased disclosure requirements.

IFRS 2 Share Based Payments

Additional guidance provided for the treatment of business combinations dealing with un-replaced and voluntarily replaced share-based payment awards. The amendment is applicable for financial periods beginning on or after 1 January 2011.

IFRS 7 Financial Instruments: Disclosures

Amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading on or after 1 January 2011.

Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period beginning on or after 1 July 2011.

IFRS 9 Financial Instruments

This new standard is the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement and is applicable for periods beginning on or after 1 January 2013.

IFRS 10 Consolidated Financial Statements

This new standard will replace the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. The Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and, provides additional guidance to assist in the determination of control where it is difficult to assess. The Standard is applicable to reporting periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

This new standard deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. The Standard requires a single method of accounting for interests in jointly controlled entities and is applicable to reporting periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities

New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off Statement of financial position vehicles. The standard is applicable to reporting periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

New guidance for fair value measurement and enhanced disclosure requirements relating thereto. The standard is applicable to reporting periods beginning on or after 1 January 2013.

IAS 1, Presentation of Financial Statements

The following amendments have been made:

- clarification to the statement of changes in equity, applicable to reporting periods beginning on or after 1 January 2011
- new requirements to disclose together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity. This amendment is applicable to reporting periods beginning on or after 1 July 2012.

IAS 12 Income Taxes

A rebuttable presumption has been introduced whereby investment property will be recovered in its entirety through sale. This amendment is applicable for financial periods beginning on or after 1 January 2012.

IAS 21 The Effects of Changes in Foreign Exchange Rates

Consequential amendments from changes to IAS 27 Consolidated and Separate Financial Statements, clarifying the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation is applicable for financial periods beginning on or after 1 July 2010.

IAS 27 Consolidated and Separate Financial Statements

Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation is applicable for financial periods beginning on or after 1 July 2010.

Consequential amendments resulting from the issue of IFRS 10, 11 and 12 is applicable for financial periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates

Consequential amendments resulting from the issue of IFRS 10, 11 and 12 is applicable for financial periods beginning on or after 1 January 2013.

IAS 34 Interim Financial Reporting

Clarification of disclosure requirements around significant events and transactions including financial instruments is applicable for financial periods beginning on or after 1 January 2011.

IAS 36 Impairment of Assets

Amendment introduced the need for the unit of accounting for goodwill impairment test to be considered. This amendment is applicable to financial reporting periods beginning on or after 1 January 2010.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This interpretation is applicable for financial reporting periods beginning on or after 1 April 2010.

2.4 Standards and interpretations not yet effective or relevant

All other new standards and interpretations published for the Group's accounting periods beginning on or after 01 March 2011 or later periods were considered and it was noted that they were not relevant to the operations of the Group.

3. PROPERTY, PLANT AND EQUIPMENT

			2011			2010
Figures in Rand thousand	Cost	Accumulated depreciation and impairments	Carrying value	Cost	Accumulated depreciation and impairments	Carrying value
Group						
Land and buildings	118,948	(954)	117,994	195,162	(1,215)	193,947
Plant and machinery	251,665	(84,324)	167,341	312,531	(71,930)	240,601
Motor vehicles	113,437	(35,737)	77,700	133,112	(26,218)	106,894
Office equipment	1,590	(440)	1,150	2,059	(542)	1,517
IT equipment	3,889	(2,807)	1,082	4,403	(2,183)	2,220
Plant-under-construction	199	-	199	262	-	262
Total	**489, 728**	**(124,262)**	**365,466**	**647,529**	**(102,088)**	**545,441**
Company						
Land and buildings	99,726	(33)	99,693	174,325	(13)	174,312
Plant and machinery	148,473	(61,064)	87,409	154,039	(50,548)	103,491
Motor vehicles	3,663	(1,656)	2,007	3,142	(1,252)	1,890
Office equipment	253	(60)	193	197	(29)	168
IT equipment	2,358	(1,628)	730	2,025	(943)	1,082
Total	**254,473**	**(64,441)**	**190,032**	**333,728**	**(52,785)**	**280,943**

Reconciliation of property, plant and equipment - Group - 2011

	Opening balance	Additions	Disposals	Reclassifications	Transfer to non-current asset held for sale	Site establish-ment	Depreciation	Impairment loss	Total
Land and buildings	193,947	106	(1,172)	-	(41,184)	-	(903)	(32,800)	117,994
Plant and machinery	240,601	1,972	(5,108)	894	(34,002)	-	(28,986)	(8,030)	167,341
Motor vehicles	106,894	5,162	(6,892)	(354)	(9,060)	-	(17,127)	(923)	77,700
Office equipment	1,517	586	-	(544)	(121)	-	(288)	-	1,150
IT equipment	2,220	354	(11)	-	(119)	-	(1,362)	-	1,082
Plant-under-construction	262	310	(200)	4	(155)	-	(14)	(8)	199
Total	**545,441**	**8,490**	**(13,383)**	**-**	**(84,641)**	**-**	**(48,680)**	**(41,761)**	**365,466**

Reconciliation of property, plant and equipment - Group - 2010

	Opening balance	Additions	Disposals	Transfers and reclas-sifications	Revaluations	Site estab-lishment	Depreciation	Impairment loss	Total
Land and buildings	191,270	303	(94)	-	3,213	-	(745)	-	193,947
Plant and machinery	259,658	6,640	(3,165)	5,656	-	-	(28,026)	(162)	240,601
Motor vehicles	135,443	1,182	(7,649)	(52)	-	-	(22,030)	-	106,894
Office equipment	1,697	115	(4)	-	-	-	(291)	-	1,517
IT equipment	2,464	1,032	(44)	-	-	-	(1,232)	-	2,220
Plant-under-construction	4,636	542	-	(5,656)	-	740	-	-	262
Total	**595,168**	**9,814**	**(10,956)**	**(52)**	**3,213**	**740**	**(52,324)**	**(162)**	**545,441**

Reconciliation of property, plant and equipment - Company - 2011

	Opening balance	Additions	Disposals	Reclassifications	Transfer to non-current assets held for sale	Site destablish-ment	Depreciation	Impairment loss	Total
Land and buildings	174,312	214	(1,168)	-	(40,844)	-	(21)	(32,800)	99,693
Plant and machinery	103,491	890	(2,084)	-	-	-	(14,625)	(263)	87,409
Motor vehicles	1,890	521	-	-	-	-	(404)	-	2,007
Office equipment	168	56	-	-	-	-	(31)	-	193
IT equipment	1,082	344	-	-	-	-	(696)	-	730
Total	**280,943**	**2,025**	**(3,252)**	**-**	**(40,844)**	**-**	**(15,777)**	**(33,063)**	**190,032**

Reconciliation of property, plant and equipment - Company - 2010

	Openin balance	Additions	Disposals	Reclassifica-tions	Transfer to non-current asset held for sale	Site destablish-ment	Depreciation	Impairment loss	Total
Land and buildings	173,835	517	(27)	-	-	-	(13)	-	174,312
Plant and machinery	127,846	4,509	(13,469)	-	-	-	(15,395)	-	103,491
Motor vehicles	7,453	344	(5,125)	-	-	-	(782)	-	1,890
Office equipment	94	90	-	-	-	-	(16)	-	168
IT equipment	655	933	(8)	-	-	-	(498)	-	1,082
Total	**309,883**	**6,393**	**(18,629)**	**-**	**-**	**-**	**(16,704)**	**-**	**280,943**

For details of property, plant and equipment pledged as security refer to note 17. During the year management reviewed the property, plant and equipment and identified certain assets requiring impairment. Based on the recoverable amount, being the value-in-use, the segments were impaired as follows: Aggregates: R35,575,000 and Ready Mix: R6,186,000.

The Muldersdrift quarry which is included in land and buildings of R174,312,000 (2010: R173,835,000) has been valued by an independent appraiser with the relevant qualification to value the land and buildings.

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

4. INTANGIBLE ASSETS

			2011			2010
Group	Cost	Accumulated depreciation and impairments	Carrying value	Cost	Accumulated depreciation and impairments	Carrying value
Mining licenses and rights	-	-	-	35,669	(1,516)	34,153
Customer contracts and relationships	-	-	-	3,082	(3,082)	-
Brand names	-	-	-	2,004	(2,004)	-
Total	**-**	**-**	**-**	**40,755**	**(6,602)**	**34,153**

			2011			2010
Company	Cost	Accumulated depreciation and impairments	Carrying value	Cost	Accumulated depreciation and impairments	Carrying value
Mining licenses and rights	-	-	-	410	(410)	-
Total	**-**	**-**	**-**	**410**	**(410)**	**-**

4. INTANGIBLE ASSETS (CONTINUED)

Reconciliation of intangible assets - Group - 2011

Reconciliation of intangible assets – Group 2011	Opening balance	Amortisation	Impairment loss	Transfer to non-current asset held for sale	Total
Mining licenses and rights	34,153	(1,032)	-	(33,121)	-
Customer contracts and relationships	-	-	-	-	-
Brand names	-	-	-	-	-
Total	**34,153**	**(1,032)**	**-**	**(33,121)**	**-**

The brand names and customer contracts and relationships were reclassified as non-current assets held for sale during the year.

Reconciliation of intangible assets - Group - 2010

Reconciliation of intangible assets – Group 2010	Opening balance	Amortisation	Impairment loss	Transfer to non-current asset held for sale	Total
Mining licenses and rights	35,574	(1,011)	(410)	-	34,153
Customer contracts and relationships	2,568	(1,027)	(1,541)	-	-
Brand names	1,904	(200)	(1,704)	-	-
Total	**40,046**	**(2,238)**	**(3,655)**	**-**	**34,153**

Additions through business combinations

Brands

Market-related intangible assets include amounts relating to the acquisition of the shares of Portland Holdings (Proprietary) Limited and its subsidiaries.

During the prior year Portland Holdings (Proprietary) Limited and its subsidiaries were rebranded under WG Wearne Limited and therefore the remaining carrying value of the brands and intangible asset were impaired.

Customer contracts and relationships

Customer-related intangible assets include amounts relating to the acquisition of the shares of Portland Holdings (Proprietary) Limited and its subsidiaries.

During the prior year management reviewed the customer contracts and relationships and determined that, as a result of the rebranding of Portland Holdings (Proprietary) Limited and its subsidiaries under the WG Wearne Limited brand, the customer contracts and relationships which existed under the Portland Holdings (Proprietary) Limited brand were replaced by the WG Wearne Limited brand and therefore the remaining carrying value of the customer contracts and relationships intangible asset was impaired.

Mining licences

Mining licences of the Group represent costs incurred to date in respect of the conversion from the old to new mining licences. This process is not yet complete, and as such, the assets are not available for use.

Mining licences of the Group include amounts relating to the acquisition of the shares of Portland Holdings (Proprietary) Limited and its subsidiaries.

During the current year the mining licences and rights relating to Portland Holdings (Proprietary) Limited and its subsidiaries were reclassified to non-current assets held for sale.

There are no intangible assets pledged as security.

5. INVESTMENTS IN SUBSIDIARIES

Name of company	% Holding 2011	% Holding 2010	Carrying value 2011	Carrying value 2010
Noordvaal Crushers (Proprietary) Limited	100.00	100.00	*	*
Portland Holdings (Proprietary) Limited	100.00	100.00	-	35,563
Shabaz Investments (Proprietary) Limited [1]	-	100.00	*	*
Wearne Platkop Quarry (Proprietary) Limited	100.00	100.00	*	*
Wearne Aggregates (Proprietary) Limited	100.00	100.00	-	3,000
Wearne Precast (Proprietary) Limited	100.00	100.00	2	2
Wearne Quarries Free State (Proprietary) Limited	100.00	100.00	*	*
Wearne Quarries Gauteng (Proprietary) Limited	100.00	100.00	*	*
Wearne Quarries Limpopo (Proprietary) Limited	100.00	100.00	*	*
Wearne Quarries Natal (Proprietary) Limited	100.00	100.00	*	*
Wearne Ready Mixed Concrete (Proprietary) Limited	100.00	100.00	*	*
			2	**38,565**

* Amount less than R1,000

[1] The company disposed of this subsidiary at its carrying value during the year under review.

