



Interwaste Holdings Limited

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**ANNUAL REPORT 2010**





# Interwaste Holdings Limited

(Incorporated in the Republic of South Africa)

Registration Number 2006/037223/06

JSE Code: IWE

ISIN: ZAE000097903

## Our Vision

Interwaste Holdings Limited and its group companies are dedicated to ensuring that firm commitment, hard work and the utilisation of the latest technologies in the spheres of holistic waste management, innovative landfill management and waste beneficiation will help secure the viability of the planet for future generations.

The group will continue to strive to provide innovative, cost effective and environmentally friendly solutions in relation to waste management.

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## Our Mission

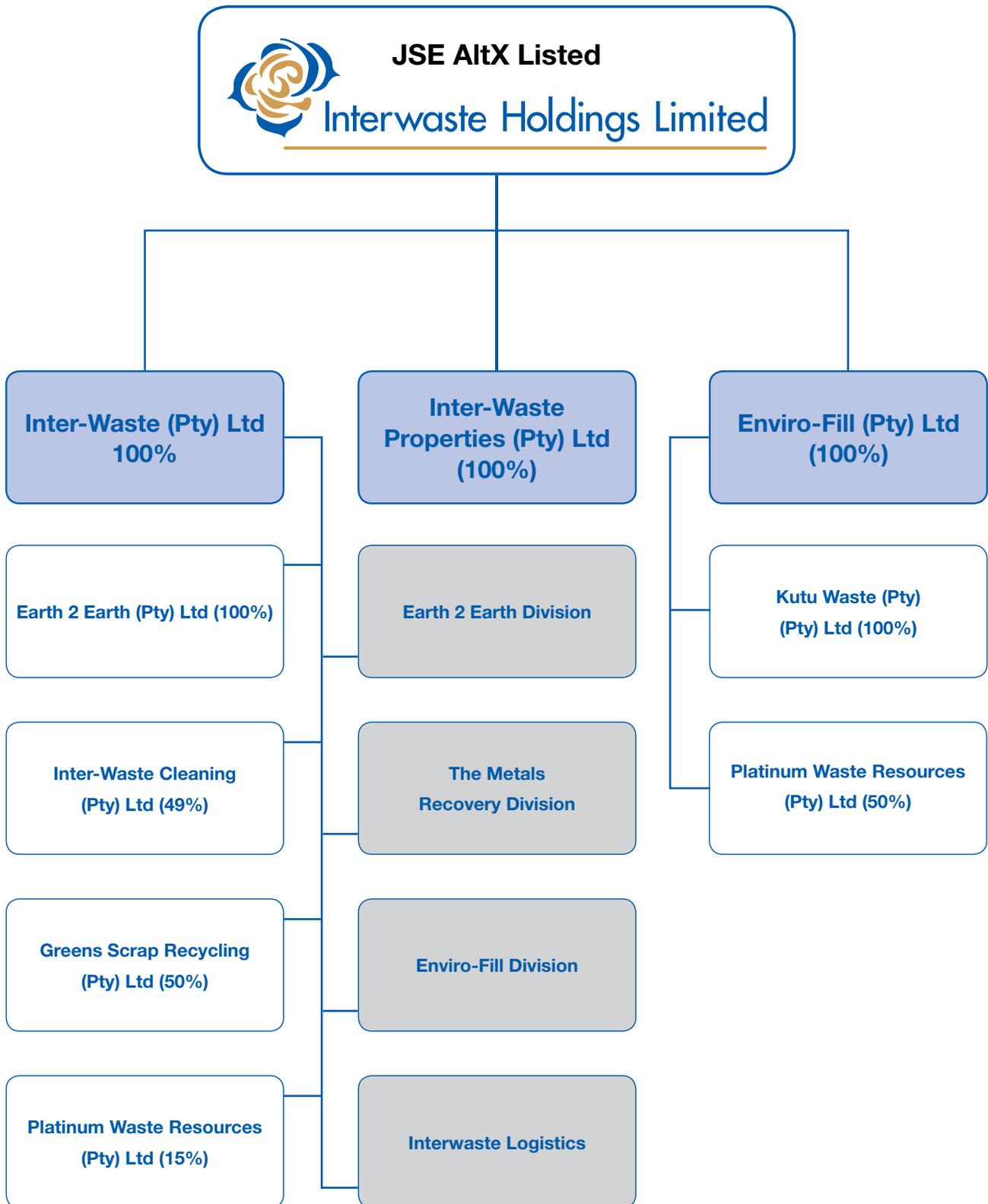
The group has become a leader in waste management in Southern Africa. The group has established a sound platform for growth by keeping at the forefront of waste management technology and by acquiring and developing superior knowledge of its customers and their needs. The group will take advantage of this platform in order to consolidate its position as industry leader and innovator.

## Our Goals

Our goals are to:

- Increase shareholder value
- Remain at the forefront of cutting-edge technology for the industry
- Continue to grow both organically and through strategic acquisitions
- Actively participate in the transfer of skills to the historically disadvantaged
- Continue our commitment to BBBEE.

# Group Operating Divisions and Companies



# The Board of Directors



## Alan Willcocks

Chief Executive Officer

Alan co-founded Interwaste with Bronwyn in 1989. Over the past 22 years Alan has acquired an in-depth knowledge of the waste management sector. He is renowned for innovative waste management solutions and his drive to continually provide better service levels to customers. He is respected and well known in the waste management industry.



## Andisiwe Kawa

Independent Non-executive Chairperson

Andisiwe has over 17 years corporate experience both internationally and in South Africa in strategy, transformation and finance. She has worked in the services, banking and mining sectors. She currently serves on various boards as a non-executive director. Andisiwe holds an MBA from Wharton Business School, an MA from Columbia University and BSc from the University of Transkei.



## André Broodryk

Group Financial Director

André is a Chartered Accountant. He has extensive experience in the South African financial services industry, having worked as financial director, and in the operational departments, of companies operating in the investment, treasury and banking industries.



## Leon Grobelaar

Chief Operating Officer

Leon obtained a National Diploma in soil conservation in 1983 and obtained a National Higher Diploma in Irrigation with distinction. He joined the Department of Agriculture in 1984. In 1988 he joined the Kwandebele Agricultural Company as Developing Officer for empowered farmers. He joined Fraser Alexander Waste in 1989 as Operations Manager responsible for the operation and management of landfills. After

the acquisition of Waste-Tech by Fraser Alexander he was seconded to Waste-Tech as Landfill Manager. In 1995 he obtained a Diploma in Road Transportation through the Rand Afrikaans University.



## Gavin Tipper

Independent Non-executive Director

Gavin is a Chartered Accountant with BComm. and BAcc. degrees and a Masters in Business Administration. He has been involved in the financial services sector for 22 years. Prior to joining the Coronation Group in 2001 he was a technical partner at KPMG. Gavin holds directorships of a number of listed Companies. Gavin is chairperson of the Audit Committee.



## Bronwyn Willcocks

Non-executive Director

A co-founder of Interwaste, Bronwyn has gained extensive experience in waste management and has been instrumental in the implementation of group policies, procedures, IT systems and ISO 14001 accreditation. Bronwyn is a member of the Institute of Directors.



## Funani Mojono

Independent Non-executive Director

Funani is a chemical engineer with extensive experience in waste recycling, supply chain management and business improvement. Funani is currently employed as a general manager of Arcelor Mittal Coke and Chemicals. Funani is the chairperson of the Remuneration Committee.

# Chairperson and Chief Executive Officer's Review

The last year was difficult for the group but was also significant for us. While the waste management division performed acceptably, the remainder of our businesses faced a variety of issues. In addition, we processed a number of current and prior year adjustments resulting from a combination of accounting errors, deficiencies in the system of internal financial controls and impairments to the value of certain assets held by the group.

Significantly, the disappointing results have driven a detailed relook at the businesses in the group and our financial and other systems. Changes are being made to the businesses to address profitability issues and the effects thereof should manifest during the later part of 2011. There have been significant changes and upgrades to the finance team and the internal control deficiencies and systems issues have been addressed.

## DIVISIONAL RESULTS

The waste management division performed well at an operational level. It produced a profit before interest, tax and impairments of R27.9m and after tax, interest and impairments of R4.4m. The new fleet rendered good returns, in line with expectations, with improved operational efficiencies and reduced maintenance costs. Disposal costs have increased significantly and the group's strategy of reducing the actual disposal cost through recycling and more effective classification of waste streams will be an increasingly important contributor to profitability and client service.

The landfill division's revenue decreased by 5% due to the termination of low margin contracts, (excluding the reduction due to the sale of Envirofill Namibia). Profit before taxation decreased due to a number of asset impairments. The division invested heavily in the FG Landfill site in Midrand and the investment should yield profits and cash flow over the next few years.

The organic manufacturing division had a difficult year with revenue decreasing by 1% over the prior year and losses before interest and tax increasing by 53%. Trading conditions for the division remain difficult with consumer lines moving slowly in the current economic climate and export sales being substantially reduced as a result of the strong Rand. The installation of new process equipment during the year improved operational efficiencies and reduced operating costs.

The metals recycling division was problematic and produced a loss of R13.1m (before interest and tax). The business was de-stocked in the latter part of the financial year and there were substantial impairments to the carrying value of inventory. The manner in which the division operates has been changed with strict controls over inventory purchases and sales and the imposition of limits on maximum inventory levels and tolerable exposures to changes in metal prices.

## FINANCIAL

Group revenue increased by 9% to R442m (2009: R407m).  
Gross profit decreased by 22% to R114m (2009: R146m).  
EBITDA decreased by 48% to R31m (R2009: R61m).

The group has moved a significant portion of its fleet onto full maintenance leases. A consequence of this is that the lease cost is included in cost of sales, which depresses gross margin percentages, but depreciation and finance costs reduce correspondingly.

The group continued to invest in the business during the year. Operating activities generated cash of R47.3m and R35m of this was invested in operating assets. Encouragingly, the group generated net cash of R5.4m after reducing liabilities.

In January 2010 the group disposed of its Namibian subsidiary which had generated revenue of R12.8 million and headline earnings of R0.5million in the comparative period. On a like for like basis, group revenue increased by 12% (R47,8m).

In the preparation of the results for the year the following was determined:

- the results for the prior year were overstated by R15.7m (after tax). This comprised an overstatement of property, plant and equipment of R6.4m, an overstatement of inventory of R2.7m, and an under accrual of liabilities, including taxation, of R6.6m;
- the following significant asset impairments were required in the current financial year:
  - an impairment of R4.7m to inventory held by MRC;
  - R11.5m of accelerated depreciation on property, plant and equipment;
  - an impairment of R3.2m in respect of redundant property, plant and equipment;
  - an impairment of R5.8m to receivables;
  - an impairment of R1.4m to goodwill, and
  - a R1.4m impairment to the investment in a joint venture.

The current and prior year adjustments resulted from a combination of accounting errors, deficiencies in the system of internal financial controls and losses in the value of certain of the assets held by the group.

The following details are relevant:

- MRC's stockholding was reduced to nil by the end of the financial year. The controls relating to inventory purchases and sales have been tightened substantially and strict limits have been imposed on maximum inventory levels;
- a detailed review of the fixed asset register was performed and non performing assets were identified and impaired. The controls to ensure that non-performing assets are timeously identified and impaired have been strengthened;

## Chairperson and Chief Executive Officer's Review (continued)

- all receivables assessed as non recoverable, or as likely to be non recoverable, or a portion of which is likely to be non recoverable, were impaired, or the relevant portion was impaired. The group transacts with a number of municipalities and government departments and certain of the amounts due from these entities have been outstanding for a considerable period. While our experience has been that a large proportion of the outstanding amounts will be recovered over time, given the constrained economic climate and the financial difficulties being experienced by a number of these entities, a conservative approach was adopted to assessing the recoverability of longer outstanding amounts.

### CONCLUSION

The results for the year, and particularly the adjustments that were required, were a disappointment. We operated in a difficult business environment and had to work hard to maintain clients who were focused on their cash flows and their need to cut costs, notwithstanding these conditions our returns were below par and were not reflective of the group's potential.

#### Our focus for 2011 is:

- to maintain and grow the group's market share. We will pursue growth where the returns justify the investment and the revenue from the contracts can be collected within reasonable periods. We have been successful in reducing our clients' disposal costs by delisting their waste streams to landfill sites which provide cheaper disposal alternatives and will continue to target client growth through innovation and non traditional environmentally sustainable approaches to waste disposal;

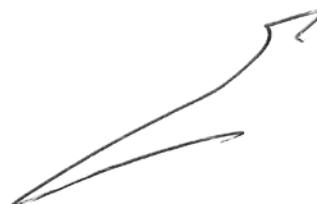
- cost and productivity improvements. Progress has been made in this area and further gains are targeted. The move to a new fleet has resulted in a sustained reduction in maintenance costs and an improvement in operational efficiencies;
- effective management of working capital. Growth in the business and the difficult economic environment have meant that working capital levels are often strained and active management of the group's funding requirements is critical;
- management of asset growth. Historically all surplus cash has been invested in property, plant and equipment and working capital, to facilitate growth. These investments will continue to be made where appropriate, however there is considerable emphasis on more effective leveraging of the existing asset base.

We had a number of changes to the board during the year, we welcomed Funani Mojono as an independent non-executive director, we accepted Ethan Dube's resignation as chairman and welcomed Andisiwe Kawa as our independent non executive chairperson. We also accepted Ivan John's resignation as financial director and welcomed André Broodryk into that position. Finally, we accepted Bronwyn Willcocks' retirement as executive human resources director and look forward to her contribution in her new role as a non executive director.

We offer our thanks to our staff for their efforts during the year and to our clients for their ongoing support.



**Andisiwe Kawa**  
Chairperson



**Alan Willcocks**  
Chief Executive Officer

# Executive Management

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## Dan Nkomo

Enterprise Development Director  
Interwaste Pty Ltd

Dan Nkomo has been with the organisation for 18 years. He has extensive knowledge in waste management, operations and logistics. Dan possesses qualifications in Road Transport Management and Waste Management from Wits and RAU respectively.



## Rajaspree Pillay

Group Human Resource Director  
Interwaste Pty Ltd

Rajas Pillay holds the following qualifications: BA; BProc; Advanced Diploma and Masters degree (Labour Law and Employee Relations) and has passed the Attorneys Board Exam. She has more than 15 years experience in HR Strategy; Transformation; Corporate Legal and Employee Relations matters.



## Jason McNeil

Group Sales Director  
Interwaste Pty Ltd

Jason McNeil, Group Sales and Marketing Director, holds a Post Graduate in Business Administration (GIBS), and has spent the last 16 years in the operational management of environmental solutions in South Africa.



## Mike Nicholls

Divisional Director – Technical Services  
Interwaste Pty Ltd

Mike Nicholls holds a B.Sc. Honors degree from the University of Kwa Zulu Natal. He is passionate about waste reuse and reutilisation and perceives waste as a valuable resource.



## Allen de Villiers

Group Company Secretary

Allen is an attorney with BA, LLB degrees and a diploma in Tax Practice. Allen has over 12 years experience in the practice of law, including experience in the fields of litigation, commercial law and corporate governance. Allen is also head of Interwaste (Pty) Ltd's Safety, Health, Environment and Quality Department.

# Corporate Governance Report

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## INTRODUCTION

Interwaste Holdings Limited (“the Company”) is a public Company incorporated in South Africa under the provisions of the Companies Act 71 of 2008 (“the Companies Act”), and is listed on the JSE Limited (“the JSE”).

The Company’s Board of directors (“the Board”) is committed to ensuring that the Company is governed appropriately. The Board recognises that the Company is responsible for conducting its affairs with prudence, transparency, accountability, fairness and in a socially responsible and sustainable manner. The Company complied throughout the accounting period with the principles of the Code of Corporate Practices and Conduct as recommended in the King Report on Corporate Governance in South Africa 2002 (“King II”), as well as with the spirit and form of the JSE Listings Requirements.

The Board strives to provide effective leadership based on an ethical foundation, in the best interests of the Company.

## KING III

King II’s succeeding framework was published during September 2009 as the King Report on Governance for South Africa 2009 (“King III”). The Company is required to report on the King III recommendations from the outset of its 2011 financial year (commencing on 1 January 2011) and will do so in its 2011 annual report. During the current year the Company undertook a review of the provisions of King III and assessed the Company’s current practices against the key elements of each provision. Arising from this it identified key areas for application, which will be incorporated into the Group’s governance and management systems over the course of the new financial year, or for explanation.

It is likely that the implementation of certain of the recommendations will be done in part or delayed until such time as the Board considers such implementation appropriate, based on risk and cost benefit considerations.

