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 2017

OVERVIEW

Despite subdued business confidence within South Africa, the waste management industry remains a dynamic place to conduct business. The trading environment is competitive but Interwaste's strategy of providing integrated waste management solutions and controlling the entire value chain continues to afford us a competitive advantage. Our internationally accredited operating standards and growing service offerings continue to enable Interwaste to be the supplier of choice for many local and multinational clients.

Demand for services in waste management industry is directly correlated with economic activity and, despite an environment with minimal growth in GDP, revenue from continuing operations increased 8% year-on-year on the back of price increases as well as growing volumes from predominately new operations.

Through improved asset utilisation, consolidations, relocations and disposals of various non-performing depots and businesses, the Group has improved profitability resulting in a 17% increase in headline earnings per share on continuing operations. There remains a strong focus to reduce overhead costs, to improve Logistics efficiencies and grow organically from our existing client base through added service offerings.

Looking forward, economic indicators predict continued subdued growth in many of the industry verticals in which we operate over the next few years, which when combined with increasing levels of competition, indicate challenging trading conditions are expected to continue. On the positive side, increasing levels of either voluntary or enforced levels of compliance will create demand for our services establishing a robust sales pipeline. The Department of Environmental Affairs continues to introduce a host of new environmental legislation which will create additional opportunities for Interwaste in the form of added service offerings to our customers. We remain proactive in our participation by constantly engaging both local and national government to ensure that we are suitably prepared and adequately resourced to leverage off the legislative changes.

FINANCIAL PERFORMANCE

Revenue from continuing operations grew 8% year-on-year mainly impacted by new operations and industry price increases. Operational efficiencies resulted in an increase in profit from continuing operating activities of 20% year-on-year.

Revenue from the Logistics segment increased 10% year-on year in a competitive environment with profit from operating activities increasing 35%.

The Facilities segment reported negative growth with a decrease of 6% in year-on-year revenue. While decreasing municipal volumes were experienced on the FG Landfill, there were increases in volumes to the Klinkerstene Landfill as the facility starts to grow following commissioning during 2016. The decreased municipal volumes to the FG Landfill site together with increased one-off compliance costs put pressure on the profitability of the Facilities segment resulting in a 17% decrease in profit from operating activities year-on-year. The non-performing Blending Plant assets, which is included in the Facilities segment, was sold to Lafarge effective 30 June 2017 and losses have ceased from this date.

CASH FLOWS

The Group was highly cash generative for the six months ending 30 June 2017 with R33.2 million of cash generated before finance activities (30 June 2016: usage of R22.0 million), a substantial improvement. Higher cash was earned from operating activities together with a meaningful reduction in cash used in investing activities. Cash utilised in investing activities was offset by R14.3 million inflow resulting from the sale of non-performing Blending Plant assets to Lafarge.

Cash and cash equivalents held at the end of June 2017 was R75.5 million compared to R14.7 million in the prior year. The stronger cash flow has resulted in reduced net gearing year-on-year.

The Group embarked on a strategy in 2013 to replace the four year full maintenance operating leases with finance leases in order to reduce the costs of fleet ownership. This strategy has almost entirely been implemented with the final units being replaced in the second half of 2017. Capital investments within our Logistics division are financed largely through debt however, investments into the Facility operations are self-funded utilising cash resources.

During the period under review, R5.4 million of treasury shares were acquired.

SADC INVESTMENTS

The overall activities in our cross border investments continued to perform well with healthy returns being generated. We have taken proactive steps to right size certain areas of investment to ensure that we do not have unproductive assets allocated to areas with subdued economic activity.

The change last year to billing our SADC customers in US Dollar has limited our exposure to traditional SADC type currency fluctuations. However, with the strengthening Rand against the US Dollar during the reporting period, we incurred exchange rate losses. We continue to successfully repatriate foreign revenue generated outside South Africa aligned to our investment strategy and knowledge of the countries in which we operate.

The SADC region, into which Interwaste invested over 20 years ago, remains a key growth area and we continue to assess our investments and operating units in the region. We have gained extensive local knowledge enabling us to understand and navigate the specific challenges we face.

FG LANDFILL

The FG Landfill is one of only two in Gauteng that complies with current landfill liner legislation, and remains recognised by independent experts as one of the best managed landfill facilities in South Africa. It is the only facility in the country that has received international OHSAS 18001 certification from German based TUV Rheinland.