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

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

All subsidiaries are incorporated in the Republic of South Africa.

6. INVESTMENT IN JOINT VENTURES

Name of company	% Holding 2011	% Holding 2010	Carrying value 2011	Carrying value 2010
Wearne Bricks (Proprietary) Limited	50.00	50.00	*	*
Wearne Drilling and Blasting (Proprietary) Limited	50.00	50.00	*	*
			*****	*****

* Amount less than R1,000

The carrying amounts of joint ventures are shown net of impairment losses. There is no material difference between the fair value of the investments and their book value.

The carrying value and fair value of investments in joint ventures are less than a thousand rand and therefore rounded to R Nil. Refer to annexure A for carrying value denominated in South African Rand.

All joint ventures are incorporated in the Republic of South Africa.

The interest of the holding company in the aggregate after tax profits of the joint ventures amounts to R2,002,000 (2010: R2,723,307).

6. INVESTMENT IN JOINT VENTURES (CONTINUED)

Summary of Group's interest in joint ventures

	2011	2010
Non-current assets	7,706	8,450
Current assets	8,195	7,913
Long-term liabilities – Interest bearing	(3,109)	(3,907)
Long-term liabilities – Non-interest bearing	(1,368)	(1,236)
Current liabilities – Interest bearing	(1,793)	(1,981)
Current liabilities – Non-interest bearing	(2,753)	(4,368)
Revenue	24,827	22,659
Expenses	(14,236)	(18,270)
Investment revenue	18	7
Finance costs	(954)	(615)
Taxation	(779)	(1,058)
Profit after taxation	2,002	2,723
Cash generated by operating activities	2,775	4,703
Cash generated from investing activities	(322)	(6,928)
Cash generated from financing activities	(2,968)	2,014

7. INVESTMENTS IN ASSOCIATES

Name of company	% Holding 2011	% Holding 2010	Carrying value 2011	Carrying value 2010
Senatla Structures (Proprietary) Limited	-	49.00	-	*

*Amounts less than R1,000

Senatla Structures (Proprietary) Limited was disposed of at its carrying value during the year under review.

The carrying amounts of associates are shown net of impairment losses. There is no material difference between the fair value of the investment and its value.

The carrying value and fair value of investments in associates is less than a thousand rand and therefore rounded to R Nil.

Refer to annexure A for carrying value denominated in Rand.

The associate is incorporated in the Republic of South Africa and was disposed of during the current financial year.

8. OTHER FINANCIAL ASSETS

	Group		Company	
	2011	2010	2011	2010
Held by the Wearne Rehabilitation Trust: Stanlib Wealth Management Limited	3,957	3,702	-	-
Held by WG Wearne Limited: Stanlib Wealth Management Limited	11	10	11	10
	3,968	**3,712**	**11**	**10**
Loans and receivables				
Loans to share scheme participants	3,154	5,572	-	-
Provision for impairment of loan	(201)	-	-	-
	2,953	**5,572**	**-**	**-**
Non-current assets				
Available for sale	3,968	3,712	11	10
Current assets				
Loans and receivables	2,953	5,572	-	-
	6,921	**9,284**	**11**	**10**

8. OTHER FINANCIAL ASSETS (CONTINUED)

	Group		Company	
	2011	2010	2011	2010
Reconciliation of the provision for impairment of loan:				
Opening balance	-	-	-	-
Raised during the year	(201)	-	-	-
	(201)	**-**	**-**	**-**

The fair values of quoted investments are based on the quoted market price. These financial assets are therefore classified as Level 1 in the IFRS 7 fair value hierarchy. The fair values are determined annually at the Statement of Financial Position date. The maximum exposure to credit risk at the reporting date is the fair value of the debt securities classified as available-for-sale and the credit risk exposures attributable from the loans and receivables classified in other financial assets.

The loans to the WG Wearne Share Scheme participants bear interest at 13%, are unsecured and have no fixed terms of repayment.

9. DEFERRED TAXATION

	Group		Company	
	2011	2010	2011	2010
Deferred taxation asset (liability)				
Accelerated capital allowances for tax purposes	(27,122)	(53,844)	(34,274)	(17,561)
Provision	333	1,166	30,355	335
Debtors payments in advance	197	81	-	-
Assessed losses	14,143	36,750	3,919	7,684
Deferred taxation transferred to non-current asset held for sale	12,687	-	-	-
	248	**(15,847)**	**-**	**(9,542)**
Reconciliation of deferred taxation asset (liability)				
At beginning of the year	(15,847)	(32,914)	(9,542)	(8,887)
Accelerated capital allowances for tax purposes	26,732	(46,538)	(16,713)	(2,048)
Provisions	(833)	2,746	30,020	1,101
Debtors payments in advance	116	1,235	-	-
Disposals to subsidiary company (Income Tax Act, section 45)	-	-	-	(14,334)
Assessed losses	(22,607)	59,624	(3,765)	14,626
Deferred taxation transferred to non-current asset held for sale	12,687	-	-	-
	248	**(15,847)**	**-**	**(9,542)**
Non-current assets	1,617	13,002	-	-
Non-current liabilities	(1,369)	(28,849)	-	(9,542)
	248	**(15,847)**	**-**	**(9,542)**

10. INVENTORIES

	Group		Company	
	2011	2010	2011	2010
Finished goods	12,742	27,043	-	-
Raw materials	166	-	-	-
Consumables	169	687	-	484
Diesel	1,204	928	1,204	358
	14,281	**28,658**	**1,204**	**842**

11. LOANS TO (FROM) GROUP COMPANIES

Loans to (from) subsidiaries

	Group		Company	
	2011	2010	2011	2010
Noordvaal Crushers (Proprietary) Limited	-	-	(22)	153
Portland Holdings (Proprietary) Limited	-	-	45,689	45,728
Shabaz Investments (Proprietary) Limited	-	-	-	217
Wearne Aggregates (Proprietary) Limited	-	-	51,434	2,239
Wearne Platkop Quarry (Proprietary) Limited	-	-	*	*
Wearne Precast (Proprietary) Limited	-	-	9,416	6,787
Wearne Quarries Free State (Proprietary) Limited	-	-	-	9,996
Wearne Quarries Gauteng (Proprietary) Limited	-	-	-	36,679
Wearne Quarries Limpopo (Proprietary) Limited	-	-	-	15,873
Wearne Quarries Natal (Proprietary) Limited	-	-	1,081	6,332
Wearne Ready Mixed Concrete (Proprietary) Limited	-	-	67,788	48,189
Total loans receivable	**-**	**-**	**175,386**	**172,193**
Provision for impairment of loans	-	-	(156,132)	(97,696)
	-	**-**	**19,254**	**74,497**

These loans bear interest at prime, are unsecured and have no fixed terms of repayment.

For detail on the cession of the above loans as security for overdraft facilities provided to the Group, refer to note 20.

Loans to (from) joint ventures

	Group		Company	
	2011	2010	2011	2010
Wearne Bricks (Proprietary) Limited	-	385	-	770
Wearne Drilling and Blasting (Proprietary) Limited	(5,678)	(4,777)	(11,355)	(9,555)
	(5,678)	**(4,392)**	**(11,355)**	**(8,785)**

The loans to and from joint ventures are interest-free, unsecured and have no fixed terms of repayment.

Loans to (from) special purpose entity

	Group		Company	
	2011	2010	2011	2010
WG Wearne Share Incentive Trust	-	-	4,264	4,628
Provision for impairment of loan	-	-	(1,006)	-
	-	**-**	**3,258**	**4,628**

11. LOANS TO (FROM) GROUP COMPANIES (CONTINUED)

The loan bears interest at a rate of 13% per annum (the official interest rate in terms of the Seventh Schedule of the Income Tax Act of South Africa), is unsecured and has no fixed terms of repayment.

	Group		Company	
	2011	2010	2011	2010
Current assets	-	385	22,512	79,895
Current Liabilities	(5,678)	(4,777)	(11,355)	(9,555)
	(5,678)	**(4,392)**	**11,157**	**70,340**

Reconciliation of the provision for impairment of loan:

	Group		Company	
	2011	2010	2011	2010
Opening balance	-	-	-	-
Raised during the year	-	-	(1,006)	-
Closing balance	**-**	**-**	**(1,006)**	**-**

Credit quality of loans to Group companies

No credit ratings for loans to subsidiaries, to and from joint ventures and to special purpose entities have been performed.

Fair value of loans to and from Group companies

Loans to subsidiaries are of a short-term nature and arise from trade. They are stated at their nominal value. There is no material difference between the fair value of the loans and their book value.

The loan to the special purpose entity is stated at its nominal value. There is no material difference between the fair value of the loan and its book value.

Loans to Group companies past due but not impaired

The loan to the joint venture is neither past due, nor impaired. As the loan does not have any terms of repayment, the loans are not past its due date. The loan is considered recoverable and hence the loan has not been impaired or provided for.

The loan to the special purpose entity is not past due. As the loan does not have any terms of repayment, the loans are not past its due date. A portion of the loan is considered recoverable and the remaining balance was impaired.

Loans to Group companies impaired

As of 28 February 2011, loans to Group companies of R156,132,000 (2010: R97,696,000) were impaired and provided for.

The ageing of these loans is as follows:

	Group		Company	
	2011	2010	2011	2010
Over 6 months	**-**	**-**	**(156,132)**	**(97,696)**
Reconciliation of provision for impairment of loans to Group companies				
Opening balance	-	-	97,696	-
Reversed during the year	-	-	(34,115)	-
Raised during the year	-	-	92,551	97,696
	-	**-**	**156,132**	**97,696**

11. LOANS TO (FROM) GROUP COMPANIES (CONTINUED)

Loans to various subsidiaries have been subordinated in favour of the other creditors of those companies. The loans were subordinated in respect of the following amounts:

	2011	2010
Portland Holdings (Proprietary) Limited	-	43,000
Wearne Aggregates (Proprietary) Limited	51,434	-
Wearne Precast (Proprietary) Limited	4,501	4,000
Wearne Quarries Gauteng (Proprietary) Limited	-	24,000
Wearne Quarries Free State (Proprietary) Limited	-	6,500
Wearne Quarries Limpopo (Proprietary) Limited	-	2,220
Wearne Quarries Natal (Proprietary) Limited	1,082	6,332
Wearne Ready Mixed Concrete (Proprietary) Limited	53,378	15,500
Wearne Share Incentive Trust	1,006	-
	111,401	**101,532**

12. TRADE AND OTHER RECEIVABLES

		Group		Company
	2011	2010	2011	2010
Trade receivables	35,898	66,813	9,872	30,842
Prepayments	239	-	-	-
Value Added Taxation	96	4,163	-	-
Other receivables	161	5,838	10	1,327
	36,394	**76,814**	**9,882**	**32,169**
Fair value of trade and other receivables				
Trade and other receivables	**36,394**	**76,814**	**9,882**	**32,169**

There is no material difference between the fair value of trade and other receivables and their book value.

Trade and other receivables pledged as security

For detail regarding the cession of trade receivables as security for overdraft facilities provided to the Group refer to note 20.

