

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

Highlights

Revenue increased by 22% to R298.2 million
Gross profit up R7.4 million to R67.5 million
Loss per share decreased by 40% to a loss of 0.30 cents
EBITDA of R29.4 million

Condensed consolidated financial results for the period ended 31 August 2015

Condensed Interim Consolidated Statement of Financial Position

	Unaudited 6 months August 2015 R'000	Unaudited 6 months August 2014 R'000	Audited 12 months February 2015 R'000
ASSETS			
Non-current assets	334,128	335,632	328,504
Property, plant and equipment	322,904	322,789	316,931
Other financial assets	5,864	5,531	5,864
Deferred taxation asset	5,360	7,312	5,709
Current assets	133,905	93,698	101,149
Inventories	37,930	34,024	37,058
Trade and other receivables	94,725	58,489	63,912
Cash and cash equivalents	1,250	1,185	179
Non-current asset held for sale	-	3,685	-
Total assets	468,033	433,015	429,653
EQUITY AND LIABILITIES			
Equity	53,870	47,730	54,701
Issued capital	178,357	178,357	178,357
Reserves	1,353	1,092	1,353
Revaluation reserve	52,380	44,743	52,735
Accumulated losses	(178,220)	(176,462)	(177,744)
Non-current liabilities	189,628	223,960	198,296
Borrowings	169,611	203,895	178,153
Deferred taxation liability	8,758	9,152	8,884
Environmental provision	11,259	10,913	11,259
Current liabilities	224,535	161,325	176,656
Borrowings	51,428	41,729	48,958
Current taxation payable	1,119	899	1,119
Trade and other payables	114,642	87,324	91,157
Bank overdraft	57,346	31,373	35,422
Total liabilities	414,163	385,285	374,952
Total equity and liabilities	468,033	433,015	429,653

Number of shares in issue ('000)	273,038	273,038	273,038
Net asset value per share (cents)	19.73	17.48	20.03
Net tangible asset value per share (cents)	19.73	17.48	20.03

Condensed Interim Consolidated Statement of Comprehensive Income

	Unaudited 6 months August 2015 R'000	Unaudited 6 months August 2014 R'000	Audited 12 months February 2015 R'000
Revenue	298,165	244,705	506,561
Cost of sales	(230,673)	(184,629)	(395,873)
Gross profit	67,492	60,076	110,688
Other income	3,624	6,668	8,270
Operating expenses	(57,676)	(52,256)	(95,957)
Earnings before Interest and taxation ("EBIT")	13,440	14,488	23,001
Investment income	77	342	401
Finance costs	(14,125)	(16,261)	(26,630)
(Loss) before taxation	(608)	(1,431)	(3,228)
Taxation	(223)	53	(3,006)
(Loss) from operations	(831)	(1,378)	(6,234)
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Fair value adjustments: Available- for-sale	-	200	461
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property	-	-	11,564
Total comprehensive profit / (loss) for the year	(831)	(1,178)	5,791
Reconciliation of headline loss:			
Loss for the year	(831)	(1,378)	(6,234)
(Profit) on sale of property, plant and equipment	(609)	(449)	(1,481)
Headline loss attributable to ordinary shareholders	(1,440)	(1,827)	(7,715)

Reconciliation of EBITDA:

Earnings before interest and taxation ("EBIT")	13,440	14,488	23,001
Depreciation	15,940	17,970	28,245
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	29,380	32,458	51,246
Weighted average number of shares in issue ('000)	273,038	273,038	273,038
Fully diluted weighted average number of shares ('000)	273,038	273,038	273,038
Basic and diluted loss per share (cents)	(0.30)	(0.50)	(2.28)
Basic and diluted headline loss per share (cents)	(0.53)	(0.67)	(2.83)

Condensed Interim Consolidated Statement of Changes in Equity

	Unaudited 6 months August 2015 R'000	Unaudited 6 months August 2014 R'000	Audited 12 months February 2015 R'000
Balance at beginning of period	54,701	48,908	48,910
Total comprehensive (loss) for the period	(831)	(1,378)	(6,234)
Other comprehensive income	-	200	12,025
Balance at end of period	53,870	47,730	54,701

Condensed Interim Consolidated Statement of Cash Flows

	Unaudited 6 months August 2015 R'000	Unaudited 6 months August 2014 R'000	Audited 12 months February 2015 R'000
Cash flows from operating activities	4,406	8,232	20,070
Cash flows from investing activities	(19,189)	(3,856)	(329)
Cash flows from financing activities	(6,071)	(18,592)	(39,012)
Net cash flows from operations	(20,854)	(14,216)	(19,271)
Cash and cash equivalents beginning of period	(35,243)	(15,972)	(15,972)
Cash and cash equivalents at end of period	(56,097)	(30,188)	(35,243)

Segmental reporting

	Unaudited 6 months August 2015 R'000	Unaudited 6 months August 2014 R'000	Audited 12 months February 2015 R'000
Revenue: External sales			
Aggregates	110,003	107,254	219,961
Readymix concrete	142,197	124,969	228,323
Concrete manufactured products	11,774	11,114	23,219
Contracting	34,192	1,368	35,058
Total revenue: External sales	298,166	244,705	506,561
Revenue: Inter-segment sales			
Aggregates	48,664	29,724	78,997
Readymix concrete	387	28	33
Concrete manufactured products	-	-	-
Contracting	16,485	15,458	23,654
Total revenue: Inter-segment sales	65,536	45,210	102,684
Revenue: Total sales			
Aggregates	158,667	136,978	298,958
Readymix concrete	142,584	124,997	228,355
Concrete manufactured products	11,774	11,114	23,219
Contracting	50,677	16,826	58,712
Total revenue: Total sales	363,702	289,915	609,244
Property, plant and equipment			
Aggregates	251,072	247,793	248,339
Readymix concrete	30,201	31,304	27,971
Concrete manufactured products	21,595	22,291	22,037
Contracting	20,036	21,402	18,584
Total property, plant and equipment	322,904	322,790	316,931
Total assets			
Aggregates	302,295	305,793	301,409
Readymix concrete	86,898	75,402	64,056
Concrete manufactured products	24,938	25,223	25,997
Contracting	53,903	26,597	38,191
Total assets	468,033	433,015	429,653

*the Contracting division was included in the Aggregates figures in the prior period. Due to the expanding nature of this division it has been disclosed separately in the current financial period.

