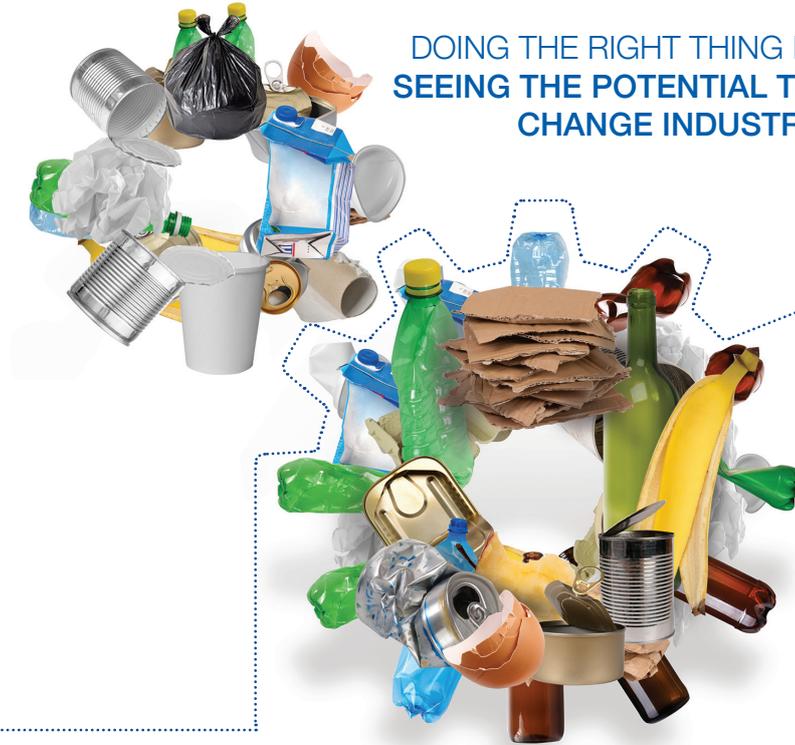


DOING THE RIGHT THING IS  
SEEING THE POTENTIAL TO  
CHANGE INDUSTRY



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

2016



Interwaste Holdings Limited

## OVERVIEW

Interwaste's core operations produced a solid result for the first six months of 2016, which was partly offset by a loss in an investment with a joint venture which has subsequently been placed into liquidation.

Revenue from continuing operations grew 6%, profit from operating activities grew 28% and profit from continuing operations grew 34%. An after-tax loss from discontinued operations of R5.4 million was incurred; this comprised a profit of R3.9 million on sale of the Earth 2 Earth business, and a loss of R9.3 million on the Enbitech investment.

The results for the six months to June 2015 and the year to 31 December 2015 have been restated to reflect Earth 2 Earth and Enbitech separately as discontinued operations.

Interwaste's business is directly affected by the level of economic activity in the country, and the core result, in an environment of virtually no growth, is pleasing.

## SEGMENTAL REVIEW

### WASTE MANAGEMENT

Revenue from the waste management business grew 8%, while the result from operating activities was 233% higher. The improvement in the operating result was a function of:

- Improved performance by a number of the regional businesses which have gained critical mass;
- Clean-ups at certain of our larger customers;
- A pleasing performance from the effluent treatment business, which saw an improvement in volumes during the period;
- A stronger result from the cleaning business arising from a focus on the weaker areas, and the benefit of the newly constructed processing facility;
- A significant improvement in the performance of the Gauteng logistics operation. The business operates in a highly competitive low margin market, and efficiencies have been driven in order to improve margins;
- A positive result from the Mozambican business (the 2015 result included a significant currency loss);
- Well controlled overheads;
- A substantial loss from the blending platform due to significantly lower than budgeted volumes;
- Lower commodity trading results with less opportunities to access tradeable commodities at viable prices; and
- Lower customer volumes in certain areas, which impacted profitability despite early measures to reduce costs.

