



Interwaste Holdings Limited

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ANNUAL REPORT 2008



# Interwaste Holdings Limited

(Incorporated in the Republic of South Africa)  
Registration Number 2006/037223/06  
JSE Code: IWE ISIN: ZAE000097903

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## Our Vision

*Interwaste Holdings and its group companies are dedicated to procuring 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 ensure 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.*

## 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 BEE.

# Financial Overview

## Audited Condensed Financial Results for the year ended 31 December 2008

### Abridged income statement

	Audited December 2008 R'000	Audited December 2007 R'000
<b>Revenue</b>	<b>471 156</b>	<b>335 545</b>
Cost of sales	(298 229)	(202 992)
<b>Gross profit</b>	<b>172 927</b>	<b>132 553</b>
Other income	3 286	7 296
Operating expenses	(84 076)	(78 827)
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>92 137</b>	<b>61 022</b>
Depreciation	(21 314)	(19 048)
<b>Profit before interest and taxation</b>	<b>70 823</b>	<b>41 974</b>
Dividend received	605	1 268
Net interest paid	(16 805)	(11 429)
<b>Profit before taxation</b>	<b>54 623</b>	<b>31 813</b>
Taxation	(13 530)	(8 435)
<b>Profit after taxation</b>	<b>41 093</b>	<b>23 378</b>
Minority shareholders' interest	(1 482)	(948)
<b>Profit attributable to ordinary shareholders</b>	<b>39 611</b>	<b>22 430</b>
<b>Reconciliation of headline earnings:</b>		
Profit attributable to ordinary shareholders	39 611	22 430
Adjusted for profit on disposal of property, plant and equipment	(417)	(2 411)
<b>Headline earnings attributable to ordinary shareholders</b>	<b>39 194</b>	<b>20 019</b>
Weighted average number of shares in issue	272 061 517	301 310 508
Basic earnings per share (cents)	14.56	7.44
Adjusted for -		
Profit on disposal of property, plant and equipment (after tax) (cents)	(0.15)	(0.8)
Headline earnings per share (cents)	14.41	6.64
Fully diluted headline earnings per share (cents)	11.90	6.56

