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

Abridged results for the years ended 28 February 2017 and 28 February 2016

The 2017 and 2016 financial years have been restated due to the following prior period errors:

- Incorrect reporting for financing of property, plant and equipment. These were incorrectly accounted for as operating leases under IAS 17 and should have been accounted for as other financial liabilities and property, plant and equipment. None of these financing arrangements were determined to be a finance lease under IAS 17.
- Property, plant and equipment was found to have been over-depreciated.
- Intangible assets were incorrectly classified as property, plant and equipment.
- A property owned by a subsidiary was incorrectly reported as revalued in the company instead of only in the group.
- Revaluation reserves were not transferred to retained earnings on disposal of the related property, plant and equipment item.

The above errors were identified during the performance of the audit for the year ended 28 February 2018 performed during 2022.

The correction of the errors resulted in the following line-item adjustments:

Group						
Statement of financial position	**2017 Restated**	**2017 Previously reported**	**2017 Adjustments**	**2016 Restated**	**2016 Previously reported**	**2016 Adjustments**
Assets						
Property, plant and equipment	259 146	250 524	8 622	325 247	294 426	30 821
Intangible assets	4 125	-	4 125	4 969	-	4 969
Equity						
Reserves	41 664	53 573	(11 909)	52 703	58 717	(6 014)
Accumulated loss	(184 305)	(221 881)	37 576	(194 612)	(194 842)	230
Non-current liabilities						
Other financial liabilities	59 229	43 741	15 488	128 576	129 950	(1 374)
Deferred tax	18 881	9 497	7 616	16 423	7 039	9 384 .
Current liabilities						
Trade and other payables	100 386	138 178	(37 792)	149 631	116 067	33 564

Statement of profit or loss and other comprehensive income	**2017 Restated**	**2017 Previously reported**	**2017 Adjustment**	**2016 Corrected**
Revenue	**389 440**	**389 429**	**11**	**511,859**
Cost of sales	(343 838)	(347 633)	3 795	(403,763)
Other operating income and gains	23 658	23 026	632	4,292
Other operating expenses	(63 869)	(62 964)	(905)	(107,315)
Finance costs	(25 867)	(25 585)	(282)	(26,670)
Taxation	(6 099)	(5 268)	(831)	2,950
(Loss) profit for the year	**(25 484)**	**(27 904)**	**2 420**	**(18,451)**
Other comprehensive income (loss) for the year	**24 752**	**(4 281)**	**29 033**	**(12,468)**
Effect of changes on headline earnings per share				
Weighted average shares in issue	273 037 963	273 037 963	-	273 037 963
Treasury shares	(3 355 250)	(3 355 000)	250	(3,355,250)
	269 682 713	**269 682 713**	**269 682 713**	**269,682 713**
Basic and diluted loss per share (cents)				
Continuing operations	(9.79)	(10.55)	(1.10)	(6.84)
Headline earnings/ (loss) per share (cents)				
Continuing operations	(14.48)	(17.25)	(3.11)	(7.90)

Statement of cash flows	2017 Restated	2017 Previously reported	2017 Adjustment
Cash generated from (used in) operations	26 180	27,949	(1 769)
Interest income	129	64	65
Cash flows of held for sale/ discontinued operations	-	5 573	(5 573)
Net cash from operating activities	**26,309**	**33 586**	**(7 277)**
Cash flows from investing activities			
Purchase of property, plant and equipment	(23,507)	(12,230)	(11,277)
Proceeds on sale of property, plant and equipment	66,849	30,887	35,962
Dividends received	53	**-**	**53**
Net cash from investing activities	**43,395**	**18,657**	**24,738**
Cash flows from financing activities			
Proceeds from other financial liabilities	24,625	**-**	24,625
Repayments of other financial liabilities	(66,231)	(41,348)	(24,883)
Finance costs	(26,943)	(9,740)	(17,203)
Net cash from financing activities	**(68,549)**	**(51,088)**	**(17,461)**
Total cash movement for the year	1,155	1,155	-
Cash at the beginning of the year	(22,859)	(22,859)	-
Total cash at the end of the year	(21,704)	(21,704)	-

Statement of changes in equity	**Share capital R'000**	**Share premium R'000**	**Total Share capital R'000**	**Revaluation reserves R'000**	**Accumulated Loss R'000**	**Total equity R'000**
Balance on 28 February 2016 (previously stated)	273	178,084	178,357	58,718	(194,842)	42,233
Restatement	-	-	-	(6,015)	230	5,785
Balance on 28 February 2016 (restated)	273	178,084	178,357	52,703	(194,612)	36,448
Loss for the year - restated					(25,484)	(25,484)
Other comprehensive income for the year – restated	-	-	-	24,752	-	24,752
Transfers between reserves	-	-	-	(35,791)	35,791	-
Balance on 28 February 2017	273	178,084	178,357	41,664	(184,305)	35,716

SEGMENTAL REPORTING

The group's business segments and segmental information presented represent the primary basis of segment reporting. The segment reporting reflects the operating model of the group based on product lines and is consistent with the manner in which the business is managed and reported internally to the chief operating decision maker for the respective financial years. The segment reports exclude results from discontinued operations and non-current assets held for sale.
The basis on which the reporting segments have been separated is consistent with the prior year.