### COMPOST MANUFACTURING AND SALES

The compost manufacturing and sales business had been returned to profitability. However, concerns as to the future supply of raw material prompted its sale, effective 1 June 2016, with the proceeds on sale received after the period end. The business produced a profit of R3.9 million with a gain on sale of the assets included in the profit on disposal of property, plant and equipment.

### LANDFILL MANAGEMENT

Revenue from the landfill management division decreased by 7.3% and the result from operating activities declined from R23.3 million to R11.9 million. This was primarily a function of:

- Lower profits from the landfill management business due to the loss of a large contract and current year losses on a landfill construction contract due to unforeseen delays;
- Reduced volumes through the FG landfill, in line with the reduction in market volumes; and
- The increased costs of the gas and leachate abatement measures applied at the landfill.

## INVESTMENT

The Company invested R84.1 million in maintaining and expanding operations during the period (2015: R89 million). R9.5 million was generated from the sale of property, plant and equipment, primarily on disposal of the Earth 2 Earth business. R44.2 million was applied to fleet and operating asset replacements, with the balance being spent on bringing the Klinkerstene landfill into operation (first waste accepted 1 July 2016), expanding our recycling capacity, and improving the waste management facilities at the Germiston Hub. Given the difficult operating environment, investments to expand operations will be limited to those areas of the business where growth at rates sufficient to justify the investment is available. There have been substantial levels of investment in recent years, including the multi-year development of the Klinkerstene landfill, and the current asset base should support strong returns in the medium term.

## FG LANDFILL

There were a number of press articles regarding the FG landfill during the period and, where appropriate, the Company released Sens announcements updating shareholders on developments relating to the site.

During the period Interwaste received a notice from the Gauteng Department of Agriculture and Rural Development ("GDARD") requiring it to cease operations at the site, on the basis that its licence to operate the landfill should have been renewed and had not been. The Company disagreed with the interpretation of the licence conditions by GDARD and obtained an interdict suspending the operation of the compliance notice until the matter is heard by a court.

The Company was informed by the Department of Environmental Affairs (DEA) that residents in the area of the landfill had lodged numerous complaints with DEA regarding alleged unpleasant odours produced by the landfill. Although third party research has shown that there are a number of businesses and operations in the Olifantsfontein area which produce odours, including a sewerage treatment plant, Interwaste has gone to considerable lengths to reduce, and where possible eliminate, odours produced by the landfill site to ensure that it is not the basis of any complaints. The level of complaints regarding alleged odours from the landfill has subsequently reduced substantially and Interwaste will continue to work closely with the authorities in this regard. The FG landfill has been subject to repeated audits by the regulator and certain of our customers, and we have not been notified of any breaches of environmental legislation or regulations at the landfill. FG is the only landfill in the country with a TUV ISO 18001 accreditation.

## ENBITEC

Interwaste invested in a joint venture agreement with Enbitech in the prior financial year. The joint venture entity provided various liquid treatment services, including the construction of water and sewerage treatment facilities.

In July 2016 Interwaste determined that certain of the financial information reported to it on a monthly basis by Enbitech had been false and the joint venture entity was no longer viable. An application was made to place the venture into liquidation and a provision was raised for the expected loss on the Company's exposure to the entity at 30 June 2016. Should our investigations reveal any foul play, Interwaste will institute criminal charges.

## MOZAMBIQUE

With effect from 1 January 2016 the majority of the Company's Mozambican contracts are either US dollar denominated or US dollar indexed. The functional currency of that operation has accordingly changed to the US dollar, significantly reducing Interwaste's exposure to the ongoing depreciation of the Metical.

## INITIATIVES

The coastal businesses continue to gain traction with the new regions producing solid turnover growth and encouraging levels of profitability.

Volumes through our new transfer station network are growing and these assets are generating the expected efficiencies. As volumes to our own landfills increase, we will consider the need for additional transfer stations, in high waste generation areas.

