



**Interwaste Holdings Limited**

---

**Unaudited condensed consolidated financial  
results for the six months ended 30 June 2011**

(Incorporated in the Republic of South Africa)  
 (Registration number: 2006/037223/06)  
 (JSE code: IWE ISIN: ZAE000097903)  
 ("Interwaste" or "the Company" or "the Group")

## Unaudited condensed consolidated financial results for the six months ended 30 June 2011

### Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2011

<i>Figures in R'000</i>	June 2011	June 2010 Revised	June 2010	Dec 2010 Audited
Revenue	220 990	211 690	211 690	442 674
Cost of sales	(129 382)	(138 368)	(132 012)	(290 033)
<b>Gross profit</b>	<b>91 608</b>	<b>73 322</b>	<b>79 678</b>	<b>152 641</b>
Other income	-	4 651	2 990	2 082
Operating expenses	(66 828)	(55 643)	(50 759)	(123 401)
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>24 780</b>	<b>22 330</b>	<b>31 909</b>	<b>31 322</b>
Depreciation and amortisation	(19 640)	(23 544)	(16 147)	(38 814)
<b>Profit/(loss) before interest &amp; taxation</b>	<b>5 140</b>	<b>(1 214)</b>	<b>15 762</b>	<b>(7 492)</b>
Investment income	-	464	464	5 298
Share of profit in equity accounted earnings of joint venture	589	148	148	55
Net interest paid	(4 143)	(5 070)	(5 070)	(13 236)
<b>Profit/(loss) before taxation</b>	<b>1 586</b>	<b>(5 672)</b>	<b>11 304</b>	<b>(15 375)</b>
Taxation (expense)/credit	(429)	1 366	(3 055)	3 419
<b>Total comprehensive income/(loss) for the period</b>	<b>1 157</b>	<b>(4 306)</b>	<b>8 249</b>	<b>(11 956)</b>
<b>Non-controlling interest</b>	<b>(264)</b>	<b>(372)</b>	<b>(372)</b>	<b>(111)</b>
<b>Comprehensive income/(loss) attributable to equity holders</b>	<b>893</b>	<b>(4 678)</b>	<b>7 877</b>	<b>(12 067)</b>
<b>Reconciliation of headline earnings/(loss)</b>				
Earnings/(loss) attributable to ordinary shareholders	893	(4 678)	7 877	(12 067)
Adjusted for:				
Loss on disposal of property, plant and equipment	289	827	827	2 398
Impairment of goodwill	-	1 432	-	1 432
Impairment of investment in joint venture	-	1 416	-	1 416
Profit on disposal of subsidiary	-	(4 254)	(2 593)	(4 254)
<b>Headline earnings/(loss) attributable to ordinary shareholders</b>	<b>1 182</b>	<b>(5 257)</b>	<b>6 111</b>	<b>(11 075)</b>
Weighted average number of shares in issue on which earnings per share are based	329 311 210	329 311 210	329 311 210	329 311 210
<b>Basic earnings/(loss) per share (cents)</b>	<b>0.27</b>	<b>(1.42)</b>	<b>2.39</b>	<b>(3.66)</b>
Loss on disposal of property, plant and equipment	0.09	0.25	0.25	0.73
Impairment of goodwill	-	0.43	-	0.43
Impairment of investment in joint venture	-	0.43	-	0.43
Profit on disposal of subsidiary	-	(1.29)	(0.79)	(1.29)
<b>Headline earnings/(loss) per share (cents)</b>	<b>0.36</b>	<b>(1.60)</b>	<b>1.85</b>	<b>(3.36)</b>