Credit quality of trade receivables

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

		Group		Company
At 28 February 2011	**Credit Limit**	**Balance**	**Credit Limit**	**Balance**
Debtor A	1,000	1,339	-	2,952
Debtor B	3,750	1,335	-	1,865
Debtor C	1,500	1,158	-	1,189
Debtor D	2,000	838	-	899
Debtor E	250	250	4,000	691
At 28 February 2010				
Debtor A	3,000	3,408	-	14,513
Debtor B	-	2,869	-	6,442
Debtor C	-	2,552	-	2,974
Debtor D	-	2,184	4,000	2,181
Debtor E	-	2,182	-	1,621

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables

The table below shows the ageing of trade receivables:

	Group		Company	
	2011	2010	2011	2010
Less than 30 days	24,449	45,567	8,474	30,114
31 to 60 days	3,350	16,091	-	207
61 to 90 days	2,821	3,170	693	-
91 to 120 days	1,088	1,985	-	-
Over 120 days	4,190	-	705	521
	35,898	**66,813**	**9,872**	**30,842**

Trade and other receivables past due but not impaired

Trade receivables which are past due are not considered to be impaired, except as detailed below. The ageing of amounts past due but not impaired are as per the table above.

Trade and other receivables impaired

Group

As of 28 February 2011, trade and other receivables of R 10,266,000 (2010: R 5,312,000) were impaired and provided for.

Company

As of 28 February 2011, trade and other receivables of R 1,398,000 (2010: R 776,000) were impaired and provided for.

The ageing of the provision is as follows:

	Group		Company	
	2011	2010	2011	2010
Less than 3 months	6,507	-	705	-
3 to 6 months	559	395	693	-
Over 6 months	3,200	4,917	-	776
	10,266	**5,312**	**1,398**	**776**

Reconciliation of provision for impairment of trade and other receivables

	Group		Company	
	2011	2010	2011	2010
Opening balance	5,312	10,184	776	5,982
Utilised during the year	(2,734)	-	(340)	-
Transferred to non-current asset held-for-sale	(466)	-	-	-
Unused amounts reversed during the year	-	(4,872)	-	(5,206)
Raised during the year	8,154	-	962	-
	10,266	**5,312**	**1,398**	**776**

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
Cash on hand	105	227	30	84
Bank balances	3,430	2,617	79	-
Bank overdraft	(75,137)	(69,767)	(74,669)	(63,869)
	(71,602)	**(66,923)**	**(74,560)**	**(63,785)**
Current assets	3,535	2,844	109	84
Current liabilities	(75,137)	(69,767)	(74,669)	(63,869)
	(71,602)	**(66,923)**	**(74,560)**	**(63,785)**

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

The Group has a multi-optional facility with Nedbank Limited by way of overdraft, short term loan or letter of guarantee facility. As security for the facility, the bank holds:

- Unrestricted first cession of all present and future book debts;
- Unlimited inter-linking suretyships including a cession of loan funds in favour of the bank between WG Wearne Limited and its subsidiary companies;
- First and second covering mortgage bond for R1,200,000 over the remaining extent of Portion 31 (a portion of Portion1) of the farm Middelvlei No. 225;
- Third covering mortgage bond for R10,000,000 over the remaining extent of Portion 31 (a portion of Portion1) of the farm Middelvlei No. 225 Randfontein;
- Second covering mortgage bond for R10,000,000 over Portion 226, 227, 266, 267, 285, 286 and 287 of the farm Rietfontein 1891Q and Portion 57, 58 and 185 of the farm Rietvallei 1881Q and Portion 7 of the farm Groenplaats 1571Q (Vissershok);
- Second covering mortgage bond of R8,000,000 over Portion 8 of farm 1098 Vissershok;
- First covering mortgage bond of R6,200,000 over Erf 52 Wemmer Township;
- First covering mortgage bond of R3,100,000 over Erf 40 Wemmer Township;
- First covering mortgage bond of R390,000 over Erf 90 Village Main;
- First covering mortgage bond of R350,000 over Erf 89 Village Main.

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

- First continuous covering mortgage bond in the amount of R119,600,000 over portion 7 Groenplaas, Portion 226 Rietfontein, Portion 266 Reitfontein, Portion 185 Rietfontein, Portion 286 Rietfontein, Portion 267 Rietfontein, Portion 285 Rietfontein, Portion 227 Rietfontein, Portion 58 Rietvallei, Portion 57 Rietvallei, Portion 287 Rietfontein, Portion 171, 180, and 183 of the farm Rietvallei and farm 1098 Cape RD portion 8 Vissershok Quarry;
- Second continuous covering mortgage bond in the amount of R10,000,000 in favour of Absa, Nedbank and Wesbank sharing pro-rata basis to the existing exposure;
- Special Notarial bonds over moveable assets purchased from De Bruyn Sandwerke Group registered in favour of WG Wearne Limited in the amount of R17,645,000 dated 8 January 2007;
- Negative pledge over assets of WG Wearne Limited dated 17 November 2006;

13. CASH AND CASH EQUIVALENTS (CONTINUED)

- Unlimited Cross sureties by all WG Wearne Limited subsidiaries (including cession of loan accounts):
  - WG Wearne Limited,
  - Wearne Aggregates (Proprietary) Limited, and
  - Noordvaal Crushers (Proprietary) Limited;
- Cession of loan account dated 17 November 2006 in Noordvaal Crushers (Proprietary) Limited;
- Cession of loan account dated 17 November 2006 in Wearne Aggregates (Proprietary) Limited; and
- 1st Charge over assets financed.

Wearne Aggregates (Proprietary) Limited has a facility with First National Bank of R1,500,000 the collateral held is a Cession of Debtors.

Wearne Aggregates (Proprietary) Limited has a commercial asset finance facility with ABSA of R4,200,000. As security for the facility, the bank holds:

- Unlimited Cross Securities by all WG Wearne Limited subsidiaries (including cession of loan accounts);
  - WG Wearne Limited;
  - Wearne Aggregates (Proprietary) Limited; and
  - Noordvaal Crushers (Proprietary) Limited;
- Cession of loan account dated 17 November 2006 in Wearne Aggregates (Proprietary) Limited;
- Cession of loan account dated 17 November 2006 in Noordvaal Crushers (Proprietary) Limited;
- Cession of loan account dated 17 November in WG Wearne Limited;
- Special Notarial Bonds over moveable assets purchased from De Bruyn Sandwerke Group registered in favour of Wearne Aggregates (Proprietary) Limited in the amount of R9,355,000 dated 08 January 2007;
- 1st charge over assets financed.

14. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (INCLUDING DIRECTLY ASSOCIATED LIABILITIES)

In October 2010 WG Wearne Limited (the company) entered into an agreement to sell the Portland Group ("Portland") back to the original sellers. The sale was executed through a Sale of Business Agreement for the sale of land and a Sale of Shares Agreement for the sale of the business, whereby the sale of land was dependent upon the successful conclusion of the sale of the business. The selling price for the land was R30 million and the sale of the business will be effected through an exchange of 56,616,370 ordinary Wearne Limited shares for the entire share capital of Portland Holdings, the holding company of Portland.

At the 28 February 2011 a number of the conditions required for the conclusion of the agreements had not been fulfilled and consequently, the Portland Group and the land associated with the sale were reclassified as non-current assets held for sale and discontinued operations.

14. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (INCLUDING DIRECTLY ASSOCIATED LIABILITIES) (CONTINUED)

The non-current asset held for sale consists of Portland as well as the land on which the Portland businesses are situated. The Portland Group consists of the following companies:

- Portland Holdings (Proprietary) Limited;
- Wearne Contracts (Proprietary) Limited;
- Portland Readymix (Proprietary) Limited;
- Portland Hollowcore (Proprietary) Limited;
- Portland Aggregate Sales (Proprietary) Limited;
- Portland Concrete Pumps (Proprietary) Limited, and
- Cape Town Ostrich Sand Mine (Proprietary) Limited.

Group

The non-current assets held for disposal by the Group consist of the net asset value of Portland, the land on which Portland in situated and the related intangible assets. The Group's interest in Portland has been reclassified as a non-current asset held for sale and measured in accordance with the requirements of IFRS 5:.

Group	Carrying value at reclassification date	Fair value Impairment	Carrying value under IFRS 5
Assets			
Property plant and equipment	84,177	(40,263)	43,914
Intangible assets	33,585	(16,726)	16,859
Inventories	2,091	-	2,091
Other financial assets (current)	812	-	812
Trade and other receivables	11,054	-	11,054
Cash and cash equivalents	1,672	-	1,672
	133,391	**(56,989)**	**76,402**
Liabilities			
Deferred tax liability	(12,687)	131	(12,556)
Borrowings (non-current)	(10,276)	-	(10,276)
Provisions	(1,616)	-	(1,616)
Trade and other payables	(7,242)	-	(7,242)
Borrowings (current)	(5,553)	-	(5,553)
Current tax payable	(421)	-	(421)
Bank overdraft	(27)	-	(27)
	(37,822)	**131**	**(37,691)**

14. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (INCLUDING DIRECTLY ASSOCIATED LIABILITIES) (CONTINUED)

The Portland Group was reclassified as available for sale as of the 28th February 2011. Had that restatement not occurred, the Statement of Financial Position would be disclosed as follows:

Group	Statement of financial position	Non-current asset held for sale	Statement of financial position restated
Assets			
Property plant and equipment	365,466	43,914	409,380
Intangible assets	-	16,859	16,859
Other financial assets (non-current)	3,968	-	3,968
Deferred tax asset	1,617	-	1,617
Inventories	14,281	2,091	16,372
Other financial assets (current)	2,953	812	3,765
Current tax receivable	270	-	270
Trade and other receivables	36,394	11,054	47,448
Cash and cash equivalents	3,535	1,672	5,207
	428,484	**76,402**	**504,886**
Non-current assets classified as held for sale	76,402	(76,402)	-
Total Assets	**504,886**	**-**	**504,886**
Equity			
Share capital	174,637	-	174,637
Reserves	374	-	374
Accumulated losses	(114,344)	-	(114,344)
Non-controlling interest	784	-	784
Total Equity	**61,451**	**-**	**61,451**
Liabilities			
Borrowings (non-current)	220,377	10,276	230,653
Deferred tax liabilities	1,369	12,556	13,925
Trade and other payables (non-current)	19,620	-	19,620
Provisions (non-current)	13,990	1,616	15,606
Loans from Group companies	5,678	-	5,678
Borrowings (current)	2,838	5,553	8,391
Current tax payable	1,795	421	2,216
Trade and other payables	64,940	7,242	72,182
Bank overdraft	75,137	27	75,164
Total Liabilities	**405,744**	**37,691**	**443,435**
Non-current liabilities classified as held for sale	37,691	(37,691)	-
Total Equity and Liabilities	**504,886**	**-**	**504,886**

Company

The non-current assets held for disposal by the company consists of its investment in Portland which in turn holds the investments in the other Portland Group companies and the land on which Portland in situated and the related intangible assets. The company's investments in Portland has been reclassified as a non-current asset held for sale and measured in accordance with the requirements of IFRS 5:

Company	Carrying value at reclassification date	Fair value impairment	Carrying value under IFRS 5
Assets			
Property, plant and equipment	40,844	(10,844)	30,000
Investments in subsidiaries	35,564	(27,636)	7,928
	76,408	**38,480**	**37,928**

15. SHARE CAPITAL

	Group		Company	
	2011	2010	2011	2010
Authorised				
500,000,000 (2010: 500,000,000) ordinary par value shares of 0.1 cent each	500,000	500,000	500,000	500,000
Reconciliation of number of shares(millions) issued:				
Balance at beginning of year	246	179	250	183
Issue of ordinary shares	-	67	-	67
Treasury shares redeemed	*	*	-	-
	246	**246**	**250**	**250**

At year end the Group had issued 246,715,369 (2010: 245,912,670) ordinary shares of 0.1 cents each. The Group held treasury shares in the WG Wearne Share Incentive Scheme of 3,376,250 (2010: 3,376,250) and Shabaz Investments (Proprietary) Limited Nil (2010: 302,699) at year end.