INTRODUCTION

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

REVIEW OF RESULTS

Group revenue increased by 21.85% (or R53.5 million) to R298.2 million (2014: R244.7 million) for the six months ended 31 August 2015 ("2015 period"). The ready-mixed concrete division sales increased by 13.8% (or R17.2 million) to R142.2 million (2014: R125 million). The Group's aggregates and contracting divisions contributed a 32.7% or R35.6 million increase in revenue period-on-period (excluding inter-company sales) to R144.2 million (2014: R108.6 million). The precast division (concrete manufactured products) performed consistently with a 6% or R0.6 million increase in revenue.

The Group's gross profit margins decreased slightly to 22.3% (2014: 24.6%) due to margins falling in the ready mixed concrete division. This was due to a change in pricing strategy in order to gain market share in a competitive environment. Margins remained fairly consistent in the aggregates, contracting and precast divisions.

The Group's EBITDA decreased by 9.5% or R3.1 million to R29.4 million (2014: R32.5 million).

The current period performance resulted in a headline loss per share of 0.53 cents (2014: loss of 0.67 cents) and a diluted loss per share from continuing operations of 0.30 cents (2014: earnings of 0.50 cents). The net asset value per share increased to 19.73 cents (2014: 17.48 cents).

PROSPECTS

The Group continues to focus on key strategic areas and monitor individual business operating units at an executive level. With relatively low gross margin levels at certain business units constant monitoring and early management intervention mitigates the risk of losses.

An intensive sales drive and pricing strategy implemented to gain market share and increase volumes sold in the ready-mixed concrete division continues to drive improvement. Tough market conditions ensure the environment remains competitive which is compounded by the oversupply in the cement industry. Gross profit margins are expected to remain under pressure but the growth prospects are positive with market conditions showing improvement in key focus areas such as the residential market. Customer service and product quality will continue to remain the priority for the division.

The aggregates division showed lower than expected growth during the six months under review. The expected South African Government's planned infrastructure development has not materialized as budgeted. However, the

division's prospects are positive and the order book is at planned targets for the upcoming months.

The Concrete Manufactured Products division showed consistent growth in revenue period-on-period. Closer management attention, improved product capability, increased product range and less competitive pricing have all contributed to the divisions improved performance.

The contracting division continues to improve and grow from strength to strength. This division continues to remain a strategic growth area and the company is tendering on numerous other contracts in the renewable energy sector and is confident that further contracts will be awarded.

GOING CONCERN

The Group incurred a headline loss for the financial period of R1.4 million. This highlights a material uncertainty regarding the going concern issue which is emphasised further by the Group's negative liquidity position and high gearing.

Solvency and Liquidity

The Group is currently technically solvent with a net asset value of R53.9 million. Current liabilities of R224.5 million exceed current assets of R134 million by R90.5 million. The Group has been working closely in conjunction with its financiers in order to meet all its obligations.

Cash Flow

In line with strict cash flow management policies the Group has managed to meet its working capital obligations although liquidity continues to remain under pressure.

Continued Focus

Management continues to review all aspects of the business in order to ensure that resources are being utilized effectively. This ensures that all cost areas are closely monitored in order to reduce expenditure and release cash reserves for the Group's working capital.

In light of the above, the going concern basis has been adopted in preparing these interim financial statements. The directors have no reason to believe that the Group or any company within the Group will not be a going concern in the foreseeable future.

BASIS OF PREPARATION

These interim results have been prepared in accordance with and contain the information required in terms of International Financial Reporting Standards ("IFRS"), the Companies Act of South Africa (Act 71 of 2008), as amended, and International Accounting Standards (IAS 34 : Interim Financial Reporting), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial

Reporting Standards ,the requirements of the Companies Act of South Africa and in compliance with the Listings Requirements of the JSE Limited.

All accounting policies applied by the Group in the preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 28 February 2015.

These condensed interim consolidated financial statements incorporate the financial information of the company and its subsidiaries that, in substance, are controlled by the Group. Results of subsidiaries are included from the effective date of acquisition or up to the effective date of disposal. All significant transactions and balances between group enterprises are eliminated on consolidation.

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

The interim financial results have been prepared under the supervision of the Group Financial Director, Mr M Ross (CA) SA. These condensed consolidated interim financial results have not been audited or reviewed by the Group's auditors.

DIVIDENDS

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

By order of the board
5 November 2015

S J Wearne
Chief Executive Officer

M J Ross
Chief Financial Officer

CORPORATE INFORMATION

Non-executive directors: M M Patel (Chairman); M C Khwinana; WP van der Merwe
Executive directors: S J Wearne; M J Ross

Registration number: 1994/005983/06

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

Postal address: PO Box 1674, Cresta, 2118

Company secretary: Ithemba Governance and Statutory Solutions (Pty) Ltd

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Transfer secretaries: Computershare Investor Services (Pty) Limited

Designated Adviser: Exchange Sponsors

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