UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

for the six months ended 31 August 2017

Highlights

- Revenue increased by 7.17% to R213,2 million for the period under review
- Operating profit increased by 74.11% to R14,3 million for the period under review
- Basic earnings per share increased by 175.91% to 1.38 cents per share
- HEPS increased by 132.98% to 0.63 cents per share

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"]

www.wearne.co.za

Commentary

Basis of preparation

The unaudited condensed consolidated interim financial results for the six months ended 31 August 2017 ("2017 period") have been prepared in accordance with and contains, as minimum the information required by IAS 34 : Interim Financial Reporting and have been prepared in accordance with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listing Requirements and in the manner required by the South African Companies Act No. 71 of 2008, as amended. The accounting policies and methods of compilation applied in preparation of the consolidated interim financial results are in accordance with the International Financial Reporting Standards("IFRS") and are consistent with those applied in the audited annual financial statements for the year ended 28 February 2017. The above information has not been audited or reported on by WG Wearne's auditors.

The consolidated interim financial results have been prepared under the supervision of the Chief Financial Officer, JJ Bierman CA (SA).

Introduction

WG Wearne Limited and its subsidiaries (“the Group”) provide a comprehensive range of products to the building and construction industry in South Africa. The major operating divisions comprise aggregates and ready mixed concrete products. The group delivered an improved set of results despite very difficult trading conditions in the construction industry.

Financial results

The improved performance during the 2017 interim period resulted in a headline profit per share of 0.63 cents (2016 period: loss of 1.91 cents). The net asset value per share increased to 5.20 cents for the 2017 period compared to 3.68 cents as at 28 February 2017. The improved profitability was mainly due to an increase in turnover of 22 % in the ready mixed concrete division specifically related to the Dankocom concrete supply contract in Upington.

The Group’s revenue from continuing operations, increased by 7% (or R14 million) to R213 million for the six months ended 31 August 2017 compared to the six months ended 31 August 2016. The Group reflects a total comprehensive profit (including discontinued operations) of R4 million (2016 period: R10.4 million loss).

Total liabilities decreased by R42 million to R314 million (2016 period: R356 million). This significant decrease in liabilities was due to most of the instalment sale agreements coming to the end of their contract terms and a bigger portion of the instalments going towards capital reduction.

Operational review

Trading conditions during the six month period remained extremely challenging as demand for building materials remained flat compared to 2016.

The Aggregates division increased its external revenue by R1.1 million to R69.7 million for the 2017 period (2016 period: R68.6 million). This resulted in an operating profit of R1.2 million for the 2017 period (2016 period: R1.05 million).

The Ready Mix concrete division saw an increase in external revenue of 22% to R143.5 million for the 2017 period (2016 period: R117.5 million). As mentioned this was mainly due to high demand for concrete on the Ilanga Solar Plant contract with Dankocom. The balance of the operations was flat compared to the previous financial year with margins still being very competitive. Operating profit improved to R 13.08 million for the 2017 period compared to an operating profit of R 1.5 million for the 2016 period.

Disposals

As disclosed previously in the annual financial statements the board made a decision to dispose of the Brandvlei Quarry as a going concern. This transaction has not been finalised, hence Brandvlei's assets and liabilities were reclassified as a disposal group held for sale in the statement of financial position.

Joint Venture

As previously disclosed in the annual financial statements, the group has entered into a joint venture agreement with Right Gold Machinery (Pty) Ltd in July 2017. Right Gold will be constructing a new crushing plant which will double the current production capacity and allow the operation to take full advantage of the growth in the market in Kwa-Zulu Natal. The transaction still needs to be approved by the shareholders.

B-BBEE

Existing BEE shareholders and the Wearne Workers Trust in aggregate hold 32.59% of Wearne's issued shares (excluding treasury shares and mandated investments).

Prospects

Current economic (GDP) growth rate for 2017 is expected to be 0.7 % and forecast to be 1.1 % in 2018. This low growth forecast will result in a minimal increase in demand for building materials and cement related products. With all current suppliers sitting with excess capacity this will result in margins in this sector still remaining very competitive. There are indications in the market of consolidation in the cement industry and this will hopefully lead to improved pricing in the ready mixed concrete industry. The signing of the 27 renewable energy power purchase agreements by Eskom as announced by Treasury will also lead to significant activity in this sector and hopefully our ready mixed concrete division can secure some of these contracts.