## BOARD STRUCTURE

The general powers of the Board and the directors are conferred in the Company’s Articles of Association. Terms of reference for the Board are set out in the Company’s board charter. The board charter is in line with the principles recommended by King II, and will be reviewed to ensure that it encompasses, where appropriate, additional principles recommended by King III. The charter covers the powers and authority of the Board and provides a clear and concise overview of the responsibilities of Board members, both collectively and individually, including the policy and procedures for appointments to the Board as assisted by the Remuneration Committee. The board charter is available on request from the Company Secretary.

The Board has a unitary structure comprised of three executive and four non-executive directors. Three of the non-executive directors are considered to be independent.

The Board is chaired by Andisiwe Kawa, an independent non-executive, whom the board considers to be free of conflicts of interest (and therefore the appointment of a lead independent non-executive director is not required). The chair’s roles and functions are formalised in the Company’s board charter. Such responsibilities and functions include setting the ethical tone for the board and the Company, and providing overall leadership to the board. Due to the relatively small size of the Board, Andisiwe

Kawa also serves as a member of the company’s audit committee. The position of chief executive officer (“CEO”) is occupied by Alan Willcocks. Roles and functions of the CEO include development of the company’s strategy for consideration and approval by the Board, implementation of strategy, and reporting to the Board on the Company’s performance.

There is a clear division of responsibilities at the head of the Company thereby ensuring no individual has unfiltered powers of decision making.

Andre Broodryk was appointed as the group’s financial director on 1 June 2010.

The Audit Committee is chaired by Gavin Tipper, an independent non-executive director.

The Remuneration Committee is chaired by Funani Mojono, who is also an independent non-executive director.

The remaining directors are Bronwyn Willcocks (non-executive) and Leon Grobbelaar (executive).

Directors are afforded unrestricted access to management and Company information. Conversely, management are free to consult non-executive directors at any time. All directors are permitted to seek independent, professional advice on matters pertaining to the Company, at the Company’s expense.

Allen de Villiers is the Company Secretary. The Company Secretary provides the Board, and directors individually, with guidance on how best to discharge their responsibilities and is a source of guidance on matters of good governance and ethics.

Brief curriculum vitae of each director of the Company and the Company Secretary, as well as that of the directors of Interwaste (Pty) Ltd (the Company’s operating subsidiary), are provided on pages 3 and 6.

The Company’s designated advisors, Vunani Corporate Finance, attend all Board and Audit Committee meetings.

The Board has established a formal induction procedure for new directors to familiarise them with the Company’s operations, its business environment and sustainability issues relevant to the business. The Company also has a process of ongoing director development.

The Board retains full and effective control of the Company, and monitors management’s implementation of the board’s plans and strategies.

# Corporate Governance Report (continued)

## AUDIT COMMITTEE

The Audit Committee is chaired by Gavin Tipper and Funani Mojono and Andisiwe Kawa are members. The Company's external auditors, the CEO, the financial director and senior company executives attend Audit Committee meetings by invitation.

The functions and responsibilities of the Audit Committee are set out in its Terms of Reference, which are reviewed on a regular basis and are approved by the Board.

### The Audit Committee's responsibilities include

- monitoring the financial reporting process;
- recommending the appointment of an independent registered auditor and determining the terms of engagement and approving fees for audit and non-audit work;
- pre-approving all non-audit service engagements with the external auditors;
- monitoring the operation and effectiveness of internal control systems;
- overseeing the effective operation of a risk management process
- implementing sound corporate governance policies;
- reviewing, and recommending to the Board for approval, the interim and annual financial statements and the going concern status of the Company and
- considering and satisfying itself, on an annual basis, of the expertise and experience of the financial director.

The Committee acts in accordance with its statutory duties and the delegated authority of the Board as recorded in its terms of reference. It has the power to investigate any activities within the scope of its terms of reference.

In the fulfillment of its duties, the Committee may call upon any of the executive directors, company officers, the company secretary or assurance providers to provide it with information. The Committee has reasonable access to the company's records, facilities and any other resources necessary to discharge its duties and responsibilities subject to following board approved process. The Committee also has the right to obtain independent outside professional advice, at the Company's expense, to assist it in the execution of its duties.

RSM Betty & Dickson (Johannesburg) resigned as the Group's auditors with effect from 16 September 2010, in line with an Audit Committee decision to rotate external auditors. KPMG Inc. were appointed as the Group auditors for the 2010 financial year.

The report of the Audit Committee can be found on page 11 of this report.

## REMUNERATION COMMITTEE ("Remcom")

The Remuneration Committee comprises of Funani Mojono and Gavin Tipper.

Remcom responsibilities are governed by a charter approved by the Board. Its principle activities during the year under review were:

- ensuring that the executive directors and senior management were appropriately rewarded for their contributions to the Group's performance;
- considering succession planning at a senior level within the Group;
- considering the remuneration policies applied to ensure that the Group's employees are appropriately engaged and retained;
- recommending the appointment of directors to shareholders.

## BOARD AND AUDIT COMMITTEE ATTENDANCE

The Board met four times, and the Audit Committee met three times during the year under review. Details of the directors' attendance at the meetings are:

Director	Number of Board meetings attended	Number of Audit Committee meetings attended	Category
Ethan Dube <sup>1</sup>	1	1	Non-executive Chairperson
Andisiwe Kawa <sup>2</sup>	2	2	Independent Non-executive Chairperson
Alan Willcocks	4	3	Chief Executive Officer
Gavin Tipper	4	3	Independent non-executive
Ivan John <sup>3</sup>	1	1	Executive
Bronwyn Willcocks <sup>4</sup>	4	3	Non-executive
Andre Broodryk <sup>5</sup>	3	2	Executive
Funani Mojono <sup>6</sup>	2	1	Independent non-executive
Leon Grobbelaar	3	1	Executive

### Notes:

1. Ethan Dube resigned from his position as non-executive chairperson effective 30 July 2010.
2. Andisiwe Kawa was appointed as independent non-executive chairperson effective 30 July 2010.
3. Ivan John resigned from his position as executive director effective 31 May 2010.
4. Bronwyn Willcocks' role changed from executive to non-executive director on 30 September 2010.
5. Andre Broodryk was appointed as financial director on 1 June 2010.
6. Funani Mojono was appointed as a independent non-executive director on 3 June 2010.

## DEALINGS IN JSE SECURITIES

The Company and its directors comply with the JSE Listings requirements in regard to trading in Company shares. In terms of the Company's closed-period policy, all directors and staff are precluded from dealing in Company shares during closed periods, which apply from period / year end until the release of the Group's interim and final results, respectively. The same arrangements that apply for closed periods also apply during other price-sensitive transactions. A pre-approval policy and process for all dealings in Company shares by directors and selected key employees is strictly followed. Details of directors' and the Company Secretary's dealings in Company shares are disclosed through the Stock Exchange News Service ("SENS").

## GOING CONCERN

The Board is of the opinion that that the Group has adequate resources to continue operating for the foreseeable future. Consequently, the going concern basis has been applied in preparing the annual financial statements presented on pages 13 to 57 of this Annual Report.

# Annual Financial Statements

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for the year ended 31 December 2010

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# Directors' Responsibility Statement and Approval

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for the year ended 31 December 2010

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Interwaste Holdings Limited, comprising the statements of financial position at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

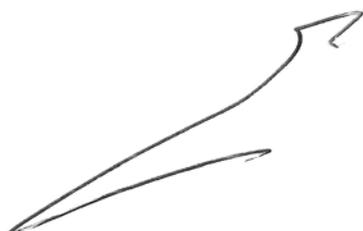
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

## APPROVAL OF THE GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

The group annual financial statements and annual financial statements of Interwaste Holdings Limited, as identified in the first paragraph, were approved by the board of directors on 7 June 2011 and are signed on its behalf by:



**Alan Willcocks**  
*Director*  
7 June 2011



**Andre Broodryk**  
*Director*  
7 June 2011

## Certificate by Company Secretary

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In my capacity as Company Secretary, I hereby confirm, in terms of section 268 G(d) of the Companies Act, 1973, as amended, that for the year ended 31 December 2010, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.



**AS de Villiers**  
*Company Secretary*  
7 June 2011

# Audit Committee Report

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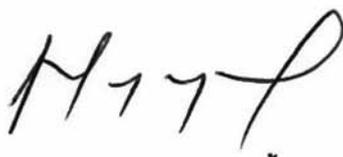
The Interwaste Audit Committee has discharged the functions delegated to it by the board (a summary of the Audit Committee's terms of reference is provided on page 8 in the Corporate Governance Report) and as prescribed to it in terms of the Corporate Law Amendments Act (CLAA).

During the financial year ended 31 December 2010, the Interwaste Audit Committee, inter alia:

- Met on three separate occasions to review the interim and year end results of the group, and to consider regulatory and accounting standard compliance in regard to the Audit Committee and the group, respectively;
- Nominated the appointment of KPMG Inc. as the registered independent auditor of the company after satisfying itself through enquiry that KPMG Inc. and that Mr J Wessels the designated auditor, are independent of the company;
- Ensured that the appointment of KPMG Inc. complied with the requirements of the CLAA relating to the appointment of auditors;
- Determined the fees to be paid to KPMG Inc. and its terms of engagement;
- Approved a non-audit services policy which determines the nature and extent of any non-audit services which KPMG Inc. may provide to the group. KPMG Inc. did not provide non-audit services to the group during the year and therefore it was not necessary for the Audit Committee to pre-approve any contracts for such services.

The Audit Committee recommended the group annual financial statements for the year ended 31 December 2010 to the Board for approval. The Board has subsequently approved the group annual financial statements which will be open for discussion at the forthcoming annual general meeting.

In compliance with the Listing Requirements of the JSE Limited, the Audit Committee has considered and satisfied itself of the appropriateness of the expertise and experience of the Financial Director.



**Gavin Tipper**

*Audit Committee Chairman*

7 June 2011

# Report of the Independent Auditors

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for the year ended 31 December 2010

To the members of Interwaste Holdings Limited and its subsidiaries

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the group annual financial statements and annual financial statements of Interwaste Holdings Limited, which comprise the statements of financial position at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 13 to 57.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Interwaste Holdings Limited at 31 December 2010, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

**KPMG Inc.**



**Per J Wessels**

*Chartered Accountant (SA)*

*Registered Auditor*

*Director*

7 June 2011

# Director's Report

for the year ended 31 December 2010

The directors have pleasure in submitting their report for the year ended 31 December 2010.

## NATURE OF BUSINESS

Interwaste Holdings Limited (the company) is the holding company of a group of environmentally conscious waste management companies. The group's business activities include waste collection, the management of landfills, the responsible disposal of waste, the recovery of previously worked metals and the manufacture of natural bark compost. Operations are based primarily in South Africa and the company is listed on the Alternative Stock Exchange (AltX).

## FINANCIAL RESULTS

The financial results for the year ended 31 December 2010 are set out in detail in these group annual financial statements and do not require further comment.

## GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

## SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year relevant to an assessment of the financial statements at 31 December 2010.

## AUTHORISED AND ISSUED SHARE CAPITAL

### Alterations to authorised share capital

There have been no alterations to the authorised share capital during the current financial year.

### Issue of shares

There were no additional issues of shares in the year.

## BORROWING LIMITATIONS

In terms of the articles of association of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate.

## SHARE INCENTIVE TRUST

Refer to note 15 for detail about share-based payments during the current year.

## NON-CURRENT ASSETS

There were no major changes in the nature of non-current assets of the company during the year.

## DIVIDENDS

No dividends were declared or paid to shareholders during the year 31 December 2010. Platinum Waste Resources (Proprietary) Limited, a group subsidiary, paid dividends of R243 941 to non controlling shareholders.

## ACCOUNTING POLICIES

The audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB"), the AC 500 standards as issued by the Accounting Practices board and its successor, the Listings Requirements of the JSE Limited and the Companies Act, 61 of 1973 as amended. The accounting policies applied are consistent with those applied in the prior year.

# Director's Report (continued)

for the year ended 31 December 2010

## DIRECTORS

The directors of the company during the year and to the date of this report are as follows:

EG Dube			(resigned on 30 July 2010)
A Kawa	(Chairperson)	(Independent non-executive)	(appointed on 30 July 2010)
PF Mojono		(Independent non-executive)	(appointed on 3 June 2010)
MIG John			(resigned on 31 May 2010)
AP Broodryk			(appointed on 1 June 2010)
G Tipper		(Independent non-executive)	
BL Willcocks		(non-executive)	
WAH Willcocks	(Chief Executive Officer)		
LC Grobbelaar			

## SECRETARY AND REGISTERED ADDRESS

The secretary of the company is Allen Stuart de Villiers, BALLB Dip Tax Practice.

### The company's registered address is:

Interwaste House, Corner of Avocet and Bromhof Roads, Bromhof, 2154  
Private Bag X23, Northriding, 2162

## DIRECTORS' INTERESTS

At 31 December 2010 the directors and their associates (as defined in terms of the JSE Listings Requirements) had the following direct and indirect beneficial interest in the share capital of the company:

	Number of Shares 2010 Direct	Number of Shares 2010 Indirect	%
<b>Executive Directors</b>			
LC Grobbelaar	-	8 290 007	2,46
WAH Willcocks	78 000	79 594 500	23,69
AP Broodryk	500 000	-	0,15
	578 000	87 884 507	26,30
<b>Non-Executive Directors</b>			
G Tipper	1 699 981	-	0,51
BL Willcocks	-	79 594 501	23,67
	1 699 981	79 594 501	24,18

On 16 May 2011 G Tipper purchased an additional 200 000 shares. Apart from the foregoing, there have been no changes in the above interests between the end of the financial year and the date of this report.

## MAJOR SHAREHOLDERS

Details of the interests of shareholders who are directly or indirectly beneficially interested in 5% or more of the company's share capital, are reflected in the shareholder analysis set out on page 57.

## INTEREST IN SUBSIDIARIES

Interest in Subsidiaries	Percentage Holding	Net profit/(loss) after Tax R
Inter-Waste (Proprietary) Limited	100%	(15 582 108)
Enviro-Fill (Proprietary) Limited	100%	6 147 552
Interwaste Properties (Proprietary) Limited	100%	(29 875)
		<u>(9 464 431)</u>

## SPECIAL RESOLUTIONS

No special resolutions were passed during the financial year ended 31 December 2010.

# Statements of Financial Position

at 31 December 2010

<i>Figures in Rand</i>	Notes	Group 2010	Group 2009 Restated	Group 2009	Company 2010	Company 2009
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	3	248 540 365	263 543 695	272 448 200	13 548	43 084
Intangible assets	4	179 200	185 044	185 044	-	-
Goodwill	5	47 001 217	49 589 679	49 589 679	-	-
Investment in joint venture	6	110 135	1 471 378	1 471 378	-	-
Investments in subsidiaries	7	-	-	-	103 821 846	101 830 663
Loans to group companies	9	-	-	-	82 278 283	84 296 620
Deferred tax asset	8	721 708	2 184 647	2 184 647	158 267	50 084
		<b>296 552 625</b>	316 974 443	325 878 948	<b>186 271 944</b>	186 220 451
<b>Current assets</b>						
Inventories	10	15 716 756	33 607 142	37 424 652	-	-
Loans to related parties	11	7 346 530	1 441 247	1 441 247	-	109 917
Current tax receivable		6 946 776	10 256 110	10 655 379	245 300	-
Trade and other receivables	12	80 580 999	86 211 890	86 211 890	-	255 751
Cash and cash equivalents	13	9 310 398	5 831 160	5 831 160	6 406	-
		<b>119 901 459</b>	137 347 549	141 564 328	<b>251 706</b>	365 668
<b>Total assets</b>		<b>416 454 084</b>	454 321 992	467 443 276	<b>186 523 650</b>	186 586 119
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
Share capital and premium	14	175 491 253	175 491 253	175 491 253	182 491 253	182 491 253
Share-based payment reserve	15	1 714 701	1 572 469	1 572 469	1 714 701	1 572 469
Retained earnings		57 801 047	69 128 969	84 800 918	1 460 290	863 152
Equity attributable to owners of the company		<b>235 007 001</b>	246 192 691	261 864 640	<b>185 666 244</b>	184 926 874
Non-controlling interests		1 774 280	4 220 642	4 220 642	-	-
		<b>236 781 281</b>	250 413 333	266 085 282	<b>185 666 244</b>	184 926 874
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Interest-bearing borrowings	16	48 971 243	54 284 591	54 284 591	-	-
Deferred tax liability	8	18 970 985	26 566 915	30 946 256	-	-
		<b>67 942 228</b>	80 851 506	85 230 847	-	-
<b>Current liabilities</b>						
Interest-bearing borrowings	16	50 314 973	50 172 352	50 172 352	-	-
Trade and other payables	17	37 948 655	46 624 279	39 694 273	857 406	781 358
Current tax payable		-	880 737	880 737	-	525 681
Bank overdraft	13	23 466 947	25 379 785	25 379 785	-	352 206
		<b>111 730 575</b>	123 057 153	116 127 147	<b>857 406</b>	1 659 245
<b>Total liabilities</b>		<b>179 672 803</b>	203 908 659	201 357 994	<b>857 406</b>	1 659 245
<b>Total equity and liabilities</b>		<b>416 454 084</b>	454 321 992	467 443 276	<b>186 523 650</b>	186 586 119

