Unaudited Condensed Financial Results

for the six months ended 31 August 2010

WG WEARNE LTD
(Incorporated in the Republic of South Africa)
Registration number 1994/005983/06
JSE CODE: WEA ISIN: ZAE000078002 ("Wearne" or "the company" or "the group")

Condensed group statements of comprehensive Income

	Unaudited 6 months August 2010 R'000	Unaudited 6 months August 2009 R'000	Audited 12 months February 2010 R'000
Revenue	266,040	294,001	534,932
Cost of sales	(154,702)	(168,458)	(342,481)
Gross profit	111,338	125,543	192,451
Other income	3,696	3,380	5,134
Operating expenses	(79,676)	(93,992)	(161,534)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	35,358	34,931	36,051
Depreciation	(24,099)	(25,824)	(52,324)
Amortisation	(1,042)	(1,642)	(2,238)
Earnings / (loss) before interest and taxation ("EBIT")	10,217	7,465	(18,511)
Investment income	60	276	846
Finance costs	(16,855)	(26,285)	(45,855)
Loss before taxation	(6,578)	(18,544)	(63,520)
Taxation	3,708	5,708	14,096
Loss for the period	(2,870)	(12,836)	(49,424)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	(2,870)	(12,836)	(49,424)
Total comprehensive loss attributable to:			
Owners of the parent	(3,355)	(13,022)	(49,382)
Non-controlling interests	485	186	(42)
Loss for the period	(2,870)	(12,836)	(49,424)
Reconciliation of headline earnings:			
Comprehensive loss attributable to equity holders	(3,355)	(13,022)	(49,382)
Impairments	-	-	25,657
Revaluations	-	-	(7,688)
Loss / (profit) on sale of property, plant and equipment	688	(215)	2,755
Headline loss attributable to ordinary shareholders	(2,667)	(13,237)	(28,658)
Weighted average number of shares in issue ('000)	249,852	183,301	184,661
Fully diluted weighted average number of shares ('000)	249,852	206,400	184,661
Loss per share (cents)	(1.34)	(7.10)	(26.74)
Headline (loss)/ earnings per share (cents)	(1.07)	(7.22)	(15.52)
Fully diluted loss per share (cents)	(1.34)	(6.31)	(26.74)
Fully diluted headline loss per share (cents)	(1.07)	(6.41)	(15.52)

Condensed group statements of financial position

	Unaudited 6 months August 2010 R'000	Unaudited 6 months August 2009 R'000	Audited 12 months February 2010 R'000
ASSETS			
Non-current assets	568,869	642,892	596,308
Property, plant and equipment	525,992	572,585	545,441
Goodwill	-	20,713	-
Intangible assets	33,465	38,749	34,153
Other financial assets	3,712	3,584	3,712
Deferred tax asset	5,700	7,261	13,002
Current assets	100,839	111,332	115,765
Inventories	31,713	30,643	28,658
Loans receivable	385	2,542	385
Other financial assets	5,329	-	5,572
Current tax receivable	-	869	1,492
Trade and other receivables	63,131	77,010	76,814
Cash and cash equivalents	281	268	2,844
Total Assets	669,708	754,224	712,073
EQUITY AND LIABILITIES			
Equity	208,396	226,519	210,246
Issued capital	176,446	146,345	175,028
Reserves	276	97	276
Shareholder equity contribution	-	9,005	
Retained income	30,486	70,141	34,239
Non-controlling interest	1,188	931	703
Non-current liabilities	197,204	288,455	237,565
Secured loans	37,564	65,708	44,159
Instalment sale creditors	126,420	169,463	149,724
Deferred tax liability	18,032	34,720	28,849
Environmental provision	15,188	18,564	14,833
Current liabilities	264,108	239,250	264,262
Loans payable	4,473	5,313	4,777
Other financial liabilities	93,874	83,038	96,019
Current tax payable	718	-	2,782
Trade and other payables	102,927	94,076	90,917
Bank overdraft	62,116	56,823	69,767
Total equity and liabilities	669,708	754,224	712,073
Number of shares in issue ('000)	250,092	183,962	245,913
Net asset value per share (cents)	83.3	123.1	85.5
Net tangible asset value per share (cents)	74.9	105.7	78.1

Condensed group statements of changes in equity

	Unaudited 6 months August 2010 R'000	Unaudited 6 months August 2009 R'000	Audited 12 months February 2010 R'000
Balance at beginning of period	210,246	226,186	226,186
Issue of share capital and share issue expense	1,495	3,966	29,672
Movement treasury shares	(77)	1	4,530
(Loss) / profit for the period	(3,355)	(13,022)	(49,382)
Investment fair-value adjustment	-	197	376
Shareholders equity raised	-	9,005	-
Non-controlling interest	485	186	(42)
Dividends	(398)	-	(1,094)
Balance at end of period	208,396	226,519	210,246

Condensed group statements of cash flows

	Unaudited 6 months August 2010 R'000	Unaudited 6 months August 2009 R'000	Audited 12 months February 2010 R'000
Cash flows from operating activities	39,562	36,592	37,921
Cash flows from investing activities	(6,025)	(3,857)	(1,508)
Cash flows from financing activities	(28,449)	(29,220)	(43,266)
Net increase / (decrease) in cash and cash equivalents	5,088	3,515	(6,853)
Cash and cash equivalents at beginning of period	(66,923)	(60,070)	(60,070)
Cash and cash equivalents at end of period	(61,835)	(56,555)	(66,923)