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

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

	Group		Company	
	2011	2010	2011	2010
Issued share capital				
Ordinary share capital	246	246	250	250
Ordinary share premium	174,391	174,782	177,876	176,381
	174,637	**175,028**	**178,126**	**176,631**

The WG Wearne Share Incentive Scheme was registered on 02 March 2006 and 5 million shares in the WG Wearne Limited (the company) were allotted to it on that date. Prior to the listing of the company's shares on the JSE's AltX, an offer was made to its employees. This is not a share option scheme consequently there were no options cancelled or issued during the year.

16. RESERVES

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

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

For details regarding the fair value adjustments to available-for-sale investments refer to note 8.

	Group		Company	
	2011	2010	2011	2010
Reserves consist of:				
Share based payment reserve	242	242	242	242
Fair value adjustment to available-for-sale investments	132	34	-	-
Shareholders equity contribution	-	-	-	100
	374	**276**	**242**	**342**

17. BORROWINGS

	Group		Company	
	2011	2010	2011	2010
Secured loans held at amortised cost				
Revolving loan - ABSA Bank	40,700	45,007	40,700	45,007
Term loan - ABSA Bank	13,168	17,371	13,168	17,371
	53,868	**62,378**	**53,868**	**62,378**
Less: current portion at amortised cost	-	(18,219)	-	(18,219)
	53,868	**44,159**	**53,868**	**44,159**
Instalment sale agreements held at amortised cost				
ABSA Bank	11,542	31,869	6,885	8,807
Capital Acceptances	744	1,348	-	-
Wesbank	37,535	80,707	28,082	33,554
Imperial Bank	340	3,041	-	-
Mercedes Benz Financial Services	7,947	13,725	102	-
Nedbank	111,239	93,286	35,039	39,153
Standard Bank	-	1,303	-	-
Total instalment sale agreements	**169,347**	**225,279**	**70,108**	**81,514**
Less: current portion at amortised cost	(2,838)	(75,555)	-	(27,772)
	166,509	**149,724**	**70,108**	**53,742**
Other borrowings held at amortised cost				
The Samant Trust	-	100	-	-
Loans to directors	-	380	-	-
Tzaneen Quarry (Proprietary) Limited	-	297	-	-
Willowsfountain Quarry (Proprietary) Limited	-	1,468	-	-
	-	**2,245**	**-**	**-**
Non-current liabilities				
Secured loans	53,868	44,159	53,868	44,159
Instalment sale agreements	166,509	149,724	70,108	53,742
	220,377	**193,883**	**123,976**	**97,901**
Current liabilities				
Secured loans	-	18,219	-	18,219
Instalment sale agreements	2,838	75,555	-	27,772
Other borrowings	-	2,245	-	-
	2,838	**96,019**	**-**	**45,992**
Total borrowings	**223,215**	**289,902**	**123,976**	**143,893**

Secured loans held at amortised cost:

There is no material difference between the fair value of the secured loans and their book value. The loans are secured by mortgage bonds and registered over certain of the Group's land and buildings. Refer to note 20 for further details.

The term loan bearing interest at prime plus 0.5% (9.5% at year end) per annum and is repayable at an average monthly instalment of R414,220 for 5 years beginning April 2013.

The revolving loan bears interest at prime plus 1.5% (10.5% at year end) and is repayable at an average monthly instalment of R1,335,099 for 5 years beginning April 2013.

17. BORROWINGS (CONTINUED)

Instalment sale agreements held at amortised cost

Instalment sale agreements held at amortised cost:

There is no material difference between the fair value of instalment sale creditors and their book value. The instalment sale agreements are secured over property, plant and equipment with a carrying value in the Group of R160,082,023 (2010: R232,310,119). The instalment sale agreements bears interest between prime less 1% to prime plus 4.25% (prime 9% at year end) and are repayable at an average monthly instalment of R1,259,314 beginning April 2013.

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

Other borrowings held at amortised cost:

There is no material difference between the fair value of other current financial liabilities and their book values. All financial liabilities held at amortised cost are denominated in South African Rand.

		Group		Company
	2011	2010	2011	2010
Fair value of borrowings carried at cost				
Secured loans	53,868	62,378	53,868	62,378
Instalment sale agreements	166,509	225,279	70,108	81,514
Other borrowings	2,838	2,245	-	-
	223,215	**289,902**	**123,976**	**143,893**

18. PROVISIONS

The Group is obliged to restore quarry sites at the end of their useful lives to a condition acceptable to the regulatory authorities. These liabilities are provision for estimated restoration costs, discounted to their present value.

Reconciliation of provisions - Group – 2011

	Opening balance	Remeasure-ment of provision	Transferred to non-current asset held for sale	Unwinding of discount	Total
Environmental rehabilitation	14,833	-	(1,616)	773	13,990

Reconciliation of provisions - Group - 2010

	Opening balance	Remeasure-ment of provision	Transferred to non-current asset held for sale	Unwinding of discount	Total
Environmental rehabilitation	17,898	(4,475)	-	1,410	14,833

19. TRADE AND OTHER PAYABLES

WG Wearne Limited and Wearne Aggregates (Proprietary) Limited have reached a compromise with their trade creditors in respect of the balances owing as at 31 December 2010. These balances will accrue interest at a rate of 3% per annum and are subject to a payment moratorium until August 2011 after which they will be fully repaid in monthly instalments by January 2013.

		Group		Company
	2011	2010	2011	2010
Non-current trade and other payables				
Non-current trade payables	19,620	-	8,029	-
Current trade and other payables				
Trade payables	48,044	65,903	18,029	15,464
Amounts received in advance	115	456	-	-
Value Added Taxation	992	6,112	673	3,744
Trade accruals	4,367	8,791	2,050	-
Payroll accruals	7,688	6,644	1,582	1,953
Provision straight-lining of operating leases	(33)	404	(60)	382
Other payables	3,767	2,607	2,822	489
	64,940	**90,917**	**25,096**	**22,032**
Total trade and other payables	**84,560**	**90,917**	**33,125**	**22,032**
Fair value of trade and other payables				
Non-current trade and other payables	5,318	-	3,133	-
Current trade payables and other payables	64,940	90,917	25,096	22,032
	70,258	**90,917**	**28,229**	**22,032**

The fair value of the non-current trade payables has been determined by discounting the monthly instalments of the Group amounting to R976,948 and company amounting to R575,562, over 20 months at an interest rate of 9% beginning September 2011.

20. CONTINGENCIES

		Group		Company
	2011	2010	2011	2010
Taxation consequences of undistributed reserves				
Secondary taxation on companies on remaining reserves	-	3,113	-	737

WG Wearne Limited and its subsidiaries have a multi-optional facility from Nedbank Limited in the amount of R82,321,364 by way of overdraft, short-term loan or letter of guarantee facility. This facility is repayable on demand and bears interest at the prime overdraft rate. For further details regarding contingencies refer to note 13.

21. FINANCIAL ASSETS BY CATEGORY

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

Group - 2011	Loans and receivables	Available-for-sale	Total
Other financial assets	2,953	3,968	6,921
Trade and other receivables	36,298	-	36,298
Cash and cash equivalents	3,535	-	3,535
	42,786	**3,968**	**46,754**

Group - 2010	Loans and receivables	Available-for-sale	Total
Other financial assets	5,572	3,712	9,284
Trade and other receivables	72,651	-	72,651
Cash and cash equivalents	2,844	-	2,844
Loans to Group companies	385	-	385
	81,452	**3,712**	**85,164**

21. FINANCIAL ASSETS BY CATEGORY (CONTINUED)

Company – 2011	Loans and receivables	Available-for-sale	Total
Other financial assets	-	11	11
Trade and other receivables	9,882	-	9,882
Cash and cash equivalents	109	-	109
Loans to Group companies	22,512	-	22,512
	32,503	**11**	**32,514**

Company – 2010	Loans and receivables	Available-for-sale	Total
Other financial assets	-	10	10
Trade and other receivables	32,169	-	32,169
Cash and cash equivalents	84	-	84
Loans to Group companies	79,895	-	79,895
	112,148	**10**	**112,158**

22. FINANCIAL LIABILITIES BY CATEGORY

		Group		Company
	2011	2010	2011	2010
Financial liabilities held at amortised cost				
Borrowings	223,215	289,902	123,976	143,893
Trade and other payables	83,568	84,805	32,452	18,288
Bank overdraft	75,137	69,767	74,669	63,869
Loans from Group companies	5,678	4,777	11,355	9,555
	387,598	**449,251**	**242,452**	**235,605**

23. RISK MANAGEMENT

Capital risk management

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

The major guidelines of the policy are the following:

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

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

- market risk (which includes interest rate risk, cash flow interest rate risk and price risk),
- credit risk, and
- liquidity risk.

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

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

At year end the Group's share capital consisted solely of ordinary share capital. The Group currently maintains to no target debt-equity ratio.

23. RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying value as the impact of discounting is not significant.

Group - 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	2,838	2,838	217,539
Trade and other payables	63,948	5,886	13,734
Bank overdraft	75,137	-	-
Loans from Group companies	5,678	-	-
	147,601	**8,724**	**231,273**

Group – 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	96,019	59,045	134,838
Trade and other payables	84,805	-	-
Bank overdraft	69,767	-	-
Loans from Group companies	4,777	-	-
	255,368	**59,045**	**134,838**

Company – 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	-	-	123,976
Trade and other payables	24,423	2,409	5,620
Bank overdraft	74,669	-	-
Loans from Group companies	11,355	-	-
	110,447	**2,409**	**129,596**

Company – 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	45,992	31,907	65,994
Trade and other payables	18,288	-	-
Bank overdraft	63,869	-	-
Loans from Group companies	9,555	-	-
	137,704	**31,907**	**65,994**

The carrying amount of the financial liabilities is considered to be in line with the fair value at Statement of Financial Position date.

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

23. RISK MANAGEMENT (CONTINUED)

Interest rate risk

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

- non-interest bearing,
- fixed, and
- floating rate

At present the Group does not hold loans and receivables that are long-term in nature.

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

Group

Assets - 2011	Non-interest bearing	Fixed Rate	Floating Rate
Other financial assets	-	2,953	3,698
Loans to Group companies	-	-	-
Trade and other receivables	36,298	-	-
Cash and cash equivalents	-	-	3,535
	36,298	**2,953**	**7,233**

Assets - 2010	Non-interest bearing	Fixed Rate	Floating Rate
Other financial assets	-	5,572	3,712
Loans to Group companies	385	-	-
Trade and other receivables	72,651	-	-
Cash and cash equivalents	-	-	2,844
	73,036	**5,572**	**6,556**

Liabilities - 2011	Non-interest bearing	Fixed Rate	Floating Rate
Borrowings	-	-	223,215
Loans to Group companies	5,678	-	-
Trade and other payables	63,948	19,620	-
Bank overdraft	-	-	75,137
	69,626	**19,620**	**298,352**

Liabilities - 2010	Non-interest bearing	Fixed Rate	Floating Rate
Borrowings	510	19,136	270,256
Loans to Group companies	4,777	-	-
Trade and other payables	84,805	-	-
Bank overdraft	-	-	69,767
	90,092	**19,136**	**340,023**

23. RISK MANAGEMENT (CONTINUED)

Company

Assets - 2011	Non-interest bearing	Fixed Rate	Floating Rate
Other financial assets	-	-	11
Loans to Group companies	-	4,264	175,386
Trade and other receivables	9,882	-	-
Cash and cash equivalents	-	-	109
	9,882	**4,264**	**175,506**

Assets - 2010	Non-interest bearing	Fixed Rate	Floating Rate
Other financial assets	-	-	10
Loans to Group companies	770	4,628	172,193
Trade and other receivables	32,169	-	-
Cash and cash equivalents	-	-	84
	32,939	**4,628**	**172,287**

Liabilities - 2011	Non-interest bearing	Fixed Rate	Floating Rate
Borrowings	-	-	123,976
Loans to Group companies	11,355	-	-
Trade and other payables	24,423	8,029	-
Bank overdraft	-	-	74,669
	35,778	**8,029**	**198,645**

Liabilities - 2010	Non-interest bearing	Fixed Rate	Floating Rate
Borrowings	-	17,371	126,522
Loans to Group companies	9,555	-	-
Trade and other payables	18,288	-	-
Bank overdraft	-	-	63,869
	27,843	**17,371**	**190,391**

Sensitivity analysis

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

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

Group

A hypothetical increase / decrease in the interest rate by 50 basis points, with all other variables remaining constant, would result in an increase / decrease in profits after tax of R1,048,000 (2010: R1,201,000).