One customer represented 11% of the group's revenues. There are no non-current assets belonging to the group that are domiciled outside of South Africa. There is no revenue from foreign countries.

Segmental reporting **2017**	**Aggregates**	**Ready mixed**	**Shares services and contracting**	**Total continuing operations**
Total revenue	232,325	255,529	78,469	566,323
Internal revenue	(89,929)	(42,883)	(44,071)	(176,883)
External revenue	142,396	212,646	34,398	389,440
Operating profit (loss) before tax	7,706	7,995	(10,310)	5,391
Property, plant and equipment and intangible assets	225,988	21,683	15,600	263,271

NOTES TO THE FINANCIAL INFORMATION

OVERVIEW

The directors of WG Wearne present the Group's annual financial results for the year ended 28 February 2017 ("the 2017 year" or "2017").

WG Wearne Limited is incorporated in South Africa and the principal activities of the company and its subsidiaries are the mining, manufacturing, marketing and transport of crushed stone, sand and ready-mixed concrete in the Gauteng, North-West, Limpopo and KwaZulu-Natal Provinces, all of which are in the Republic of South Africa. Contracting services are also offered throughout the country. There have been no material changes to the nature of the group's business from the prior year.

Wearne has been suspended since July 2018 as a result of not releasing its financial statements for the years ended 28 February 2018, 2019, 2020 and 2021.

As part of the re-structuring plan developed in the 2016 financial year, the Precast Division (concrete manufactured products segment) was identified as non-core to the operations of the group and the transaction was the group's first step to divest of its non-core assets. Consideration of R20 million for Plant and Equipment was received from the sale in 2017. In addition, raw materials and finished goods were disposed of at the lower of cost or net realisable value on 60-day terms after the deduction of advanced payments were received up to the effective date. All other assets and all the liabilities were excluded from the transaction.

The remeasurement of the disposal group to fair value up to the date of disposal was not considered material to the Group.

BASIS OF PREPARATION

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for audit reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require audit reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

The audited condensed consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets where required or permitted by IFRS.

These audited condensed consolidated financial statements incorporate the financial results of the Company and its subsidiaries.

The preparation of the audited condensed consolidated financial statements for the year ended 28 February 2017 was supervised by WG Wearne's Chief Executive Officer, John Wearne. The directors take full responsibility for the preparation of these audited condensed consolidated financial statements for the year ended 28 February 2017.

These audited condensed consolidated financial statements for the year ended 28 February 2017 have been audited by HLB CMA (South Africa) Inc.

AUDITOR'S OPINION

The auditors issued a modified audit opinion for the year ended 28 February 2017. A copy of the auditor's audit report is available for inspection at the Company's registered office. The modification was due to the change in the audit opinion from an unqualified opinion to a qualified opinion.

NEW STANDARDS AND INTERPRETATIONS

Standards and interpretations effective and adopted in the current year

The Group did not adopt any new standards and interpretations in the current year.

Standards and Interpretations early adopted

The group has chosen not to early adopt the following standards and interpretations. Details of the adoption of these standards has been outlined in detailed annual financial statements.

Standard/ Interpretation:	Effective date: Years beginning on or after
• IFRS 16 Leases	01 January 2019
• IFRS 9 Financial Instruments	01 January 2018
• IFRS 15 Revenue from Contracts with Customers	01 January 2018
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	01 January 2018

- Amendments to IFRS 7: Disclosure initiative 01 January 2017

The group expects to adopt the amendment for the first time in the 2018 separate and consolidated annual financial statements.

The adoption of this amendment may result in more disclosure than is currently provided in the separate and consolidated financial statements.

FINANCIAL RESULTS OF DISCONTINUED OPERATIONS

As noted in the overview above the Precast division was sold during the financial year ended 28 February 2017 and a decision was taken to sell the Brandvlei Quarry and accordingly was reclassified as a non-current asset held for sale in the annual financial statements for the year ended 28 February 2018.