Interwaste's FG and Klinkerstene landfills are fully compliant with the latest Waste legislation and regulations, which should constitute a significant competitive advantage going forward. Furthermore, the landfills have significant available capacity whereas a number of the other Gauteng landfills have relatively little remaining airspace. We will continue to work on permitting the sites we have identified for development of new landfill space.

The purchase of Redbins, a waste company specialising in the northern areas of Johannesburg, was successfully concluded during the period. Although the business will not add significantly to Group turnover, it provides important access to a niche market that was underserved by Interwaste.

The Mozambican operation received the hazardous landfill license it had applied for. The landfill will be developed once the economics in the local economy justify the investment.

Interwaste received an integrated waste management license for the Germiston Hub. This allows for recycling, resource recovery, anaerobic digestion, waste to energy and various other activities.

## PROSPECTS

The results of the recent municipal elections do not appear to have catalysed any meaningful change from central government and, in the absence of that, it is difficult to see how the pedestrian level of economic growth we are currently subject to will improve, and how the country will avoid a ratings downgrade in the next year. Accordingly, we will continue to drive returns by managing costs and efficiencies, and targeting growth from those markets where it can be achieved without unduly sacrificing margin. Resources will be directed to the core operations which performed well during the period, and we will limit the capital and people allocated to non-core or new areas.

Investment in the next six months will be limited to existing commitments and maintaining operations; any other investment will require a strong strategic rationale or anticipated returns significantly in excess of the Company's cost of capital.

We have taken steps to address the major factors which impacted the results for the current period and, given the performance of our core business, are quietly optimistic looking forward.

## DIVIDENDS

Interwaste will not pay a dividend for the period.

## 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 consolidated interim financial statements are presented in thousands 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 financial statements was supervised by the group financial director, AP Broodryk, CA(SA).

## APPRECIATION

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

On behalf of the Board  
30 August 2016



AP Broodryk  
Financial Director



WAH Willcocks  
Chief Executive Officer

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

<i>Figures in R'000</i>	June 2016	% Change	June 2015 Restated	Dec 2015 Audited Restated
<b>Continuing operations</b>				
Revenue	445 432	6%	420 730	851 300
Cost of sales	(202 301)		(198 755)	(410 442)
<b>Gross profit</b>	<b>243 131</b>	10%	<b>221 975</b>	<b>440 858</b>
Operating expenses	(148 659)		(145 567)	(270 576)
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>94 472</b>	24%	<b>76 408</b>	<b>170 282</b>
Depreciation and amortisation	(53 617)		(44 430)	(94 349)
<b>Results from operating activities</b>	<b>40 855</b>	28%	<b>31 978</b>	<b>75 933</b>
<b>Net finance costs</b>	(12 738)		(11 265)	(23 734)
Finance costs	(13 898)		(12 731)	(26 080)
Finance income	1 160		1 466	2 346
<b>Profit before taxation</b>	<b>28 117</b>	36%	<b>20 713</b>	<b>52 199</b>
Taxation expense	(8 153)		(5 821)	(15 856)
<b>Profit for the period from continuing operations</b>	<b>19 964</b>	34%	<b>14 892</b>	<b>36 343</b>
<b>Discontinued operations</b>				
(Loss)/profit from discontinued operations, net of tax	(5 397)		1 848	5 890
<b>Profit for the period</b>	<b>14 567</b>	(13%)	<b>16 740</b>	<b>42 233</b>
<b>Profit attributable to:</b>				
Non-controlling interests	(2 113)		367	1 331
Owners of the Company	16 680	2%	16 373	40 902
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified to profit or loss:</b>				
Foreign currency translation reserve movement on foreign operations	(1 458)		(177)	(2 687)
<b>Total comprehensive income for the period</b>	<b>13 109</b>	(21%)	<b>16 563</b>	<b>39 546</b>
<b>Total comprehensive income attributable to:</b>				
Non-controlling interests	(2 113)		367	1 331
Owners of the Company	15 222		16 196	38 215
<b>Reconciliation of headline earnings</b>				
Profit attributable to owners of the Company	16 680	2%	16 373	40 902
<b>Adjusted for:</b>				
(Profit)/loss on disposal of property, plant and equipment	(1 859)		332	(52)
Taxation charge on headline earnings adjusting items	520		(93)	15
Total non-controlling interest effects of adjustments	-		-	(28)
<b>Headline earnings attributable to ordinary shareholders</b>	<b>15 341</b>	(8%)	<b>16 612</b>	<b>40 837</b>
Weighted average number of shares in issue on which earnings per share are based	467 668 014		465 026 429	466 374 466
Diluted weighted average number of shares in issue on which diluted earnings per share are based	471 347 170		472 451 924	472 937 529
<b>Basic earnings per share (cents)</b>	<b>3,57</b>	1%	<b>3,52</b>	<b>8,77</b>
<b>Diluted earnings per share (cents)</b>	<b>3,54</b>	2%	<b>3,47</b>	<b>8,65</b>
<b>Headline earnings per share (cents)</b>	<b>3,28</b>	(8%)	<b>3,57</b>	<b>8,76</b>
<b>Diluted headline earnings per share (cents)</b>	<b>3,25</b>	(7%)	<b>3,52</b>	<b>8,63</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