A hypothetical increase / decrease in the interest rate by 100 basis points, with all other variables remaining constant, would result in an increase / decrease in profits after tax of R2,096,000(2010: R2,402,000).

Company

A hypothetical increase / decrease in the interest rate by 50 basis points, with all other variables remaining constant, would result in an increase / decrease in profits after tax of R833,000 (2010: R49,000).

A hypothetical increase / decrease in the interest rate by 100 basis points, with all other variables remaining constant, would result in an increase / decrease in profits after tax of R1,666,000 (2010: R98,000).

23. RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is managed on a Group basis.

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash. Refer to note 12 for details on the quality and provision for impairment of trade receivables.

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

		Group		Company
	2011	2010	2011	2010
Financial instrument				
Other financial assets	6,921	9,284	11	10
Loans to Group companies	-	385	22,512	79,895
Trade and other receivables	36,298	72,651	9,882	32,169
Cash and cash equivalents	3,535	2,844	109	84
	46,754	**85,164**	**32,514**	**112,158**

The Group is exposed to a number of guarantees for its overdraft facilities. Refer to note 20 for additional details.

Foreign exchange risk

The Group's exposure to foreign exchange risk amounted to US$ Nil (2010: US$123,954.56) which relates to purchases from a foreign creditor within one of its subsidiaries.

The Group has no other foreign exchange risk exposure.

		Group		Company
	2011	2010	2011	2010
Foreign currency exposure at end of reporting period				
Trade and other payables	-	965	-	-
Exchange rates used for conversion for foreign items were:				
United States Dollar	-	10.2435	-	-

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated Statement of Financial Position as available-for-sale. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group is not exposed to commodity price risk. The table below summarises the impact of increases / decreases of the indexes on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes have increased / decreased by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index:

		Group		Company
	2011	2010	2011	2010
Financial Instrument				
Unit trusts	**142**	**134**	*	*

* Amounts less than R1,000

24. REVENUE

	Group		Company	
	2011	2010	2011	2010
Sale of goods	375,738	472,787	95,527	123,225
Rental revenue	-	-	19,378	21,734
Other revenue	4,560	5,391	4,560	5,931
Interest on discounting of revenue	4,250	6,484	903	1,332
	384,548	**484,662**	**120,368**	**152,222**

25. COST OF SALES

	Group		Company	
	2011	2010	2011	2010
Sale of goods	(262,628)	(320,526)	(47,511)	(61,151)
Interest on discounting of cost of sales	(2,365)	(4,702)	-	(539)
	(264,993)	**(325,228)**	**(47,511)**	**(61,690)**

26. OPERATING LOSS

Operating loss for the year is stated after accounting for the following:

	Group		Company	
	2011	2010	2011	2010
Operating lease charges				
Premises lease expense	(2,257)	(3,062)	(1,116)	(904)
Motor vehicle and equipment lease expense	(2,534)	(2,101)	(395)	(455)
	(4,791)	**(5,163)**	**(1,511)**	**(1,359)**
Profit (loss) on sale of property, plant and equipment	2,807	(2,755)	2,813	284
Remeasurement of site rehabilitation	-	3,213	-	-
Remeasurement of provisions	-	4,475	-	-
Impairment of tangible assets	(41,760)	(162)	(33,063)	-
Impairment of goodwill	-	(21,840)	-	-
Impairment of intangible assets	-	(3,655)	(3,000)	(410)
Impairment of loans	(201)	-	(58,226)	(97,696)
Impairment of inventories	-	(1,832)	-	(15)
Profit on foreign exchange differences	-	304	-	-
Amortisation of intangible assets	-	(1,011)	-	-
Depreciation on property, plant and equipment	(43,493)	(46,262)	(15,777)	(16,704)
Employee costs	(103,024)	(108,052)	(32,366)	(22,660)
Fuel hedge loss	-	(11,433)	-	(11,433)

27. AUDITORS' REMUNERATION

	Group		Company	
	2011	2010	2011	2010
Current year (actual and provided for)	(1,382)	(1,641)	(1,271)	(274)
Prior year	-	(626)	-	(127)
Other services	(165)	(159)	(165)	(146)
	(1,547)	**(2,426)**	**(1,436)**	**(547)**

28. RETIREMENT BENEFITS

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

		Group		Company
	2011	2010	2011	2010
Total Group contributions to such schemes	(4,613)	(5,572)	(1,806)	(1,740)

29. COMMITMENTS

		Group		Company
	2011	2010	2011	2010
Operating leases as a lessee (expense)				
Minimum lease payment due				
Within one year	(4,935)	(7,227)	(4,536)	(6,665)
In second to fifth year inclusive	(1,593)	(7,349)	(379)	(5,666)
Later than five years	(50)	(51)	-	-
	(6,578)	**(14,627)**	**(4,915)**	**(12,331)**

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

30. INVESTMENT REVENUE

		Group		Company
	2011	2010	2011	2010
Dividend income				
Stanlib Management – Unit trusts	19	64	-	-
Interest income				
WG Wearne Share Incentive Scheme	-	-	240	271
Interest on loans to subsidiaries	-	-	11,517	15,006
Other interest received	-	566	1	26
	-	**566**	**11,758**	**15,303**
	19	**630**	**11,758**	**15,303**

31. FINANCE COSTS

		Group		Company
	2011	2010	2011	2010
Bank overdraft and loans	(13,455)	(16,337)	(12,823)	(15,785)
Instalment sale agreements	(20,266)	(25,288)	(10,671)	(9,777)
Interest paid on loans from Group companies	-	-	(975)	-
Other interest paid	(2,796)	(1,237)	(391)	(222)
	(36,517)	**(42,862)**	**(24,860)**	**(25,784)**

32. TAXATION

	Group		Company	
	2011	2010	2011	2010
Current taxation	(646)	(1,937)	-	-
Deferred taxation				
Originating and reversing temporary difference	2,682	(43,180)	9,542	(3,408)
Assessed losses	(494)	56,235	-	49
	2,188	**13,055**	**9,542**	**(3,359)**
Total taxation	**1,542**	**11,118**	**9,542**	**(3,359)**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate

	Group		Company	
	2011	2010	2011	2010
	%	%	%	%
Applicable tax rate	(28.00)	(28.00)	(28.00)	(28.00)
Exempt income	-	(0.03)	11.73	(0.01)
Disallowable charges	36.98	12.90	-	34.80
Deferred tax not raised on assessed loss	(10.35)	(4.88)	8.65	-
Deferred tax not raised in the prior year	-	2.52	(2.61)	(2.52)
	(1.37)	**(17.49)**	**(10.23)**	**4.27**

33. BASIC AND DILUTED LOSS PER SHARE

	Company	
	2011	2010
Continuing basic and diluted loss per share	(44.87)	(28.41)
Continuing and discontinued basic and diluted loss per share	(60.28)	(26.74)

The calculation of continuing basic and diluted loss per ordinary share is based on losses of R110,608,533 (2010: R52,469,307) and a weighted average number of shares in issue of 246,491,986 (2010: 184,660,576).

The calculation of continuing and discontinuing basic and diluted loss per ordinary shares is based on losses of R148,583,955 (2010: R49,381,851) and a weighted average number of shares in issue of 246,491,986 (2010: 184,660,576).

The weighted average number of shares is calculated after taking into account the effect of setting off treasury shares of 3,479,085 (2010: 3,678,949).

34. HEADLINE AND DILUTED HEADLINE LOSS PER SHARE

	Group	
	2011	2010
Headline and diluted headline loss per share	(21.12)	(15.52)
Reconciliation of the headline loss		
Attributable loss to equity holders of the Group:	(148,583)	(49,382)
Adjusted for:		
Impairments	42,468	25,657
Revaluations	-	(7,688)
(Profit) loss on the sale of property, plant and equipments	(2,804)	2,755
Fair value of non-current assets held for sale	56,859	-
	(52,060)	**(28,658)**

34. HEADLINE AND DILUTED HEADLINE LOSS PER SHARE (CONTINUED)

The calculation of basic and diluted headline loss per ordinary share is based on losses of R52,060,396 (2010: R28,657,526) and a weighted average number of shares in issue of 246,491,986 (2010: 184,660,576).

The weighted average number of shares is calculated after taking into account the effect of setting off treasury shares of 3,479,085 (2010: 3,678,949).

35. ASSET VALUE PER SHARE

	Company	
	2011	2010
Net asset value per share	24.91	85.50
Net tangible asset value per share	24.91	78.10

The calculation of net asset value per ordinary share is based on a net asset value of R61,451,000 (2010: R210,246,000) and an issued number of ordinary shares of 246,715,369 (2010: 245,912,670). The calculation of net tangible per ordinary share is based on net tangible assets of R61,451,000 (2010: R191,939,000) and an issued number of ordinary shares of 246,715,369 (2010: 245,912,670).

The number of shares is calculated after taking into account the effect of setting off treasury shares of 3,367,250 (2010: 3,678,949). The treasury shares are held by the WG Wearne Share Incentive Scheme 3,367,250 (2010: 3,376,250) and Shabaz Investments (Proprietary) Limited of Nil (2010: 302,699).