Activity in the aggregates division should also see an uptick in demand as further infrastructure spend is planned by Government. The growth will however be dependent on the availability of funding to local municipalities that are mandated to execute a lot of these contracts.

Further positive prospects for the concrete division are the roll out of the Gauteng Mega City Housing Projects in 2018. The Mega City Projects is an R 100 billion investment that plans to deliver over 800 000 houses in Gauteng over the next 10 years. Our operations are well situated to take advantage of the Western & Southern corridors. The first of these projects has been launched in the Carletonville and Randfontein and more than 4000 housing units are planned for 2018 on these two projects.

Material uncertainty related to going concern

The financial results for the six months ending 31 August 2017 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. The ability of the Group to fund short term operations in the foreseeable future is largely dependent on the continued support of the Group's funders, the return to profitable trading and the ability to generate sufficient cash flows to honour commitments made.

The aim of the process is to reduce the cash flow pressures of the group and improve liquidity and solvency of the individual subsidiaries.
These conditions, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

The Group incurred a profit from continuing operations for the six months of the 2018 period of R3.8 million (2017: R28.8 million loss). At 31 August 2017 the Group's Current liabilities of R272 million (2017: R270 million) exceed current assets of R63 million (2016: R70 million) by R209 million (2017: R200 million). This highlights a material uncertainty casting significant doubt regarding the Group's ability to continue as a going concern.

The Group is currently technically solvent with a net asset value of R14 million (2017: R10 million). As at 31 August 2017 the Group were in breach of the provisions of the following loan arrangement and these long term liabilities were reclassified from Non-Current to Current in compliance with the International Financial Reporting Standards (IAS 1):

- IDC;
- Nedbank; and
- ABSA

Despite these breaches the Group still enjoys the support of all three funders.

As mentioned in the Annual Financial Statements as at 28 February 2017 the board has initiated the following cost cutting processes:

- Reduction in Employment Costs of R500 000 per month, this should be fully implemented by November 2017. The target of R500 000 per month was achieved but the real saving will only come into effect once the severances packages have been paid in full early in the new year.
- Restructuring the sand supply chain for the Ready Mixed Concrete business which will result in a R200 000 a month reduction in Raw Material Cost and a further R100 000 a month saving in Transport Costs. This has been implemented from September 2017.
- The relocation of the Group's Head Office to Randfontein which will result in a R100 000 a month saving. The Head office will be relocated by January 2018.
- Reduction in vehicle rental of R100 000 a month by reducing the LDV fleet from November 2017. This has been achieved.
- With the closure of the Mobile Crushing Division non-core mobile crushing equipment will also be sold. This should result in an inflow of R2 million.

The Group has entered into an Equity Subscription Agreement with Milost Global Inc ("the Investor") on 20 October 2017 and the first draw down notice was signed on 2 November 2017. The first tranche of R5 million should be received shortly and will be utilised to settle current SARS arrears.

The Group has reached a deferment agreement with Liberty Life to settle the arrear Pension Fund contributions over three (3) months. The first payment was done in November 2017.

The directors have considered the operational budget and cash flow forecasts for the ensuing year which are based on the current expected economic and market conditions. The board has adopted the going concern basis in the preparation of the annual financial statements subject to the following material uncertainties casting significant doubt about the Group's ability to continue as a going concern

- The continued support from all of the Group's funders;
- The successful conclusion of final agreements and the timeous drawdowns on the Milost Facility;
- Receiving the contractual retention from Dankocom in February or March 2018; and
- The successful implementation of the overhead reduction measures implemented by the board.

Dividends

No dividend has been declared for the period.