# Statements of Comprehensive Income

for the year ended 31 December 2010

<i>Figures in Rand</i>	Notes	Group 2010	Group 2009 Restated	Group 2009	Company 2010	Company 2009
Revenue	18	442 673 506	407 258 749	407 258 749	-	-
Cost of sales		(328 846 244)	(261 277 290)	(241 625 270)	-	-
<b>Gross profit</b>		<b>113 827 262</b>	145 981 459	165 633 479	-	-
Other income		7 028 629	2 482 608	2 482 608	3 328	85 302
Operating expenses		(123 401 480)	(122 389 751)	(122 389 751)	(7 054 876)	(10 421 098)
<b>Results from operating activities</b>	19	<b>(2 545 589)</b>	26 074 316	45 726 336	<b>(7 051 548)</b>	(10 335 796)
<b>Net finance (costs)/income</b>	20	<b>(12 884 150)</b>	(14 493 470)	(10 470 976)	<b>7 540 503</b>	9 230 375
Finance costs		(13 235 784)	(17 881 468)	(13 858 974)	(210 052)	(6 072)
Finance income		351 634	3 387 998	3 387 998	7 750 555	9 236 447
Share of profit in equity accounted joint venture		54 642	1 112 625	1 112 625	-	-
<b>(Loss)/profit before taxation</b>		<b>(15 375 097)</b>	12 693 471	36 367 985	<b>488 955</b>	(1 105 421)
Taxation credit/(expense)	21	3 419 455	(2 650 995)	(10 653 560)	108 183	(199 170)
<b>Total comprehensive (loss)/income</b>		<b>(11 955 642)</b>	10 042 476	25 714 425	<b>597 138</b>	(1 304 591)
Less: Non-controlling interests		(111 001)	(743 624)	(743 624)	-	-
<b>Total comprehensive (loss)/income attributable to owners of the company</b>		<b>(12 066 643)</b>	9 298 852	24 970 801	<b>597 138</b>	(1 304 591)
Basic (loss)/earnings per share (cents)		(3.66)	3.03	8.13		
Fully diluted (loss)/earnings per share (cents)		(3.66)	3.03	8.13		

# Statements of Changes in Equity

## Group

<i>Figures in Rand</i>	Share Capital And Premium	Share-Based Payment Reserve	Retained Earnings	Total	Non-Controlling Interest	Total Equity
<b>Balance at 1 January 2009</b>	175 491 253	1 572 469	60 640 966	237 704 688	3 819 899	241 524 587
<b>Total comprehensive income</b>						
Total comprehensive income for the year	-	-	9 298 852	9 298 852	743 624	10 042 476
As previously reported	-	-	24 970 801	24 970 801	743 624	25 714 425
Correction of prior year errors:						
- unrecorded liabilities	-	-	(6 930 003)	(6 930 003)	-	(6 930 003)
- adjustments to inventory valuation	-	-	(3 817 511)	(3 817 511)	-	(3 817 511)
- additional depreciation	-	-	(8 904 506)	(8 904 506)	-	(8 904 506)
- SARS penalties and interest	-	-	(4 022 494)	(4 022 494)	-	(4 022 494)
- taxation effect of above errors	-	-	8 002 565	8 002 565	-	8 002 565
<b>Transactions with owners, recorded directly in equity</b>						
Dividends paid			(464 500)	(464 500)	-	(464 500)
<b>Changes in ownership interests in subsidiaries</b>						
Disposal of subsidiary			(346 349)	(346 349)	(342 881)	(689 230)
<b>Restated Balance at 31 December 2009</b>	175 491 253	1 572 469	69 128 969	246 192 691	4 220 642	250 413 333
<b>Total comprehensive income</b>						
Total comprehensive loss for the year	-	-	(12 066 643)	(12 066 643)	111 001	(11 955 642)
<b>Transactions with owners, recorded directly in equity</b>						
Share-based payment expense	-	142 232	-	142 232	-	142 232
<b>Changes in ownership interests in subsidiaries</b>						
Increase in controlling share in subsidiary	-	-	738 721	738 721	(738 721)	-
Disposal of subsidiary	-	-	-	-	(1 574 701)	(1 574 701)
Dividends paid to non-controlling interests	-	-	-	-	(243 941)	(243 941)
<b>Balance at 31 December 2010</b>	<b>175 491 253</b>	<b>1 714 701</b>	<b>57 801 047</b>	<b>235 007 001</b>	<b>1 774 280</b>	<b>236 781 281</b>

## Company

<i>Figures in Rand</i>	Share Capital And Premium	Share-Based Payment Reserve	Retained Earnings	Total Equity
<b>Balance at 1 January 2009</b>	182 491 253	1 572 469	2 167 743	186 231 465
<b>Total comprehensive income</b>				
Total comprehensive income for the year	-	-	(1 304 591)	(1 304 591)
<b>Balance at 31 December 2009</b>	182 491 253	1 572 469	863 152	184 926 874
<b>Total comprehensive income</b>				
Total comprehensive income for the year	-	-	597 138	597 138
<b>Transactions with owners, recorded directly in equity</b>				
Share-based payment expense	-	142 232	-	142 232
<b>Balance at 31 December 2010</b>	<b>182 491 253</b>	<b>1 714 701</b>	<b>1 460 290</b>	<b>185 666 244</b>

# Statements of Cash Flows

for the year ended 31 December 2010

<i>Figures in Rand</i>	Notes	Group 2010	Group 2009 Restated	Group 2009	Company 2010	Company 2009
<b>Cash flows from operating activities</b>						
Cash generated from / (utilised by) operations	22	58 761 151	62 466 347	62 466 347	(7 909 044)	(7 627 025)
Net finance (costs) / income	20	(12 884 150)	(14 493 470)	(10 470 976)	7 540 503	9 230 375
Tax refunded/(paid)	23	1 388 153	(7 447 753)	(11 470 247)	(770 981)	(448 027)
<b>Net cash inflow / (outflow) from operating activities</b>		<b>47 265 154</b>	<b>40 525 124</b>	<b>40 525 124</b>	<b>(1 139 522)</b>	<b>1 155 323</b>
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment		(63 111 790)	(94 359 481)	(94 359 481)	-	-
Proceeds on disposal and scrapping of property, plant and equipment		25 700 481	45 972 001	45 972 001	6 880	-
Purchase of intangible assets		-	(5 844)	(5 844)	-	-
Sale of subsidiary		3 378 869	-	-	-	-
Purchase of other investment		-	(358 753)	(358 753)	-	-
Acquisition of businesses		-	(3 500 000)	(3 500 000)	-	-
Loans (advanced to)/ repaid by related parties		(893 195)	(1 441 247)	(1 441 247)	109 917	(109 917)
<b>Net cash (outflow) / inflow from investing activities</b>		<b>(34 925 635)</b>	<b>(53 693 324)</b>	<b>(53 693 324)</b>	<b>116 797</b>	<b>(109 917)</b>
<b>Cash flows from financing activities</b>						
Loans repaid by/ (advanced to) group companies		-	-	-	1 381 337	(3 946 587)
Interest-bearing borrowings repaid		(5 170 727)	(18 831 725)	(18 831 725)	-	-
Non-controlling interest on disposal of subsidiary		(1 532 775)	-	-	-	-
Dividends paid to non-controlling interests		(243 941)	(464 500)	(464 500)	-	-
<b>Net cash (outflow)/ inflow from financing activities</b>		<b>(6 947 443)</b>	<b>(19 296 225)</b>	<b>(19 296 225)</b>	<b>1 381 337</b>	<b>(3 946 587)</b>
<b>Total cash movement for the year</b>		<b>5 392 076</b>	<b>(32 464 425)</b>	<b>(32 464 425)</b>	<b>358 612</b>	<b>(2 901 181)</b>
Cash and cash equivalents at beginning of the year		(19 548 625)	12 915 800	12 915 800	(352 206)	2 548 975
<b>Total cash and cash equivalents at end of the year</b>	13	<b>(14 156 549)</b>	<b>(19 548 625)</b>	<b>(19 548 625)</b>	<b>6 406</b>	<b>(352 206)</b>

# Accounting Policies

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for the year ended 31 December 2010

## 1. BASIS OF PRESENTATION

### Reporting entity

Interwaste Holdings Limited is a company domiciled in South Africa.

The address of the company's registered office is corner of Avocet and Bromhof Roads, Bromhof, Randburg. The consolidated financial statements of the group as at and for the year ended 31 December 2010, comprise the company and its subsidiaries (together referred to as the "group" and individually as "group entities") and the group's interest in associates. The group's activities range across a broad spectrum of sectors (see the segment report and the report of the directors).

The annual financial statements include the following principal accounting policies, which are consistent with those used in previous years.

### Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) and the Companies Act of South Africa.

The financial statements were approved by the directors on 7 June 2011.

### Basis of measurement

The annual financial statements have been prepared on the historical cost basis, except for the following:

- derivative financial instruments are measured at fair value; and
- financial instruments at fair value through profit or loss.

The methods used to measure fair values are discussed further in note 27.

### Functional and presentation currency

These consolidated annual financial statements are presented in South African Rand, which is the company's functional currency. All financial information presented in South African Rand.

## 1.1 SIGNIFICANT JUDGEMENTS

In preparing the annual financial statements in conformity with IFRS, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following areas:

- Note 1.6 – business combinations and goodwill; and
- Note 1.7 – measurement of the recoverable amounts of cash generating units containing goodwill.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year includes:

### Impairment of assets

The company tests whether assets have suffered any impairment, in accordance with the accounting policy stated in note 1.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Estimates are based on management's interpretation of market forecasts. Disclosure of these estimates relating to intangible assets and goodwill with indefinite useful lives has been discussed in note 4 and note 5.

### Inventories

Management makes use of assumptions and scientific methods to quantify the compost on hand based on each compost window length, width and sloping height and by the use of trigonometry rules. A similar technique is employed in the quantification of metal inventory on hand.

Impairment provisions are raised against inventory when it is considered that the amount realisable from such inventory's sale is considered to be less than its carrying value. In determining whether a particular item of inventory could be considered to be overvalued, the following factors are taken into consideration:

# Accounting Policies (continued)

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- Saleability,
- Excessive quantity,
- Age,
- Sub-standard quality and damage, and
- Historical and forecast sales demand.

## Trade receivables

Management identifies impairment of trade receivables on an ongoing basis. Impairment adjustments are raised against trade receivables when their collectability is considered to be doubtful. Management believes that the impairment write-off is conservative and there are no significant trade receivables that are doubtful and have not been impaired. In determining whether a particular debtor could be doubtful, the following factors are taken into consideration:

- Age,
- Credit terms,
- Customer current and anticipated future financial status, and
- Disputes with the customer.

## Property, plant and equipment

Management has made certain estimations with regard to the determination of the useful lives and residual values of items of property, plant and equipment, as discussed in note 1.2. Residual values and useful lives are based on readily available market data and historical experience on the use of the relevant items of property, plant and equipment.

## Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

## Share based payments

Management used the Hull and White (2004) model to determine the value of the options at issue date. Additional details regarding the estimates are included in note 15.

## 1.2 PROPERTY, PLANT AND EQUIPMENT

### Recognition and measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

### Borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

# Accounting Policies (continued)

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## Depreciation

Depreciation is the systematic allocation of the depreciable amount of an item of property, plant and equipment over its estimated useful life. Depreciation is charged on the depreciable amount, to the statement of comprehensive income, on a straight line basis over the estimated useful lives of the items of property, plant and equipment.

The depreciable amount is the difference between the cost of an item of property, plant and equipment and its residual value.

Each major component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Residual value is the estimated amount that the company would currently obtain from disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the item of property, plant and equipment was already of age and in the condition expected at the end of its useful life.

The estimated useful lives for the current and comparative periods are:

Item	Average useful life
Plant and equipment	3 – 20 years
Bins and containers	5 – 15 years
Buildings	4 – 25 years
Leasehold improvements	Term of the lease
Vehicles	4 years
Computer equipment	3 years
Office equipment	6 – 9 years

The residual value and the useful life of each asset are reviewed at each reporting date.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

## Subsequent expenditure

Routine maintenance costs are charged to profit or loss as it is incurred. The costs of major maintenance or overhaul of an item of property, plant or equipment are recognised as an expense, except if the cost had been recognised as a separate part of the cost of the asset, and that amount has already been depreciated to reflect the benefits that had been replaced or restored.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of asset will be increased and the costs can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

## 1.3 INTANGIBLE ASSETS

An intangible asset is an identified, non-monetary asset that has no physical substance. An intangible asset is recognised when it is identifiable; the company has control over the asset; it is probable that economic benefits will flow to the company and the cost of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

## 1.4 INVESTMENT IN SUBSIDIARIES

Subsidiaries are entities controlled by the group. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date

# Accounting Policies (continued)

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that control commences until the date that control ceases.

Investments in subsidiary companies are stated at cost less accumulated impairment losses in the company's separate financial statements.

## 1.5 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

### Investments in associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is assumed to exist when the group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the group, from the date that significant influence commences until the date that the significant influence ceases. When the group's share of losses exceeds its interest in an equity accounted investees, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the investees.

Investments in associates are stated at cost less accumulated impairment losses in the company's separate financial statements.

### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## 1.6 GOODWILL

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures, being the excess of the cost of the acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Subsequently goodwill is carried at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested for impairment at each reporting date and whenever there is an indication that goodwill has been impaired.

An impairment loss in respect of goodwill is not reversed.

### Acquisitions on non-controlling interests

Acquisitions on non-controlling interests are accounted for as transaction with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

## 1.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

The company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any

# Accounting Policies (continued)

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impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The company assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## **Impairment of financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

## **1.8 LEASES**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

### **Finance leases – lessee**

Finance leases are recognised as property, plant and equipment in the statement of financial position at amounts equal to the fair value of the assets acquired or, if lower, the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset or the lease term, whichever the shortest. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term, using the effective interest rate method, which is charged against profit or loss over the lease period.

### **Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset.

## **1.9 REVENUE**

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the sale of goods provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

# Accounting Policies (continued)

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## Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction and possible return of goods can be estimated reliably.

## Services

Service revenue is recognised in profit or loss by reference to the stage of completion of the transaction at reporting date.

Interest is recognised, in profit or loss, using the effective interest rate method.

## 1.10 FINANCE COSTS

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in profit or loss. The interest expense component of finance lease payments is recognised in profit or loss using the effective interest rate method.

## 1.11 INCOME TAX

### Current tax assets and liabilities

Current tax for the current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates that have been enacted or substantively enacted by the reporting date.

### Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

# Accounting Policies (continued)

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## **Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

## **1.12 TRANSLATION OF FOREIGN CURRENCIES**

### **Foreign currency transactions**

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

## **1.13 PROVISIONS**

Provisions are recognised when:

- the company has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation and is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### **Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the company recognises any impairment loss on the assets associated with that contract.

# Accounting Policies (continued)

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## 1.14 EMPLOYEE BENEFITS

### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid annual leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The liabilities for employee entitlements to wages, salaries and annual leave represent the amount which the company has a present obligation to pay as a result of employees' services provided to the reporting date. The liabilities have been calculated at undiscounted amounts based on current wage and salary rates.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### Share-based payments

The company operates an equity-settled share-based payment programme. The fair value of the employee services received in exchange for the grant of the awards is recognised as a personnel expense with a corresponding increase in equity. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The total amount to be expensed is determined by reference to the grant date fair value of the awards, excluding the impact of any non-market performance conditions (e.g. achievement of profitability and sales growth targets or transfer restrictions) and service conditions. Non-market performance conditions are included in assumptions about the number of options that are expected to vest. The grant date fair value of the awards is adjusted to reflect non-vesting conditions.

At each reporting date, the company revises its estimates of the number of awards that are expected to vest based on the non-market performance conditions. It recognises the impact of the revision to original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as

an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

### Termination benefits

Termination benefits are recognised as an expense when the group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancies. Termination benefits for voluntary redundancies are recognised as an expense if the group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

## 1.15 FINANCIAL INSTRUMENTS

### Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

### Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and

# Accounting Policies (continued)

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relying as little as possible on entity-specific inputs.

## **Loans to/(from) group companies**

These include loans to fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the loan's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the loan at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans to/(from) group companies are classified as loans and receivables.

## **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

## **Cash and cash equivalents**

Cash and cash equivalents comprise bank balances and is subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

## **Interest-bearing borrowings**

Interest-bearing borrowings are initially measured at fair value less attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the costs and the redemption of interest-bearing borrowings is recognised over the term of the interest-bearing borrowings on an effective interest basis.