<i>Figures in R'000</i>	June 2016	June 2015	Dec 2015 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>763 570</b>	<b>698 596</b>	<b>737 099</b>
Property, plant and equipment	700 214	637 409	674 804
Goodwill	61 082	60 732	61 082
Deferred tax assets	2 274	455	1 213
<b>Current assets</b>	<b>262 576</b>	<b>267 535</b>	<b>249 709</b>
Inventories	11 352	17 093	11 472
Current tax receivables	8 952	4 874	4 745
Trade and other receivables	225 220	193 749	180 338
Cash and cash equivalents	17 052	51 819	53 154
<b>TOTAL ASSETS</b>	<b>1 026 146</b>	<b>966 131</b>	<b>986 808</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>518 709</b>	<b>480 640</b>	<b>504 163</b>
Equity attributable to owners of the Company	517 139	477 920	500 480
Stated share capital	318 656	317 645	317 620
Share-based payment reserve	4 647	3 680	4 246
Foreign currency translation deficit	(4 085)	(117)	(2 627)
Retained earnings	197 921	156 712	181 241
Non-controlling interests	1 570	2 720	3 683
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>	<b>271 078</b>	<b>261 662</b>	<b>279 640</b>
Interest-bearing borrowings	185 487	192 338	204 876
Provision for site rehabilitation	34 246	25 689	27 931
Deferred tax liabilities	51 345	43 635	46 833
<b>Current liabilities</b>	<b>236 359</b>	<b>223 829</b>	<b>203 005</b>
Current tax payable	3 367	3 111	291
Interest-bearing borrowings	99 430	94 854	91 461
Trade and other payables	131 255	125 864	111 253
Bank overdraft	2 307	-	-
<b>TOTAL LIABILITIES</b>	<b>507 437</b>	<b>485 491</b>	<b>482 645</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>1 026 146</b>	<b>966 131</b>	<b>986 808</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

<i>Figures in R'000</i>	June 2016	June 2015	Dec 2015 Audited
<b>Net cash inflow from operating activities</b>	52 666	62 039	142 114
<b>Net cash outflow on investing activities</b>	(74 637)	(88 947)	(175 986)
<b>Net cash (outflow)/inflow from financing activities</b>	(11 959)	17 609	26 538
<b>Total cash movement for the period</b>	(33 930)	(9 299)	(7 334)
Effect of exchange rate fluctuations on cash held	(4 479)	(788)	(1 418)
Cash and cash equivalents at beginning of period	53 154	61 906	61 906
<b>Total cash and cash equivalents at end of period</b>	<b>14 745</b>	<b>51 819</b>	<b>53 154</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

