Interwaste Holdings Limited

Reviewed condensed preliminary financial results for the year ended 31 December 2011

Interwaste Holdings Limited

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

Reviewed condensed preliminary financial results for the year ended 31 December 2011

Condensed Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

Figures in R'000	Dec 2011 Reviewed	Dec 2010 Audited
Revenue	455 991	442 674
Cost of sales	(276 323)	(290 032)
Gross profit	**179 668**	**152 642**
Other income	-	7 029
Operating expenses	(139 625)	(123 401)
Earnings before interest, tax, depreciation and amortisation	**40 043**	**36 270**
Depreciation and amortisation	(37 785)	(38 816)
Results from operating activities	**2 258**	**(2 546)**
Share of profit in equity accounted earnings of joint venture	563	55
Interest received	1 171	351
Interest paid	(10 641)	(13 235)
Loss before taxation	**(6 649)**	**(15 375)**
Taxation credit	1 548	3 419
Total comprehensive loss for the year	**(5 101)**	**(11 956)**
Comprehensive (loss)/income for year attributable to:		
- ordinary shareholders	(5 850)	(12 067)
- non controlling interests	749	111
	(5 101)	**(11 956)**
Reconciliation of headline loss		
Loss attributable to ordinary shareholders	(5 850)	(12 067)
Adjusted for:		
Loss on disposal of property, plant and equipment	1 371	3 331
Impairment of goodwill	-	1 432
Impairment of investment in joint venture	-	1 416
Profit on disposal of subsidiary	-	(4 946)
Taxation on headline adjusting items	(384)	(241)
Headline loss attibutable to ordinary shareholders	**(4 863)**	**(11 075)**
Weighted average number of shares in issue on which loss per share is based	329 311 210	329 311 210
Basic loss and diluted loss per share (cents)	**(1.78)**	**(3.66)**
Headline loss and diluted headline loss per share (cents)	**(1.48)**	**(3.36)**

Condensed Consolidated Statement of Financial Position

at 31 December 2011

Figures in R'000	Dec 2011 Reviewed	Dec 2010 Audited
ASSETS		
Non-current assets	**325 914**	**296 552**
Property, plant and equipment	277 719	248 540
Intangible assets	-	179
Goodwill	47 001	47 001
Investment in joint venture	673	110
Deferred tax asset	521	722
Current assets	**115 301**	**119 902**
Inventories	17 106	15 717
Loans to related companies	7 369	7 347
Current tax receivable	2 999	6 947
Trade and other receivables	82 957	80 581
Cash and cash equivalents	4 870	9 310
TOTAL ASSETS	**441 215**	**416 454**
EQUITY AND LIABILITIES		
Equity	**231 723**	**236 781**
Share capital and premium	175 491	175 491
Share based payment reserve	123	1 715
Foreign currency translation reserve	53	-
Retained earnings	53 638	57 801
Non-controlling interests	2 418	1 774
Liabilities		
Non-current liabilities	**67 174**	**67 942**
Interest-bearing borrowings	46 191	48 971
Landfill rehabilitation provision	5 394	-
Deferred tax liability	15 589	18 971
Current liabilities	**142 318**	**111 731**
Current tax payable	815	-
Loans from related parties	3 567	3 630
Interest bearing borrowings	50 088	46 685
Trade and other payables	55 358	37 949
Bank overdrafts	32 490	23 467
TOTAL LIABILITIES	**209 492**	**179 673**
TOTAL EQUITY & LIABILITIES	**441 215**	**416 454**
Number of shares in issue at period end	329 311 210	329 311 210
Net asset value per share (cents)	69.6	71.4
Net tangible asset value per share (cents)	55.4	57.1

Condensed Consolidated Statement of Cash Flows

for the year ended 31 December 2011

Figures in R'000	Dec 2011 Reviewed	Dec 2010 Audited
Cash inflow from operating activities	50 122	47 265
Cash outflow on investing activities	(64 146)	(34 925)
Cash inflow/(outflow) from financing activities	561	(6 948)
Total cash movement for the year	**(13 463)**	**5 392**
Cash and cash equivalents at beginning of year	(14 157)	(19 549)
Cash and cash equivalents at end of year	**(27 620)**	**(14 157)**

Condensed Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

Figures in R'000	**Dec 2011 Reviewed**	**Dec 2010 Audited**
Total comprehensive loss for the year	(5 101)	(11 956)
Dividends paid to non-controlling interest	(105)	(243)
Foreign currency translation reserve	53	-
Disposal of subsidiary (non-controlling interest)	-	(1 575)
Share based payment expense	95	142
Equity at beginning of year	236 781	250 413
Equity at end of year	**231 723**	**236 781**
Made up as follows:		
Share capital issued	33	33
Share premium	175 458	175 458
Share based payment reserve	123	1 715
Foreign currency translation reserve	53	-
Retained earnings	53 638	57 801
Non controlling interests	2 418	1 774
Equity at end of year	**231 723**	**236 781**

Condensed Consolidated Segment Report

for the year ended 31 December 2011

Figures in R'000	**Dec 2011 Reviewed**	**Dec 2010 Audited**
Gross revenue		
Waste management	310 223	270 566
Metals recovery	21 809	37 469
Organics	40 415	56 755
Landfill management	83 544	77 884
	455 991	**442 674**
Results from operating activities		
Waste management	2 686	14 307
Metals recovery	(3 414)	(13 126)
Organics	(2 719)	(5 588)
Landfill management	5 705	1 861
	2 258	**(2 546)**
Depreciation and amortisation		
Waste management	23 149	23 378
Metals recovery	3 682	1 786
Organics	3 073	1 826
Landfill management	7 881	11 826
	37 785	**38 816**

The preparation of the group's condensed consolidated financial results was supervised by the group financial director, AP Broodryk, CA(SA).