Segmental reporting

	Unaudited 6 months August 2010 R'000	Unaudited 6 months August 2009 R'000	Audited 12 months February 2010 R'000
Revenue			
Aggregates	236,199	245,531	553,262
Readymix concrete	123,832	166,166	251,978
Concrete manfactured products	14,744	7,331	28,069
	374,775	419,028	833,309
less inter-segment revenue	(108,735)	(125,027)	(298,377)
Total revenue	266,040	294,001	534,932
EBIT			
Aggregates	16,033	12,608	4,605
Readymix concrete	(6,831)	(3,954)	(23,715)
Concrete manfactured products	1,015	(1,189)	599
Total operating profit	10,217	7,465	(18,511)
Property, plant and equipment			
Aggregates	385,424	389,634	389,992
Readymix concrete	97,155	140,703	105,399
Concrete manfactured products	43,413	42,248	50,050
Total property, plant and equipment	525,992	572,585	545,441

INTRODUCTION

Wearne and its subsidiaries provide a comprehensive range of products to the building and construction industry in South Africa. The major operating divisions comprise aggregates, ready mixed concrete and the manufacture of specialised cast concrete products.

REVIEW OF RESULTS

Although the group has operated in a challenging environment for the six months ended 31 August 2010 ("2010 period"), resulting in a loss of R2.8 million for the period, this is a marked improvement when compared to the R12.8 million loss reported for the six months ended 31 August 2009 ("2009 period").

The sector continues to contend with the effects of the slowdown in the South African and indeed the world economy, with only a limited prospect of a recovery in the short to medium term. Intense competition in a sector that has seen a slowdown in commercial and industrial development and government projects and very few new residential projects has resulted in revenue decreasing by 9.5% when compared to the 2009 period. Revenue from Aggregates declined by 3.8% year on year, but the hardest hit was, once again, the ready mixed concrete division where revenue for the six months declined by 25.5%. The concrete products divisions showed promising revenue growth of over 100% when compared to the 2009 period. This was mainly due to gains in market share.

It is pleasing to point out that operating expenses for the 2010 period have reduced significantly when compared to the 2009 period, which included an amount of R8.9 million relating to a hedging contract. The resulting group EBITDA amounted to R35.5 million versus R34.9 million for the 2009 period.

Depreciation and amortisation and net interest paid reflect significant decreases compared to the 2009 period; impacting positively on earnings. This was the result of a combination of reduced interest rates, disposals of unproductive assets and the reduction of long term debt.

Despite the improvement in the performance year on year, the group has remained under considerable strain to fund its working capital requirements. It is important to note that Wearne's bankers and financiers have continued to support the group by re-scheduling installments on asset based debt and that a payment moratorium totaling close to R20 million was granted in July and August with a further moratorium having been agreed to over the traditionally quiet December and January period.

The directors continue to examine all areas of the business in an effort to streamline processes, reduce costs, and improve service to our customers. We are pleased to report that the restructure of the group's various operating divisions is close to completion and will result in the elimination of much administrative duplication. Furthermore, the first phase of the rightsizing of the group's workforce is now complete and has resulted in a reduction of 95 employees through a combination of natural attrition and retrenchment. We have also completed the centralisation of the group's shared services and this is already having a significant impact on customer service and improved controls.

PROSPECTS

The board believes that while the worst of the downturn may be over we will continue to experience tough trading conditions through to the second half of 2011. The full impact of our cost base initiatives should only be felt in the 2011 financial year, however, revenue initiatives will take longer to manifest.

The group's order book is currently growing but due to the short term nature of the contracts it is very difficult to predict for any period longer than six months. Management's view is that margins will still be under pressure for the foreseeable future.

The directors have identified assets that are under-utilised as a consequence of decreased activity and these assets will be sold over the next three months. The cash will be utilized to settle any associated debts and to improve the working capital position of the group.

GOING CONCERN

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

The interim results have been prepared in accordance with and contain the information required in terms of International Financial Reporting Standards ("IFRS"), the Companies Act (Act 61 of 1973), as amended, and International Accounting Standards (IAS 34 : Interim Financial Reporting). The accounting policies and standards used to prepare these interim financial statements are in terms of IFRS and are consistent with those applied in the prior interim period and at year-end, except for the application of IAS 1 (revised): Presentation of Financial Statements.

These consolidated interim financial statements incorporate the financial statements of the company, its subsidiaries and special purpose entities 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.

DIVIDENDS

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

By order of the board

11 October 2010

S J Wearne
Chairman and Chief Executive Officer
A W Bruens
Chief Financial Officer

CORPORATE INFORMATION

Non-executive directors: B Mkhonto, E Moloi, M M Patel, H W P Scholtz
Executive directors: S J Wearne (Chairman and CEO); J C Wearne; A W Bruens; N Heyns
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
Telephone: (011) 459 4500 • **Facsimile:** (011) 478 5481
Transfer secretaries: Computershare Investor Services (Pty) Limited
Designated Adviser: Vunani Corporate Finance
These results and an overview of Wearne are available at www.wearne.co.za

www.wearne.co.za