

DOING THE RIGHT THING STARTS WITH
CHANGING THE WAY WE THINK



REVIEWED
PROVISIONAL
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER

2015



Interwaste Holdings Limited

OVERVIEW

Interwaste produced a disappointing result for the year with solid performances by our core operations being dragged down by the impact of low commodity and oil prices on our effluent treatment division, commodities trading division and our Mozambican division.

Revenue grew 14.7% to R957 million, below our target for the year of R1 billion. The ratio of operating expenses to total revenue declined from 31.7% to 30.5%, partly as a result of the decision to purchase rather than lease vehicles as they come up for renewal. The depreciation charge increased substantially, a consequence of aggressive capital expansion over a number of years. Finance costs increased as a result of higher interest rates and a limited increase in debt levels.

Interwaste's business is highly correlated with the general state of the economy and it is encouraging that our core businesses performed well despite tepid economic growth. As certain of our assets have matured their returns have improved and this, together with the measures taken to control costs in the businesses that are directly exposed to the oil and commodity cycles, will enable the group to continue growing if current economic conditions persist, as seems likely.

SEGMENTAL REVIEW

The waste management business grew revenue by 12.4% however operating profit declined by 23.8%. The result included a currency loss of R1.5 million, the impact of a higher proportion of lower margin business and the consequence of lower oil and commodity prices. The Mozambican economy was severely affected by the sustained drop in oil prices and our revenue declined accordingly. We repatriated excess capital and restructured the remaining investment, reduced our cost base, acquired revenue streams that are less dependent on oil/gas exploration spend and anticipate improved results going forward. The effluent treatment and commodities trading businesses were adversely affected by customers in the local oil and commodities industries deferring clean ups and reducing discretionary spend. Margins on commodities declined and our access to tradeable commodities was limited by fewer clean ups. Both of these businesses have relatively low overhead structures, are positive contributors to the group and will provide significant optionality when the volume of clean ups increases.

The compost manufacturing and sales business grew turnover by 12.5% and produced a profit of R5.3 million (2014: loss of R1.2 million). The business is an important part of our overall offering and we have been able to diversify our sources of raw material, thus enabling us to maintain operations at a level which is profitable. As reported previously, the retail side of the business has achieved critical mass and has been a major contributor to the improvement in the overall result.

The landfill management business grew revenue by 28.4% and operating profit by 13.5%. The growth in revenue was a function of the sustained volume growth at FG landfill and new landfill management contracts. The division changed its business model over the last two years, eliminating unprofitable management contracts and focussing on larger contracts where our offering attracts a premium, and developing new landfill space. In this regard the Klinkerstene landfill is expected to accept its first waste in April 2016. The landfill will be developed on a cellular basis at a very low cost per cubic metre of airspace and should be strongly cash positive. If fully developed, based on current estimates for the area, Klinkerstene should provide approximately 100 years of airspace.

INITIATIVES

A number of initiatives on which we reported previously have been progressed.

The Envirowaste business continues to meet expectations and another small Johannesburg based business we acquired, has exceeded the warranties contained in the purchase agreement. These operations service an important niche and will continue to trade under separate brands. They are both growing users of the Wynberg transfer station, and are benefitting from the consequent logistical efficiencies. A key factor in the Wynberg transfer station's success will be the extent to which it is used by third parties and we are beginning to see some traction in this area.

The coastal businesses, including the new business in Port Elizabeth, have shown a significant improvement in profitability. The Port Elizabeth operation has won a number of contracts, giving it critical mass, and we are pursuing further opportunities in the area.

Our RDF (refuse derived fuel) plant has been brought into operation and its initial production has been sold. The plant enables us to convert certain waste streams into saleable fuel and enhances our ability to offer a "zero waste to landfill" solution to customers.

We have brought two baling machines into operation at our Germiston site, enabling us to increase the yields we generate from the recyclables we process, and to better control the recycled products prior to sale.