## **Trade and other receivables**

Trade and other receivables are initially recognised at fair value, and are subsequently carried at amortised cost, using the effective interest rate method.

## **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

## **Offset**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## **1.16 CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the company unless otherwise stated. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## **1.17 CONTINGENT ASSETS AND LIABILITIES**

### **Contingent assets**

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. In the ordinary course of business the company may pursue a claim against a client.

Such contingent assets are only recognised in the financial statements where the realisation of income is virtually certain. If the inflow of economic benefits is only probable, the contingent asset is disclosed as a claim in favour of the company but not recognised in the statement of financial

# Accounting Policies (continued)

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position.

## **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

## **1.18 RELATED PARTIES**

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operational decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning.

## **1.19 INVENTORIES**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Where necessary, provision is made for obsolete, slow-moving and defective inventories.

## **1.20 EARNINGS PER SHARE**

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises share options granted to employees.

## **1.21 SEGMENT REPORTING**

The group determines and presents operating segments based on the information that is internally provided to the Chief Executive Officer, who is the chief operating decision maker. A segment is a distinguishable component of the group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of the other segments. The group's primary format for segment reporting is based on business segments. The business segments are determined based on the industry that the operations are linked to.

No secondary geographical segment analysis has been included as geographical location does not play a significant role in the group's operations thus this information will not be beneficial.

### **Segment revenue**

Segment revenue represents the gross value of services invoiced and goods sold excluding value-added taxation, which is directly attributable and reasonably allocated to each business segment.

Investment income is included in the segment where the business activity holding the investment is situated.

### **Segment results**

Segment results equal segment revenue less segment expenses before any adjustment to minority interest.

### **Segment assets and liabilities**

Segment assets and liabilities include direct and reasonable allocable operating assets, investments in associates and liabilities. Segment assets comprise total assets less deferred tax assets, investments in associates, tax receivable assets and loans receivable from group companies. Segment liabilities comprise total liabilities less deferred tax liabilities, tax payable liabilities and loans payable to group companies.

# Notes to the Financial Statements

## 2. STATEMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

In terms of International Financial Reporting Standards, the company is required to include in its annual financial statements disclosure about the future impact of Standards and Interpretations issued but not yet effective at the reporting date.

At the date of authorisation of the financial statements of Interwaste Holdings Limited for the year ended 31 December 2010, the following Standards and Interpretations were in issue but not yet effective:

Standard/Interpretation		Effective date
IAS 24 (revised)	Related Party Disclosures	Annual periods commencing on or after 1 January 2011
IAS 32 amendment	IAS 32 Financial Instruments: Presentation: Classification of Rights Issues	Annual periods commencing on or after 1 February 2010
11 individual amendments to 6 standards	Improvements to International Financial Reporting Standards 2010	Annual periods commencing on or after 1 July 2010
IFRS 2 amendment	Amendments to IFRS 2 – Group Cash-settled Share-based Payment Transactions	Annual periods commencing on or after 1 January 2010
IFRS 7 amendment	Disclosures – Transfers of Financial Assets	Annual periods commencing on or after 1 July 2011
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2013
IFRS 9	Additions to IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2013
IFRIC 14 amendment	Prepayment of a minimum funding requirement	Annual periods commencing on or after 1 July 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Annual periods commencing on or after 1 July 2010

All standards will be adopted at their effective date (except for the effect of those standards that are not applicable to the entity).

The directors have reviewed the standards and interpretations not yet effective and are of the opinion that unless listed above, the standards are not applicable to the business of the entity and will therefore have no impact on future financial statements.

The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

### IAS 24

The revised IAS 24 will be adopted for the first time by the entity for the financial reporting period beginning 1 January 2011.

The changes introduced in the revised IAS 24 include amendments to the definition of a related party and related party disclosure requirements for government related entities.

### Amendments to the definition of a related party

The definition of a related party has been amended, such that if one entity is identified as a related party in another entity's financial statements, then the other entity will also be a related party in the first entity's financial statements.

Reference to "significant voting power" has been removed and the revised standard clarifies that any references to associates and joint ventures include the subsidiaries of those associates and joint ventures.

### IFRS 9

IFRS 9 will be adopted by the entity for the first time for its financial reporting period ending 31 December 2013. The standard will be applied retrospectively, subject to transitional provisions.

# Notes to the Financial Statements

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IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The impact on the financial statements for the entity has not yet been estimated.

Improvements have been made to the following standards:

## **Additions to IFRS 9**

The additions to IFRS 9 will be adopted by the group for the first time for its financial reporting period ending 31 December 2013. The standard will be applied retrospectively, subject to transitional provisions.

Under IFRS 9, the classification and measurement requirements of financial liabilities are the same as per IAS 39, barring the following two aspects:

- Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, attributable to the changes in the credit risk of the liability will be presented in other comprehensive income. The remaining change is recognised in profit or loss. However, if the requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.
- Under IFRS 9 derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 incorporates, the guidances in IAS 39 dealing with fair value measurement, derivatives embedded in host contracts that are not financial assets, and the requirements of IFRIC 9 – Reassessment of Embedded Derivatives.

There will be no impact on the financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

<i>Figures in Rand</i>	Cost	Accumulated Depreciation	Carrying Value
<b>3. Property, plant and equipment</b>			
<b>Group</b>			
<b>2010</b>			
Plant and equipment	129 900 399	(37 599 939)	92 300 460
Bins and containers	61 571 549	(11 673 489)	49 898 060
Land and buildings	3 152 629	-	3 152 629
Leasehold improvements	18 483 225	(3 291 502)	15 191 723
Vehicles	138 563 677	(55 563 425)	83 000 252
Computer equipment	9 722 601	(8 607 399)	1 115 202
Office equipment	2 695 236	(1 891 953)	803 283
Capital work-in-progress	3 078 756	-	3 078 756
	<b>367 168 072</b>	<b>(118 627 707)</b>	<b>248 540 365</b>
<b>2009 - Restated</b>			
Plant and equipment	112 822 191	(18 695 962)	94 126 229
Bins and containers	62 616 730	(19 297 896)	43 318 834
Land and buildings	3 152 629	-	3 152 629
Leasehold improvements	3 892 332	(942 315)	2 950 017
Vehicles	153 094 409	(47 856 422)	105 237 987
Computer equipment	9 068 253	(7 740 540)	1 327 713
Office equipment	2 511 137	(1 798 084)	713 053
Capital work-in-progress	12 717 233	-	12 717 233
	<b>359 874 914</b>	<b>(96 331 219)</b>	<b>263 543 695</b>
<b>2009</b>			
Plant and equipment	108 078 610	(15 159 021)	92 919 589
Bins and containers	55 750 225	(18 733 367)	37 016 858
Land and buildings	3 372 836	-	3 372 836
Leasehold improvements	1 802 980	(940 994)	861 986
Vehicles	173 208 798	(43 073 719)	130 135 079
Computer equipment	9 287 364	(7 729 844)	1 557 520
Office equipment	2 960 906	(1 789 767)	1 171 139
Capital work-in-progress	5 413 193	-	5 413 193
	<b>359 874 912</b>	<b>(87 426 712)</b>	<b>272 448 200</b>
<b>Company</b>			
<b>2010</b>			
Computer equipment	59 666	(46 118)	13 548
<b>2009</b>			
Computer equipment	79 656	(36 572)	43 084

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 3. Property, plant and equipment (continued)

### Group

<i>Figures in Rand</i>	<b>Opening Balance</b>	<b>Disposal of Subsidiary</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Depreciation</b>	<b>Closing Balance</b>
<b>Reconciliation of property, plant and equipment – 2010</b>							
Plant and equipment	94 126 229	(7 814 342)	21 000 382	(7 627 594)	5 494 475	(12 878 690)	92 300 460
Bins and containers	43 318 834	-	10 204 193	(531 228)	-	(3 093 739)	49 898 060
Land and buildings	3 152 629	-	-	-	-	-	3 152 629
Leasehold improvements	2 950 017	-	2 250 178	-	10 430 369	(438 841)	15 191 723
Vehicles	105 237 987	(2 144 588)	21 261 952	(19 991 230)	-	(21 363 869)	83 000 252
Computer equipment	1 327 713	-	611 036	(3 552)	-	(819 995)	1 115 202
Office equipment	713 053	-	310 555	-	-	(220 325)	803 283
Capital work-in-progress	12 717 233	-	7 473 494	(1 187 127)	(15 924 844)	-	3 078 756
	<b>263 543 695</b>	<b>(9 958 930)</b>	<b>63 111 790</b>	<b>(29 340 731)</b>	<b>-</b>	<b>(38 815 459)</b>	<b>248 540 365</b>

### Group - Restated

<i>Figures in Rand</i>	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Depreciation</b>	<b>Reclassification</b>	<b>Closing Balance</b>
<b>Reconciliation of property, plant and equipment – 2009</b>						
Plant and equipment	71 261 034	68 311 646	(38 514 730)	(11 675 301)	4 743 580	94 126 229
Bins and containers	30 368 885	17 080 190	-	(10 996 745)	6 866 504	43 318 834
Land and buildings	3 372 836	-	-	-	(220 207)	3 152 629
Leasehold improvements	1 174 877	-	(271 940)	(42 272)	2 089 352	2 950 017
Vehicles	131 605 409	9 295 852	(4 681 618)	(10 867 267)	(20 114 389)	105 237 987
Computer equipment	2 001 225	657 008	-	(1 111 409)	(219 111)	1 327 713
Office equipment	1 147 955	194 039	-	(179 172)	(449 769)	713 053
Capital work- in-progress	4 329 946	1 083 247	-	-	7 304 040	12 717 233
	<b>245 262 167</b>	<b>96 621 982</b>	<b>(43 468 288)</b>	<b>(34 872 166)</b>	<b>-</b>	<b>263 543 695</b>

Certain reclassifications were made to the 2009 group property, plant and equipment balances to enable better and more accurate presentation.

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 3. Property, plant and equipment (continued)

### Group

<i>Figures in Rand</i>	Opening Balance	Additions	Additions Through Business Combinations	Disposals	Depreciation	Closing Balance
<b>Reconciliation of property, plant and equipment – 2009</b>						
Plant and equipment	71 261 034	68 311 646	-	(38 514 730)	(8 138 361)	92 919 589
Bins and containers	30 368 885	16 167 689	912 500	-	(10 432 216)	37 016 858
Land and buildings	3 372 836	-	-	-	-	3 372 836
Leasehold improvements	1 174 877	-	-	(271 940)	(40 951)	861 986
Vehicles	131 605 409	7 945 852	1 350 000	(4 681 618)	(6 084 564)	130 135 079
Computer equipment	2 001 225	657 008	-	-	(1 100 713)	1 557 520
Office equipment	1 147 955	194 039	-	-	(170 855)	1 171 139
Capital work- in-progress	4 329 946	1 083 247	-	-	-	5 413 193
	245 262 167	94 359 481	2 262 500	(43 468 288)	(25 967 660)	272 448 200

### Company

<i>Figures in Rand</i>	Opening Balance	Disposals	Depreciation	Closing Balance
<b>Reconciliation of property, plant and equipment – 2010</b>				
Computer equipment	43 084	(3 552)	(25 984)	13 548

### Company

#### Reconciliation of property, plant and equipment – 2009

Computer equipment	69 623	-	(26 539)	43 084
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### Group

<i>Figures in Rand</i>	2010	2009 Restated	2009
<b>Assets pledged as security</b>			
Carrying value of assets pledged as security (refer to note 16):			
Motor vehicles	40 340 729	110 599 829	110 579 829
Lifting and other equipment	87 183 777	20 562 796	23 715 425
Land and buildings	3 152 629	3 152 629	-
	130 677 135	134 315 254	134 295 254
<b>Details of properties</b>			
Land and buildings comprise of holding 121, Pomona Estate, Agricultural Holdings, Kempton Park			
Held under title deed T93963/2005	3 152 629	3 152 629	3 372 836
	3 152 629	3 152 629	3 372 836

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered offices of the group.

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 4. Intangible assets

Group

<i>Figures in Rand</i>	<b>Cost</b>	<b>Accumulated Amortisation and Impairments</b>	<b>Carrying Value</b>
<b>2010</b>			
Permit for operation of treatment plant	179 200	-	179 200
<b>2009</b>			
Permit for operation of treatment plant	185 044	-	185 044

<i>Figures in Rand</i>	<b>Opening Balance</b>	<b>Disposals</b>	<b>Total</b>
<b>Reconciliation of intangible assets – 2010</b>			
Permit for operation of treatment plant	185 044	(5 844)	179 200
<b>Reconciliation of intangible assets – 2009</b>			
Permit for operation of treatment plant	179 200	5 844	185 044

Management has determined that the useful life of the intangible asset is indefinite as the permit has no expiry date and management intend to use the permit and treatment plant for an indefinite period. There is no material difference between the fair value of the intangible asset and carrying value. No impairment indicators were identified at 31 December 2010.

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 5. Goodwill

### Group

<i>Figures in Rand</i>	<b>Cost</b>	<b>Accumulated Amortisation and Impairments</b>	<b>Carrying value</b>
<b>2010</b>			
<b>Goodwill</b>	<b>49 364 224</b>	<b>(2 363 007)</b>	<b>47 001 217</b>
<b>2009</b>			
Goodwill	50 520 872	(931 193)	49 589 679

<i>Figures in Rand</i>	<b>Opening Balance</b>	<b>Disposals</b>	<b>Impairment</b>	<b>Total</b>
<b>Reconciliation of goodwill – 2010</b>				
<b>Goodwill</b>	<b>49 589 679</b>	<b>(1 156 648)</b>	<b>(1 431 814)</b>	<b>47 001 217</b>

<i>Figures in Rand</i>	<b>Opening Balance</b>	<b>Additions</b>	<b>Total</b>
<b>Reconciliation of goodwill – 2009</b>			
<b>Goodwill</b>	48 331 814	1 257 865	49 589 679

### Impairment reviews of goodwill

#### Cash generating units:

Waste management	35 148 213
Landfill management	11 853 004
<b>TOTAL</b>	<b>47 001 217</b>

The carrying value of goodwill identified above has been determined on the basis of value in use calculations.

Key assumptions used in the value in use calculations include estimated future waste management and landfill management units' revenue streams.

The value in use calculations use cash flow projections based on 2011 budgeted figures, extrapolated at 5% per annum for a further five years. This five year cumulative cash flow was discounted using a weighted average cost of capital of 10.58%.

The discount rate was estimated as the company's weighted average cost of capital which was based on a debt leveraging at 9% (2009: 10,50%) and a required rate of return on equity estimated at the R157 bond rate increased at a market rate of 7,68% (2009: 7,17%).

Such assumptions are based on historical results adjusted for anticipated future growth. These assumptions are a reflection of management's past experience in the market in which these units operate.

Based on the above assumptions, management's calculations of recoverable amounts were greater than the carrying amounts.

Management believes that any reasonable possible change in any of its key assumptions would not cause the aggregate carrying amounts to exceed aggregate recoverable amounts.

A sensitivity analysis has been undertaken and has revealed that a 1% change in the growth rate of 5% would cause the valuation of goodwill to move by an amount of R4.7 million. A 1% change in the weighted average cost of capital would cause a movement of R26.6 million in the valuation. As the impairment test valuation exceeds the carrying amount by approximately 400%, there is minimal risk of an impairment loss existing at reporting date.

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

<i>Figures in Rand</i>	2010	2009
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## 6. Investment in joint venture

### Group

#### Green's Scrap Recycling (Proprietary) Limited:

<b>Carrying amount</b>	<b>110 135</b>	1 471 378
Number of shares	<b>60</b>	60
Percentage holding	<b>50%</b>	50%
<i>The carrying amount consists of:</i>		
Cost of shares	<b>358 753</b>	358 753
Share of post acquisition equity accounted profits of joint venture	<b>1 167 267</b>	1 112 625
Impairment	<b>(1 415 885)</b>	-
<b>TOTAL</b>	<b>110 135</b>	1 471 378

The carrying value of the investment in the joint venture identified above has been determined on the basis of the amounts recoverable from the joint venture.

At year end, the investment is compared to the net asset position of the joint venture to determine if there is an indicator of impairment and where necessary an impairment loss is recognised. The financial position of the joint venture and expected future results are considered in determining the impairment adjustment.

