Unaudited Condensed Financial Results

for the six months ended 31 August 2009

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 2009 R'000	Unaudited 6 months August 2008 R'000	Audited 12 months February 2009 R'000
Revenue	**291,991**	**297,136**	**587,002**
Operating expenses	(249,612)	(252,612)	(521,620)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**42,379**	**44,524**	**65,382**
Depreciation and amortisation	(27,466)	(20,042)	(44,814)
Operating profit	**14,913**	**24,482**	**20,568**
Other income	1,514	22	20,393
Net interest paid	(26,009)	(17,078)	(41,040)
(Loss) / profit before taxation	**(9,582)**	**7,426**	**(79)**
Taxation	5,708	(2,138)	4,233
(Loss) / profit for the period	**(3,874)**	**5,288**	**4,154**
Other comprehensive (loss) / income:			
Hedging loss	(8,962)	-	(4,996)
Other comprehensive (losses) / income for the period	(8,962)	-	(4,996)
Total comprehensive (loss) / income for the period	**(12,836)**	**5,288**	**(842)**
Total comprehensive (loss) / income attributable to:			
Owners of the parent	(13,022)	5,288	(762)
Non-controlling interests	186	-	(80)
(Loss) / profit for the period	**(12,836)**	**5,288**	**(842)**
Reconciliation of headline (loss) / earnings:			
Comprehensive (loss) / income attributable to ordinary shareholders	(13,022)	5,288	(762)
(Profit) / loss on disposal of property, plant and equipment	(215)	291	(928)
IFRS 3 profit on purchase of subsidiary	-	-	(16,648)
Headline (loss) /earnings attributable to ordinary shareholders	**(13,237)**	**5,579**	**(18,338)**
Weighted average number of shares in issue ('000)	183,301	145,585	162,978
Fully diluted weighted average number of shares ('000)	206,400	151,542	168,097
(Loss) / earnings per share (cents)	(7.10)	3.60	(0.47)
Headline (loss) / earnings per share (cents)	(7.22)	3.80	(11.25)
Fully diluted (loss) / earnings per share (cents)	(6.31)	3.50	(0.45)
Fully diluted headline (loss) / earnings per share (cents)	(6.41)	3.70	(10.91)

Condensed group statements of financial position

	Unaudited August 2009 R'000	Unaudited August 2008 R'000	Audited February 2009 R'000
ASSETS			
Non-current assets	**660,365**	**498,031**	**680,648**
Property, plant and equipment	572,585	483,543	595,169
Intangible assets	38,749	-	40,045
Goodwill	38,186	9,186	38,186
Available for sale investments	3,584	5,302	5,201
Deferred tax asset	7,261	-	2,047
Current assets	**111,332**	**139,078**	**119,538**
Inventories	30,643	33,567	36,463
Trade and other receivables	77,010	104,360	79,764
Loans receivable	2,542	-	-
Taxation receivable	869	-	1,471
Cash and cash equivalents	268	1,151	1,840
Total Assets	**771,697**	**637,109**	**800,186**
EQUITY AND LIABILITIES			
Equity	**243,992**	**186,591**	**243,659**
Issued capital	181	147	179
Share premium	146,164	79,422	142,198
Non-distributable reserves	97	182	(99)
Shareholders equity contribution	9,005	-	-
Accumulated profits	87,614	106,840	100,636
Non-controlling interest	931	-	745
Non-current liabilities	**288,455**	**285,874**	**318,586**
Environmental obligation	18,564	16,737	17,898
Secured loans	65,708	44,612	77,953
Instalment sale creditors	169,463	201,672	187,774
Deferred tax liability	34,720	22,853	34,961
Current liabilities	**239,250**	**164,644**	**237,941**
Trade and other payables	94,076	104,861	79,561
Loans payable	5,313	-	-
Current portion of long term liabilities	83,038	50,547	95,341
Taxation payable	-	1,720	1,129
Bank overdraft	56,823	7,516	61,910
Total equity and liabilities	**771,697**	**637,109**	**800,186**
Number of shares in issue ('000)	183,96	150,500	182,962
Net asset value per share (cents)	133	124	133
Net tangible asset value per share (cents)	97	118	97

Condensed group statements of changes in equity

	Unaudited 6 months August 2009 R'000	Unaudited 6 months August 2008 R'000	Audited 12 months February 2009 R'000
Balance at beginning of period	**243,659**	**179,082**	**179,082**
Issue of share capital and share issue expense	3,966	2,326	65,351
Share-based payment reserve	-	61	122
(Loss) / profit for the period	(13,022)	5,288	(762)
Investment fair-value adjustment	197	(166)	(663)
Shareholders equity raised	9,005	-	-
Non-controlling interest	186	-	745
Treasury shares	1	-	(216)
Balance at end of period	**243,992**	**186,591**	**243,659**

Condensed group statements of cash flows

	Unaudited 6 months August 2009 R'000	Unaudited 6 months August 2008 R'000	Audited 12 months February 2009 R'000
Cash flows from operating activities	36,591	36,694	30,111
Cash flows from investing activities	(3,857)	(114,998)	(266,226)
Cash flows from financing activities	(29,220)	69,233	166,658
Net increase / (decrease) in cash and cash equivalents	**3,514**	**(9,071)**	**(69,457)**
Cash and cash equivalents acquired in business combination	-	-	6,681
Cash and cash equivalents at beginning of period	(60,069)	2,706	2,706
Cash and cash equivalents at end of period	**(56,555)**	**(6,365)**	**(60,070)**

