

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

Overview

Interwaste produced a solid performance for the period under review.

Revenue grew by 19%, operating profit grew by 12%, profit attributable to shareholders by 6% and headline earnings by 6%. Headline earnings per share declined by 10% as a result of the increased number of shares in issue following the capital raising late last year.

While the Group continued to generate strong revenue growth, the combination of lethargic economic growth domestically, declining commodity prices and the weakening of the Rand resulted in relatively lower profit growth.

Cash flows from operating activities were substantially higher than in the prior period. Net investment once again exceeded operating cash flow however the excess was significantly lower than in the prior period. This was a function of stronger operating cash flows as investments made in previous financial periods mature and growth in the core business continues, as a well as a decision to moderate the previously rapid pace of expansion, in line with the operating environment.

Segmental review

The waste management business grew turnover strongly but a currency loss of R 6 million due to the weaker Rand, slowing growth in Mozambique as a result of lower oil prices and a higher proportion of lower margin business during the period, offset the profit growth generated by the core operations. In addition the Wynberg transfer station was brought up to breakeven capacity during the period and made a negative contribution during the first few months; the asset is however strategically important and we expect considerable operating efficiencies from it going forward. We are reviewing the capital structure which gave rise to the currency loss and have reduced the overhead structure in Mozambique in line with the current reduction in demand.

The compost manufacturing and sales business grew turnover pleasingly and produced a small profit. The division is an important component of our overall offering and its performance has been the subject of considerable management focus. The retail side of the business has scaled up to a level where it should make consistent positive contributions in future.

The landfill management business increased turnover by 12% relative to the comparative period but succeeded in growing profit by 116%. This was primarily a function of a poor result in the comparative period but also included the benefits of an extended focus on eliminating loss making contracts, improving the reliability of equipment and reducing unplanned maintenance costs, and the leveraged returns from sustained volume growth at the FG landfill. In addition to managing landfills the division continues to source and develop new landfill space, or alternatives to landfills, and the Group invested heavily behind those initiatives. (In the early phases of landfill or technology identification and procurement, the costs relate primarily to environmental impact authorisations and other required approvals, and are expensed as incurred).

Initiatives

Despite the decision to slow the pace of new investment, the Group progressed a number of initiatives during the period.

The Envirowaste business is performing well and services a niche in which it is competitively well placed. We acquired another small Johannesburg based waste business during the period and its performance to date has exceeded what is required in terms of the purchase warranties. There may be an opportunity to combine these businesses in the medium term.

In order to facilitate an entry into the Port Elizabeth market, we purchased a business in Port Elizabeth. The results of the business have met our expectations to date and we are confident of being able to leverage off the base that we now have in the area.

We are constructing the first RDF (refuse derived fuel) plant in South Africa and expect to produce RDF during the next six months. The plant will enable us to convert certain waste streams into fuel which can be sold, and for which there is ready demand. A further benefit of the plant is that it enhances our ability to offer a "zero waste to landfill" solution to customers, something that is increasingly in demand.

The Wynberg transfer station accepted its first loads late in 2014 and its volumes reached breakeven level during the period under review. We expect the efficiencies from the asset to generate meaningful value over the next few years.

The replacement of the core fleet was completed during the period. We elected to purchase rather than lease the vehicles and based on our experience over the term of the previous leases, expect savings from the move.

As part of the repositioning of the landfill management business we have attempted to eliminate small and loss making contracts and have focussed on large contracts where we can bring the whole range of the division's skills to bear over multi-year periods. It is gratifying to report that during the period under review the division won the largest contract in its history.

Prospects

In the commentary on the December 2014 results we predicted that the 2015 financial year would be difficult. Unfortunately that prediction was accurate, although we have seen some level of recovery during the latter part of the financial period. We are however currently in the annual wage negotiation process with the possibility of labour unrest.

The material reductions in H:H (high hazard) landfill disposal costs that occurred in 2014 have been sustained. While these cost reductions have affected the profitability of waste disposal mechanisms which provide alternatives to landfills, they have created the opportunity for significant customer savings and have largely maintained the volumes of waste going to H:H landfills.

We continue to enjoy the benefit of low fuel prices, although in terms of our business model a substantial proportion of the benefit is passed back to our customers.