OVERVIEW

Having cautioned in the interim announcement that the markets in which the Group operates are likely to remain difficult, it is nonetheless disappointing to report that performance did not improve in the second half of the year.

The Group produced a loss for the second six month period which resulted in an overall loss for the year. This was primarily the result of negative leverage; a number of major costs increased at higher rates than the rate at which revenue increased.

The markets in which the Group operates are challenging. Customers are managing costs tightly, growth is limited, and clean ups have been delayed and restricted. While the majority of our clients recognise the importance of ethical waste disposal, we have seen some movement of customers to questionable operators. We retained our market share over the year by providing ethical and innovative waste disposal and quality service, we will continue to do so as this is critical to the vast majority of the market and will support revenue growth.

Gross margins improved over the previous year and were supported by a contribution from the Group's own landfill. The level of the margins however declined from those achieved in the first half of the financial year as a result of cost pressures.

The waste management business increased revenue by 14.6% over the previous year. Landfill costs were well managed during the second half and our success in developing alternate, cost effective waste disposal options limited the cost increase for the year to 6%. Fixed vehicle costs increased significantly as a result of the movement to full maintenance leases, this was however offset by lower depreciation and interest charges resulting in a net increase in the expense of 3%. Fuel, maintenance and other vehicle costs increased by 11%, largely as a result of higher fuel prices during the year. Payroll costs increased by 13%, a function of an above inflation union wage increase and growth in staff numbers. Operating costs excluding payroll increased by 15%, due to administered price increases, professional fees and expenditure on the Group's IT systems.

The metals recovery business was scaled down and revenue decreased by 42%. The loss before interest and taxation decreased substantially relative to the last financial year and the first six months of the current year. The business forms an important part of the service offering to our customers but the capital available for growth has been restricted and it is expected to generate small positive returns going forward.

Revenue in the organics business declined by 29%, and the loss before interest and taxation by 51%, from the previous year, a function of more concentrated marketing and sales at higher margins. The proportion of sales through building and retail chains increased during the period with a positive effect on results.

The landfill division grew revenue by 7% and produced a profit before interest and taxation of R5.7 million, a significant improvement over the profit of R1.8 million in the previous year. The bulk of the profit was earned in the first half of the financial year, due to large unscheduled maintenance and repair costs in the second half. The Group's contracts on a number of strategic landfills were extended during the last six months and the business should continue the positive trend established during the year.

The Group's property, plant and equipment assets increased in the latter part of the year, mainly as a result of the development of the FG landfill site. This was financed through interest bearing borrowings and the bank overdraft. The landfill rehabilitation provision is required as a result of the operation of the FG landfill site.

The Group generated cash from operating activities. This was reinvested into the business with an additional amount being raised to fund the landfill.

PROSPECTS

Significant effort is being devoted to growing revenue and cutting costs.

FG landfill has been permitted and is authorised to operate as a B-lined site in terms of the new Waste Act, allowing it to accept other than "general" waste. This will bolster the Group's ability to offer customers innovative and cost effective solutions for disposal and should significantly enhance our ability to produce profitable growth.

The move to the central Gauteng site was delayed but will be completed before June 2012 and will lead to cost savings. Exercises to improve vehicle utilisation and staff efficiency are under way.

The markets in which the Group operates are likely to remain difficult. Considerable time and effort have been invested in building a platform for profitable growth in difficult conditions and some benefit of this may be realised during 2012.

DIVIDEND

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

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

SUPPLEMENTARY NOTES

Interwaste is a South African registered company. The condensed consolidated financial statements of the Company comprise the Company and its subsidiaries and the Group's interest in jointly controlled entities.

STATEMENT OF COMPLIANCE

These condensed consolidated financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards "IFRS", the presentation and disclosure requirements of IAS 34 – Interim Financial Reporting, the AC 500 Standards as issued by the Accounting Practices Board, the Listing Requirements of the JSE Limited and the requirements of the Companies Act of South Africa, 2008 (as amended) and Companies Regulations, 2011.

BASIS OF MEASUREMENT

The condensed consolidated financial statements are prepared in thousands of South African Rands (R'000s) on the historical cost basis, except for derivative financial instruments which are measured at fair value.

The accounting policies are those presented in the annual financial statements for the year ended 31 December 2011 and have been applied consistently to the periods presented in these condensed consolidated financial statements by all Group entities.

GOING CONCERN

The condensed consolidated 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.

REPORT OF THE INDEPENDENT AUDITORS

The condensed group financial statements of Interwaste Holdings Limited for the year ended 31 December 2011 have been reviewed by the Company's auditor, KPMG Inc. In their report dated 28 March 2012, which is available for inspection at the Company's registered office, KPMG Inc state that their review was conducted in accordance with the International Standard on Review Engagements 2410, Review of Interim Information Performed by the Independent Auditor of the Entity, which applies to a review of condensed consolidated group financial information, and have expressed an unmodified conclusion on the condensed preliminary group financial statements.

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
29 March 2012

WAH Willcocks
Chief Executive

AP Broodryk
Financial Director

CORPORATE INFORMATION

Non-executive directors: A Kawa (Chairperson), PF Mojono, GR Tipper, BL Willcocks
Executive directors: WAH Willcocks (MD), AP 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: Vunani Corporate Finance

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