36. DISCONTINUED OPERATIONS

The discontinued operations presented on the face of the consolidated Statement of Comprehensive Income are presented net of inter-company transactions between the Portland Group and the holding company and its subsidiaries. The eliminations are presented as follows:

Group 2011	Disposal group	Inter- company elimination	Disposal group net of eliminations
Revenue	57,012	-	57,012
Cost of sales	(29,427)	8,648	(20,779)
Gross profit	**27,585**	**8,648**	**36,233**
Other income	3,290	-	3,290
Operating expenses	(23,806)	4,675	(19,131)
Operating profit	**7,069**	**13,323**	**20,392**
Investment revenue	96	-	96
Finance costs	(4,076)	2,500	(1,576)
Profit before taxation	**3,089**	**15,823**	**18,912**
Taxation	(272)	307	35
Profit after taxation	**2,817**	**16,130**	**18,947**
Profit attributable to:			
Owners of the parent	2,736	16,130	18,866
Non-controlling interest	81	-	81
	2,817	**16,130**	**18,947**
Profit attributable to the owners			18,866
Fair value adjustment on land			(10,844)
Fair value adjustment on sale of business			(46,014)
Loss on discontinued operation			**(37,992)**
Cash flow from discontinued operations			
Cash flows from operating activities			406
Cash flows from investing activities			290
Cash flows from financing activities			656
Net cash inflows			**1,352**

36. DISCONTINUED OPERATIONS (CONTINUED)

Group 2010	Disposal group	Inter-company elimination	Disposal group net of eliminations
Revenue	50,270	-	50,270
Cost of sales	(22,841)	5,588	(17,253)
Gross profit	**27,429**	**5,588**	**33,017**
Other income	3,626	-	3,626
Operating expenses	(38,279)	4,301	(33,978)
Operating (loss) profit	**(7,224)**	**9,889**	**2,665**
Investment revenue	216	-	216
Finance costs	(6,758)	3,765	(2,993)
(Loss) profit before taxation	**(13,766)**	**13,654**	**(112)**
Taxation	2,678	300	2,978
(Loss) profit after taxation	**(11,088)**	**13,954**	**2,866**
(Loss) profit attributable to:			
Owners of the parent	(11,046)	13,954	2,908
Non-controlling interest	(42)	-	(42)
	(11,088)	**13,954**	**2,866**

Cash flow from discontinued operations	
Cash flows from operating activities	(1,902)
Cash flows from investing activities	1,503
Cash flows from financing activities	1,756
Net cash inflows	**1,357**

Company	2011	2010
Fair value adjustment on land	(10,844)	-
Fair value adjustment on disposal group	(27,637)	-
Impairment of loan to Portland Holdings (Proprietary) Limited	(45,689)	-
Loss on discontinued operation	**(84,170)**	**-**

37. CASH GENERATED FROM OPERATIONS

		Group		Company	
	Notes	2011	2010	2011	2010
Loss before taxation		**(112,150)**	**(63,587)**	**(93,288)**	**(78,613)**
Add back:					
Interest revenue		-	(566)	(11,758)	(15,303)
Dividends received		(19)	(64)	-	-
Finance costs		36,517	42,862	24,860	25,784
Loss from operations		**(75,652)**	**(21,355)**	**(80,186)**	**(68,132)**
Operating profit from discontinued operations	36	20,392	2,665	-	-
Non-cash flow adjustments:					
Amortisation of intangible assets		1,032	2,238	-	-
Depreciation on property, plant and equipment		48,680	52,324	15,777	16,704
(Profit) loss on sale of property, plant and equipment		(2,807)	2,755	(2,810)	(284)
Write-down of finished goods		-	1,832	-	-
Impairment of intangible assets		-	25,495	3,000	-
Impairment of loans receivable		201	-	58,224	98,121
Impairment of tangible assets		41,761	162	33,064	-
Remeasurement of provisions		-	(7,688)	-	-
Movement on environmental provision		772	1,409	-	-
Other non-cash flow adjustments		(1,743)	597	99	296
Cash generated before working capital		**32,636**	**60,130**	**27,168**	**46,705**

37. CASH GENERATED FROM OPERATIONS (CONTINUED)

	Notes	Group 2011	Group 2010	Company 2011	Company 2010
Cash generated before working capital		32,636	60,130	27,168	46,705
Working capital adjustments:					
Inventories		12,286	5,973	(362)	1,328
Trade and other receivables		29,375	2,950	22,297	(5,998)
Trade and other payables		805	13,916	3,062	2,419
Current portion of borrowings		-	678	-	-
		75,102	**83,647**	**52,165**	**44,454**

38. TAXATION PAID

	Group 2011	Group 2010	Company 2011	Company 2010
Balance at beginning of year	(1,290)	342	1,459	1,459
Charge through the income statement	(1,542)	14,096	-	-
Attributable to the discontinued operation	(2,057)	-	-	-
Adjustment for deferred taxation	2,189	(16,445)	-	-
Balance at end of the year	1,524	1,290	-	(1,459)
	(1,176)	**(717)**	**1,459**	**-**

39. DIVIDENDS PAID

	Group 2011	Group 2010	Company 2011	Company 2010
Balance at beginning of year	-	-	-	-
Dividends paid	-	(1,094)	-	-
Balance at end of the year	-	-	-	-
	-	**(1,094)**	**-**	**-**

Dividends in 2010 were declared in WG Wearne's indirect wholly-owned subsidiary Wearne Contracts (Proprietary) Limited and were paid exclusively to the non-controlling shareholders.

40. SEGMENTAL REPORTING

	2011	2010
Revenue		
Aggregates	188,472	283,562
Ready Mixed concrete	170,984	182,014
Concrete manufactured products	25,092	19,086
	384,548	**484,662**
Cost of sales		
Aggregates	(141,532)	(148,227)
Ready Mixed concrete	(110,967)	(164,842)
Concrete manufactured products	(12,494)	(12,159)
	(264,993)	**(325,228)**
Gross profit		
Aggregates	46,940	135,335
Ready Mixed concrete	60,017	17,172
Concrete manufactured products	12,598	6,927
	119,555	**159,434**

40. SEGMENTAL REPORTING (CONTINUED)

	2011	2010
Operating (loss) profit		
Aggregates	(56,488)	2,783
Ready Mixed concrete	(22,307)	(24,737)
Concrete manufactured products	3,143	599
	(75,652)	**(21,355)**
Property, plant and equipment		
Aggregates	277,692	389,992
Ready Mixed concrete	61,820	105,399
Concrete manufactured products	25,954	50,050
	365,466	**545,441**

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

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

41. DIRECTORS' EMOLUMENTS

Executive directors - 2011	Basic	Insurance	Retirement funding	Medical aid	Total
SJ Wearne	1,313	13	99	6	1,431
AW Bruens	1,370	-	-	-	1,370
N Heyns	1,398	-	18	-	1,416
JC Wearne[1]	923	7	57	6	993
Total	**5,004**	**20**	**174**	**12**	**5,210**
Less: Amounts paid by subsidiaries	(1,398)	-	(18)	-	(1,416)
	3,606	**20**	**156**	**12**	**3,794**

Executive directors - 2010	Basic	Travel	Retirement funding	Medical aid	Total
SJ Wearne	1,095	-	63	63	1,221
AW Bruens	808	-	-	-	808
OJG Harvey	391	-	27	12	430
N Heyns	1,332	-	18	-	1,350
JC Wearne[1]	878	-	63	63	1,004
	4,504	**-**	**171**	**138**	**4,813**
Less: Amounts paid by subsidiaries	(1,332)	-	(18)	-	(1,350)
	3,172	**-**	**153**	**138**	**3,463**

	Total earnings	
Non-executive directors	2011	2010
B Mkhonto	640	33
HWP Scholtz	210	210
MM Patel	127	120
E Moloi [2]	-	-
	977	**363**

Appointments and resignations of directors

[1] JC Wearne resigned as a director on 25 September 2010

[2] E Moloi resigned as a director on 8 December 2010

42. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

All the conditions precedent required for the conclusion of the Portland Group disposal were met by 11 March 2011. The purchase price was settled in accordance with the agreements by the cancellation of 56,616,370 ordinary shares in WG Wearne Limited (the company) on15 April 2011 and the payment of cash of R30 million subsequent to the transfer of the property on 22 June 2011.

Subsequent to the fulfilment of most of the conditions precedent required for the conclusion of the IDC share and loan package, the first instalment of the IDC loan facility of R34 million was received by the company on 12 June 2011. Further to this, on 14 July 2011, the company issued a circular to shareholders regarding the approval of the issue of 82,817,964 ordinary shares in the company, incorporating a notice of a General Meeting to be held on 17 August 2011 in order to obtain shareholder approval therefore. Once the shares have been issued in accordance with the terms of the IDC agreement, the balance of the loan funding will be received.

43. RELATED PARTIES

Relationships	
The company has the following related party relationships:	
Controlling entities	Shareholders
Controlled entities (and related transactions)	Subsidiaries as set out in Annexure A
Executive directors	SJ Wearne, AW Bruens, N Heyns, JC Wearne
Joint ventures	Wearne Bricks (Proprietary) Limited, Wearne Drilling and Blasting (Proprietary) Limited
Associates	Senatla Structures (Proprietary) Limited
Entities controlled by the directors	Makro-Sand (Proprietary) Limited, Zingwazi Contractors CC
Special purpose entities	WG Wearne Rehabilitation Trust, WG Wearne Share Incentive Scheme
Members of key management	SJ Wearne, AW Bruens, N Heyns, JC Wearne

ANNEXURE A

SCHEDULE OF INVESTMENTS IN AND RELATED PARTY TRANSACTIONS WITH SUBSIDIARIES

	Issued capital	Interest		Cost of Shares		Loan amounts owing by / (to) subsidiary		Amounts included in trade receivables		Amounts included in trade payables		Net profit / (loss) after tax attributable to group		Services rendered to subsidiaries		Services rendered by subsidiaries		Interest received from / (paid to) subsidiaries		Sale of assets to subsidiaries	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	R	%	%	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Subsidiaries (Direct)																					
Noordvaal Crushers (Proprietary) Limited	16,000	100	100	1	1	(21,899)	152,619	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wearne Aggregates (Proprietary) Limited *	3	100	100	3,000,000	3,000,000	51,433,726	2,239,065	7,292,962	-	220,487	28,036	(38,157,169)	(2,689,682)	16,657,313	-	-	2,184,291	3,863,156	-	378,241	-
Wearne Platkop Quarry (Proprietary) Limited	100	100	100	100	100	(100)	(100)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wearne Precast (Proprietary) Limited	100	77	77	1,770	1,770	9,415,639	6,786,507	33,428	60,429	-	-	(883,304)	(1,389,668)	120,000	120,000	-	-	-	610,704	-	-
Wearne Quarries Free State (Proprietary) Limited	100	100	100	100	100	-	9,996,277	-	2,973,656	-	-	6,386,025	(4,412,940)	-	2,429,366	-	-	-	791,749	-	1,529,066
Wearne Quarries Gauteng (Proprietary) Limited	100	100	100	100	100	-	36,678,990	-	14,512,739	-	7,789	25,431,785	(18,651,891)	-	7,966,870	-	15,371	-	3,037,574	-	2,116,162
Wearne Quarries Limpopo (Proprietary) Limited	100	100	100	100	100	-	15,873,243	-	6,442,422	-	-	-	(74,889)	-	12,198,749	-	-	-	1,871,864	-	1,152,817
Wearne Quarries Natal (Proprietary) Limited	100	100	100	100	100	1,081,519	6,331,519	-	1,621,195	-	-	4,425,989	(4,677,919)	-	75,000	-	-	-	479,066	-	169,497
Wearne Ready Mixed Concrete (Proprietary) Limited	100	100	100	100	100	67,787,837	48,188,671	476,979	1,433,577	-	-	(28,516,322)	(10,801,627)	10,665,313	10,838,195		-	5,025,362	4,434,312	201,736	5,425,084
Joint Ventures																					
Wearne Bricks (Proprietary) Limited	100	50	50	50	50	-	770,450	-	-	-	-	2,394,146	1,072,848	-	-	-	-	-	-	50,000	-
Wearne Drilling and Blasing (Proprietary) Limited	100	50	50	50	50	(11,355,173)	(9,554,785)	603,411	726,790	409,769	68,400	1,611,133	3,300,917	360,000	1,493,902	-	-	(975,736)	-	-	7,562,157
Special purpose entities																					
WG Wearne Share Incentive Scheme	-	-	-	-	-	4,264,496	4,628,283	-	-	-	-	(31,287)	-	-	-	-	-	-		-	-
WG Wearne Rehabilitation Trust	-	-	-	-	-	-	-	-	-	-	-	156,631	-	-	-	-	-	-	-	-	-
TOTALS				**3,002,471**	**3,002,471**	**122,606,046**	**122,090,739**	**8,406,781**	**27,770,808**	**630,256**	**104,225**	**(27,182,373)**	**(38,324,851)**	**27,802,626**	**35,122,082**	**-**	**2,199,662**	**7,912,782**	**11,225,269**	**629,977**	**17,954,783**
Reclassification of non-current asset held for sale																					
Portland Holdings (Proprietary) Limited	1540,100	100	100	35,562,562	35,562,562	45,689,107	45,728,498	-	-	-	-	99,413,296	(75,607,013)	-	-	-	-	2,500,422	3,765,098	-	-
Portland Aggregate Sales (Proprietary) Limited	200	100	100	-	-	-	-	-	-	-	-	(6,919)	(1,585,226)	-	-	-	-	-	-	-	-
Portland Concrete Pumps (Proprietary) Limited	100	100	100	-	-	-	-	-	-	-	-	(15,065)	(503,897)	-	-	-	-	-	-	-	-
Portland Hollowcore Slabs (Proprietary) Limited	100	100	100	-	-	-	-	-	-	-	-	(1,965,501)	(2,540,116)	480,000	480,000	-	-	-	-	-	-
Wearne Contracts (Proprietary) Limited **	100	85	85	-	-	-	-	-	-	-	-	539,698	(281,420)	4,884,000	4,620,000	-	1,702,733	-	-	-	-
Portland Readymix (Proprietary) Limited	600	100	100	-	-	-	-	-	-	-	-	4,367,232	(31,164,486)	272,769	272,769	-	3,728	-	-	-	-
Cape Town Ostrich Sand Mines (Proprietary) Limited	100	70	70	-	-	-	-	-	-	-	-	127,245	(73,413)		-	-	-	-	-	-	-
				35,562,562	**35,562,562**	**45,689,107**	**45,728,498**	**-**	**-**	**-**	**-**	**102,459,986**	**(111,755,571)**	**5,636,769**	**5,372,769**	**-**	**1,706,461**	**2,500,422**	**3,765,098**	**-**	**-**