Despite earlier assurances to the contrary by government, load shedding is a regular phenomenon and is likely to continue. While the detrimental impact of load shedding is obvious on a daily basis, the less obvious but very negative implications of multiple policy and leadership failures are equally concerning. We work with our customers to mitigate the effects of load shedding on the waste

generation and disposal aspects of their businesses, and we have installed back up power in most of our facilities.

Although we face a difficult environment with no obvious catalysts for change, we are cautiously optimistic as to the next 12 months. We have a number of strategic assets which are performing well, the business is sufficiently diversified that it is able to weather tough times in particular sectors or geographies, and we have a strong management team.

Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors.

Dividends

Interwaste will not pay a dividend for the period. Interwaste Cleaning (Pty) Ltd, a partly owned subsidiary, paid dividends of R 538 560 to non-controlling shareholders.

Statement of compliance

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

Basis of measurement

The condensed interim financial statements are presented in thousand of South African Rands (R'000s) on the historical cost basis, except for share based payments which are measured at fair value.

Going Concern

The condensed consolidated 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.

Preparation of interim results

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

Appreciation

We extend our gratitude to all our staff who contributed to this result and to our shareholders and other stakeholders for your valued support.

On behalf of the Board
6 August 2015

WAH Willcocks
Chief Executive Officer

AP Broodryk
Financial Director

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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

Condensed Consolidated Statement of Comprehensive Income

	Unaudited 6 months June 2015 R'000	% Change	Unaudited 6 months June 2014 R'000	Audited 12 months Dec 2014 R'000
Revenue	460 422	19%	386 014	834 474
Cost of sales	(224 638)		(201 140)	(421 169)
Gross profit	235 784	28%	184 874	413 305
Operating expenses	(155 680)		(125 380)	(264 419)
Earnings before interest, tax, depreciation and amortisation	80 104	35%	59 494	148 886
Depreciation and amortisation	(45 210)		(28 401)	(64 870)
Results from operating activities	34 894	12%	31 093	84 016
Net finance cost	(11 614)		(8 296)	(19 579)
Finance cost	(12 731)		(8 678)	(20 367)
Finance income	1 117		382	788
Profit before taxation	23 280	2%	22 797	64 437
Taxation expense	(6 540)		(6 576)	(18 890)
Profit for the period	16 740	3%	16 221	45 547
Profit attributable to:				
Non-controlling interests	367		825	1 224
Owners of the company	16 373	6%	15 396	44 323
Other comprehensive income:				
Items that are or may be reclassified to profit or loss				
Foreign currency translation reserve movement on foreign operations	(177)		(211)	(39)
Total comprehensive income for the period	16 563	3%	16 010	45 508
Total comprehensive income attributable to:				
Non-controlling interests	367		825	1 224
Owners of the company	16 196		15 185	44 284
Reconciliation of headline earnings				
Profit attributable to owners of the company	16 373		15 396	44 323
Adjusted for:				
Loss/(profit) on disposal of property, plant and equipment	332		340	2 317
Taxation charge on headline earnings adjusting items	(93)		(95)	(649)
Total non-controlling interest effects of adjustments	-		-	9
Headline earnings attributable to ordinary shareholders	16 612	6%	15 641	46 000
Weighted average number of shares in issue on which earnings per share are based	465 026 429		395 977 877	409 464 398
Diluted weighted average number of shares in issue on which diluted earnings per share are based	472 451 924		403 156 437	417 189 252
Basic earnings per share (cents)	3.52	(9%)	3.89	10.82
Diluted earnings per share (cents)	3.47	(9%)	3.82	10.62
Headline earnings per share (cents)	3.57	(10%)	3.95	11.23
Diluted headline earnings per share (cents)	3.52	(9%)	3.88	11.03