On behalf of the board

WP van der Merwe
Chairman

SJ Wearne
Chief Executive Officer

30 November 2017

Condensed consolidated statement of financial position

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	239,753	240,376	250,524
Trade and other receivables	9,431	-	4,395
Other financial assets	6,702	6,535	6,366
Deferred tax	1,851	4,851	1,851
Total Non-Current Assets	**257,737**	**251,762**	**263,136**
Current Assets			
Inventories	18,811	19,740	17,967
Trade and other receivables	43,674	58,175	51,684
Cash and cash equivalents	492	672	640
Total Current Assets	**62,977**	**78,587**	**70,291**
Non-current assets held for sale and assets of disposal groups	**7,877**	**58,081**	**7,877**
Total Assets	**328,591**	**388,430**	**341,304**
Equity and Liabilities			
Equity			
Share capital	178,357	178,357	178,357
Reserves	1,864	1,758	1,567
Revaluation reserves	52,006	51,522	52,006
Accumulated loss	(218,042)	(199,819)	(221,881)
Total Equity	**14,185**	**31,818**	**10,049**
LIABILITIES			
Non-Current Liabilities			
Other financial liabilities	24,603	107,091	43,741
Deferred tax	9,497	7,040	9,497
Provisions	7,885	7,360	7,885
Total Non-Current Liabilities	**41,985**	**121,491**	**61,123**
CURRENT LIABILITIES			
Trade and other payables	135,295	124,530	138,178
Other financial liabilities	114,410	63,394	108,971
Current tax payable	-	55	55
Bank overdraft	22,132	27,626	22,344
Total Current Liabilities	271,837	**215,605**	**269,548**
Liabilities of disposal groups	**584**	19,516	584
Total Liabilities	**314,406**	**356,612**	**331,255**
Total Equity and Liabilities	**328,591**	**388,430**	**341,304**

Condensed consolidated statement of profit or loss and other comprehensive income

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
Revenue	213,226	198,963	389,429
Cost of sales	(158,999)	(148,690)	(347,633)
Gross profit	**54,227**	**50,273**	**41,796**
Other operating income	4,917	1,542	23,026
Other operating expenses	(44,825)	(43,591)	(62,964)
Operating profit	**14,319**	**8,224**	**1,858**
Investment income	88	(29)	182
Finance costs	(10,629)	(12,434)	(25,585)
Profit / (loss) before taxation	**3,778**	**(4,239)**	**(23,545)**
Taxation	-	-	(5,268)
Profit / (loss) from continuing operations	**3,778**	**(4,239)**	**(28,813)**
Profit / (loss) from discontinued operations	-	(738)	909
Profit / (loss) for the year	**3,778**	**(4,977)**	**(27,904)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Fair value adjustments: Revaluation of Property, plant and equipment	-	(5,804)	(4,252)
Deferred tax on fair value adjustments	-	-	(204)
Total items that will not be reclassified to profit or loss	**-**	**(5,804)**	**(4,456)**
Items that may be reclassified to profit or loss:			
Fair value adjustments: Available-for-sale	297	367	175
Deferred tax on fair value adjustment	-	-	-
Total items that may be reclassified to profit or loss	**297**	**367**	**175**
Other comprehensive income / (loss) for the year net of taxation	**297**	**(5,437)**	**(4,281)**
Total comprehensive (loss) income for the year	**4,075**	**(10,414)**	**(32,185)**
Earnings per share:			
From continuing and discontinued operations			
Basic earnings / (loss) per share (c)	**1.38**	**(1.82)**	**(10.22)**
From continuing operations			
Basic earnings / (loss) per share (c)	1.38	(1.55)	(10.55)
From discontinued operations			
Basic earnings / (loss) per share (c)	-	(0.27)	0.33
Headline earnings per share:			
From continuing and discontinued operations			
Headline earnings / (loss) per share (c)	**0.63**	**(1.91)**	**(16.88)**
From continuing operations			
Headline earnings / (loss) per share (c)	0.63	(1.64)	(17.25)
From discontinued operations			
Headline earnings / (loss) per share (c)	-	(0.27)	0.36
Reconciliation of headline profit / (loss):			
Profit / (loss) for the period	3,778	(4,977)	(27,904)
Profit on the sale of PPE	(2,056)	(242)	(19,640)
Impairment of PPE	-	-	1,421
	1,722	**(5,219)**	**(46,123)**
Weighted average number of shares	**273,038**	**273,038**	**273,038**