#### The summarised statement of financial position of Green's Scrap Recycling (Proprietary) Limited is disclosed below:

Non-current assets	<b>13 779 807</b>	3 454 171
Current assets	<b>2 610 274</b>	1 448 258
<b>TOTAL ASSETS</b>	<b>16 390 081</b>	4 902 429
Total equity	<b>220 272</b>	110 988
Non-current liabilities	<b>3 032 159</b>	782 234
Current liabilities	<b>13 137 650</b>	4 009 207
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16 390 081</b>	4 902 429

#### The summarised statement of comprehensive income of Green's Scrap Recycling (Proprietary) Limited is disclosed below:

<b>Revenue</b>	<b>15 107 487</b>	9 952 545
Cost of sales	<b>(5 907 820)</b>	(2 872 839)
<b>Gross profit</b>	<b>9 199 667</b>	7 079 706
<b>Other income</b>	<b>354 228</b>	950 967
<b>Operating expenditure</b>	<b>(9 389 814)</b>	(5 615 501)
<b>Operating profit before finance costs</b>	<b>164 081</b>	2 415 172
Finance cost	<b>(259 177)</b>	(23 424)
<b>Operating (loss)/profit before tax</b>	<b>(95 096)</b>	2 391 748
Income tax credit/(expense)	<b>204 380</b>	(200 713)
<b>Profit for the year</b>	<b>109 284</b>	2 191 035

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

<i>Figures in Rand</i>	Share Capital	% Holding	Shares Cost	Share of Net Profit/(Loss)
<b>7. Investment in subsidiaries</b>				
<b>Company - 2010</b>				
<b>DIRECT</b>				
Interwaste (Proprietary) Limited	900	100	76 661 509	(15 582 108)
Enviro-Fill (Proprietary) Limited	100	100	27 160 237	6 147 552
Interwaste Properties (Proprietary) Limited	100	100	100	(29 875)
			<b>103 821 846</b>	<b>(9 464 431)</b>
<b>INDIRECT</b>				
Earth2Earth (Proprietary) Limited	100	100	611 290	(20 460)
Interwaste Cleaning (Proprietary) Limited	100	49	49	221 774
The Metal Recovery Company (Proprietary) Limited	100	100	100	-
Kutu Waste Management Systems (Proprietary) Limited	100	100	1 506 125	(355 715)
Platinum Waste Resources (Proprietary) Limited	100	65	98 520	206 145
<b>Company - 2009</b>				
<b>DIRECT</b>				
Interwaste (Proprietary) Limited	900	100	76 519 277	4 195 873
Enviro-Fill (Proprietary) Limited	100	100	25 311 286	276 948
Interwaste Properties (Proprietary) Limited	100	100	100	(6 518)
			<b>101 830 663</b>	<b>4 466 303</b>
<b>INDIRECT</b>				
Earth2Earth (Proprietary) Limited	100	100	611 290	864 469
Interwaste Cleaning (Proprietary) Limited	100	49	49	254 915
The Metal Recovery Company (Proprietary) Limited	100	100	100	-
Kutu Waste Management Systems (Proprietary) Limited	100	100	1 506 125	482 843
Platinum Waste Resources (Proprietary) Limited	100	65	98 520	1 360 459
Enviro-Fill Namibia (Proprietary) Limited	100	50	52	260 113

The investment in Enviro-fill (Proprietary) Limited is stated after an impairment of Rnil (2009: R1 848 951).

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

<i>Figures in Rand</i>	2010	2009 Restated	2009
<b>8. Deferred tax liability/asset</b>			
<b>Group</b>			
<b>Reconciliation of deferred tax liability</b>			
At beginning of the year	24 382 268	22 717 159	22 717 159
Disposal of subsidiary	(1 718 592)	31 274	31 274
Current year temporary differences recognised in profit or loss	(4 414 399)	1 633 835	6 013 176
	<b>18 249 277</b>	24 382 268	28 761 609
<b>Deferred tax liability comprises:</b>			
– capital allowances	34 477 836	30 097 579	30 097 579
– non-deductible provisions/accruals	(331 817)	(550 138)	(550 138)
– doubtful debt provision	(247 738)	(208 518)	(208 518)
– deferred lease expenditure	53 179	53 179	53 179
– leave pay accrual	(202 676)	(151 187)	(151 187)
– prepayments	182 024	49 508	49 508
– other originating temporary differences	-	630 298	630 298
– STC credit	(80 303)	(35 000)	(35 000)
– available tax losses	(15 601 228)	(5 503 453)	(1 124 112)
<b>Balance at end of year</b>	<b>18 249 277</b>	24 382 268	28 761 609
<b>Disclosed as follows:</b>			
Deferred tax assets	(721 708)	(2 184 647)	(2 184 647)
Deferred tax liability	18 970 985	26 566 915	30 946 256
<b>Balance at end of year</b>	<b>18 249 277</b>	24 382 268	28 761 609
<b>Company</b>			
<b>Reconciliation of deferred tax asset</b>			
At beginning of the year	50 084		40 190
Current year temporary differences recognised in profit or loss	108 183		9 894
	<b>158 267</b>		50 084
<b>Deferred tax asset comprises:</b>			
– leave pay accrual	14 629		50 084
– available tax losses	143 638		-
<b>Balance at end of year</b>	<b>158 267</b>		50 084

The directors believe that it is sufficiently certain that the group and company will be able to generate sufficient future taxable income to utilise the available tax losses.

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 9. Loans to group companies

### Company

<i>Figures in Rand</i>	2010	2009
<b>Subsidiaries</b>		
<b>Inter-Waste (Proprietary) Limited</b>	<b>78 078 283</b>	79 392 919
The loan is unsecured, bears interest at the prime bank lending rate minus 1%, per annum, and has no fixed terms of repayment. The loan arose during the 2007 financial year to fund operational activities. The loan is unsecured as it is a wholly owned subsidiary of the company.		
<b>Interwaste Share Incentive Trust</b>	<b>7 000 000</b>	7 000 000
The loan is unsecured, interest free and has no fixed terms of repayment. The loan is unsecured as it is a wholly owned subsidiary of the company.		
<b>Less: Impairment</b>	<b>(2 800 000)</b>	(2 163 000)
<b>Interwaste Properties (Proprietary) Limited</b>	-	66 701
The loan was unsecured, bore interest at the prime bank lending rate minus 1%, per annum, and had no fixed terms of repayment. The loan was unsecured as it is a wholly owned subsidiary of the company.		
	<b>82 278 283</b>	84 296 620

There is no material difference between the fair value of the loans to group companies and their carrying value.

Based on the budgeted profits for 2011 and the forecast cashflows, the company does not expect the subsidiaries to be able to repay the loans within the next 12 months. The loans have accordingly been disclosed as non-current assets.

## 10. Inventories

<i>Figures in Rand</i>	Group 2010	Group 2009 Restated	Group 2009	Company 2010	Company 2009
Raw materials	2 419 524	12 510 237	32 928 236		
Work in progress	9 994 131	13 806 509	3 939 382	-	-
Finished goods	1 729 130	2 388 789	77 464	-	-
Consumables	414 269	4 318 043	-	-	-
Fuel	1 159 702	583 564	479 570	-	-
	<b>15 716 756</b>	33 607 142	37 424 652	-	-

Inventories are not impaired at year end. There is no inventory pledged as security for liabilities owing by the group.

## 11. Loans to related parties

Interwaste Holdings Shares Incentive Trust	-	-	-	-	109 917
<b>Loan to joint venture:</b>					
Green's Scrap Recycling (Proprietary) Limited	6 102 777	1 097 611	1 097 611	-	-
<b>Other:</b>					
Remade Holdings (Proprietary) Limited	343 636	343 636	343 636	-	-
Extent Road Property (Proprietary) Limited	900 117	-	-	-	-
<b>Current assets</b>	<b>7 346 530</b>	1 441 247	1 441 247	-	109 917

The loans are unsecured, currently interest free with no contractual repayment terms.

Loans to related parties are not impaired at year end.

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

<i>Figures in Rand</i>	<b>Group 2010</b>	Group 2009	<b>Company 2010</b>	Company 2009
<b>12. Trade and other receivables</b>				
Trade receivables	<b>76 215 807</b>	80 046 278	-	-
Other receivables	<b>1 963 739</b>	3 893 121	-	255 751
Financial assets	<b>78 179 546</b>	83 939 399	-	255 751
Lease straightline accrual	-	189 928	-	-
Accrued income	<b>1 751 366</b>	225 793	-	-
Prepayments	<b>650 087</b>	1 856 770	-	-
	<b>80 580 999</b>	86 211 890	-	255 751

Trade and other receivables were ceded as security for banking facilities provided to the group. Refer to note 13. Group trade and other receivables are stated after an impairment adjustment of R2 232 375 (2009 – R992 942)

## 13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	<b>202 350</b>	866 431	-	-
Bank balances	<b>9 108 048</b>	4 964 729	<b>6 406</b>	-
Bank overdraft	<b>(23 466 947)</b>	(25 379 785)	-	(352 206)
	<b>(14 156 549)</b>	(19 548 625)	<b>6 406</b>	(352 206)
Current assets	<b>9 310 398</b>	5 831 160	<b>6 406</b>	-
Current liabilities	<b>(23 466 947)</b>	(25 379 785)	-	(352 206)
	<b>(14 156 549)</b>	(19 548 625)	<b>6 406</b>	(352 206)

The banking facilities provided by ABSA Bank Limited are secured by:

A cession of the Momentum Life Policy no. 94 773 671 for R2 255 443.

Unlimited cross suretyship by Mr WAH Willcocks.

Unlimited cross surety including cession of the loan account by Inter-waste Holdings Limited.

Unlimited cross surety including cession of the loan account by Earth 2 Earth (Proprietary) Limited.

Unlimited cross surety including cession of the loan account by Enviro-Fill (Proprietary) Limited.

Unlimited cross surety including cession of the loan account by Inter-waste Cleaning (Proprietary) Limited.

Unlimited cross surety including cession of the loan account by Inter-Waste Properties (Proprietary) Limited.

Unlimited cross surety including cession of the loan account by The Metals Recovery Company (Proprietary) Limited.

Trade receivables have been ceded as security for the overdraft facility.

There is no material difference between the fair value of cash and cash equivalents and their carrying value.

## 14. Share capital

**Authorised**

500 000 000 ordinary shares of R0,0001 each	<b>50 000</b>	50 000	<b>50 000</b>	50 000
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**Issued**

336 311 210 ordinary shares R0,0001 each	<b>33 631</b>	33 631	<b>33 631</b>	33 631
Share premium	<b>175 458 322</b>	175 458 322	<b>182 457 622</b>	182 457 622
Treasury shares	<b>(700)</b>	(700)	-	-
	<b>175 491 253</b>	175 491 253	<b>182 491 253</b>	182 491 253

163 688 790 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 15. Share-based payments

### Information on options granted

In terms of the Inter-Waste Share Incentive Scheme, shares are sold to selective employees. The purchase price is equal to the middle market price of the shares on the alternative exchange of the Johannesburg Stock Exchange Limited on the trading day immediately preceding the allocation to the employee. The purchase consideration is funded by a loan from the Interwaste Holdings Share Incentive Trust to the employee. Options vest in tranches over a period of 4 years. Employees may not take delivery of the shares until the vesting date and until the portion of the loan relating to the shares taken up has been repaid. Employees are never forced to take delivery of the scheme shares.

The total scheme shares may not exceed 20% of the issued ordinary share capital of the company. The maximum number of scheme shares that any employee may be entitled to at any time is 1% of the ordinary share capital of the company.

The scheme is economically equivalent to issuing options to the employees. The share-based compensation expense has thus been determined using standard employee share option valuation methods.

	2010 %	2009 %
<b>The following key assumptions were used in valuing the various options:</b>		
Expected volatility	65,11	47
Risk-free interest rate	7,90 – 8,03	8,34 – 9,13
Expected employee exit rate	12	12

The expected life of the options is based on historical data and expected future trends and is not necessarily indicative of exercise patterns that may occur. The expected volatility of 65% (2009 – 47%) is indicative of expected future trends based on historical volatilities.

The fair value of the share options that were granted over the year to 31 December 2010 is R1 714 701 (2009 – R1 572 469). The share-based payment expense included in the profit and loss for the year is R142 232 (2009 – Rnil).

The above balances include amounts relating to share options issued to a director outside the trust. Disclosures and amounts relating to these share options are as follows:

<i>Figures in Rand</i>	Number of Share Options 2010	Number of Share Options 2009	Weighted Exercise Price 2010	Weighted Exercise Price 2009
<b>Vesting date</b>				
1 June 2013	800 000	-	0,68	-
Fair value options granted and expense recognised			27 333	-

The following table illustrates the number and weighted average exercise prices of share options held by eligible participants of the Interwaste Holdings Limited group in terms of the Inter-Waste Share Incentive Scheme:

At 1 January	6 024 000	5 829 000	0,94	1,00
New allocations made	-	1 100 000	-	0,68
Forfeited allocations	(2 070 000)	(905 000)	0,87	1,00
Outstanding at 31 December	3 954 000	6 024 000	0,98	0,94

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 15. Share-based payments (continued)

	Number of Share Options 2010	Number of Share Options 2009	Subscription Price R
<b>Vesting date</b>			
13 June 2008	740 800	984 800	1,00
13 June 2009	926 000	1 231 000	1,00
13 June 2010	926 000	1 231 000	1,00
13 June 2011	1 111 200	1 477 200	1,00
1 March 2010	50 000	220 000	0,68
1 March 2011	62 500	275 000	0,68
1 March 2012	62 500	275 000	0,68
1 March 2013	75 000	330 000	0,68
	<b>3 954 000</b>	<b>6 024 000</b>	

Should the participant resign from the group prior to the vesting dates as indicated above, the shares will not be awarded, payment will not be required, and the rights to shares will be forfeited.

## 16. Interest-bearing borrowings

<i>Figures in Rand</i>	Group 2010	Group 2009
<b>Secured</b>		
<b>Instalment sale agreements</b>	<b>95 656 208</b>	101 174 546
Instalment sale obligations capitalised at rates ranging between prime and 1 % below the prime interest rate per annum. The liabilities are secured by instalment sales agreements over hire equipment and motor vehicles as per note 3.		
<b>Wilco Family Trust</b>	<b>3 630 008</b>	3 282 397
The loan bears interest at the prime bank lending rate and has no fixed repayment terms, thus the loan is a current liability		
	<b>99 286 216</b>	104 456 943
Less: Portion payable within one year included in current liabilities	<b>(50 314 973)</b>	(50 172 352)
<b>Portion included in non-current liabilities</b>	<b>48 971 243</b>	54 284 591
<b>Additional disclosure for instalment sale agreements</b>		
<b>Minimum lease payments due:</b>		
– within one year	<b>52 785 245</b>	55 072 671
– in second to fifth year inclusive	<b>51 766 469</b>	55 185 112
Total	<b>104 551 714</b>	110 257 783
Less: future finance charges	<b>(8 895 506)</b>	(9 083 237)
Present value of minimum lease payments	<b>95 656 208</b>	101 174 546
<b>Present value of minimum lease payments due:</b>		
– within one year	<b>46 684 965</b>	46 889 955
– in second to fifth year inclusive	<b>48 971 243</b>	54 284 591
Present value of minimum lease payments	<b>95 656 208</b>	101 174 546

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

<i>Figures in Rand</i>	<b>Group 2010</b>	Group 2009 Restated	Group 2009	<b>Company 2010</b>	Company 2009
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## 17. Trade and other payables

Trade payables	<b>31 810 729</b>	38 955 494	32 014 853	<b>24 357</b>	92 530
Other payables	<b>6 137 926</b>	3 886 370	3 435 183	<b>833 049</b>	688 828
Accrued expenses	-	3 782 415	4 244 237	-	-
	<b>37 948 655</b>	46 624 279	39 694 273	<b>857 406</b>	781 358

## 18. Revenue

Sale of goods	<b>94 223 653</b>	96 694 444	354 846 961	-	-
Rendering of services	<b>348 449 853</b>	310 564 305	52 411 788	-	-
	<b>442 673 506</b>	407 258 749	407 258 749	-	-

## 19. Results from operating activities

Operating (loss)/profit for the year is stated after accounting for the following:

(Profit)/loss on exchange differences	<b>(50 289)</b>	234 374	296 821	-	-
Lease charges:	<b>24 148 623</b>	5 682 126	5 682 126	-	-
- premises	<b>6 286 412</b>	5 555 655	5 555 655	-	-
- vehicles	<b>17 862 211</b>	126 471	126 471	-	-
Legal fees	<b>289 564</b>	1 644 218	1 644 218	<b>15 988</b>	-
Audit fees – current year	<b>1 001 274</b>	1 188 757	1 328 690	<b>37 107</b>	51 169
Bad debts	<b>1 239 433</b>	175 103	175 103	-	-
Depreciation on property, plant and equipment	<b>38 815 459</b>	34 872 166	25 967 660	<b>25 984</b>	26 539
Employee costs	<b>109 081 986</b>	97 937 734	71 533 910	<b>7 343 639</b>	7 158 314
Share-based payment expense	<b>142 232</b>	-	-	-	-
Loss/(profit) on disposal of property, plant and equipment	<b>3 640 250</b>	(2 524 080)	(2 524 080)	<b>(3 328)</b>	-
Impairment of investment in joint venture	<b>1 415 885</b>	-	-	-	-
Impairment of goodwill	<b>1 431 814</b>	-	-	-	-
Impairment of loan to Share Incentive Trust	-	-	-	<b>637 000</b>	-
(Reversal) / recognition of impairment on investment in subsidiary company	-	-	-	<b>(1 848 951)</b>	1 848 951
Profit on disposal of subsidiary	<b>(4 946 178)</b>	-	-	-	-
Consulting fees	<b>5 643 059</b>	4 595 482	4 595 482	<b>51 964</b>	13 374