We continue to work on permitting a number of the landfill sites we have identified. While progress is often slow and the related costs are expensed, not capitalised, we are confident that some of the airspace that will be created through this process will be an invaluable resource in due course.

PROSPECTS

Absent any catalysts for change, which are currently difficult to conceive of, South Africa is likely to remain a challenging place in which to do business. Our economic growth rate is unacceptably low, our infrastructure is creaking in many areas and failing in others, and laws and regulations are applied inconsistently. As the impact of the current rand weakness becomes more pronounced and the resultant decline in living standards more apparent, we are likely to see higher levels of social unrest and more aggressive wage demands.

Interwaste has grown revenue by 71.3% and operating profit by 163.3% over the last three years. While we will continue to target meaningful real revenue growth, our primary objectives for the next year will be to complete a number of the projects currently in progress, to extract value from the investments we have made in recent years and to control costs and manage the margins in our core businesses given the competitive pressures in the market. As a result, barring any unforeseen large opportunities, our level of investment spend should continue to decline.

The overall result for 2015 is below our expectations. There was however an improvement in the quality of underlying earnings and we are encouraged by how solidly the core businesses are performing. The higher margin operations will continue to be managed as an important and relatively low cost source of optionality.

The benefit of lower oil prices has been partly offset by the substantially weaker rand. Given the low growth outlook and the possibility of further rand weakness, the next year is likely to be challenging. Nonetheless, our fundamentals are solid, we have cut costs in the more volatile areas and we should be cash generative.

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

DIVIDEND

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 provisional condensed consolidated financial statements have been prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – *Interim Financial Reporting*.

BASIS OF PREPARATION

The provisional condensed consolidated financial statements are prepared in thousands of South African Rands on the historical cost basis.

The accounting policies applied in the preparation of the provisional consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

The standards, amendments and interpretations, which became effective in the year ended 31 December 2015 were assessed for applicability to the Group and management concluded that they were not applicable to the business of the Group and consequently will have no impact.

SUBSEQUENT EVENTS

No events that meet the requirements of IAS 10 have occurred since the reporting date.

REPORT OF THE INDEPENDENT AUDITORS

These provisional condensed consolidated financial statements for the year ended 31 December 2015 have been reviewed by KPMG Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's report.

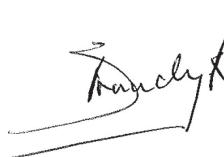
PREPARER OF FINANCIAL STATEMENTS

These provisional condensed consolidated financial statements have been prepared under the supervision of the Group financial director, André Broodryk CA(SA).

APPRECIATION

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

On behalf of the Board
17 March 2016



AP Broodryk
Financial Director



WAH Willcocks
Chief Executive Officer

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

<i>Figures in R'000</i>	Dec 2015 Reviewed	% Change	Dec 2014 Audited
Revenue	956 916	14,7%	834 474
Cost of sales	(484 094)		(421 169)
Gross profit	472 822	14,4%	413 305
Operating expenses	(292 083)		(264 419)
Earnings before interest, tax, depreciation and amortisation	180 739	21,4%	148 886
Depreciation and amortisation	(95 836)		(64 870)
Result from operating activities	84 903	1,1%	84 016
Net finance costs	(24 505)		(19 579)
Finance costs	(26 080)		(20 367)
Finance income	1 575		788
Profit before taxation	60 398	(6,3%)	64 437
Taxation expense	(18 165)		(18 890)
Profit for the year	42 233	(7,3%)	45 547
Profit attributable to:			
Non-controlling interests	1 331		1 224
Owners of the company	40 902	(7,7%)	44 323
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation reserve movement on foreign operations	(2 687)		(39)
Total comprehensive income for the year	39 546	(13,1%)	45 508
Total comprehensive income attributable to:			
Non-controlling interests	1 331		1 224
Owners of the company	38 215		44 284
Reconciliation of headline earnings			
Profit attributable to owners of the company	40 902		44 323
Adjusted for:			
(Profit)/loss on disposal of property, plant and equipment	(52)		2 317
Taxation charge on headline earnings adjusting items	15		(649)
Total non-controlling interest effects of adjustments	(28)		9
Headline earnings attributable to ordinary shareholders	40 837	(11,2%)	46 000
Weighted average number of shares in issue on which earnings per share are based	466 374 466		409 464 398
Diluted weighted average number of shares in issue on which diluted earnings per share are based	472 937 529		417 189 252
Basic earnings per share (cents)	8,77	(18,9%)	10,82
Diluted earnings per share (cents)	8,65	(18,5%)	10,62
Headline earnings per share (cents)	8,76	(22,0%)	11,23
Diluted headline earnings per share (cents)	8,63	(21,8%)	11,03