Condensed consolidated statement of cash flows

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
Cash flows from operating activities	20,753	23,470	27,949
Interest income	-	29	64
Dividend income	-	19	-
Finance costs	(9,609)	(13,360)	(9,740)
Cash flows of held for sale / discontinued operations			5,573
Net cash from operating activities	**11,145**	**10,158**	**23,846**
Cash flows from investing activities			
Purchase of property, plant and equipment	(1,625)	(1,017)	(12,230)
Proceeds on sale of property, plant and equipment	5,270	2,281	30,887
Loans repaid by subsidiaries	-	-	-
Increase in other financial assets	-	-	-
Net cash flows of discontinued operations	-	-	-
Net cash from investing activities	**3,645**	**1,264**	**18,657**
Cash flows from financing activities			
Repayment of other financial liabilities	(14,725)	(14,965)	(41,348)
Net cash flows of discontinued operations	-	-	-
Net cash from financing activities	**(14,725)**	**(14,965)**	**(41,348)**
Total cash movement for the year	**64**	**(3,543)**	**1,155**
Cash at the beginning of the year	(21,704)	(23,229)	(22,859)
Total cash at end of the year	**(21,640)**	**(26,772)**	**(21,704)**

Condensed consolidated statement of changes in equity

	Share Capital	Share Premium	Total Share Capital	Revaluation Reserve	Available-for-sale Reserve	Total Reserves	Accumulated Loss	Total Equity
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 01 March 2016	**273**	**178,084**	**178,357**	**57,326**	**1,392**	**58,718**	**(194,842)**	**42,233**
Profit /(Loss) for the year	-	-	-	-	-	-	(27,904)	(27,904)
Other comprehensive income	-	-	-	(4,455)	175	(4,280)	-	(4,280)
Total comprehensive Profit / (Loss) for the year	**-**	**-**	**-**	**(4,455)**	**175**	**(4,280)**	**(27,904)**	**(32,184)**
Transfer between reserves	-	-	-	(865)	-	(865)	865	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(865)**	**-**	**(865)**	**865**	**-**
Balance at 28 February 2017	**273**	**178,084**	**178,357**	**52,006**	**1,567**	**53,573**	**(221,881)**	**10,049**
Profit /(Loss) for the year	-	-	-	-	-	-	3,778	3,778
Other comprehensive income	-	-	-	-	297	297	-	297
Total comprehensive Profit / (Loss) for the year	**-**	**-**	**-**	**-**	**297**	**297**	**3,778**	**4,075**
Transfer between reserves	-	-	-	-	-	(61)	61	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**		**-**	**-**	**61**	**61**
Balance at 31 August 2017	**273**	**178,084**	**178,357**	**52,006**	**1,864**	**53,870**	**(218,042)**	**14,185**

Notes

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
1 Segment information			
Revenue : External sales			
Aggregates	69,661	68,561	142,396
Readymix concrete	143,565	117,539	212,646
Contracting	-	12,864	34,387
Total revenue : External Sales	**213,226**	**198,964**	**389,429**
Revenue : Inter-segment sales			
Aggregates	25,534	51,501	69,529
Readymix concrete	53,279	308	34,883
Contracting	184	8,485	44,081
Total revenue : Inter-segment sales	**78,997**	**60,294**	**148,493**
Revenue : Total sales			
Aggregates	95,195	120,062	232,325
Readymix concrete	196,844	117,847	255,529
Contracting	184	21,348	78,469
Total revenue : Inter-segment sales	**292,223**	**259,257**	**566,323**
Operating Profit/(Loss)			
Aggregates	1,236	1,050	3,319
Readymix concrete	13,083	1,521	7,725
Contracting	-	5,653	(9,186)
Total Operating Profit/(Loss)	**14,319**	**8,224**	**1,858**
Total Assets			
Aggregates	256,036	244,301	229,518
Readymix concrete	41,470	53,052	57,475
Contracting	31,085	32,996	54,311
Total Assets	**328,591**	**330,349**	**341,304**

The movement in Contracting sales decreasing to R0 when compared to previous reporting periods. This was due to the closure of the mobile contract crushing operations.