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

<i>Figures in Rand</i>	<b>Group 2010</b>	Group 2009 Restated	Group 2009	<b>Company 2010</b>	Company 2009
<b>20. Finance (costs) / income</b>					
<b>Finance income</b>					
Bank accounts	<b>82 648</b>	577 696	577 696	-	-
Fair value adjustment to trade receivables	-	2 778 092	2 778 092	-	-
Subsidiaries	-	-	-	<b>7 750 555</b>	9 204 237
Other interest	<b>268 986</b>	-	-	-	-
Dividends – unit trusts	-	32 210	32 210	-	32 210
	<b>351 634</b>	3 387 998	3 387 998	<b>7 750 555</b>	9 236 447
<b>Finance costs</b>					
Interest bearings borrowing	<b>(7 874 174)</b>	(8 308 434)	(9 574 646)	-	-
Loans from related companies	<b>(1 237 607)</b>	(26 021)	-	-	-
Bank overdraft	<b>(2 457 396)</b>	(2 054 027)	(1 514 077)	<b>(210 052)</b>	(6 072)
Other interest	<b>(1 666 607)</b>	(4 721 750)	-	-	-
Fair value adjustment to trade payables	-	(2 771 236)	(2 770 251)	-	-
	<b>(13 235 784)</b>	(17 881 468)	(13 858 974)	<b>(210 052)</b>	(6 072)
	<b>(12 884 150)</b>	(14 493 470)	(10 470 976)	<b>7 540 503</b>	9 230 375

## 21. Taxation credit/(expense)

<b>Major components of the tax expense</b>					
Current taxation – current year	<b>(994 944)</b>	(1 017 160)	(4 640 384)	-	(209 064)
Deferred taxation – current year	<b>4 414 399</b>	(1 633 835)	(6 013 176)	<b>108 183</b>	9 894
	<b>3 419 455</b>	(2 650 995)	(10 653 560)	<b>108 183</b>	(199 170)

### Reconciliation of tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	%	%	%	%	%
Statutory tax rate	<b>28,00</b>	28,00	28,00	<b>28,00</b>	28,00
Capital gains tax	<b>4,50</b>	-	(0,40)	-	-
Disallowed charges	<b>(9,35)</b>	(6,94)	(4,52)	-	(46,02)
Secondary tax on companies	<b>(0,16)</b>	(0,09)	(0,09)	-	-
Unutilised tax losses	<b>0,37</b>	(1,25)	(0,44)	-	-
Exempt income	<b>0,22</b>	-	-	<b>(50,13)</b>	-
Withholding tax impairment	<b>(0,56)</b>	-	-	-	-
Prior year adjustment of temporary differences	<b>(0,78)</b>	1,16	-	-	-
Acquisition of business	-	-	6,74	-	-
Effective tax rate	<b>22,24</b>	20,88	29,29	<b>(22,13)</b>	(18,02)

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

<i>Figures in Rand</i>	<b>Group 2010</b>	Group 2009 Restated	Group 2009	<b>Company 2010</b>	Company 2009
<b>22. Cash generated from / (utilised by) operations</b>					
(Loss) / profit before taxation	<b>(15 375 097)</b>	12 693 471	36 367 985	<b>488 955</b>	(1 105 421)
<b>Adjustments for:</b>					
Depreciation and amortisation	<b>38 815 459</b>	34 872 166	25 967 660	<b>25 984</b>	26 539
Finance costs	<b>13 235 784</b>	17 881 468	13 858 974	<b>210 052</b>	6 072
Finance income	<b>(351 634)</b>	(3 387 998)	(3 387 998)	<b>(7 750 555)</b>	(9 236 447)
Loss / (profit) on disposal of property, plant and equipment	<b>3 640 250</b>	(2 524 080)	(2 524 080)	<b>(3 328)</b>	-
Share-based payment expense	<b>142 232</b>	-	-	-	-
Impairment of investment	-	-	-	<b>(1 848 951)</b>	1 848 951
Impairment of investment in joint venture	<b>1 415 885</b>	-	-	-	-
Loss on disposal of intangible assets	<b>5 844</b>	-	-	-	-
Profit on disposal of business	-	(689 230)	(689 230)	-	-
Profit on sale of subsidiary	<b>(4 946 178)</b>	-	-	-	-
Income from joint venture	<b>(54 642)</b>	(1 112 625)	(1 112 625)	-	-
Impairment of loan to Interwaste Holdings Share Incentive Trust	-	-	-	<b>637 000</b>	-
Impairment of goodwill	<b>1 431 814</b>	-	-	-	-
Negative goodwill	<b>(80 852)</b>	-	-	-	-
<b>Changes in working capital:</b>					
Decrease / (increase) in trade and other receivables	<b>2 280 294</b>	(2 635 233)	(2 635 233)	<b>255 751</b>	525 083
Increase / (decrease) in trade and other payables	<b>1 922 523</b>	(344 363)	(7 274 366)	<b>76 048</b>	308 198
Decrease / (increase) in inventories	<b>16 679 469</b>	7 712 771	3 895 260	-	-
	<b>58 761 151</b>	62 466 347	62 466 347	<b>(7 909 044)</b>	(7 627 025)

## 23. Tax refunded / (paid)

Balance receivable / (payable) at beginning of the year	<b>9 375 373</b>	2 913 503	2 913 503	<b>(525 681)</b>	(764 644)
Current tax recognised in the statement of comprehensive income	<b>(994 944)</b>	(1 017 160)	(4 640 384)	-	(209 064)
Sale of business	<b>(45 500)</b>	31 277	31 276	-	-
Balance receivable at end of the year	<b>(6 946 776)</b>	(9 375 373)	(9 774 642)	<b>(245 300)</b>	525 681
Taxation refunded / (paid)	<b>1 388 153</b>	(7 447 753)	(11 470 247)	<b>(770 981)</b>	(448 027)

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

<i>Figures in Rand</i>	<b>Group 2010</b>	<b>Group 2009</b>
<b>24. Disposal of subsidiary/business</b>		
<b>24.1 Fair value of net assets disposed of – Envirofill Namibia (Proprietary) Limited (52% disposed on 1 January 2010)</b>		
Property, plant and equipment	6 184 342	
Inventories	1 210 917	
Trade and other receivables	3 350 597	
Current tax receivable	45 500	
Trade and other payables	(10 598 147)	
Cash	1 621 131	
Deferred tax liability	(1 718 592)	
Outside shareholders	(41 926)	
<b>Total net assets disposed</b>	<b>53 822</b>	
Consideration received	5 000 000	
Cash and cash equivalents disposed	(1 621 131)	
<b>Net cash inflow</b>	<b>3 378 869</b>	
Consideration received	5 000 000	
Total net asset disposed	(53 822)	
<b>Profit on disposal of subsidiary</b>	<b>4 946 178</b>	
<b>24.2 Fair value of asset disposed of – Ace Waste business (disposed of 30 November 2010)</b>		
Property, plant and equipment	3 774 588	
Goodwill	1 237 500	
<b>Cash inflow</b>	<b>5 012 088</b>	
<b>24.3 Fair value of net assets disposed of – Cyclone Engineering (Proprietary) Limited (36.9% disposed on 31 December 2009)</b>		
Property, plant and equipment		1 255 918
Trade and other receivables		887 806
Trade and other payables		(251 026)
Tax liability		(406 562)
Other financial liabilities		(847 807)
Cash		979 762
Deferred tax liability		(33 063)
Loans from shareholders		(951 615)
Outside shareholders		(342 881)
<b>Total net assets disposed of</b>		<b>290 532</b>
Consideration received		979 762
<b>Profit on disposal of subsidiary</b>		<b>689 230</b>
Consideration received		979 762
Cash and cash equivalents disposed		(979 762)
<b>Net cashflow</b>		<b>-</b>

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

<i>Figures in Rand</i>	<b>Group 2010</b>	Group 2009
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## 25. Commitments

### Premises operating leases – as lessee

#### Minimum lease payments due

– within one year	<b>1 401 480</b>	5 180 800
– in second to fifth year inclusive	<b>2 715 240</b>	3 898 959
	<b>4 116 720</b>	9 079 759

Operating lease payments represent rentals payable by the company for certain of its business premises. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

### Motor vehicle operating leases – as lessee

#### Minimum lease payments due

– within one year	<b>25 900 665</b>	4 475 880
– in second to fifth year inclusive	<b>55 115 142</b>	12 975 083
	<b>81 015 807</b>	17 450 963

The company leases certain of its motor vehicles in terms of operating leases. Leases escalate in line with prime interest rates and typically run for a period of three to four years.

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 26. Related parties

### Identity of related party relationships

Other group companies as well as directors and significant shareholders are considered to be related parties and have been listed below.

<b>Subsidiaries of the group</b>	The Metals Recovery Company (Proprietary) Limited Earth 2 Earth (Proprietary) Limited Interwaste Cleaning (Proprietary) Limited Interwaste (Proprietary) Limited Enviro-Fill (Proprietary) Limited Kutu Waste Management Services(Proprietary) Limited Platinum Waste Resources (Proprietary) Limited Interwaste Properties (Proprietary) Limited
<b>Joint venture</b>	Green's Scrap Recycling (Proprietary) Limited
<b>Joint shareholder</b>	Remade Holdings (Proprietary) Limited
<b>Directors</b>	WAH Willcocks BL Willcocks AP Broodryk LC Grobbelaar GR Tipper A Kawa PF Mojono
<b>Significant shareholders</b>	The Wilco Family Trust Interwaste Holdings Share Incentive Trust Refer also to schedule of shareholder analysis.

<i>Figures in Rand</i>	<b>2010</b>	2009
<b>Related party balances</b>		
<b>Loan accounts – owing (to)/by related parties</b>		
Interwaste (Proprietary) Limited	<b>78 078 283</b>	79 392 919
Interwaste Properties (Proprietary) Limited	-	66 701
Interwaste Holdings Share Incentive Trust	<b>4 200 000</b>	4 837 000
The Wilco Family Trust	<b>(3 630 008)</b>	(3 282 387)
Related party balances are not impaired at year end		
<b>Related party transactions</b>		
Interwaste (Proprietary) Limited - interest received	<b>7 750 555</b>	9 204 237
Key management personnel remuneration excluding director's emoluments	<b>2 150 234</b>	480 993
Dividends paid	<b>243 941</b>	464 500

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 27. Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The board is responsible for developing and monitoring the company's risk management policies.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The board oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company.

### Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers and loans to related parties.

### TRADE AND OTHER RECEIVABLES

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. There is no concentration of credit risk in a single customer.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

<i>Figures in Rand</i>	<b>Group 2010</b>	Group 2009	<b>Company 2010</b>	Company 2009
<b>Financial assets exposed to credit risk at year end were as follows:</b>				
Loans to related parties	<b>7 346 530</b>	1 441 247	-	-
Cash and cash equivalents	<b>9 310 398</b>	5 831 160	-	-
Trade and other receivables	<b>78 179 546</b>	83 939 399	-	225 751
	<b>94 836 474</b>	91 211 806	-	225 751

### The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Domestic	<b>76 215 807</b>	80 046 278	-	-
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<i>Figures in Rand</i>	<b>2010 Gross</b>	<b>2010 Impairment</b>	2009 Gross	2009 Impairment
<b>Group</b>				
<b>The aging of trade receivables at reporting date was:</b>				
Not past due	<b>34 604 016</b>	-	32 284 460	-
Past due 30 days	<b>18 123 995</b>	-	20 967 536	-
Past due 60 – 120 days	<b>25 720 171</b>	<b>(2 232 375)</b>	27 787 224	(992 942)
	<b>78 448 182</b>	<b>(2 232 375)</b>	81 039 220	(992 942)

The company has no trade receivables at year end.

<i>Figures in Rand</i>	<b>Group 2010</b>	Group 2009	<b>Company 2010</b>	Company 2009
<b>Movement in bad debt provision</b>				
Balance at 1 January 2010	<b>(992 942)</b>	(817 839)	-	-
Bad debts written off in current year	<b>203 636</b>	-	-	-
Impairment provision created	<b>(1 443 069)</b>	(175 103)	-	-
Balance at 31 December 2010	<b>(2 232 375)</b>	(992 942)	-	-

Based on past experience, the company believes that no impairment allowance is necessary in respect of trade receivables not past due.

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 27. Financial risk management (continued)

### Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Typically the company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the group maintains a R30 million secured bank overdraft facility and a secured asset backed instalment sale facility with a maximum limit of R90 million with ABSA Bank Limited.

### Group

<i>Figures in Rand</i>	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>Less Than 1 Year</b>	<b>Between 2 And 5 Years</b>	<b>No Fixed Maturity</b>
<b>The following are the contractual maturities of financial liabilities:</b>					
<b>At 31 December 2010</b>					
<b>Non derivative liabilities</b>					
Interest-bearing borrowings	99 286 216	108 181 722	52 785 245	51 766 469	3 630 008
Bank overdraft	23 466 947	23 466 947	23 466 947	-	-
Trade and other payables	37 948 655	37 948 655	37 948 655	-	-
	<b>160 701 818</b>	<b>169 597 324</b>	<b>114 200 847</b>	<b>51 766 469</b>	<b>3 630 008</b>

### At 31 December 2009 – restated

<b>Non derivative liabilities</b>					
Interest-bearing borrowings	104 456 943	113 540 180	55 072 671	55 185 112	3 282 397
Bank overdraft	25 379 785	25 379 785	25 379 785	-	-
Trade and other payables	46 624 279	46 624 279	46 624 279	-	-
	<b>176 461 007</b>	<b>185 544 244</b>	<b>127 076 735</b>	<b>55 185 112</b>	<b>3 282 397</b>

### At 31 December 2009

<b>Non derivative liabilities</b>					
Interest-bearing borrowings	104 456 943	113 540 180	55 072 671	55 185 112	3 282 397
Bank overdraft	25 379 785	25 379 785	25 379 785	-	-
Trade and other payables	39 694 273	39 694 273	39 694 273	-	-
	<b>169 531 001</b>	<b>178 614 238</b>	<b>120 146 729</b>	<b>55 185 112</b>	<b>3 282 397</b>

The contractual maturity of interest-bearing borrowing is disclosed in note 16.

### Company

#### At 31 December 2010

<b>Non derivative liabilities</b>					
Trade and other payables	857 406	857 406	857 406	-	-

#### At 31 December 2009

<b>Non derivative liabilities</b>					
Bank overdraft	352 206	352 206	352 206	-	-
Trade and other payables	781 358	781 358	781 358	-	-
	<b>1 133 564</b>	<b>1 133 564</b>	<b>1 133 564</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 27. Financial risk management (continued)

### Interest rate risk

<i>Figures in Rand</i>	<b>Group 2010</b>	Group 2009	<b>Company 2010</b>	Company 2009
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The interest rate risk profile of the interest bearing financial instruments were:

#### Variable rate instruments

Cash and cash equivalents	<b>9 310 398</b>	5 831 160	<b>6 406</b>	-
Interest bearing borrowings	<b>(99 286 216)</b>	(104 456 943)	-	-
Bank overdraft	<b>(23 466 947)</b>	(25 379 785)	-	352 206

#### Sensitivity analyses

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) group profit and loss with R 992 862 (2009: R1 044 569).

<i>Figures in Rand</i>	<b>Carrying Value 2010</b>	<b>Fair Value 2010</b>	Carrying Value 2009	Fair Value 2009
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#### Group

##### Assets

Loans to group companies	<b>7 346 530</b>	<b>7 346 530</b>	1 441 247	1 441 247
Trade and other receivables	<b>78 179 546</b>	<b>78 179 546</b>	83 939 399	83 939 399
Cash and cash equivalents	<b>9 310 398</b>	<b>9 310 398</b>	5 831 160	5 831 160

##### Liabilities

Interest-bearing borrowings	<b>99 286 216</b>	<b>99 286 216</b>	104 456 943	104 456 943
Trade and other payables	<b>37 948 655</b>	<b>37 948 655</b>	46 624 279	46 624 279
Bank overdraft	<b>23 466 947</b>	<b>23 466 947</b>	25 379 785	25 379 785

#### Company

##### Assets

Loans to group companies	<b>82 278 283</b>	<b>82 278 283</b>	84 296 620	84 296 620
Cash and cash equivalents	<b>6 406</b>	<b>6 406</b>	-	-
Trade and other receivables	-	-	255 751	255 751
Loans to related parties	-	-	109 917	109 917

##### Liabilities

Trade and other payables	<b>857 402</b>	<b>857 402</b>	781 358	781 358
Bank overdraft	-	-	352 206	352 206

### Currency risk

No significant foreign currency transactions were entered into thus there is minimal currency risk to the group.