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

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

ANNEXURE B

SHAREHOLDER ANALYSIS TABLES

Company: WG Wearne Limited

Register date: 28 February 2011

Issued Share Capital: 250,091,619

SHAREHOLDER SPREAD	No of Shareholdings	%	No of Shares	%
1 - 1,000 shares	238	12.04	152,014	0.06
1,001- 10,000 shares	976	49.36	4,540,417	1.82
10,001- 100,000 shares	629	31.82	21,164,782	8.46
100,001- 1,000,000 shares	108	5.46	28,242,062	11.29
1,000,001 shares and over	26	1.32	195,992,344	78.37
Totals	**1,977**	**100.00**	**250,091,619**	**100.00**

DISTRIBUTION OF SHAREHOLDERS	No of Shareholdings	%	No of Shares	%
Banks	1	0.05	542,340	0.22
Close Corporations	47	2.38	4,065,539	1.63
Empowerment	6	0.30	12,500,000	5.00
Endowment Funds	10	0.51	17,925	0.01
Individuals	1,722	87.10	83,114,413	33.23
Insurance Companies	2	0.10	58,220	0.02
Investment Companies	4	0.20	173,541	0.07
Mutual Funds	1	0.05	509	0.00
Nominees & Trusts	113	5.72	124,110,296	49.62
Other Corporations	11	0.56	306,070	0.12
Private Companies	57	2.88	21,258,716	8.50
Public Companies	1	0.05	500,000	0.20
Retirement Funds	1	0.05	67,800	0.03
Share Trust	1	0.05	3,376,250	1.35
Totals	**1,977**	**100.00**	**250,091,619**	**100.00**

PUBLIC / NON - PUBLIC SHAREHOLDERS	No of Shareholdings	%	No of Shares	%
Directors and Associates of the Company holdings	5	0.26	26,038,867	10.41
Strategic Holdings	3	0.15	102,892,407	41.14
Share Trust	1	0.05	3,376,250	1.35
Non - Public Shareholders	**9**	**0.46**	**132,307,524**	**52.90**
Public Shareholders	**1,968**	**99.54**	**117,784,095**	**47.10**
Totals	**1,977**	**100.00**	**250,091,619**	**100.00**

Beneficial shareholders holding 5% or more	No of Shares	%
Samant Trust	49,588,967	19.83
Willchrest Besigheids Trust	26,651,720	10.66
Anco Besigheids Trust	26,651,720	10.66
SJ Wearne	19,741,867	7.89
Totals	**122,634,274**	**49.04**

BREAKDOWN OF NON-PUBLIC HOLDINGS

Directors	No of Shares	%
SJ Wearne	19,741,867	7.89
BA Mkhonto		
- Oak View Investments 11 (Pty) Ltd	6,250,000	2.50
BJ Du Toit	47,000	0.02
Totals	**26,038,867**	**10.41**

Strategic Holdings	No of Shares	%
Samant Trust	49,588,967	19.82
Anco Besigheids Trust	26,651,720	10.66
Willchrest Besigheids Trust	26,651,720	10.66
Totals	**102,892,407**	**41.14**

WG Wearne Limited (Share Trust)	No of Shares	%
WG Wearne Share Incentive Scheme	3,376,250	1.35
Totals	**3,376,250**	**1.35**

EMPOWERMENT HOLDINGS	No of Shares	%
Oak View Investments 11 (Pty) Ltd	3,125,000	1.26
Oak View Investments 11 (Pty) Ltd	1,562,500	0.62
Oak View Investments 11 (Pty) Ltd	1,562,500	0.62
Westside Trading 520 (Pty) Ltd	1,562,500	0.62
Westside Trading 520 (Pty) Ltd	1,562,500	0.62
Westside Trading 520 (Pty) Ltd	3,125,000	1.26
Totals	**12,500,000**	**5.00**

NOTICE OF ANNUAL GENERAL MEETING

WG WEARNE LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1994/005983/06)
JSE code: WEA
ISIN: ZA000078002
("Wearne" or "the Company")

Notice is hereby given that the annual general meeting of the shareholders WG Wearne Limited ("the company") will be held AT STONEMILL OFFICE PARK, 3 KIEPERSOL HOUSE, 300 ACACIA ROAD, CRESTA, RANDBURG, on THURSDAY, 20 OCTOBER 2011 AT 09H00, to deal with the business as set out below and to consider and, if deemed appropriate, pass the ordinary and special resolutions set out in this notice:

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The consolidated audited annual financial statements of the company and its subsidiaries, incorporating the reports of the auditors, the audit committee and the directors for the year ended 28 February 2011 will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act of 2008.

ORDINARY RESOLUTION 1

RE-ELECTION OF DIRECTORS

To elect by way of separate resolutions, directors in the place of those retiring in accordance with the company's articles of association. The directors retiring are Messrs MM Patel, GM Salanje, SJ Wearne and Ms RC Ramushu and all of whom being eligible offer themselves for re-election.

ORDINARY RESOLUTION 2

APPOINTMENT OF AUDIT COMMITTEE

To confirm, by way of separate resolutions, the appointment of the following independent non-executive directors as members of the Audit Committee:

- Mr MM Patel
- Ms RC Ramushu
- Mr GM Salanje

ORDINARY RESOLUTION 3

APPOINTMENT OF AUDITORS

To re-appoint, on recommendation of the Audit Committee, RSM Betty & Dickson (Johannesburg) as independent auditors of the company, the designated auditor meeting the requirements of s90(2) of the Companies Act 71 of 2008.

ORDINARY RESOLUTION 4

AUTHORITY TO ISSUE SHARES

To authorise the directors to allot and issue at their discretion the unissued but authorised ordinary shares in the share capital of the company and/or grant options to subscribe for the unissued shares, for such purposes and on such terms and conditions as they may determine, provided that such transaction(s) has/have been approved by the JSE Limited and are subject to the JSE Listings Requirements and the Companies Act.

ORDINARY RESOLUTION 5

AUTHORITY TO ISSUE SHARES FOR CASH

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

"RESOLVED that, in terms of the Listings Requirements of the JSE Limited ("JSE"), the mandate given to the directors of the company in terms of a general authority to issue securities for cash, as and when suitable opportunities arise, be renewed subject to the following conditions:

- that this authority shall only be valid until the next annual general meeting of the company but shall not extend beyond 15 months from the date of this meeting;

- the allotment and issue of the shares must be made to persons qualifying as public shareholders as defined in the Listings Requirements of the JSE;

- the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;

- that an announcement giving full details, including the impact of the issue on net asset value, net tangible asset value, earnings and headline earnings per share and if applicable, diluted earnings and diluted headline earnings per share, be published after any issue representing, on a cumulative basis within one financial year, 5% of the number of shares in issue prior to the issue concerned;

- that the issues in aggregate in any one financial year (including the number of any shares that may be issued in future arising out of the issue of options) shall not exceed 30% of the number of shares of the company's issued ordinary share capital; and

- that in determining the price at which an issue of shares for cash will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of the ordinary shares on the JSE, measured over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities."

ORDINARY RESOLUTION 6

REMUNERATION PHILOSOPHY

To approve, by way of a non-binding, advisory vote, the remuneration philosophy of the company as set out on page 14 of the integrated report of which this notice forms part.

ORDINARY RESOLUTION 7

SIGNING AUTHORITY

To authorise any one director or the secretary of the company to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the annual general meeting at which this ordinary resolution will be considered and approved at such meeting.

SPECIAL RESOLUTION 1

GENERAL AUTHORITY TO REPURCHASE SHARES

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED that the mandate given to the company in terms of its Articles of Association (or one of its wholly-owned subsidiaries) providing authorisation, by way of a general approval, to acquire the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, subject to the Listings Requirements of the JSE Limited ("the JSE'), be extended, subject to the following:

- This general authority be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this resolution (whichever period is shorter);

- the repurchase being effected through the order book operated by the JSE trading system, without any prior understanding or arrangement between the company and the counterparty;

- repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;

- an announcement being published as soon as the company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of ordinary shares, and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;

- the number of shares which may be acquired pursuant to this authority in any one financial year may not in the aggregate exceed 5% of the company's issued share capital as at the date of passing of this special resolution or 5% of the company's issued share capital in the case of an acquisition of shares in the company by a subsidiary of the company;

- the company's Designated Advisor confirming the adequacy of the company's working capital for purposes of undertaking the repurchase of ordinary shares in writing to the JSE prior to the company entering the market to proceed with the repurchase;

- the company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in the JSE Listings Requirements, unless it has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement published on SENS prior to the commencement of the prohibited period;

- at any point in time the company only appointing one agent to effect any repurchases on its behalf; and

- the board of directors must pass a resolution that they authorised the repurchase and that the company passed the solvency and liquidity test set out in s4 of the Companies Act of 2008 and that since the test was done there have been no material changes to the financial position of the group.

The directors, having considered the effects of the maximum repurchase permitted, are of the opinion that for a period of 12 (twelve) months after the date of the notice of the annual general meeting and at the actual date of the repurchase:

- the company and the group will be able, in the ordinary course of business, to pay its debts;

- the working capital of the company and the group will be adequate for ordinary business purposes;

- the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards, will exceed the liabilities of the company and the group; and

- the company's and the group's ordinary share capital and reserves will be adequate for ordinary business purposes.

SPECIAL RESOLUTION 2

DIRECTORS' REMUNERATION

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED, as a special resolution:

- that the company be and is hereby authorised to pay remuneration to its directors for their services as directors, as contemplated in s66(8) and 66(9) of the Companies Act of 2008; and

- that the remuneration structure and amounts as set out below, be and are hereby approved until such time as rescinded or amended by shareholders by way of a special resolution:

Fee per month	Proposed fee in R 2011	Existing fee in R 2010
Board		
Chairman	20,000	Nil
Board member	10,000	10,000
Audit Committee		
Chairman	15,000	11,000

A general hourly consultation fee ranging between R700 and R2,000 for any ad-hoc services rendered to the company, which fall outside the abovementioned fees, would be paid to the directors for such services rendered in their capacities as directors or expert consultants."

SPECIAL RESOLUTION 3

FINANCIAL ASSISTANCE TO RELATED AND INTER-RELATED COMPANIES

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED, by way of a special resolution, that the directors of the company be and are hereby authorised to provide financial assistance to all related and inter-related companies within the Wearne Group of companies, at such times and on such terms and conditions as the directors in their sole discretion deem fit and subject to all relevant statutory and regulatory requirements being met, such authority to remain in place until rescinded by way of special resolution passed at a duly constituted annual general meeting of the company."