Condensed Consolidated Statement of Financial Position

	Unaudited	Unaudited	Audited
	6 months	6 months	12 months
	June 2015	June 2014	Dec 2014
	R' 000	R' 000	R' 000
ASSETS			
Non-current assets	698 596	565 264	658 412
Property, plant and equipment	637 409	505 176	598 590
Goodwill	60 732	59 382	59 382
Deferred tax assets	455	706	440
Current assets	267 535	156 198	241 765
Inventories	17 093	15 014	14 747
Current tax receivables	4 874	242	120
Trade and other receivables	193 749	131 675	164 992
Cash and cash equivalents	51 819	9 267	61 906
Total assets	966 131	721 462	900 177
EQUITY AND LIABILITIES			
Equity	480 640	341 848	453 083
Equity attributable to owners of the company	477 920	339 356	450 192
Stated share capital and premium	317 645	225 491	306 498
Share-based payment reserve	3 680	2 564	3 295
Foreign currency translation (deficit)/reserve	(117)	(112)	60
Retained earnings	156 712	111 413	140 339
Non-controlling interests	2 720	2 492	2 891
LIABILITIES			
Non-current liabilities	261 662	216 964	252 208
Interest-bearing borrowings	192 338	162 038	191 378
Provision for site rehabilitation	25 689	20 819	23 964
Deferred tax liabilities	43 635	34 107	36 866
Current liabilities	223 829	162 650	194 886
Current tax payable	3 111	2 247	3 036
Interest-bearing borrowings	94 854	79 250	89 005
Trade and other payables	125 864	75 395	102 845
Bank overdrafts	-	5 758	-
Total liabilities	485 491	379 614	447 094
TOTAL EQUITY & LIABILITIES	966 131	721 462	900 177
Number of shares in issue at year end	467 627 877	395 977 210	458 342 877
Net asset value per share (cents)	102.2	85.7	98.2
Net tangible asset value per share (cents)	89.2	70.7	85.3

Condensed Consolidated Statement of Cash Flows

	Unaudited	Unaudited	Audited
	6 months	6 months	12 months
	June 2015	June 2014	Dec 2014
	R'000	R'000	R'000
Net cash inflow from operating activities	62 039	37 140	103 099
Net cash outflow on investing activities	(88 947)	(138 228)	(265 659)
Net cash inflow from financing activities	17 609	75 540	195 184
Total cash movement for the period	(9 299)	(25 548)	32 624
Effect of exchange rate fluctuations on cash held	(788)	(225)	-
Cash and cash equivalents at beginning of period	61 906	29 282	29 282
Cash and cash equivalents at end of period	51 819	3 509	61 906

Condensed Consolidated Statement of Changes in Equity

	Unaudited	Unaudited	Audited
	6 months	6 months	12 months
	June 2015	June 2014	Dec 2014
	R'000	R'000	R'000
Profit after tax	16 740	16 221	45 547
Dividends paid to non-controlling interests	(539)	(459)	(459)
Shares issued	11 147	-	81 006
Foreign currency translation reserve movement	(177)	(211)	(39)
Share-based payment expense	386	501	1 232
Equity at the beginning of period	453 083	325 796	325 796
Total equity at end of period	480 640	341 848	453 083
Made up as follows:			
Stated share capital	317 645	225 491	306 498
Share based payment reserve	3 680	2 564	3 295
Foreign currency translation (deficit)/reserve	(117)	(112)	60
Retained earnings	156 712	111 413	140 339
Non-controlling interests	2 720	2 492	2 891
Total equity at end of period	480 640	341 848	453 083

Condensed Consolidated Segment Report

	Unaudited	Unaudited	Audited
	6 months	6 months	12 months
	June 2015	June 2014	Dec 2014
	R'000	R'000	R'000
Gross revenue	460 422	386 014	834 474
Waste management	377 799	312 950	676 330
Compost manufacturing and sales	16 341	13 993	40 989
Landfill management	66 282	59 071	117 155
Results from operating activities	34 894	31 093	84 016
Waste management	10 091	22 264	46 024
Compost manufacturing and sales	1 524	(1 971)	(1 215)
Landfill management	23 279	10 800	39 207
Depreciation	45 210	28 401	64 870
Waste management	36 303	21 686	54 183
Compost manufacturing and sales	865	1 099	2 475
Landfill management	8 042	5 616	8 212

Corporate Information

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

Executive directors: WAH Willcocks (CEO), AP Broodryk (FD), LC Grobbelaar

Registration number: 2006/037223/06

Registered Address: P O Box 382, Germiston, 1400

Company Secretary: Allen de Villiers

Telephone: (011) 323 7300

Facsimile: 086 576 8152

Transfer secretaries: Computershare Investor Services (Pty) Limited

Sponsor: Grindrod Bank Limited

Germiston

6 August 2015

Sponsor

Grindrod Bank Limited