HEPS increased by  
117% to 14,41 cents

Net tangible asset  
value per share  
increased by 70%  
to 74,5 cents

Revenue  
Increased  
by

40%

to

R471m

2007

R335,5m

2008

R471,1m

Headline Earnings  
Increased  
by

96%

to

R39m

2007

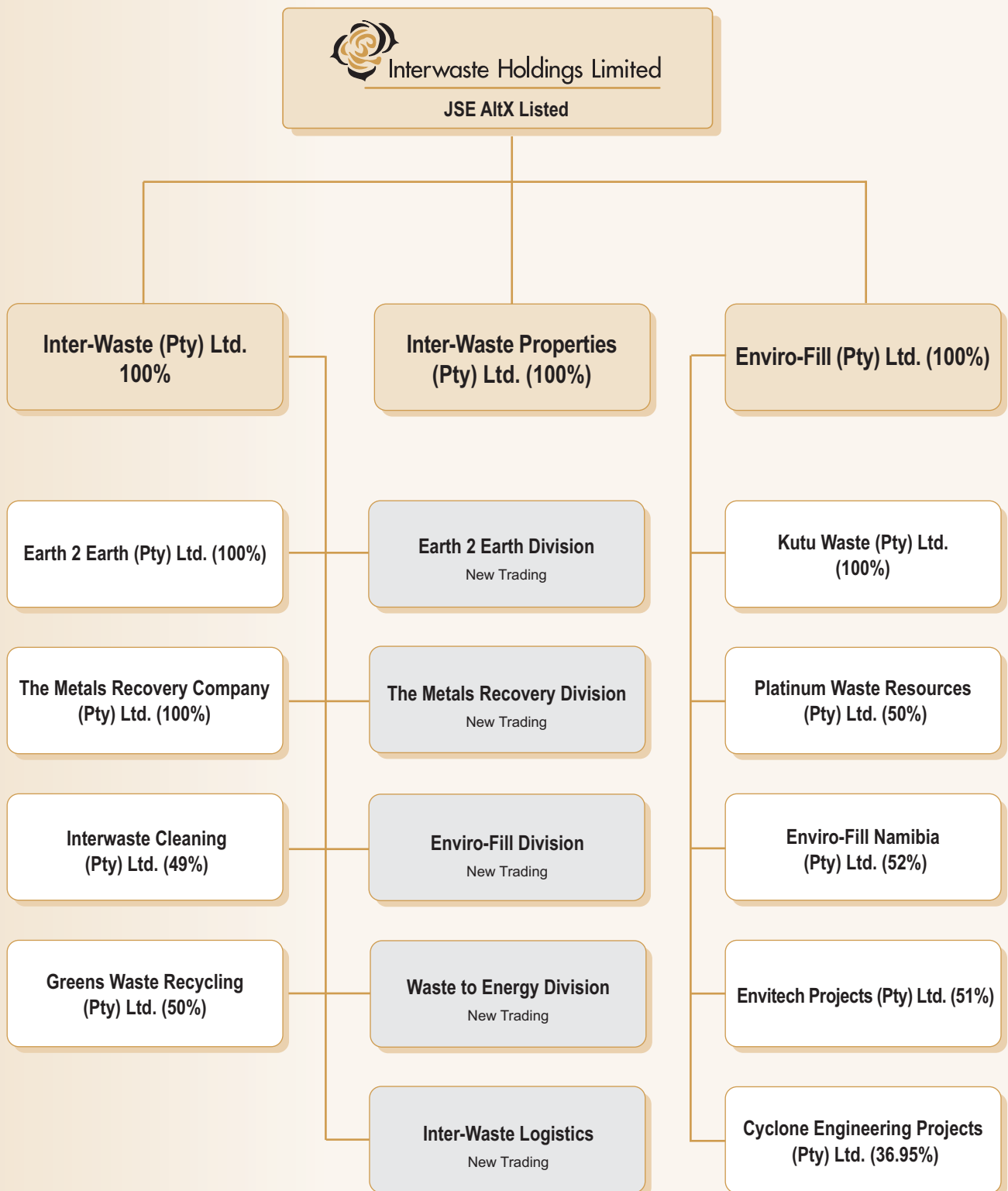
R20,0m

2008

R39,0m

# Group Structure

Interwaste Holdings Limited as at 1 January 2009



# The Board of Directors

Interwaste Holdings Limited as at 31 December 2008

## Alan Willcocks

*Chief Executive Officer (41)*

Alan co-founded Inter-Waste with Bronwyn in 1989. Over the past 20 years Alan has acquired an in-depth knowledge of the waste management sector. He is renowned for his 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. Alan is currently Chief Executive Officer of Interwaste Holdings Limited and Managing Director of Inter-Waste (Pty) Limited.



## BRONWYN WILLCOCKS

*Human Resources Director (37)*

A co-founder of Inter-Waste, 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. She is a director of Interwaste Holdings Limited and Inter-Waste (Pty) Limited.



## Ivan John

*Group Financial Director (50)*

Ivan is a Chartered Accountant and has a Masters in Business Administration from Wits. He has over 24 years of accounting and finance experience. Prior to joining Interwaste Holdings Ltd, he was the group financial manager of the Outbound Division of the Tourism Investment Corporation Ltd.

Ivan was appointed to the Interwaste Holdings Board on 20th May 2008. He also sits on the Inter-Waste (Pty) Limited Board.



## Gavin Tipper

*Independent Non-executive Director (43)*

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 20 years. Prior to joining the Coronation Group in 2001 he was a technical partner at KPMG. Gavin has directorships in a number of listed South African Companies.

Gavin was appointed to the Interwaste Holdings Board on 8 April 2008. He is chairman of the Audit Committee.



## Leon Grobbelaar

*Executive Director (48)*

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. In 1997 Leon co-founded Enviro-Fill and today holds the position of Director on the Interwaste Holdings Limited, and Inter-Waste (Pty) Limited, boards.



## Ethan Dube

*Non-executive Chairperson (49)*

Ethan has an MSc. in Economics and Statistics and over eleven years experience working in the corporate finance and asset management sector with Southern Asset Managers and Infinity Asset Management and in corporate finance at Standard Chartered Merchant Bank.