Interwaste has always embraced the communities within which we conduct business and is respectful of the potential impacts our operations have on the local environment. As a result, we continue to pursue best practices with respect to the management of our operations. Various measures which were designed, managed and commissioned by leading engineering companies in the sector, have been implemented at the landfill to ensure that potential environmental impacts associated with the operation of the landfill are effectively mitigated. During the period, R1.7 million was spent in extending the gas extraction on FG Landfill which has been connected to the gas flaring system commissioned in the prior year.

Given the extensive focus on the FG Landfill, the site’s licence and compliance has come under scrutiny from both the national and provincial regulators. The company remains confident that the site is compliant with the license conditions. The company is currently engaged in legal processes involving the applicable regulators retaining leading environmental law experts.

INITIATIVES

Our Laboratory at our site in Germiston, which analyses waste for various customers and for Interwaste, was awarded full SANAS accreditation with Interwaste now having the most advanced and fully certified environmental laboratory in South Africa.

OUTLOOK

Based on forecasts of economic growth, it is reasonable to presume relatively flat growth in the year that lies ahead. The provision of integrated waste solutions together with increasing levels of compliance should assist in retaining clients as well as acquiring new clients. We continue to drive returns by managing costs and improving efficiencies. Resources will be applied in investments generating the required returns.

References to forward looking statements included anywhere in this announcement have not been reviewed or reported on by the Group's external auditors.

DIVIDENDS

Interwaste will not pay a dividend for the period. The executive board remains committed to the payment of a dividend and future dividend payments will be considered bearing in mind the balance between capitalising on opportunities and delivering on short, medium and long term value for 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 the International Financial Reporting Standards and are consistent with those applied in the previous year's annual financial statements.

BASIS OF MEASUREMENT

The condensed consolidated interim financial statements are presented in thousands of South African Rands (R'000) 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, RA Lumb CA(SA).

APPRECIATION

We extend our gratitude to all 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
23 August 2017

RA Lumb
Financial Director

WAH Willcocks
Chief Executive Officer

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2017

	June 2017 R'000 6 months	% Change	June 2016 R'000 6 months	December 2016 R'000 Audited 12 months
Continuing operations				
Revenue	480 652	8%	445 432	924 003
Cost of sales	(219 983)		(202 301)	(421 317)
Gross profit	260 669	7%	243 131	502 686
Operating expenses	(159 671)		(148 659)	(297 591)
Earnings before interest, tax, depreciation and amortisation	100 998	7%	94 472	205 095
Depreciation and amortisation	(51 989)		(53 617)	(106 636)
Results from operating activities	49 009	20%	40 855	98 459
Net finance costs	(16 382)		(12 738)	(28 720)
Finance costs	(17 085)		(13 898)	(30 882)
Finance income	703		1 160	2 162
Profit before taxation	32 627	16%	28 117	69 739
Taxation expense	(9 607)		(8 153)	(21 999)
Profit for the period from continuing operations	23 020	15%	19 964	47 740
Discontinued operations				
Loss from discontinued operations, net of tax	-		(5 397)	(3 961)
Profit for the period	23 020	58%	14 567	43 779
Profit attributable to:				
Non-controlling interests	704		(2 113)	14
Owners of the company	22 316		16 680	43 765

Other comprehensive income: Items that are or may be reclassified to profit or loss Foreign currency translation reserve movement on foreign operations	(1 444)		(1 458)	(5 434)
Total comprehensive income for the period	21 576	65%	13 109	38 345
Total comprehensive income attributable to:				
Non-controlling interests	704		(2 113)	14
Owners of the company	20 872		15 222	38 331
Continuing and discontinued operations				
Basic earnings per share (cents)	4.80	35%	3.57	9.36
Diluted earnings per share (cents)	4.77	35%	3.54	9.29
Continuing operations				
Basic earnings per share (cents)	4.80	15%	4.17	9.95
Diluted earnings per share (cents)	4.77	16%	4.13	9.88