Carrying value of assets and liabilities at date of disposal

	Audited and restated 28 February 2017 R'000
Assets of disposal groups	
Property, plant and equipment	`14,459
Inventories	60
	14,519
Liabilities of disposal groups	
Provisions	584
Bank overdraft	

Profit and loss	**Audited and restated 28 February 2017 R'000**
Revenue	14,553
Cost of sales	(10,071)
Gross profit	4,482
Other income	557
Operating expenses	(2,791)
Finance costs	(1,339)
Profit before taxation	909
Finance costs	
Net profit after taxation	909

STATEMENT OF GOING CONCERN

The group incurred a loss from continuing operations for the 2017 financial period of R26.4million (2016: R18.5 million). At year end the Group's Current liabilities of R231million (2016: R229 million) exceed current assets of R70 million (2016: R76 million) by R161 million (2016: R153 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 R36 million (2016: R36 million). At year end the IDC loans in the amount of R68.75 million as well as Nedbank loans of R9.2 million were reclassified as Current. These long term liabilities were reclassified from Non-Current to Current in compliance with the International Financial Reporting Standards (IAS 1) which requires an entity to classify a liability as current when the entity is in breach of a provision of a loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand even if the lender agreed, after the reporting period and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach.

Despite these breaches the group still enjoys the support of both the IDC and Nedbank. Neither has condoned the breaches and have reserved their rights. Also included in Current Liabilities is an amount of R40 million due to SARS. The group has entered into a repayment agreement with SARS but the agreement was only finalized and signed after year end. This resulted in the majority portion (R36.4 million) only becoming long term after the financial year end, subject to current and deferred payments remaining up to date.

The group still generated cash flows from operating activities of R26 million (2016: R62 million) and R5,6 million (2016: R6.5 million) from discontinued operations. The group continued to maintain its strict cash flow management policy, however due to cash flow pressures delays were encountered in meeting working capital obligations. Cash flow management remains key in this challenging period.

Although the group experienced a positive first quarter of the new financial year the slowdown in the economy in the second quarter resulted in a significant decrease in revenue compared to the first quarter. This had a negative impact on the group's cash flow resulting in the Group not being able to meet some of its obligations as it became due. Repayments on the ABSA term loan were 3 months in arrears and ABSA issued a letter instructing the group to rectify the situation within 10 working days failing which ABSA will end the agreement rendering all amounts payable. The last of these arrear payments were made in September 2017, but the group remains in arrears with the September payment ABSA have therefor not condoned the breach. The decrease in cash flow from operations also resulted in the group currently being in arrears with its VAT and PAVE obligations as well as the Pension/Provident Fund contributions.

The IDC loan repayment arrears are more than R30 million at the end of September 2017. The IDC's Workout & Restructuring Team is currently considering recommending further restructuring of the existing facilities on condition that we commit to a payment arrangement still to be agreed upon. The IDC has not taken a decision to terminate the facilities but in the absence of a formal (revised) restructuring agreement between the IDC and WG Wearne, the IDC's rights in terms of the loan agreements are reserved. Forecasted repayments to the IDC for the period March 2018 to Aug 2018 are expected to be R3 million instead of the current contractual R12 million. Management meets with all its funders on a quarterly basis and all funders are aware of the group's current position.

The Dankocom Solar Project in Upington contributed significantly to the group's revenue for the year but unfortunately it ties up a significant amount in retentions being R10 million at the end of September 2017 and R12.6 million by the end of February 2018. We are forecasting that the project will finish by February 2018 at which point the R12.6 million will become due.

The group has also 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.

While management are aware of the cash-flow pressures and significant liquidity uncertainty at year-end, they continue to assess the situation as one whereby the group can service its debts that will become due in the next 12 months and fund operational losses that may arise. Management has developed and implemented a re-structuring plan in 2016 and will continue rolling out the plan. The first phase of the re- structuring process was implemented with the sale of the Bethlehem operations and the Precast Division during this financial year. After year end the sale of the Brandvlei sand quarry was also concluded. This sale will result in a reduction in the ABSA Term Loan instalments of R200 000 per month.

In addition to the re-structuring plan, management continues to review all aspects of the business to ensure that resources are being utilised effectively. This ensures that all cost areas are closely monitored to reduce expenditure and relieve cash reserves for the Group's working capital.

The board has initiated the following cost cutting processes:

a) Reduction in Employment Costs of R500 000 per month, this should be fully implemented by November 2017.

b) 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.

c) 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 December 2017.

d) Reduction in vehicle rental of R100 000 a month by reducing the LDV fleet from November 2017.

e) 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 signed a funding commitment letter with Milost Global Inc (Milost) on 21 September 2017 for equity and debt funding of up to R300,000 000, in terms of which Milost will, subject to certain terms and conditions:

- invest R50 million in Wearne for the subscription of ordinary shares in Wearne; and

- lend and advance R250 million in convertible notes.

Up until the 27th of September 2017 Milost has acquired 3,428,130 shares on the open market to indicate their support and commitment. Final agreements still need to be concluded before funds will flow. Management expects that the agreements will be concluded by the middle of October 2017. Funds are expected to flow within 14 days after the agreements have been concluded. The group may at any stage issue a draw down notice, but the equity tranches may not exceed R5 million. There are no set limits between drawdowns. The equity drawdown is priced at the 5-day VWAP of the group's shares as traded on the JSE on the business day preceding the drawdown notice plus a 275% premium on each equity draw down.