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
2 Property, plant and equipment			
Opening Balance	250,524	308,311	294,426
Additions	1,625	1,017	12,230
Disposals	(3,213)	(2,281)	(13,840)
Classified as held for sale	-	(53,613)	(7,817)
Revaluations	-		(4,252)
Depreciation	(9,182)	(13,058)	(28,802)
Impairment loss	-		(1,421)
Total	**239,754**	**240,376**	**250,524**

Notes

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
3 Trade and other receivables			
Trade receivables - Current	37,839	49,253	42,189
Trade receivables - Non-current	9,431	-	4,395
Prepayments	2,726	1,825	1,579
Deposits	2,189	1,251	1,871
Other Receivables	920	5,846	6,045
	53,105	**58,175**	**56,079**

Non-current receivables relates to the Dancokom retention, all indications show that this amount will become due in March 2018.

4 Other financial assets			
Available for sale			
Held by the Wearne Rehabilitation Trust: Stanlib Wealth Management Limited	**6,702**	**6,535**	**6,366**

The investments are not available for use by the Group other than for the intended use of site rehabilitation in accordance with the directives of the Department of Minerals and Energy.

5 Cash and cash equivalents			
Current assets	492	672	640
Current liabilities	(22,132)	(27,626)	(22,344)
	(21,640)	**(26,954)**	**(21,704)**

The Group has a loan covenant on its facilities with Nedbank which measure the debt service cover. The Group was in breach of these loan covenants during the year. Although Nedbank has not waived the breach they were made aware of it and the situation is monitored on a monthly basis.

6 Non-current assets held for sale			
Assets			
Property, plant and equipment	**7,817**	**53,613**	**7,817**
Trade and other receivables	**-**	**(285)**	**-**
Inventories	**60**	**4,569**	**60**
Cash and cash equivalents	**-**	**185**	**-**
	7,877	**58,081**	**7,877**
Liabilities			
Provisions	**584**	**3,702**	**584**
Other financial liabilities	**-**	**14,073**	**-**
Trade and other payables	**-**	**1,737**	**-**
Bank overdraft	**-**	**3**	**-**
	584	**19,516**	**584**

Notes

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
7 Reserves			
Non-distributable reserves			
Fair value adjustment to available-for-sale investments	**1,864**	**1,758**	**1,567**
8 Provisions			
Environmental rehabilitation	**7,885**	**7,360**	**7,885**

Group companies are required to restore quarry and processing sites at the end of their useful lives to a condition acceptable to relevant authorities. A rehabilitation trust fund has been established at 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 site.

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
9 Other financial liabilities			
Opening Balance	152,712	183,331	170,485
New borrowings	1,026	2,119	23,575
Repayments	(14,725)	(14,965)	(41,348)
Closing Balance	**139,013**	**170,485**	**152,712**
Non-current borrowings	24,603	107,091	43,741
Current borrowings	114,410	63,394	108,971
	139,013	**170,485**	**152,712**

As at 31 August 2017 the following Non-Current Liabilities were reclassified as Current:

- IDC loans in the amount of R68.75 million;
- Nedbank Installment Sale loans of R9.2 million; and
- ABSA Term loan of R30 million.

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

Notes

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000

10 Cash generated from operations

No material events occurred between the reporting date and the date of this announcement.

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
Profit / (Loss) before taxation	3,778	(4,239)	(23,545)
Adjustments for:			
Depreciation and amortisation	9,182	13,058	28,802
Gains on disposals, scrappings and settlements of assets and liabilities	(2,056)	(90)	(19,640)
Dividend income	(35)	(19)	(53)
Interest income	(53)	(29)	(129)
Finance costs	10,635	12,434	25,586
Impairment losses and reversals	-	-	1,421
Other non-cash items	49	-	95
Changes in working capital:		-	-
Inventories	2,974	5,887	9,614
Trade and other receivables	(838)	(9,980)	(7,884)
Trade and other payables	(2,883)	6,449	13,682
	20,753	23,470	27,949

11 Events after the reporting date

No material events occurred between the reporting date and the date of this announcement.

Corporate details

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(Registration Number 1994/005983/06)

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