# Condensed Consolidated Statement of Financial Position

at 30 June 2011

<i>Figures in R'000</i>	June 2011	June 2010 Revised	June 2010	Dec 2010 Audited
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>302 376</b>	<b>315 804</b>	<b>318 780</b>	<b>296 552</b>
Property, plant and equipment	253 866	257 319	264 716	248 540
Intangible assets	179	179	179	179
Goodwill	47 001	50 381	50 381	47 001
Investment in joint venture	700	1 619	1 619	110
Deferred tax asset	630	6 306	1 885	722
<b>Current assets</b>	<b>117 308</b>	<b>140 418</b>	<b>145 113</b>	<b>119 902</b>
Inventories	18 051	28 012	34 368	15 717
Other financial assets	-	973	973	-
Loans to related companies	7 413	-	-	7 347
Current tax receivable	2 254	4 202	4 202	6 947
Trade and other receivables	81 239	99 397	97 736	80 581
Cash and equivalents	8 351	7 834	7 834	9 310
<b>TOTAL ASSETS</b>	<b>419 684</b>	<b>456 222</b>	<b>463 893</b>	<b>416 454</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	<b>237 833</b>	<b>259 941</b>	<b>272 496</b>	<b>236 781</b>
Share capital	175 491	175 491	175 491	175 491
Share based payment reserve	113	1 553	1 553	1 715
Retained earnings	60 287	80 861	93 416	57 801
Non-controlling interest	1 942	2 036	2 036	1 774
<b>Liabilities</b>				
<b>Non-current liabilities</b>	<b>58 942</b>	<b>76 578</b>	<b>76 578</b>	<b>66 710</b>
Interest-bearing borrowings	40 172	47 782	47 782	47 739
Deferred tax liability	18 770	28 796	28 796	18 971
<b>Current liabilities</b>	<b>122 909</b>	<b>119 703</b>	<b>114 819</b>	<b>112 963</b>
Current tax payable	176	1 778	1 778	-
Interest bearing borrowings	51 075	49 534	49 534	51 547
Trade and other payables	50 475	38 901	34 017	37 949
Bank overdrafts	21 183	29 490	29 490	23 467
<b>TOTAL LIABILITIES</b>	<b>181 851</b>	<b>196 281</b>	<b>191 397</b>	<b>179 673</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>419 684</b>	<b>456 222</b>	<b>463 893</b>	<b>416 454</b>
<b>Number of shares in issue at period end</b>	329 311 208	329 311 208	329 311 208	329 311 208
<b>Net asset value per share (cents)</b>	71.6	78.3	82.1	71.4
<b>Net tangible asset value per share (cents)</b>	57.4	63.0	66.8	57.1

# Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2011

<i>Figures in R'000</i>	June 2011	June 2010 Revised	June 2010	Dec 2010 Audited
Cash inflow from operating activities	34 398	15 317	15 317	38 424
Cash outflow on investing activities	(25 033)	(17 369)	(17 369)	(34 948)
Cash (outflow)/ inflow from financing activities	(8 040)	(55)	(55)	1 916
Total cash movement for the period	1 325	(2 107)	(2 107)	5 392
Cash at beginning of period	(14 157)	(19 549)	(19 549)	(19 549)
<b>Cash at end of period</b>	<b>(12 832)</b>	<b>(21 656)</b>	<b>(21 656)</b>	<b>(14 157)</b>

## Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2011

<i>Figures in R'000</i>	June 2011	June 2010 Revised	June 2010	Dec 2010 Audited
Total comprehensive income for the period	1 157	(4 306)	8 249	(11 956)
Dividends paid to minorities	(105)	(244)	(244)	(243)
Disposal of subsidiary (non-controlling interest)	-	(1594)	(1594)	(1 575)
Share based payment expense	-	-	-	142
Equity at beginning of period	236 781	266 085	266 085	250 413
<b>Equity at end of period</b>	<b>237 833</b>	<b>259 941</b>	<b>272 496</b>	<b>236 781</b>
Made up as follows:				
Share capital issued	33	33	33	33
Share premium	175 458	175 458	175 458	175 458
Share based payment reserve	113	1 553	1 553	1 715
Retained income	60 287	80 861	93 416	57 801
Non controlling interest	1 942	2 036	2 036	1 774
<b>Equity at end of period</b>	<b>237 833</b>	<b>259 941</b>	<b>272 496</b>	<b>236 781</b>