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 27. Financial risk management (continued)

### Fair values versus carrying amounts

#### Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

#### Interest bearing borrowings

Fair value is calculated based on discounting the expected future principal and interest cash flows.

#### Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

#### Amounts owing to group companies

The loans do not have fixed repayment terms and are payable on demand hence they have been disclosed as current liabilities and the fair value is deemed to be the face value at year-end.

#### Non-derivative financial assets liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

#### Fair value hierarchy

At 31 December 2010 and 2009, the company did not have financial instruments carried at fair value, by valuation method, requiring the following fair value hierarchy classification:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations. The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each department. This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

Compliance with company standards is supported by a programme of periodic reviews undertaken by head office management. The results of head office management reviews are discussed with local management and corrective action taken.

#### CAPITAL MANAGEMENT

The board's policy is to maintain a strong capital base so as to maintain creditor and shareholder confidence and to sustain future development of the business. The board of directors monitors the return on capital, which the company defines as net operating income divided by total shareholders' equity. The board of directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the company's approach to capital management during the year. The company is not subject to externally imposed capital requirements.

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 28. Prior year adjustments

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### 28.1 Property, plant and equipment

Depreciation on property, plant and equipment was incorrectly calculated at 31 December 2009. The financial statements for the 2009 financial year have been restated to correct this error. The effect of the restatement on those financial statements is summarised below.

#### Effect on 2009

Decrease in carrying value of property, plant and equipment	8 904 506
Decrease in deferred tax liability	(2 493 262)
Decrease in equity (retained earnings)	6 411 244
Decrease in carrying value of property, plant and equipment	(8 904 506)
Decrease in deferred tax expense	2 493 262
Decrease in profit	(6 411 244)

### 28.2 Cost of sales

Cost of sales was understated at 31 December 2009. The 2009 financial statements have been restated to correct this error. The effect of the restatement on those financial statements is summarised below.

#### Effect on 2009

Decrease in valuation of inventory	3 817 511
Increase in trade and other payables	6 930 003
Decrease in deferred tax expense	(3 009 304)
Decrease in equity (retained earnings)	7 738 210
Increase in cost of sales	(10 747 514)
Decrease in deferred tax expense	3 009 304
Decrease in profit	(7 738 210)

### 28.3 SARS interest and penalties

Interest and penalties owing to the South African Revenue Services (SARS) were not accounted for in the prior period financial statements.

#### Effect on 2009

Increase in finance costs	(1 522 494)
Decrease in tax expense	-
Decrease in profit	(1 522 494)
Decrease in current tax receivable	399 269
Increase in deferred tax liability	1 123 225
Decrease in equity	1 522 494

### 28.4 Allocation of interest and penalties from tax

Interest and penalties owing to the South African Revenue Services were misallocated directly to tax in the prior period financial statements. The prior period financial statements have been restated to correct this error.

#### Effect on 2009

Increase in operating expenses	(2 500 000)
Decrease in tax expense	2 500 000
Decrease in profit	-

For a more detailed explanation of the prior adjustments refer to the Chairperson and Chief Executive Officer's review (Page 4-5).

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 29. (Loss) / earnings and fully diluted (loss) / earnings per share

The calculation of (loss)/earnings per ordinary share is based on a (loss)/earnings of (R12 066 643) (2009: R9 298 852) and a weighted average number of shares in issue of 329 311 210 (2009: 307 205 722).

The weighted average number of shares is calculated after taking into account the effect of setting off 7 000 000 treasury shares held by the Interwaste Holdings Share Incentive Scheme against the issued share capital. The Interwaste Holdings Share Incentive Scheme purchased 7 000 000 shares on 14 June 2007.

The calculation of fully diluted (loss) / earnings per ordinary share is based on a (loss)/earnings of (R12 066 643) (2009: R9 298 852) and a weighted average number of shares in issue of 329 311 210 (2009: 307 205 722).

## 30. Headline (loss) / earnings and fully diluted headline (loss) / earnings

The headline (loss)/earnings per ordinary share of (3.30) cents (2009: 2.44 cents) is based on (loss)/earnings of (R10 851 676) (2009: R7 481 514) and a weighted average number of shares in issue of 329 311 210 (2009: 307 205 722).

The weighted average number of shares is calculated after taking into account the effect of setting off 7 000 000 treasury shares held by the Interwaste Holdings Share Incentive Scheme against the issued share capital. The Interwaste Holdings Share Incentive Scheme purchased 7 000 000 shares on 14 June 2007.

The fully diluted headline (loss) / earnings per ordinary share of (3.30) cents (2009: 2.44 cents) is based on (loss)/earnings of (R10 851 676) (2009: R7 481 514) and a weighted average number of shares in issue of 329 311 210 (2009: 307 205 722).

<i>Figures in Rand</i>	2010	2009 Restated	2009
<b>Reconciliation of headline (loss)/earnings</b>			
Attributable (loss)/profit per the statement of comprehensive income	<b>(12 066 643)</b>	9 298 852	24 970 801
<b>Adjustment for :</b>			
– loss/(profit) on sale of property, plant and equipment (after tax)	<b>2 620 980</b>	(1 817 338)	(1 817 338)
– impairment of goodwill	<b>1 431 814</b>	-	-
– impairment of investment in joint venture	<b>1 415 885</b>	-	-
– profit on disposal of subsidiary (after tax)	<b>(4 253 712)</b>	-	-
	<b>(10 851 676)</b>	7 481 514	23 153 463
Fully diluted headline (loss)/earnings (cents)	<b>(3,30)</b>	2,44	7,54

The net asset value per share is 71.4 cents (2009: 80.1 cents). The tangible net asset value per share is 57.1 cents (2009: 63.9 cents).

## 31. Segment report

### Group

#### Gross revenue

Waste management	<b>270 566 280</b>	219 824 013	219 824 013
Compost manufacturing and sales	<b>56 754 904</b>	56 775 856	56 775 856
Landfill management, construction and rehabilitation	<b>77 883 573</b>	91 458 876	91 458 876
Metals recovery	<b>37 468 749</b>	39 200 004	39 200 004
	<b>442 673 506</b>	407 258 749	407 258 749

#### Operating (loss) / profit before interest and tax

Waste management	<b>14 307 432</b>	5 780 561	18 212 929
Compost manufacturing and sales	<b>(5 587 715)</b>	1 510 203	510 203
Landfill management, construction and rehabilitation	<b>1 860 766</b>	16 243 617	18 665 261
Metals recovery	<b>(13 126 072)</b>	2 539 935	7 337 943
	<b>(2 545 589)</b>	26 074 316	45 726 336

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 31. Segment report (continued)

<i>Figures in Rand</i>	2010	2009 Restated	2009
<b>Depreciation</b>			
Waste management	23 377 996	26 443 602	17 539 096
Compost manufacturing and sales	1 825 423	2 064 081	2 064 081
Landfill management, construction and rehabilitation	11 826 053	5 313 547	5 313 547
Metals recovery	1 785 987	1 050 936	1 050 936
	<b>38 815 459</b>	34 872 166	25 967 660
<b>Net finance costs</b>			
Waste management	10 172 349	8 536 825	4 514 331
Compost manufacturing and sales	408 503	681 726	681 726
Landfill management, construction and rehabilitation	1 190 840	4 262 820	4 262 820
Metals recovery	1 112 458	1 012 099	1 012 099
	<b>12 884 150</b>	14 493 470	10 470 976
<b>Taxation (credit) / expense</b>			
Waste management	931 761	575 282	8 577 847
Compost manufacturing and sales	(1 333 559)	786 454	786 454
Landfill management, construction and rehabilitation	148 992	1 289 259	1 289 259
Metals recovery	(3 166 649)	-	-
	<b>(3 419 455)</b>	2 650 995	10 653 560
<b>Segment assets</b>			
Waste management	255 979 955	240 007 802	249 311 575
Compost manufacturing and sales	39 147 583	48 899 511	48 899 511
Landfill management, construction and rehabilitation	95 708 891	122 438 710	122 438 710
Metals recovery	25 617 655	42 975 969	46 793 480
	<b>416 454 084</b>	454 321 992	467 443 276
<b>Segment liabilities</b>			
Waste management	68 634 952	63 419 056	64 506 968
Compost manufacturing and sales	9 806 240	9 781 957	8 824 910
Landfill management, construction and rehabilitation	61 268 316	83 081 897	81 206 882
Metals recovery	39 963 295	47 625 749	46 819 234
	<b>179 672 803</b>	203 908 659	201 357 994
<b>Capital expenditure</b>			
Waste management	44 298 003	95 538 735	95 538 734
Compost manufacturing and sales	290 033	-	-
Landfill management, construction and rehabilitation	16 792 860	1 083 247	1 083 247
Metals recovery	1 730 894	-	-
	<b>63 111 790</b>	96 621 982	96 621 981

For management purposes the group is organised into four major operating divisions: waste management, compost manufacturing, landfill management and metals recovery. It represents the basis on which the group reports its primary segment information and manages risk.

# Notes to the Financial Statements

For the year ended 31 December 2010 (continued)

## 32. Directors' shareholding

	Beneficial Direct 2010	Beneficial Indirect 2010	Total 2010	Beneficial Direct 2009	Beneficial Indirect 2009	Total 2009
<b>Executive</b>						
Alan Willcocks	78 000	79 594 500	79 672 500	78 000	79 100 950	79 178 950
Leon Grobbelaar	-	8 290 007	8 290 007	-	9 290 007	9 290 007
André Broodryk	500 000	-	500 000	-	-	-
<b>Non executive</b>						
Gavin Tipper	1 699 981	-	1 699 981	600 000	-	600 000
Bronwyn Willcocks	-	79 594 501	79 594 501	-	79 100 951	79 100 951
	<b>2 277 981</b>	<b>167 479 008</b>	<b>169 756 989</b>	<b>678 000</b>	<b>167 491 908</b>	<b>168 169 908</b>

No director has any non-beneficial interest in the ordinary shares of the company.

## 33. Directors' emoluments

<i>Figures in Rand</i>	Salary	Motor Vehicle Allowance	Bonus And Gratuity	Total
<b>2010</b>				
<b>Executive</b>				
Alan Willcocks	2 079 640	-	-	2 079 640
Bronwyn Willcocks	895 065	-	340 467	1 235 532
Leon Grobbelaar	1 314 052	120 000	-	1 434 052
Ivan John	552 450	30 000	136 136	718 586
André Broodryk	770 000	70 000	-	840 000
<b>Non executive</b>				
	<b>Fees</b>			
Gavin Tipper	47 850	-	-	47 850
Andisiwe Kawa	24 000	-	-	24 000
Funani Mojono	18 000	-	-	18 000
Ethan Dube	13 680	-	-	13 680
	<b>5 714 737</b>	<b>220 000</b>	<b>476 603</b>	<b>6 411 340</b>
<b>2009</b>				
<b>Executive</b>				
Alan Willcocks	1 964 406	-	68 459	2 032 865
Bronwyn Willcocks	1 193 420	-	39 780	1 233 200
Leon Grobbelaar	1 228 384	120 000	45 361	1 393 745
Ivan John	1 248 000	72 000	44 000	1 364 000
<b>Non executive</b>				
	<b>Fees</b>			
Gavin Tipper	48 000	-	-	48 000
Ethan Dube	54 000	-	-	54 000
	<b>5 736 210</b>	<b>192 000</b>	<b>197 600</b>	<b>6 125 810</b>

## 34. Retirement benefits

### Defined contribution plan

It is the policy of the group to provide retirement benefits to certain of the group's employees. The group is a member of a provident fund which provides benefits on a defined contribution basis. The fund is subject to the Pensions Fund Act of 1956 as amended. The group's contribution to the provident fund for the year, which has been charged to the statement of comprehensive income, was R1 734 894 (2009: R1 552 046). The group is under no obligation to cover any unfunded benefits.

# Shareholder Analysis

	No. of shareholders	%	No. of Shares	%
<b>Shareholder Spread</b>				
1 - 1,000 shares	276	30.20	147 089	0.04
1,001 - 10,000 shares	330	36.10	1 522 519	0.46
10,001 - 100,000 shares	226	24.73	8 107 308	2.41
100,001 - 1,000,000 shares	55	6.02	18 746 585	5.57
1,000,001 shares and over	27	2.95	307 787 709	91.52
<b>Total</b>	<b>914</b>	<b>100.00</b>	<b>336 311 210</b>	<b>100.00</b>
<b>Distribution of Shareholders</b>				
Banks	1	0.10	800 000	0.24
Brokers	2	0.22	175 200	0.05
Close Corporations	8	0.88	43 242	0.01
Endowment Funds	3	0.33	7 972	0.00
Individuals	780	85.34	38 938 075	11.58
Insurance Companies	1	0.11	5 206 378	1.55
Investment Companies	9	0.98	7 259 500	2.16
Medical Aid Schemes	1	0.11	5 346	0.00
Mutual Funds	13	1.42	18 474 287	5.49
Nominees and Trusts	60	6.56	187 155 803	55.65
Other Corporations	6	0.66	28 389	0.01
Pension Funds	5	0.55	17 709	0.01
Private Companies	24	2.63	71 199 309	21.17
Share Trusts	1	0.11	7 000 000	2.08
<b>Total</b>	<b>914</b>	<b>100.00</b>	<b>336 311 210</b>	<b>100.00</b>
<b>Public / Non - Public Shareholders</b>				
<b>Non - Public Shareholders</b>	11	1.20	224 766 937	66.83
Directors and associates of the company	9	0.98	170 266 937	50.63
Strategic Holder (more than 10%)	1	0.11	47 500 000	14.12
Share Trust	1	0.11	7 000 000	2.08
<b>Public Shareholders</b>	903	98.80	111 544 273	33.17
<b>Total</b>	<b>914</b>	<b>100.00</b>	<b>336 311 210</b>	<b>100.00</b>
<b>Beneficial shareholders holding 5% or more</b>				
Wilco Family Trust No1			113 706 425	33.81
Georgia Avenue Investments 32 (Proprietary) Limited			47 500 000	14.12
Wilco Family Trust No2			37 859 516	11.26

# Shareholders' Diary

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## **Salient Dates**

Financial year-end	31 December 2010
Annual General Meeting	30 June 2011

## **Reports**

Interim results for half year to June 2011	September 2011
Abridged annual results announcement for 2011	31 March 2012
Annual Financial Statements for 2011	31 March 2012

# Notice to Shareholders

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## Interwaste Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number: 2006/037223/06)

(JSE code: IWE ISN: ZAE000097903)

("the Company")

## NOTICE TO SHAREHOLDERS

Notice is hereby given that the annual general meeting of the Company's shareholders will be held in the boardroom of the Company, corner of Avocet and Bromhof Roads, Bromhof, Gauteng, South Africa on Thursday 30 June 2011 at 14:00 to conduct the following business:

1. To receive and adopt the annual financial statements for the financial year ended 31 December 2010, including the reports of the directors, the audit committee and the auditors.
2. To re-elect LC Grobbelaar as a director. In terms of the Company's articles of association he retires by rotation at the annual general meeting, but being eligible, offers himself for re-election.\*
3. To re-elect BL Willcocks as a director. In terms of the Company's articles of association she retires by rotation at the annual general meeting, but being eligible, offers herself for re-election.\*
4. To ratify the appointment of AP Broodryk, who was appointed as financial director with effect from 1 June 2010.\*
5. To ratify the appointment of PF Mojono, who was appointed as a director with effect from 3 June 2010.\*
6. To ratify the appointment of A Kawa, who was appointed as a director with effect from 30 July 2010.\*
7. To re-appoint KPMG as the independent external auditors of the company and to appoint Mr J Wessels as the registered auditor who will undertake the audit of the company for the ensuing year.

To consider and, if deemed fit, to pass with or without modification, the following ordinary resolutions:

8. "Resolved that members of the audit and risk committee be appointed for the ensuing year and that the membership of the committee, as proposed by the board of directors, be GR Tipper, A Kawa and PF Mojono".\*
9. "Resolved that the fees of the directors for the year ended 31 December 2010 as contained on page 56 of the annual financial statements be, and hereby are, approved".
10. To consider and, if deemed fit, to pass with or without modification, the following special resolution:  
"Resolved that the Company be authorised to pay its non-executive directors a fee of R7,000 per board and audit committee meeting attended during the period 1 July 2011 to 31 May 2012".  
(The reason for this resolution is to grant the Company the authority to pay fees to its non-executive directors for their services as such).