<i>Figures in R'000</i>	June 2016	June 2015	Dec 2015 Audited
Profit after tax	14 567	16 740	42 233
Dividends paid to non-controlling interests	-	(539)	(539)
Shares issued	1 036	11 147	11 122
Foreign currency translation reserve movement	(1 458)	(177)	(2 687)
Share-based payment expense	401	386	951
Equity at beginning of year	504 163	453 083	453 083
<b>Total equity at end of period</b>	<b>518 709</b>	<b>480 640</b>	<b>504 163</b>
Made up as follows:			
Stated share capital	318 656	317 645	317 620
Share-based payment reserve	4 647	3 680	4 246
Foreign currency translation deficit	(4 085)	(117)	(2 627)
Retained earnings	197 921	156 712	181 241
Non-controlling interests	1 570	2 720	3 683
<b>Total equity at end of period</b>	<b>518 709</b>	<b>480 640</b>	<b>504 163</b>

## CONDENSED CONSOLIDATED SEGMENT REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2016

<i>Figures in R'000</i>	June 2016	June 2015 Restated	Dec 2015 Audited Restated
<b>Gross revenue</b>			
Waste management	384 000	354 448	700 865
Landfill management	61 432	66 282	150 435
	<b>445 432</b>	<b>420 730</b>	<b>851 300</b>
<b>Results from operating activities</b>			
Waste management	28 957	8 699	31 440
Landfill management	11 898	23 279	44 493
	<b>40 855</b>	<b>31 978</b>	<b>75 933</b>
<b>Depreciation</b>			
Waste management	43 395	36 387	76 114
Landfill management	10 222	8 043	18 235
	<b>53 617</b>	<b>44 430</b>	<b>94 349</b>

## DISCONTINUED OPERATIONS

### COMPOST MANUFACTURING AND SALES

Effective 1 June 2016 the group sold the assets and inventory of the Compost manufacturing and sales segment. While the segment had been restored to profitability there were concerns as to the sustainability of raw material and it was not regarded as part of the group's key competencies. The Compost manufacturing and sales segment had not previously been classified as held-for-sale or as a discontinued operation as there was no intention to dispose of it at the last reporting date. The comparative condensed consolidated statement of profit or loss and other comprehensive income has been restated to show the discontinued operation separately from continuing operations.

### RESULTS OF DISCONTINUED OPERATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

<i>Figures in R'000</i>	<b>June 2016</b>	<b>June 2015</b>	<b>Dec 2015 Audited</b>
Revenue	17 624	16 341	46 096
Cost of sales	(14 249)	(9 676)	(30 326)
<b>Gross profit</b>	<b>3 375</b>	<b>6 665</b>	<b>15 770</b>
Operating expenses	(4 439)	(4 653)	(9 826)
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>(1 064)</b>	<b>2 012</b>	<b>5 944</b>
Depreciation and amortisation	(132)	(517)	(1 022)
<b>Results from operating activities</b>	<b>(1 196)</b>	<b>1 495</b>	<b>4 922</b>
Finance income	4	-	-
<b>Earnings before taxation</b>	<b>(1 192)</b>	<b>1 495</b>	<b>4 922</b>
Taxation credit/(expense)	334	(419)	(1 378)
<b>Results from operating activities, net of tax</b>	<b>(858)</b>	<b>1 076</b>	<b>3 544</b>
Gain on sale of discontinued operation	6 736	-	-
Income tax on gain of sale	(1 886)	-	-
<b>Profit for the period</b>	<b>3 991</b>	<b>1 076</b>	<b>3 544</b>

#### Profit attributable to:

Non-controlling interests	-	-	-
Owners of the Company	3 991	1 076	3 544
Basic earnings per share (cents)	0,85	0,23	0,76
Diluted earnings per share (cents)	0,85	0,23	0,75