## Condensed Consolidated Segment Report

for the six months ended 30 June 2011

<i>Figures in R'000</i>	June 2011	June 2010 Revised	June 2010	Dec 2010 Audited
<b>Gross revenue</b>				
Waste management	155 888	130 340	130 340	270 566
Metals recovery	10 771	21 979	21 979	37 469
Organics	14 115	19 510	19 510	56 755
Landfill	40 216	39 861	39 861	77 884
	<b>220 990</b>	<b>211 690</b>	<b>211 690</b>	<b>442 674</b>
<b>Profit/(loss) before interest &amp; taxation</b>				
Waste management	3 625	4 331	13 793	14 307
Metals recovery	(2 006)	(7 630)	(2 713)	(13 126)
Organics	(1 648)	(2 879)	(2 338)	(5 588)
Landfill	5 169	4 964	7 020	(3 085)
	<b>5 140</b>	<b>(1 214)</b>	<b>15 762</b>	<b>(7 492)</b>
<b>Depreciation</b>				
Waste management	12 440	14 732	10 103	23 377
Metals recovery	1 954	548	376	1 786
Organics	1 658	1 722	1 181	1 825
Landfill	3 588	6 542	4 487	11 826
	<b>19 640</b>	<b>23 544</b>	<b>16 147</b>	<b>38 814</b>

## OVERVIEW

The six month period continued to be challenging for the Group. We reported that the 2010 financial year had been difficult and conditions during the current period again reflected a lack of growth in the parts of the economy we operate in.

Interwaste produced a small profit for the period. Encouragingly, the Group produced strong cash flows from operations which were reinvested into the business.

The annual report for the year ended 31 December 2010 included a note that a number of impairments had been made in that financial year. Certain of the impairments related to the six month period to 30 June 2010 and the comparative figures have been restated to reflect those impairments. Details of the adjustments are set out in the "Financial" section below.

The waste management division grew revenue by 19,6% over the comparative period but saw a 16,3% decrease in earnings before interest and taxation. The decline in profits was a function of higher landfill costs, some of which could not be passed on to customers, an increase in salary costs, including the cost of new depots/businesses which will yield commensurate returns as they develop, and higher fuel and vehicle operating costs. Substantial increases in landfill disposal costs have characterised the industry over the last few years and are likely to continue. In an increasing number of cases we have been successful in developing alternate disposal options for our customers which limited their cost increases and protected our margins; this will become an increasingly important part of our business. The development of a cell in our landfill which will be able to accept waste from many of our clients will significantly contribute to the Group's future profitability.

MRC's revenue decreased as operations in the division were scaled back. This, together with substantially lower inventory write offs, resulted in a reduction in the loss generated by the division.

Revenue in the organics division declined by 27,7% and the loss before interest and tax reduced by 42,3%. We have appointed a new chief executive to the division and we are confident that he should have a positive impact on the second half of the year, which is the primary season for this business.

Turnover in the landfill division was flat as were earnings. The division is the largest landfill manager in the country and we need to make better use of our scale to drive growth and reduce costs.

## FINANCIAL

As set out in the annual report for the year ended 31 December 2010, a number of large impairments were expensed in the 2010 financial year. Certain of those related to the six month period to 30 June 2010 and the comparative figures were restated to reflect that. The following adjustments were processed:

- Cost of sales (R 6,356 million)
  - inventory was impaired by R6,4 million, the majority of which comprised inventory held by MRC;
- Operating expenses (R 4,884 million)
  - goodwill was impaired by R1,4 million and an investment in a joint venture by R1,4 million;
  - an additional expense accrual of R2,0 million was required;
- Depreciation (R 7,397 million)
  - additional depreciation of property, plant and equipment of R5,7 million was processed;
  - property, plant and equipment of R1,7 million was impaired;
- Other income (R 1, 661 million)
  - profit on the sale of the Namibian subsidiary of R1,7 million was brought to account;
- Tax relief of R4,4 million arose on the adjustments;
- The net decrease in the previously reported profit after tax for the six months ended 30 June 2010 was R12,6 million.