To consider and, if deemed fit, to pass with or without modification, the following ordinary resolutions:

11. "Resolved that all the unissued shares in the capital of the Company be placed under the control of the directors until the next annual general meeting of the Company as a general authority in terms of the Companies Act 71 of 2008 ("the Act"), subject to the provisions of the Act and the Listings Requirements of the JSE Limited ("JSE")."
12. "Resolved that pursuant to the articles of association of the Company and subject to the Act and the Listings Requirements of the JSE, the directors of the Company be and are hereby authorised, by way of a general authority to allot and issue ordinary shares for cash on the following basis:
  - 12.1 that the shares must be of a class already in issue;
  - 12.2 the shares may only be issued or sold, as the case may be, to public shareholders as defined in the Listings Requirements of the JSE, and not to related parties;
  - 12.3 that the shares to be issued or sold may not exceed 30 percent of the Company's issued shares, the number that may be issued or sold, as the case may be, being determined in accordance with sub-paragraph 5.52 (c) of the Listings Requirements of the JSE;
  - 12.4 that the maximum discount at which such shares may be issued or sold, is 10 percent of the weighted average traded price of such shares on the JSE over the 30 business days preceding the date of determination of the issue or selling price;
  - 12.5 that such authorisation is valid only until the next annual general meeting or for 15 months from the date of this resolution, whichever is the earlier date;
  - 12.6 that an announcement giving full details of any issue or sale, including the impact on net asset value and earnings per share, be published at the time of any issue or sale representing, on a cumulative basis within a financial year, 5 percent or more of the number of securities in issue prior to the issue."

\*Brief CVs of the directors appear on page 3 of this annual report.

## VOTING

In terms of the Listings Requirements of the JSE, the approval of this resolution requires 75 percent of the votes cast by all shareholders present or represented by proxy (excluding the DA and the controlling shareholders together with their associates).

13. "Resolved that, as a general authority contemplated in the Act, the repurchase of shares from time to time, either by the Company itself or by its subsidiaries, of the Company's issued shares, upon such terms and conditions and in such amounts as the directors of the Company may from time to time decide, subject however to the provisions of the Act and the Listings Requirements of the JSE, be approved, it being recorded that in terms of the Listings Requirements of the JSE, general repurchases of the Company's shares can only be made subject to the following:
  - 13.1 that the Company and its subsidiaries are enabled by their articles of association to repurchase such shares;
  - 13.2 that the repurchase of shares be effected through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the Company and the counterparty;
  - 13.3 that the Company and its subsidiaries are authorised by its members in terms of a resolution taken at a general meeting, to make such general repurchases, such authorisation being valid only until the next annual general meeting or for 15 months from the date of this resolution, whichever is the earlier date;

## Notice to Shareholders (continued)

- 13.4 that an announcement be made giving such details as may be required in terms of the Listings Requirements of the JSE when the Company has cumulatively repurchased 3 percent of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of shares and for each 3 percent in aggregate of the initial number of that class acquired thereafter;
- 13.5 at any one time the Company may only appoint one agent to effect any repurchase on the Company's behalf;
- 13.6 the repurchase of shares will not affect compliance with the shareholder spread requirements as laid down by the JSE;
- 13.7 the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 20 percent of the Company's issued share capital, and a maximum of 10 percent, in aggregate, of the Company's issued share capital may be repurchased by the subsidiaries of the Company;
- 13.8 the repurchase of shares may not be made at a price greater than 10 percent more than the weighted average traded price of the shares as determined over the five business days immediately preceding the date on which the transaction is effected;
- 13.9 the repurchase of shares may not be made by the Company and/or its subsidiaries during a prohibited period as defined by the Listings Requirements of the JSE unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period;
- 13.10 that the board of directors passes a resolution authorising the repurchase and that the Company passes the solvency and liquidity tests set out in section 4 of the Act and that since the tests were done there have been no material changes to the financial position of the group;
- 13.11 that the Company may not proceed with the repurchase of its ordinary shares until the Company's Designated Adviser has confirmed the adequacy of the Company's working capital, for the purpose of undertaking a repurchase of securities, in writing to the JSE."

The reason for this resolution is to grant the Company and its subsidiaries a general authority to repurchase the Company's shares by way of open market transactions on the JSE, subject to the Act and the Listings Requirements of the JSE. The directors currently have no specific intention with regard to the utilisation of this authority.

### VOTING

In terms of the Listings Requirements of the JSE, the approval of 75 percent of the votes cast for this resolution by all shareholders present or represented by proxy is required.

To consider and, if deemed fit, to pass with or without modification, the following special resolution:

14. "Resolved that the Company be authorised, in terms of section 45(2) of the Act, to provide direct or indirect financial assistance to:
  - a director or prescribed officer of the Company, or of a related or inter-related company, for the purchase of the Company's shares; or
  - to a related or inter-related company,subject to:
  - 14.1 such authorisation being valid only until the next annual general meeting or for 15 months from the date of this resolution, whichever is the earlier date;
  - 14.2 the board of the Company being satisfied that immediately after providing the financial assistance, that the Company would satisfy the solvency and liquidity test; and
  - 14.3 the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company".

The reason for this resolution is to authorise the Company to provide financial assistance to a related or inter-related company, or to the Company's, or related or inter-related company's, directors and/or prescribed officers for the purchase of the Company's shares.

### DISCLOSURES REQUIRED IN TERMS OF THE LISTINGS REQUIREMENTS OF THE JSE

In terms of the Listings Requirements of the JSE, the following disclosures are required with reference to the repurchase of the Company's shares as set out in the ordinary resolution number 13 above:

The directors are of the opinion that, after considering the effect of the maximum repurchase permitted, for a period of 12 months after the date of this notice of annual general meeting:

- the Company and the group will be able, in the ordinary course of business, to pay their debts;
- the assets of the Company and the group will be in excess of the liabilities of the Company and the group, recognised and measured in accordance with the accounting policies used in the latest annual financial statements;
- the share capital and reserves of the Company and the group will be adequate for ordinary business purposes; and
- the working capital resources of the Company and the group will be adequate for ordinary business purposes.

### LITIGATION STATEMENT

Other than disclosed or accounted for in this annual report, the directors of the Company, whose names are given on page 3 of this annual report, are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had, in the 12 months preceding the date of this notice of annual general meeting, a material effect on the group's financial position.

### DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on page 3 of this annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above ordinary resolutions numbers 12 and 13 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made, and that the above special resolution contains all information required.

### MATERIAL CHANGES

Other than as reported on in this annual report and arising in the ordinary course of business, there were no material changes in the affairs, financial or trading position of the group, between the signature date of this annual report and the posting date thereof. The following further disclosures required in terms of the Listings Requirements of the JSE are set out in the annual report of which this notice forms part:

# Notice to Shareholders (continued)

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Directors and management (Refer to pages 3 and 6)  
Major shareholders of the Company (Refer to page 57)  
Directors' interests in the Company's shares (Refer to page 56)  
Share capital (Refer to page 57)

## VOTING AND ATTENDANCE

On a show of hands every shareholder present in person or by proxy and if a member is a body corporate, its representative, shall have one vote and on a poll, every shareholder present in person or by proxy and if the person is a body corporate, its representative, shall have one vote for every share held or represented by him/her. Each shareholder is entitled to appoint one or more proxies to attend, speak and on a poll, to vote in his/her stead. A proxy need not to be a shareholder of the Company. Before any person may attend or participate in the annual general meeting, that person must present reasonably satisfactory identification, and the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as shareholder or as proxy for a shareholder, has been reasonably verified.

## ACTION REQUIRED BY CERTIFICATED SHAREHOLDERS AND OWN-NAME DEMATERIALISED SHAREHOLDERS

A form of proxy is attached for the convenience of certificated shareholders and own-name dematerialised shareholders who are unable to attend the annual general meeting, but who wish to be represented thereat. In order to ensure validity, duly completed forms of proxy must be returned to the transfer secretaries, so as to reach them by no later than 48 hours before the time of the annual general meeting;

## ACTION REQUIRED BY DEMATERIALISED SHAREHOLDERS OTHER THAN THOSE WITH OWN-NAME REGISTRATION

The CSDP or broker, as the case may be, of dematerialised shareholders, other than those with own-name registration, should contact such dematerialised shareholders to ascertain how they wish their votes to be cast at the annual general meeting and thereafter cast their votes in accordance with their instructions. If such dematerialised shareholders have not been contacted, it is recommended that they contact their CSDP or broker, as the case may be, to advise them as to how they wish their vote to be cast. Dematerialised shareholders, other than those with own-name registration, who wish to attend the annual general meeting, must request a Letter of Representation from their CSDP or broker, as the case may be, but must not complete the attached form of proxy.

## ELECTRONIC PARTICIPATION

In terms of section 61(10) of the Act, every shareholders meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders. Shareholders wishing to participate electronically in the annual general meeting are required to deliver written notice to the Company at either of the following addresses:

### PHYSICAL ADDRESS:

C/o Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001

### POSTAL ADDRESS:

PO Box 61051, Marshalltown

### FAX NUMBER:

+27 11 688 5238

by no later than 14h00 on 23 June 2011 advising that they wish to participate via electronic communication in the annual general meeting (the "Electronic Notice"). In order for the Electronic Notice to be valid it must contain the following information:

- a) if the shareholder is an individual, a certified copy of his identity document and/or passport;
- b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution. The relevant resolution must set out who from the relevant entity is authorised to represent the relevant entity at the general meeting via electronic communication;
- c) a valid e-mail address and/or facsimile number (the "Contact Address/Number"); and
- d) if the Shareholder wishes to vote via electronic communication, set out that the shareholder wishes to vote via electronic communication.

By no later than 48 hours before the time of the annual general meeting, the company shall use its reasonable endeavours to notify a shareholder, at its contact address/number, who has delivered a valid Electronic Notice, of the relevant means through which the shareholder can participate in the annual general meeting via electronic communication.

By order of the board



**Allen Stuart De Villiers (BA) LLB**

*Company Secretary*

7 June 2011

# Directorate and Administration

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## DIRECTORS

### Executive Directors

WAH Willcocks – Chief Executive Officer

LG Grobbelaar – Chief Operating Officer

AP Broodryk – Financial Director

### Independent Non-executive Chairperson

A Kawa

### Independent Non-executive Directors

GR Tipper

PF Mojono

### Non-executive Director

BL Willcocks

## COMPANY SECRETARY

AS de Villiers

Corner of Avocet and Bromhof Roads, Bromhof, 2154

Telephone: (011) 792 9330

Facsimile: (011) 792 8998

## REGISTERED OFFICE

Corner of Avocet and Bromhof Roads, Bromhof, 2154

PO Box 641, Northriding, 2162

## COMPANY REGISTRATION NUMBER

2006/037223/06

## AUDITORS

KPMG Inc.

KPMG Crescent, 85 Empire Road, Parktown, 2193

Private Bag 9, Parkview, 2122

## TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited

70 Marshall Street, Johannesburg, South Africa, 2001

PO Box 24, Newtown, 2113

## BANKERS

ABSA Bank Limited

Pallazo Towers West, Monte Casino Boulevard

Fourways, 2055

PO Box 782991, Sandton, 2146

## ATTORNEYS

Fluxmans Inc.

11 Bierman Avenue, Roodebank, 2196

Private Bag X41, Saxonwold, 2196

## DESIGNATED ADVISOR

Vunani Corporate Finance

Vunani House, Athol Ridge Office Park

151 Katherine Street, Sandton, 2196

PO Box 411216, Craighall, 2024

# Form of Proxy

## INTERWASTE HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2006/037223/06)

JSE code: IWE ISN: ZAE000097903

("the Company")



**FOR USE BY CERTIFICATED SHAREHOLDERS AND SHAREHOLDERS WHO HAVE DEMATERIALISED THEIR SHARE CERTIFICATES AND HAVE ELECTED "OWN NAME" REGISTRATION THROUGH A CENTRAL SECURITIES DEPOSITORY PARTICIPANT ("CSDP") OR BROKER, AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT 14:00 ON THURSDAY 30 JUNE 2011.**

If you are a shareholder and have dematerialised your share certificate through a CSDP or broker, and have not selected own name registration in the sub-register maintained by a CSDP, you must not complete this form of proxy but must instruct your CSDP or broker to issue you with the necessary Letter of Representation to attend the annual general meeting, or if you do not wish to attend, you may provide your CSDP or broker with your voting instructions in terms of the custody agreement entered into with your CSDP or broker.

I/We (Name in block letters)

of (Address in block letters)

Telephone:

being a member/members of Interwaste Holdings Limited and entitled to votes, hereby appoint

1. or failing him/her

2. or failing him/her

**the chairman of the meeting**

as my/our proxy to act for me/us at the annual general meeting, to be held at Interwaste Holdings Limited, corner of Avocet and Bromhof Roads, Bromhof, Gauteng, South Africa on Thursday 30 June 2011 at 14:00 and at any adjournment thereof, as follows:

	Number of Interwaste Shares		
	In Favour	Against	Abstain
1. Adoption of financial statements			
2. Re-election of LC Grobbelaar			
3. Re-election of BL Willcocks			
4. Ratification of appointment of AP Broodryk			
5. Ratification of appointment of PF Mojono			
6. Ratification of appointment of A Kawa			
7. Re-appointment of KPMG as the Company's independent auditors			
8. Appointment of GR Tipper, A Kawa and PF Mojono to the audit and risk committee			
9. Approval of director's fees			
10. Special Resolution - Approval of non-executive director's fees for the ensuing year			
11. To place unissued share capital under the control of the directors			
12. General authority to issue shares for cash			
13. General authority to repurchase shares			
14. Special Resolution – Authorisation to provide financial assistance			

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2011

Member

**Please read the instructions on the reverse side of this form of proxy.**

# Form of Proxy - Instructions

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1. On a poll a shareholder is entitled to one vote for each share held.
2. Forms of proxy must be lodged at, posted to or faxed to Computershare Investor Services 2004 (Pty) Limited (“Computershare”), 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107 Fax +27 11 688 5238), to reach Computershare by no later than 14:00 on Tuesday 28 June 2011.
3. The form of proxy must be delivered as per paragraph 2 above, before the proxy exercises any rights of the shareholder at the general meeting.
4. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder’s choice in the space/s provided, with or without deleting the words “the chairman of the meeting”. The person present at the annual general meeting whose name appears first on the form of proxy and has not been deleted shall be entitled to act as proxy to the exclusion of the persons whose names follow.
5. Any alteration, correction or deletion to this form of proxy must be initialled by the relevant signatory(ies), failing which it will not have been validly affected.
6. Each shareholder is entitled, at any time, to appoint one or more proxies (who need not be a shareholder(s) of the Company) to attend, speak and vote (either on a poll or by show of hands) in place of that shareholder at the annual general meeting.
7. Voting instructions for each of the resolutions must be completed by filling in the number of votes (one per ordinary share) under the “In Favour”, “Against” or “Abstain” headings on the form of proxy. If no instructions are filled in on the form of proxy, the chairman of the annual general meeting, if the chairman is the authorised proxy, or any other proxy shall be authorised to vote in favour of, against or abstain from voting as he/she deems fit.
8. A shareholder or his/her proxy is entitled but not obliged to vote in respect of all the ordinary shares held by the shareholder. The total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of shares held by the shareholder.
9. The appointment of a proxy is suspended at any time, to the extent that the shareholder concerned chooses to act directly and in person in the exercise of any rights as a shareholder. The appointment is revocable by the shareholder cancelling it in writing, or making a later inconsistent appointment, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy’s authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument or the date on which the revocation instrument is delivered to the proxy and the Company.
10. Documentary evidence establishing the authority of a person signing this form must be attached to this form of proxy unless previously recorded by the transfer secretaries of the company or waived by the chairman of the annual general meeting.
11. This form of proxy is to be completed only by those shareholders who either still hold shares in a certificated form, or whose shares are recorded in their “own name” in electronic form in the sub-register.
12. Shareholders whose dematerialised shares are held in the name of a nominee and wish to attend the annual general meeting must contact their Central Securities Depository Participant (“CSDP”) or broker who will furnish them with the necessary Letter of Authority to attend the annual general meeting. Alternatively, they must instruct their CSDP or broker as to how they wish to vote. This has to be done in terms of the agreement between the shareholder and the CSDP or the broker.
13. Shareholders who wish to attend and vote at the meeting must ensure that their Letters of Authority from their CSDP or broker reach the transfer secretaries not later than 14:00 on Tuesday 28 June 2011.
14. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.
15. If the instrument appointing a proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that must be delivered by the Company to the shareholder must be delivered to the shareholder or the proxy / proxies (if the shareholder has directed the Company to do so in writing and has paid any reasonable fee charged by the Company for doing so).
16. The chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.
17. Subject to revocation by the shareholder, the proxy appointment remains valid only until the end of the meeting at which it is intended to be used.

## **Transfer secretaries’ office**

Computershare Investor Services (Pty) Limited  
70 Marshall Street, Johannesburg, 2001  
(P O Box 61051, Marshalltown, 2107)



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