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:

1. The continued support from all the group's funders;

2. The successful conclusion of final agreements and the timeous drawdowns on the Milost facility;

3. Receiving the contractual retention from Dankocom in February or March 2018; and

4. The successful implementation of the overhead reduction measures implemented by the board.

In the event of the Milost projected drawdowns not materialising the board has resolved to consider business rescue proceedings in the best interest of all stakeholders.

SHARE CAPITAL

There has been no change in the share capital during 2017.

DIVIDEND POLICY

The Group will not pay a dividend for the 2017 year.

COMMITMENTS

There were no contingencies or commitments for capital expenditure at 28 February 2017.

CONTINGENCIES

Disputes regarding the repayment of a previously claimed diesel rebate from SARS including penalties and interest to the value of R3,511,330 are pending. A request for suspension of payment was submitted to SARS during the year, but SARS have informed the group to re-apply for suspension for the matter to be reconsidered.

The group currently has a define benefit plan which has been in the process of deregistration since 2010. Estimated deregistration costs amount to R300,000.

FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial statements for the year ended 28 February 2017.

RELATED PARTY BALANCES AND TRANSACTIONS

Subsidiaries

a) Wearne Aggregates (Pty) Ltd
b) Wearne Ready Mixed Concrete (Pty) Ltd
c) Wearne Precast (Pty) Ltd
d) Wearne Platkop Quarry (Pty) Ltd
e) Wearne Quarries Freestate (Pty) Ltd
f) Wearne Quarries Gauteng (Pty) Ltd
g) Wearne Quarries Natal (Pty) Ltd
h) Wearne Quarries Limpopo (Pty) Ltd
i) Noordvaal Crushers (Pty) Ltd
j) Wearne Share Incentive Trust

COMPANY		Audited 28 February 2017

		R'000
RELATED PARTY BALANCES		
Loan accounts owing by related parties		
Noordvaal Crushers (Pty) Ltd		1,856
Amounts included in Trade receivables regarding related parties:		
Wearne Aggregates (Pty) Ltd		4,247
Wearne Ready Mixed Concrete (Pty) Ltd		1,207
Wearne Precast (Pty) Ltd		8
RELATED PARTY TRANSACTIONS		
Revenue received from SUBSIDIARIES		
Wearne Aggregates (Pty) Ltd		44,080
Wearne Ready Mixed Concrete (Pty) Ltd		13,973
Wearne Precast (Pty) Ltd		1,107
Other income received from subsidiaries		
Wearne Ready Mixed Concrete (Pty) Ltd		-
Purchases from subsidiaries		
Wearne Aggregates (Pty) Ltd		(545)
Wearne Ready Mixed Concrete (Pty) Ltd		(33,839)
Purchases from other related parties Senatla Structures (Pty) Ltd		(41)
Expenses paid to subsidiaries		
Wearne Aggregates (Pty) Ltd		-

The sales to and purchases from related parties were transactions made on terms equivalent to those that prevail in arm's length transactions.

BOARD CHANGES

Mr JJ Bierman	Executive	Appointed 24 January 2017
Mr MC Milazi	Executive	Resigned 31 December 2016
Mr TS Chauke	Non-executive, Independent	Appointed 22 March 2017
Mr MC Kwhinana	Non-executive	Passed away December 2016

SUBSEQUENT EVENTS AND PROSPECTS

As part of the re-structuring plan developed in the previous financial year the Board decided prior to year-end on 28 February 2018 to dispose of the Brandvlei Quarry as a going concern which was announced on SENS on 04 April 2017. Brandvlei's assets and liabilities were reclassified as a disposal group held for sale in the statement of financial position. The property, plant and equipment of Brandvlei were revalued to their fair value less costs to sell of R7.87 million. The Group retained a 25% interest in the Brandvlei quarry.

The remeasurement of the disposal group as at 28 February 2017 was not considered material to the Group.
9The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

APPRECIATION

The Board of directors would like to thank the employees and directors of WG Wearne for their valued contribution and support over the years.

By order of the Board
9 September 2022

John Wearne
Chief Executive Officer

CORPORATE INFORMATION

Non-executive directors: W van der Merwe * (Chairman); FJ Mojono *; K Maelane *
*Independent
Executive directors: J Wearne, A Badenhorst
Registration number: 1994/005983/06
Registered address: 1 Main Road, Aureus,Randfontein, Gauteng1759
Postal address: PO Box 192, Randfontein, 1760, Gauteng, South Africa
Company secretary: C Middlemiss
Telephone: 011 459 4500
Transfer secretaries: CTE Registry Services (Pty) Limited
Designated Adviser: Exchange Sponsors (2008) (Pty) Limited