Group revenue for the six months increased by 4% to R221 million (2010 : R212 million).

Gross profit increased by 25% to R92 million (2010 restated : R73 million).

EBITDA increased by 11% to R25 million (2010 restated : R22 million).

The limited increase in Group revenue is reflective of the difficult markets we faced. Price increases have been limited, customers are delaying and limiting clean ups where possible, and certain of our competitors are tendering for landfill management contracts at prices that are proving to be unsustainable.

The improvement in gross profit was a function of large stock impairments in the comparative period and the positive contribution from the Group's own landfill in the current period.

Operating expenses increased as a result of inflation, additional operating units, including a branch outside South Africa, the establishment of a water treatment facility and the company owned landfill, the costs of a strike plan and the expensing of costs on the development of a second landfill, that do not yet qualify for capitalisation.

The Group produced strong cash flows from operations, primarily as a result of improved working capital management. The cash was reinvested into operating assets, the development of the cell in the Group's landfill, and applied to reduce borrowings.

## PROSPECTS

The markets in which the Group operates are likely to remain difficult.

The nationwide strikes in July meant that many of our customers lost production which negatively impacted our revenue and results for the month. August has been substantially better and we should have a reasonable second half should current operating levels continue and should we succeed in cutting some of the costs we have targeted.

Interwaste will continue to offer clients innovative and cost effective solutions for their waste disposal and will generate growth accordingly. As part of this the Group expects to complete the development of the landfill cell referred to above prior to the year end. This will facilitate our ability to offer clients a complete waste solution and should be an important source of future revenue.

We have curtailed the metals recovery business and will continue to evaluate its viability.

Significantly more marketing effort has been applied to the organics business and we anticipate an improvement in turnover during the second half of the year.

Our challenges in the landfill management business will be to continue winning contracts in an environment which can be politically difficult and to ensure that we manage our costs effectively so that contracts meet our profitability requirements.

During the second half of the year we will be consolidating the majority of our Gauteng operations into a single site the Group owns in Germiston. This should lead to cost savings and provide the opportunity for improved synergies across the different businesses.

## DIVIDEND

The Group will not pay a dividend for the six month period.

Platinum Waste Resources (Pty) Ltd, a partly owned subsidiary, paid dividends of R105 000 to non-controlling shareholders.

## ACCOUNTING POLICIES

### BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with the recognition and measurement principles of IFRS, the presentation and disclosure requirements of IAS 34 Interim Financial Reporting, the AC 500 Standards as issued by the Accounting Practices Board, the requirements of the South African Companies Act of 2008 and the JSE Listing Requirements. The accounting policies and methods of computation applied in the preparation of these interim financial statements are in accordance with IFRS and are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

The condensed consolidated interim financial statements are presented in South African Rands.

### STATEMENT ON GOING CONCERN

The interim financial statements have been prepared on the going concern basis as the directors believe that the Group has adequate resources to continue in operation for the foreseeable future.

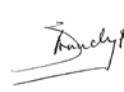
### APPRECIATION

The board extends its gratitude to our employees, our customers and our investors for the effort and support during the period.

On behalf of the Board  
26 September 2011



**AH Willcocks**  
Chief Executive



**A Broodryk**  
Financial Director

## CORPORATE INFORMATION

**Non-executive directors:** A Kawa (Chairperson), PF Mojono, GR Tipper, BL Willcocks

**Executive directors:** WAH Willcocks (MD), A Broodryk (FD), LC Grobbelaar

**Registration number:** 2006/037223/06

**Registered address:** P O Box 73503, Fairlands, 2030

**Company secretary:** Allen de Villiers

**Telephone:** (011) 792 9330

**Facsimile:** (011) 792 8998

**Transfer secretaries:** Computershare Investor Services (Pty) Limited

**Designated Adviser:** Yunani Corporate Finance