Condensed Consolidated Statement of Financial Position
As at 30 June 2017

	June 2017 R'000	June 2016 R'000	December 2016 Audited R'000
ASSETS			
Non-current assets	763 272	763 570	778 914
Property, plant and equipment	697 510	700 214	713 290
Goodwill	64 008	61 082	64 008
Deferred tax assets	1 754	2 274	1 616
Current assets	312 164	262 576	238 283
Inventories	9 162	11 352	8 143
Current tax receivables	4 425	8 952	6 066
Trade and other receivables	223 074	225 220	193 223
Cash and cash equivalents	75 503	17 052	30 851
TOTAL ASSETS	1 075 436	1 026 146	1 017 197
EQUITY AND LIABILITIES			
Equity	556 837	518 709	541 343
Equity attributable to owners of the company	553 121	517 139	537 903
Stated share capital	310 164	318 656	315 558
Share-based payment reserve	5 141	4 647	5 401
Foreign currency translation deficit	(9 506)	(4 085)	(8 062)
Retained earnings	247 322	197 921	225 006
Non-controlling interests	3 716	1 570	3 440

LIABILITIES			
Non-current liabilities	290 778	271 078	274 046
Interest-bearing borrowings	198 360	185 487	183 579
Provision for site rehabilitation	36 301	34 246	34 347
Deferred tax liabilities	56 117	51 345	56 120
Current liabilities	227 821	236 359	201 808
Current tax payable	574	3 367	4 160
Interest-bearing borrowings	107 058	99 430	105 386
Trade and other payables	120 189	131 255	92 262
Bank overdrafts	-	2 307	-
Total liabilities	518 599	507 437	475 854
TOTAL EQUITY AND LIABILITIES	1 075 436	1 026 146	1 017 197

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2017

	June 2017 R'000 6 months	June 2016 R'000 6 months	December 2016 R'000 Audited 12 months
Profit before taxation on total operations	32 627	21 985	64 907
Adjustments for:			
Depreciation and amortisation	51 989	54 022	106 769
Finance costs	17 085	13 858	31 394
Finance income	(703)	(652)	(2 206)
(Profit)/loss on disposal of property, plant and equipment	(1 402)	(1 859)	1 599
Profit on disposal of compost business	-	-	(2 448)
Share-based payment transactions	(260)	1 438	1 156
Foreign currency translation	(774)	4 939	3 905
Changes in working capital:			
Increase in trade and other receivables	(29 851)	(44 881)	(12 885)
Increase/(decrease) in trade and other payables	27 926	20 003	(18 989)
(Increase)/decrease in inventories	(1 018)	314	3 328
Change in estimate – site rehabilitation cost	831	945	998
Cash generated from operations	96 450	70 112	177 528
Finance costs paid	(15 964)	(12 999)	(29 526)
Finance income received	703	652	2 206
Tax paid	(11 692)	(5 099)	(9 471)
Net cash inflow from operating activities	69 497	52 666	140 737
Cash flows from investing activities			
Purchases of property, plant and equipment	(53 457)	(84 062)	(157 538)
Proceeds on disposal and scrapping of property, plant and equipment	17 175	9 425	4 725
Proceeds on disposal of discontinued operations	-	-	8 560
Acquisition of subsidiaries	-	-	(2 927)

Net cash outflow on investing activities	(36 282)	(74 637)	(147 180)
Cash flows from financing activities			
Proceeds on issue of share capital	-	-	1 165
Treasury shares acquired	(5 394)	-	(3 226)
Net movement in interest-bearing borrowings	16 454	(11 959)	(7 373)
Interest-bearing borrowings raised	76 788	44 170	105 410
Interest-bearing borrowings repaid	(60 334)	(56 129)	(112 783)
Dividends to non-controlling interests	(428)	-	(260)
Net cash inflow/(outflow)from financing activities	10 632	(11 959)	(9 694)
Total cash movement for the period	43 847	(33 930)	(16 137)
Effect of exchange rate fluctuations on cash held	805	(4 479)	(6 166)
Cash and cash equivalents at beginning of period	30 851	53 154	53 154
Total cash and cash equivalents at end of period	75 503	14 745	30 851

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2017

	June 2017 R'000 6 months	June 2016 R'000 6 months	December 2016 R'000 Audited 12 months
Profit after tax	23 020	14 567	43 779
Dividends paid to non-controlling interests	(428)	-	(260)
Shares issued	-	1 036	821
Treasury shares acquired	(5 394)	-	(3 226)
Foreign currency translation reserve movement	(1 444)	(1 458)	(5 434)
Share-based payment reserve movement	(260)	401	1 500
Equity at the beginning of period	541 343	504 163	504 163
Total equity at end of period	556 837	518 709	541 343