Segmental reporting

	Unaudited 6 months August 2009 R'000	Unaudited 6 months August 2008 R'000	Audited 12 months February 2009 R'000
Revenue			
Ready-mixed concrete	166,166	204,158	420,369
Aggregates	243,520	210,378	411,013
Concrete products	7,331	3,746	10,588
	417,017	418,282	841,970
less inter-segment revenue	(125,026)	(121,146)	(254,968)
Total revenue	**291,991**	**297,136**	**587,002**
Operating profit			
Ready-mixed concrete	(4,655)	7,869	6,886
Aggregates	20,758	16,127	15,716
Concrete products	(1,190)	486	(2,034)
Total operating profit	**14,913**	**24,482**	**20,568**
Property, plant and equipment			
Ready-mixed concrete	140,703	115,828	142,917
Aggregates	389,634	335,054	398,894
Concrete products	42,248	24,988	46,482
	572,585	475,870	588,293
Unallocated	-	7,673	6,876
Total property, plant and equipment	**572,585**	**483,543**	**595,169**

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

The group has experienced a particularly difficult six months ended 31 August 2009 ("2009 period"), resulting in a loss of R12.8 million for the period compared to the R5.2 million profit reported for the six months ended 31 August 2008 ("2008 period"). Despite this, the group's cash flow from operating activities was a positive R36.5 million for the six months. This was primarily due to the effective management of working capital.

Intense competition in a sector that has been dominated by the slowdown in commercial and industrial development as well as the complete collapse of the residential housing market has seen revenue drop by 14% when compared to the 2008 period once the acquired Portland Group revenue of R35.6 million for the six months is excluded. The hardest hit was the ready mixed concrete division which has seen revenue for the six months decline by 18.6%. This division has the biggest exposure to the residential housing market and caused operating profit margins to be under severe pressure. Both the aggregates and concrete products divisions showed promising revenue growth when compared to the 2008 period. This was mainly due to the government's increased infrastructure spend on roads and utilities.

Operating expenses for the 2009 period were kept in check, decreasing marginally. The resulting group EBITDA amounted to R42.3 million versus R44.5 million for the 2008 period.

Depreciation and amortisation and net interest paid have shown significant increases compared to the 2008 period and these have impacted negatively on earnings. These increases arose principally as a result of the acquisition of the Portland Group in September 2008, which has been particularly hard hit by the decline in available work in the Western Cape and as a result has returned a small loss for the period under review.

In November 2008 the directors decided to enter into a hedging contract in an attempt to protect the group against a possible increase in the cost of diesel and the weakening of the rand. The consequent dramatic decrease in the international price of crude oil and the strengthening of the rand have cost the group dearly, contributing R8.9 million to the pretax loss for the 2009 period. The total cost of this contract, which comes to an end in November 2009, will be in the region of R20 million before tax.

As a consequence of the above, the group has been 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 rescheduling instalments on asset based debt and that the Wearne directors are in the final stages of concluding a payment moratorium agreement with the banks totaling R20 million over the traditionally quiet December and January period.

Over the past few years the group increased its asset base significantly in order to meet the demands of a growing business, however the downturn in the economy has resulted in the group being overcapitalised and certain assets being underutilised. Where appropriate the directors have disposed of unproductive assets and this has resulted in year to date cash inflows of R9.6 million.

In order to permanently reduce the cost base and to complement these measures the directors have embarked on a programme of right sizing and harmonisation of processes as well as a corporate restructure to reduce the number of legal entities. Wearne is reducing the number of employees both by natural attrition and the offering of voluntary retrenchment packages. Where this does not achieve the required reductions Wearne will consider launching a general retrenchment of excess employees. This will be done with sensitivity and in accordance with current labour legislation.

Although the operating results for the period were poor, the directors believe that the worst of the downturn is now over, with a muted recovery expected in the second quarter of 2010. The directors believe this, combined with the cost savings resulting from the restructuring, will see the results of the group improve in the 2011 financial year.

As a pre-requisite to approving the rescheduling of instalment sale payments and the payment moratorium, Wearne's bankers requested an independent assessment of the future profitability and cash flows of the group by one of the large international auditing firms. The report produced was based on the forecasts and representations of the directors and confirmed that with the support of the banks the medium term cash flow outlook was positive.

In addition, Wearne is finalising a rights issue at 40c per share to raise a maximum of approximately R31 million, of which a substantial portion has already been committed. A further announcement in this regard will be released in due course.

PROSPECTS

The 500 basis point decrease in interest rates since June 2008 will significantly reduce the group's interest bill as well as stimulate the demand for new builds in the residential sector. Some positive signs have already started to come through and indications are that this market will start to improve by July next year. Government's infrastructure spend is still ongoing, although certain projects have been delayed due to funding constraints. The group's current focus is to increase its exposure to this side of the construction market. Spending on RDP housing has been delayed but the prospects for next year look a lot better with the appointment of the new Minister of Human Settlements.

The group's order book is currently growing but due to the short 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 until the middle of next year when it is anticipated that the commercial and residential market will start to recover.

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 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 consistent with those applied in the prior interim period and at previous 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

13 November 2009

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: O J Le Roux
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

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