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

Figures in R'000		Dec 2015 Reviewed	Dec 2014 Audited
ASSETS			
Non-current assets		737 099	658 412
Property, plant and equipment		674 804	598 590
Goodwill		61 082	59 382
Deferred tax assets		1 213	440
Current assets		249 709	241 765
Inventories		11 472	14 747
Current tax receivables		4 745	120
Trade and other receivables		180 338	164 992
Cash and cash equivalents		53 154	61 906
TOTAL ASSETS		986 808	900 177
EQUITY AND LIABILITIES			
Equity		504 163	453 083
Equity attributable to owners of the company		500 480	450 192
Stated share capital		317 620	306 498
Share-based payment reserve		4 246	3 295
Foreign currency translation reserve		(2 627)	60
Retained earnings		181 241	140 339
Non-controlling interests		3 683	2 891
Liabilities			
Non-current liabilities		279 640	252 208
Interest-bearing borrowings		204 876	191 378
Provision for site rehabilitation		27 931	23 964
Deferred tax liabilities		46 833	36 866
Current liabilities		203 005	194 886
Current tax payable		291	3 036
Interest-bearing borrowings		91 461	89 005
Trade and other payables		111 253	102 845
TOTAL LIABILITIES		482 645	447 094
TOTAL EQUITY & LIABILITIES		986 808	900 177
Number of shares in issue at year end		467 627 877	458 342 877

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

Figures in R'000		Dec 2015 Reviewed	Dec 2014 Audited
Net cash inflow from operating activities		142 114	103 099
Net cash outflow on investing activities		(175 986)	(265 659)
Net cash inflow from financing activities		26 538	195 184
Total cash movement for the year		(7 334)	32 624
Effect of exchange rate fluctuations on cash held		(1 418)	-
Cash and cash equivalents at beginning of year		61 906	29 282
Total cash and cash equivalents at end of year		53 154	61 906

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

<i>Figures in R'000</i>		Dec 2015 Reviewed	Dec 2014 Audited
Profit after tax		42 233	45 547
Dividends paid to non-controlling interests		(539)	(459)
Shares issued		11 122	81 006
Foreign currency translation reserve movement		(2 687)	(39)
Share-based payment transactions		951	1 232
Equity at beginning of year		453 083	325 796
Total equity at end of year		504 163	453 083

Made up as follows:

Stated share capital		317 620	306 498
Share-based payment reserve		4 246	3 295
Foreign currency translation reserve		(2 627)	60
Retained earnings		181 241	140 339
Non-controlling interests		3 683	2 891
Total equity at end of year		504 163	453 083

PROVISIONAL CONDENSED CONSOLIDATED SEGMENT REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

<i>Figures in R'000</i>		Dec 2015 Reviewed	Dec 2014 Audited
Gross revenue			
Waste management		760 384	676 330
Compost manufacturing and sales		46 096	40 989
Landfill management		150 436	117 155
		956 916	834 474
Results from operating activities			
Waste management		35 085	46 024
Compost manufacturing and sales		5 324	(1 215)
Landfill management		44 494	39 207
		84 903	84 016
Depreciation and amortisation			
Waste management		75 945	54 183
Compost manufacturing and sales		1 655	2 475
Landfill management		18 236	8 212
		95 836	64 870

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