NOTES TO THE FINANCIAL RESULTS

1. Condensed Consolidated Segment Report
For the six months ended 30 June 2017

	June 2017 R'000 6 months	June 2016 R'000 6 months	December 2016 R'000 Audited 12 months
Gross revenue			
Logistics	423 131	384 000	803 887
Facilities	57 521	61 432	120 116
	480 652	445 432	924 003
Results from operating activities			
Logistics	39 160	28 957	64 618
Facilities	9 849	11 898	33 841
	49 009	40 855	98 459
Depreciation			

Logistics	41 328	43 395	84 442
Facilities	10 661	10 222	22 194
	51 989	53 617	106 636
Segment assets			
Logistics	900 350	862 120	865 655
Facilities	175 086	164 026	151 542
	1 075 436	1 026 146	1 017 197
Segment liabilities			
Logistics	460 656	454 921	431 358
Facilities	57 943	52 516	44 496
	518 599	507 437	475 854

2. Reconciliation of headline earnings
For the six months ended 30 June 2017

	June 2017 R'000 6 months	% Change	June 2016 R'000 6 months	December 2016 R'000 Audited 12 months
Profit attributable to owners of the company	22 316		16 680	43 765
Adjusted for:				
Gain on sale of discontinued operation	-		-	(2 448)
Tax effect on gain on sale of discontinued operation	-		-	685
Loss/(profit) on disposal of property, plant and equipment	(1 402)		(1 859)	1 599
Tax effect of loss/(profit) on disposal of property, plant and equipment	392		520	(447)
(Profit)/loss on disposal of business	(202)		-	-
Tax effect on (profit)/loss on disposal of business	57		-	-
Headline earnings attributable to ordinary shareholders	21 161	38%	15 341	43 154
Weighted average number of shares in issue on which earnings per share are based	465 308 987		467 668 014	467 818 670
Diluted weighted average number of shares in issue on which diluted earnings per share are based	467 366 292		471 347 170	471 135 689
Continuing and discontinued operations				
Headline earnings per share (cents)	4.55	39%	3.28	9.22
Diluted headline earnings per share (cents)	4.53	39%	3.25	9.16
Continuing operations				
Headline earnings per share (cents)	4.55	17%	3.88	9.94

Diluted headline earnings per share (cents)	4.53	18%	3.85	9.87

3. RELATED PARTIES

Trusts relating to directors	Wilco Family Trust N2 Property Trust
Directors	D Rosevear BL Willcocks C Boles LJ Mahlangu LC Grobbelaar PF Mojono WAH Willcocks RA Lumb
Significant shareholders	The Wilco Family Trust

There were no major transactions with related parties in the six months ended 30 June 2017.

4. SUBSEQUENT EVENTS

The directors are not aware of any material matter or circumstance arising since the end of 30 June 2017 and up to the date of approval of the condensed consolidated financial results, relevant to an assessment of the financial results at 30 June 2017.

5. IMPACT OF IFRS 15, IFRS 9 AND IFRS 16

IFRS 15 Revenue from contracts with customers

The Group has done a preliminary assessment of the potential impact of the adoption of
IFRS 15. For revenue from the sale of goods, management does not expect a significant impact on the measurement or timing of revenue recognition as:

1) There is no material right of return; and
2) The date when control passes in terms of IFRS 15 is likely to be materially the same as the date revenue is currently recognised.

For revenue from the rendering of services, management does not expect a significant impact on the measurement or timing of revenue recognition due to the nature and short length of the services rendered.

IFRS 9 Financial Instruments

Management has performed a preliminary assessment of the impact of IFRS 9. Given the nature of the Group’s financial instruments, the Group does not believe that the new classification requirements will significantly impact on the measurement of these instruments.

The impairment model for trade receivables will change from an “incurred loss” model to an “expected loss” model.

IFRS 16 Leases

The entity has a number of operating leases for equipment and vehicles that may be recognised on the statement of financial position as a result of the adoption of IFRS 16. Management has identified specific contracts where an impact is expected and is in the process of determining:
1) Whether these contracts meet the definition of lease contracts per IFRS 16;
2) Whether any scope exemptions apply; and
3) The quantitative impact of recognising these leases on balance sheet, where relevant.
No significant impact is expected for the Groups’ finance leases.

Corporate Information
Non-executive directors: PF Mojono(Chairperson), LJ Mahlangu, C Boles, D Rosevear, BL Willcocks
Executive directors: WAH Willcocks (Chief Executive Officer), RA Lumb (Financial Director), 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