Interwaste Holdings Limited

Unaudited condensed consolidated financial results for the six months ended 30 June 2012

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")

Unaudited condensed consolidated financial results for the six months ended 30 June 2012

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2012

Figures in R'000	**June 2012**	**June 2011**	**Dec 2011 Audited**
Revenue	257 509	220 990	455 991
Cost of sales	(144 382)	(129 382)	(276 323)
Gross profit	**113 127**	**91 608**	**179 668**
Operating expenses	(78 313)	(66 828)	(139 625)
Earnings before interest, tax, depreciation and amortisation	**34 814**	**24 780**	**40 043**
Depreciation and amortisation	(20 486)	(19 640)	(37 785)
Profit before interest and taxation	**14 328**	**5 140**	**2 258**
Share of (loss)/profit in equity accounted earnings of joint venture	(168)	589	563
Net finance cost	(3 772)	(4 143)	(9 471)
Finance cost	(4 054)	(4 399)	(10 709)
Finance income	282	256	1 238
Profit/(loss) before taxation	**10 388**	**1 586**	**(6 650)**
Taxation (charge)/credit	(2 779)	(429)	1 548
Total comprehensive profit/(loss) for the period	**7 609**	**1 157**	**(5 102)**
Less: non-controlling interest	(317)	(264)	(749)
Income/(loss) for year attributable to equity holders	**7 292**	**893**	**(5 851)**
Foreign currency translation reserve movement on foreign operations	16	-	53
Total comprehensive income/(loss)	**7 308**	**893**	**(5 798)**
Reconciliation of headline profit/(loss)			
Profit/(loss) attributable to ordinary shareholders	7 292	893	(5 851)
Adjusted for:			
(Profit)/loss on disposal of property, plant and equipment	(2 750)	401	1 371
Taxation charge/(credit) on (profit)/loss on disposal of property, plant and equipment	550	(112)	(384)
Headline profit/(loss) attibutable to ordinary shareholders	**5 092**	**1 182**	**(4 864)**
Weighted average number of shares in issue on which earnings per share are based	329 311 210	329 311 210	329 311 210
Basic profit/(loss) and diluted profit/(loss) per share (cents)	**2.21**	**0.27**	**(1.78)**
Headline profit/(loss) and diluted headline profit/(loss) per share (cents)	**1.54**	**0.36**	**(1.48)**
Move in earnings per share	**718.5%**		
Move in headline earnings per share	**327.8%**		

Condensed Consolidated Statement of Financial Position

at 30 June 2012

Figures in R'000	June 2012	June 2011	Dec 2011 Audited
ASSETS			
Non-current assets	**331 332**	**302 376**	**325 914**
Property, plant and equipment	283 305	253 866	277 719
Intangible assets	-	179	-
Goodwill	47 001	47 001	47 001
Investment in joint ventures	505	700	673
Deferred tax asset	521	630	521
Current assets	**125 341**	**117 308**	**115 301**
Inventories	18 008	18 051	17 106
Loans to related companies	7 707	7 413	7 369
Current tax receivable	3 040	2 254	2 999
Trade and other receivables	95 734	81 239	82 957
Cash and equivalents	852	8 351	4 870
TOTAL ASSETS	**456 673**	**419 684**	**441 215**
EQUITY AND LIABILITIES			
Equity	**239 124**	**237 833**	**231 723**
Share capital	175 491	175 491	175 491
Share based payment reserve	264	113	123
Foreign currency translation reserve	69	-	53
Retained earnings	60 930	60 287	53 638
Non-controlling interests	2 370	1 942	2 418
Liabilities			
Non-current liabilities	**74 681**	**58 942**	**67 174**
Interest-bearing borrowings	50 545	40 172	46 191
Landfill rehabilitation provision	6 665	-	5 394
Deferred tax liability	17 471	18 770	15 589
Current liabilities	**142 868**	**122 909**	**142 318**
Current tax payable	1 180	176	815
Loans from related parties	5 356	4 329	3 567
Interest bearing borrowings	37 307	46 746	50 088
Trade and other payables	67 615	50 475	55 358
Bank overdrafts	31 410	21 183	32 490
TOTAL LIABILITIES	**217 549**	**181 851**	**209 492**
TOTAL EQUITY & LIABILITIES	**456 673**	**419 684**	**441 215**
Number of shares in issue at period end	329 311 210	329 311 210	329 311 210
Net asset value per share (cents)	71.9	71.6	69.6
Net tangible asset value per share (cents)	57.6	57.4	55.4

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2012

Figures in R'000	June 2012	June 2011	Dec 2011 Audited
Cash inflow from operating activities	25 723	34 398	50 228
Cash outflow from investing activities	(23 659)	(25 033)	(64 146)
Cash (outflow)/inflow from financing activities	(5 002)	(8 040)	455
Total cash movement for the period	**(2 938)**	**1 325**	**(13 463)**
Cash at the beginning of the period	(27 620)	(14 157)	(14 157)
Cash at the end of the period	**(30 558)**	**(12 832)**	**(27 620)**

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2012

Figures in R'000	**June 2012**	**June 2011**	**Dec 2011 Audited**
Total comprehensive income for the period	7 609	1 157	(5 102)
Dividends paid to non-controlling interests	(365)	(105)	(105)
Foreign currency translation reserve	16	-	53
Share based payment expense	141	-	96
Equity at beginning of period	231 723	236 781	236 781
Equity at end of period	**239 124**	**237 833**	**231 723**
Made up as follows:			
Share capital issued	33	33	33
Share premium	175 458	175 458	175 458
Share based payment reserve	264	113	123
Foreign currency translation reserve	69	-	53
Retained income	60 930	60 287	53 638
Non controlling interest	2 370	1 942	2 418
Equity at end of period	**239 124**	**237 833**	**231 723**