Additional information

The following additional information, some of which may appear elsewhere in the integrated report, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase the company's shares set out in ordinary resolution number 8 above :

- directors and management – page 10;
- major shareholders – Annexure B;
- directors' interests in ordinary shares – page 24; and
- share capital of the company – note 15.

Litigation statement

The directors in office whose names appear on page 10 of the integrated report, are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have, or have had, in the recent past, being at least the previous 12 (twelve) months from the date of this integrated report, a material effect on the group's financial position.

Directors' responsibility statement

The directors in office, whose names appear on page 10 of the integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolution number 1 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the integrated report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the company's financial year end and the date of signature of the integrated report.

Directors' intention regarding the general authority to repurchase the company's shares.

The directors have no specific intention, at present, for the company to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year which is in the best interests of the company and its shareholders.

PROXIES

Any shareholder holding shares in certificated form or recorded on the company's sub-register in electronic dematerialised form in "own name" and entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and on a poll vote in his stead. A proxy need not be a member of the company.

Proxy forms must be lodged at the offices of the transfer secretaries, Computershare Investor Services (Proprietary) Limited (70 Marshall Street, Corner Sauer Street, Johannesburg; P O Box 61051, Marshalltown, 2107), by no later than TUESDAY, 18 OCTOBER 2011 AT 09H00.

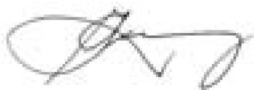
All beneficial owners whose shares have been dematerialised through a Central Securities Depository Participant ("CSDP") or broker other than with "own name" registration, must provide the CSDP or broker with their voting instructions in terms of their custody agreement should they wish to vote at the Annual General Meeting. Alternatively, they may request the CSDP or broker to provide them with a letter of representation, in terms of their custody agreements, should they wish to attend the Annual General Meeting.

Shareholders and proxies of shareholders are advised that they will be required to present reasonably satisfactory identification in order to attend or participate in the Annual General Meeting as required in terms of s63(1) of the Companies Act of 2008.

VOTING

For the purpose of resolutions proposed in terms of the JSE Listings Requirements wherein any votes are to be excluded from that resolution, any proxy given by a holder of securities to the holder of such an excluded vote shall be excluded from voting for the purposes of that resolution.

By order of the Board



ELIZE LENSLEY

iThemba Governance and Statutory Solutions (Pty) Ltd

Company secretary

Johannesburg

17 August 2011

ANNUAL GENERAL MEETING – EXPLANATORY NOTES

Ordinary Resolution 1

Re-election of directors

In accordance with the company's articles of association, one third of the directors are required to retire at each Annual General Meeting and may offer themselves for re-election. In addition, any person appointed to the board of directors following the previous Annual General Meeting is similarly required to retire and is eligible for re-election at the next Annual General Meeting.

The following Directors are eligible for re-election:

- Mr MM Patel
- Ms RC Ramushu
- Mr GM Salanje
- Mr SJ Wearne

Brief biographical details of each of the above directors and the remaining members of the board are contained on page 10 of the integrated report of which this notice forms part.

Ordinary Resolution 2

Appointment of Audit Committee

In terms of s94(2) of the Companies Act 71 of 2008 ("the Act"), a public company must at each annual general meeting elect an audit committee comprising at least three members who are directors and who meet the criteria of s94(4) of the Act. Regulation 42 to the Act specifies that one third of the members of the Audit Committee must have appropriate academic qualifications or experience in the areas as listed in the regulation.

The board of directors of the company is satisfied that the proposed members of the Audit Committee meet all relevant requirements.

Ordinary Resolution 3

Appointment of Auditors

RSM Betty & Dickson (Johannesburg) has indicated its willingness to continue in office and resolution 4 proposes the re-appointment of that firm as the company's auditors with effect from 1 March 2011. S90(3) of the Companies Act 71 of 2008 ("the Act") requires the designated auditor to meet the criteria as set out in s90(2) of the Act.

The board of directors of the company is satisfied that both RSM Betty & Dickson (Johannesburg) and the designated auditor meets are relevant requirements.

Ordinary Resolutions 4 and 5

Placement and issue of shares for cash

In terms of the Companies Act 71 of 2008 ("the Act"), directors are authorised to allot and issue the unissued shares of the company, unless otherwise provided in the company's memorandum of incorporation or in instances as listed in s41 of the Act. The JSE requires that the memorandum of incorporation should provide that shareholders in a general meeting may authorise the directors to issue unissued securities and/or grant options to subscribe for unissued securities as the directors in their discretion think fit, provided that such transaction(s) has/have been approved by the JSE and are subject to the JSE Listings Requirements. In the absence of the memorandum of incorporation as contemplated in the Act, ordinary resolution 4 has been included to confirm directors' authority to issue shares. Directors confirm that there is no specific intention to issue any shares, other than as part of and in terms of the rules of the company's share incentive scheme, as at the date of this notice.

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

Ordinary resolution 6

Remuneration philosophy

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

Ordinary Resolution 7

Signing authority

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

Special resolution 1

General authority to repurchase shares

S48 of the Companies Act 71 of 2008 ("the Act") authorises the board of directors of a company to approve the acquisition of its own shares subject to the provisions of s48 and s46 having been met. The JSE Listings Requirements require the shareholders of the company to approve the authority to repurchase shares and the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the Annual General Meeting for special resolution number 1 to become effective.

Special resolution 2

Directors' remuneration

In terms of s66(8) and s66(9) of the Companies Act 71 of 2008, companies may pay remuneration to directors for their services as directors unless otherwise provided by the memorandum of incorporation and on approval of shareholders by way of a special resolution. Executive directors are not specifically remunerated for their services as directors but as employees of the company and as such, the resolution as included in the notice requests approval of the remuneration paid to non-executive directors for their services as directors of the company.

Special resolution 3

Financial assistance to related and inter-related companies

S45(2) of the Companies Act 71 of 2008 ("the Act") authorises the board to provide direct or indirect financial assistance to a related or inter-related company, subject to subsections (3) and (4) of s45 of the Act and unless otherwise provided in the company's memorandum of incorporation. In terms of s45(3) of the Act, a special resolution of shareholders is required in these instances. The main purpose of the special resolution as set out in the notice of the meeting is to approve the granting of inter-company loans, a recognised and well known practice, details of which are also set out in the notes to the annual financial statements.

General

Shareholders and proxies attending the annual general meeting on behalf of shareholders are reminded that s63(1) of the Companies Act 71 of 2008 requires that reasonably satisfactory identification be presented in order for such shareholder or proxy to be allowed to attend or participate in the meeting.

CORPORATE DETAILS

REGISTERED OFFICE
WG Wearne Limited
(Registration number 1994/005983/06)
Stonemill Office Park
3 Kiepersol House
300 Acacia Road
PO Box 1674
Cresta, 2118
Telephone: (011) 459 4500
Facsimile: (011) 459 5488
email:info@wearne.co.za

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

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

AUDITORS
RSM Betty & Dickson (Johannesburg)
(Practice number 900435)
Executive City
Cross Street & Charmaine Avenue
President Ridge, Randburg
PO Box 1734
Randburg, 2125
Telephone: (011) 329 6000
Facsimile: (011) 880 2261

DESIGNATED ADVISER
Vunani Corporate Finance
Vunani House
Athol Ridge Office Park
151 Katherine Street
Sandown, Sandton
PO Box 652419
Benmore, 2010
Telephone: (011) 263 9500
Facsimile: (011) 784 1989

COMPANY SECRETARY
iThemba Governance and Statutory Solutions (Pty) Ltd
(Registration number 2008/008745/07)
Monument Office Park
Suite 5 - 102
79 Steenbok Avenue
Monument Park
PO Box, 25160
Monument Park, 0105
Telephone: 086 111 10 10
Facsimile: 086 604 13 15

FORM OF PROXY

WG WEARNE LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1994/005983/06)
JSE code: WEA
ISIN: ZA000078002
("Wearne" or "the Company")

TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH "OWN NAME" REGISTRATION ONLY

For completion by registered members of Wearne be unable to attend the annual general meeting of the company to be held on Thursday, 20 October 2011 at 09h00, at Stonemill office park, 3 Kiepersol house, 300 Acacia Road, Cresta, Randburg, or at any adjournment thereof.

I/We ____________________

of (address) ____________________

Telephone (work) ____________ Telephone (home) ____________

being the holder/s of [   ] shares in the company, do hereby appoint:

1 ____________________ or, failing him/her

2 ____________________ or, failing him/her

3. the chairman of the annual general meeting,

as my/our proxy to attend, speak and, on a poll, vote on my/our behalf at the abovementioned annual general meeting of members or at any adjournment thereof, and to vote or abstain from voting as follows on the ordinary and special resolutions to be proposed at such meeting:

	For	Against	Abstain
1. Ordinary Resolution 1:To re-elect the directors required to retire in terms of the articles of association			
1.1 Mr MM Patel			
1.2 Ms RC Ramushu			
1.3 Mr GM Salanje			
1.4 Mr SJ Wearne			
2. Ordinary Resolution 2: To elect the members of the Audit Committee			
2.1 Mr MM Patel			
2.2 Ms RC Ramushu			
2.3 Mr GM Salanje			
3. Ordinary Resolution 3: Appointment of Auditors			
4. Ordinary Resolution 4: To authorise directors to allot and issue unissued ordinary shares			
5. Ordinary Resolution 5: To authorise directors to allot and issue ordinary shares for cash			
6. Ordinary Resolution 6: To approve the remuneration philosophy by way of a non-binding, advisory vote			
7. Ordinary Resolution 7: To provide signing authority			

	For	Against	Abstain
8. Special Resolution 1: To authorise directors to repurchase company shares			
9. Special Resolution 2: To approve directors' remuneration			
10. Special Resolution 3: To approve financial assistance to related and inter-related companies			

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

Signed at ____________________ on this ________ day of ____________________ 2011

Signature ____________________

Assisted by me, where applicable (name and signature) ____________________

NOTES

1. A form of proxy is only to be completed by those ordinary shareholders who are:
   1.1 holding ordinary shares in certificated form; or
   1.2 recorded on sub-register electronic form in "own name".
2. If you have already dematerialised your ordinary shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the annual general meeting, you must request your CSDP or broker to provide you with a Letter of Representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between yourself and your CSDP or broker.
3. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act to the exclusion of those whose names follow.
4. On a show of hands a member of the company present in person or by proxy shall have one (1) vote irrespective of the number of shares he/she holds or represents, provided that a proxy shall, irrespective of the number of members he/she represents, have only one (1) vote. On a poll a member who is present in person or represented by proxy shall be entitled to that proportion of the total votes in the company, which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the company.
5. A member's instructions to the proxy must be indicated by the insertion of the relevant numbers of votes exercisable by the member in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the member's votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.
6. Forms of proxy must be lodged at, or posted to Computershare Investor Services (Pty) Limited, to be received not later than 48 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays).

   For shareholders on the South African register:
   Computershare Investor Services (Pty) Limited
   Ground Floor, 70 Marshall Street
   Johannesburg, 2001
   PO Box 61051
   Marshalltown
   2107
   www.computershare.com
   Tel: +27 11 370 5000

7. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
9. Any alteration or correction made to this form of proxy must be initiated by the signatory/ies.
10. Notwithstanding the afore going, the chairman of the annual general meeting may waive any formalities that would otherwise be a prerequisite for a valid proxy.
11. If any shares are jointly held, all joint members must sign this form of proxy. If more than one of those members is present at the annual general meeting either in person or by proxy, the person whose name appears first in the register shall be entitled to vote.

www.wearne.co.za