### CASH FLOWS FROM/(USED IN) DISCONTINUED OPERATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

<i>Figures in R'000</i>	<b>June 2016</b>	<b>June 2015</b>	<b>Dec 2015</b>
Net cash (outflow)/inflow from operating activities	(8 455)	6 321	11 465
Net cash inflow from investing activities	8 560	-	-
<b>Net cash flow for the period</b>	<b>105</b>	<b>6 321</b>	<b>11 465</b>

### EFFECT OF DISPOSAL ON THE FINANCIAL POSITION OF THE GROUP

<i>Figures in R'000</i>	<b>June 2016</b>
Property, plant and equipment	(6 112)
Trade and other receivables	22 978
Inventories	(3 457)
Trade and other payables	(6 673)
<b>Net assets and liabilities</b>	<b>6 736</b>
Total sales consideration	16 305
Sales consideration included in trade and other receivables	(16 305)
<b>Net cash inflow</b>	<b>-</b>

## DISCONTINUED OPERATIONS (CONTINUED)

### ENBITEC ENVIRONMENTAL SOLUTIONS (PTY) LTD

In July 2016 Enbitec Environmental Solutions (Pty) Ltd, a 50% subsidiary of the group, was placed in voluntary liquidation. At 30 June 2016 the liabilities of this legal entity exceeded its assets and the entity was determined as no longer being viable. The comparative condensed consolidated statement of profit or loss and other comprehensive income has been restated to show the discontinued operation separately from continuing operations.

### RESULTS OF DISCONTINUED OPERATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

<i>Figures in R'000</i>	<b>June 2016</b>	<b>June 2015</b>	<b>Dec 2015 Audited</b>
Revenue	14 904	23 351	59 519
Cost of sales	(18 508)	(16 207)	(43 326)
<b>Gross profit</b>	<b>(3 604)</b>	<b>7 144</b>	<b>16 193</b>
Operating expenses	(7 327)	(5 460)	(11 681)
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>(10 931)</b>	<b>1 684</b>	<b>4 512</b>
Depreciation and amortisation	(273)	(264)	(464)
<b>Results from operating activities</b>	<b>(11 204)</b>	<b>1 420</b>	<b>4 048</b>
<b>Net finance costs</b>	<b>(472)</b>	<b>(349)</b>	<b>(771)</b>
Finance costs	(512)	(349)	(771)
Finance income	40	-	-
<b>Profit before taxation</b>	<b>(11 676)</b>	<b>1 071</b>	<b>3 277</b>
Taxation expense	2 288	(299)	(931)
<b>Profit for the period</b>	<b>(9 388)</b>	<b>772</b>	<b>2 346</b>
<b>Profit attributable to:</b>			
Non-controlling interests	(2 596)	386	1 173
Owners of the Company	(6 792)	386	1 173
Basic earnings per share (cents)	(1,45)	0,17	0,25
Diluted earnings per share (cents)	(1,44)	0,16	0,25

### CASH FLOWS FROM/(USED IN) DISCONTINUED OPERATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

<i>Figures in R'000</i>	<b>June 2016</b>	<b>June 2015</b>	<b>Dec 2015</b>
Net cash outflow from operating activities	(377)	(4 025)	(8 226)
Net cash from outflow from investing activities	(24)	(980)	(829)
Net cash (outflow)/inflow from financing activities	(590)	6 700	10 152
<b>Net cash flow for the period</b>	<b>(991)</b>	<b>1 695</b>	<b>1 097</b>

### EFFECT OF LIQUIDATION ON THE FINANCIAL POSITION OF THE GROUP

<i>Figures in R'000</i>	<b>June 2016</b>
Trade and other receivables	(9 782)
Receiver of revenue	2 739
Non-controlling interests	1 424
<b>Net assets and liabilities</b>	<b>(5 619)</b>
Consideration received in cash	-
Cash and cash equivalents disposed of	-
<b>Net cash inflow</b>	<b>-</b>

## 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

[www.interwaste.co.za](http://www.interwaste.co.za)



Interwaste Holdings Limited