Condensed Consolidated Segment Report

for the six months ended 30 June 2012

Figures in R'000	**June 2012**	**June 2011**	**Dec 2011 Audited**
Gross revenue			
Waste management	181 881	155 888	310 223
Metals recovery	12 817	10 771	21 809
Organics	16 131	14 115	40 415
Landfill	46 680	40 216	83 544
	257 509	**220 990**	**455 991**
Profit/(Loss) before interest & taxation			
Waste management	14 712	3 625	2 686
Metals recovery	(1 701)	(2 006)	(3 414)
Organics	(5 778)	(1 648)	(2 718)
Landfill management	7 095	5 169	5 704
	14 328	**5 140**	**2 258**
Depreciation			
Waste management	11 046	12 440	23 149
Metals recovery	1 603	1 954	3 682
Organics	1 369	1 658	3 073
Landfill	6 468	3 588	7 881
	20 486	**19 640**	**37 785**

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

OVERVIEW

We are pleased to report an improvement in performance over both six month periods in the prior year. A number of important projects were completed during the first six months of this year and certain of the measures previously taken to grow revenue and reduce costs began to bear fruit.

The growth in revenue was a result of net growth in our client base but more importantly, a focus on industries where our brand, our client relationships and our specific expertise provided an opportunity to grow premium service offerings to major clients.

We completed the move to the central hub in Germiston during the period. This has resulted in cost savings and synergies and we anticipate further benefits from this centralisation.

The new cell at the FG landfill was commissioned in January as a B-lined site in terms of the new Waste Act and we accepted the first load of waste in February. Volumes into the landfill have increased steadily and the facility forms an important part of a holistic service offering to our clients. We made a significant investment in the construction of the new cell to ensure that it met and exceeded all relevant current and anticipated environmental and regulatory standards. This conservative approach is proving to be valuable to our clients in providing high levels of comfort regarding the ethical disposal of their waste.

The Group generated less cash from operating activities than in the comparative period, primarily as a number of major debtors paid directly after the period end. The cash generated during the period was invested in equipment needed for new business, development and improvement of our facilities and applied to reduce interest bearing borrowings. Returns on assets are monitored carefully and fixed asset acquisitions to expand operations are carefully evaluated to ensure they meet the Group's benchmarks before investments are made.

The waste management business grew revenue by 16.7% over the corresponding period in the prior year. Profit before interest and taxation rose from R3.6m to R14.7m. External landfill costs decreased as a consequence of diversions to the FG landfill, this saving was however offset by an increase in the fleet, and thus in fixed vehicle costs, and an increase in fuel costs. Payroll costs increased as a result of an industry wide wage increase at a rate above inflation and a decision to invest in senior people, both in existing parts of the business and in new initiatives. Operating costs increased at a lower rate than revenue but were affected by higher sales and advertising expenditure.

Revenue in the waste management business grew at a rate above the increase in costs and this positive leverage resulted in the significant increase in profit. While there will always be a variable cost element associated with growth, we will continue to look to leverage off our existing asset base to produce higher returns.

Revenue in the organics business increased over the comparative period, however the loss incurred in the operation rose substantially. Although this business is seasonal with the majority of sales and income in the second half of the year, given the magnitude of the loss a detailed review of the operation is being performed with a consequent decision expected before the end of the calendar year.

As reported previously the metals recovery business has been scaled down. Revenue increased over the first six months in the prior year but was down on the second six month period. The loss reduced from that in the first six months of the prior year, and the business was cash flow positive. Metals recovery forms an important part of a complete service offering to our clients but will continue to be run on a low risk basis with a minimum of allocated capital and restricted stock levels.

The landfill business showed solid growth over the same period in the previous year, partly as a result of the new cell at FG landfill coming on stream. Profit before interest and taxation grew by 37%. Pleasingly, the division won a number of new landfill contracts during the period. Maintenance programmes and the quality of the equipment used in the business have improved, however the level of maintenance costs remains a cause for concern.

PROSPECTS

Market conditions remain difficult and significant effort is required to achieve profitable growth. Competitive pressures are high and we will continue to target efficiencies in order to preserve margins.

We have invested heavily in the business, both in physical assets and in people, and we anticipate benefits from this. The FG landfill should continue to be a source of growth, we will leverage off our existing asset base and the Germiston hub which is working well and should result in further cost savings.

We are cautiously optimistic regarding the future. We operate in a demanding environment where we feel downturns in our clients' businesses very quickly, and there are still a number of areas in our business which require attention. We will continue to apply the strategies that have resulted in the improvements to the Group and we expect solid progress.

DIVIDEND

The Group will not pay a dividend for the period.

Platinum Waste Resources (Pty) Ltd, a partly owned subsidiary, paid dividends of R315 000 to non-controlling shareholders. Interwaste Cleaning (Pty) Ltd, a partly owned subsidiary, paid dividends of R51 000 to non-controlling shareholders.

SUPPLEMENTARY NOTES

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

STATEMENT OF COMPLIANCE

The condensed consolidated interim 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 the Companies Regulations, 2011.

BASIS OF MEASUREMENT

The condensed consolidated interim financial statements are presented 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 interim financial statements by all Group entities.

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.

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
23 August 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
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Facsimile: 086 576 8152
Transfer secretaries: Computershare Investor Services (Pty) Limited
Designated Adviser: Grindrod Bank Limited

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