He is the founder and Chief Executive Officer of investment banking company, Vunani Limited.



## Stan Jewaskiewitz

*Executive Director (57)*

Stan has a MSc and DIC (Soil Mechanics) and a BSc and NTD (Civil Engineering). He has over 22 years of experience in environmental engineering and waste management including business development, project management, integrated waste management and strategic planning and strategic studies.

He also has extensive experience in geotechnical engineering. Stan served as the CEO and MD (Technical Services) of Enviroserv Holdings Limited from 1996 to 1998. Stan is currently MD of Envitech Solutions (Pty) Limited, which provides environmental engineering services and of Envitech Projects (Pty) Limited, which specialises in waste to energy projects.



## Chairman's Review

*Despite difficult conditions, the Interwaste group performed well with both revenue and earnings up significantly.*

The year under review (2008) was a challenging year, not only for the Interwaste group of companies, but for most companies in the South African market and indeed the world at large. This was largely due to particularly challenging business conditions as the world grappled with the most serious financial and economic crisis since the Great Depression. Record oil prices, high interest rates and the world economic crisis all contributed to an environment where companies were put under severe pressure.

A global liquidity squeeze culminated in concomitant capital flight from emerging markets on the back of heightened risk aversion. In spite of drastic fiscal and monetary policy response in an effort to stem the tide, global economic growth for all practical purposes ground to a halt as the US economy, followed by Europe and other areas, slumped into recession. The South African economy could not escape such global financial and economic contamination. Global trade suffered immensely, which impacted particularly severely on trade dependant countries like South Africa.

The Rand exchange rate weakened significantly as heightened risk of deterioration in the current account overshadowed the so-called carry-trade consideration of relatively high interest rates. The non-agricultural economy dipped into recession over the latter half of 2008, while the economy as a whole registered -1.8% negative growth in the fourth quarter. Not unlike official forecasts for global growth, forecasts for domestic economic growth are also being revised down rapidly, to the point that a positive real economic growth outcome in 2009 now seems unlikely. Over and above reduced earnings prospects, market PER ratings declined significantly, which sent stock prices plummeting well below fair values.

Despite these difficult conditions, the Interwaste group performed well with both revenue and earnings up significantly. Revenue increased 40 percent from R335,5 million in 2007 to R471,1 million. Gross profit increased from R132,5 million to R172,9 million. Headline earnings of R39 million were achieved as opposed to R20 million in 2007.

Earnings per share amounted to 14,56 cents whilst headline earnings per share of 14,41 cents (a 117 percent increase) were achieved. These figures are based on a weighted issued share capital of 272 061 517 ordinary shares, being the number of ordinary shares in issue subsequent to the cancellation of 90 000 000 ordinary shares by the original Inter-Waste, Enviro-Fill and Ex-Waste vendors.

In terms of the agreements entered into with the abovementioned original vendors, they are entitled to a pro-rata claw back based on attributable after tax earnings achieved for 2008 in excess of R32,8 million up to R43,3 million. Attributable earnings for 2008 amount to R39,6 million. In consequence, in terms of the said agreements, the vendors are entitled to the claw-back of 82,33 million ordinary shares.

Fully diluted earnings per share and headline earnings per share amount to 12,03 cents and 11,90 cents respectively.



Ethan Dube  
CHAIRMAN

The latter half of 2008 saw the group implementing a new structure with the businesses of Earth 2 Earth (Pty) Limited and The Metals Recovery Company (Pty) Limited being incorporated within Inter-Waste (Pty) Limited as divisions. This has resulted in the flattening of management structures resulting in cost savings and increased efficiencies.

During the second half of year under review, the landfill management, construction and rehabilitation division commenced with several major landfill management contracts. The division also acquired access to 3.5 million cubic metres of landfill space at a centralised facility in Gauteng at very competitive rates.

The Inter-Waste waste management division experienced excellent growth, both organically and as a result of several new contracts entered into with clients in the industrial, municipal and resources sectors.

The organics division experienced a 36 percent growth in sales. However, the focus remains on cost cutting and improving operational efficiencies.

The metals recovery business performed well but its performance was adversely affected in the latter part of 2008 by the fall in steel prices. The prices have recovered somewhat and the prospects for this business remain good.

During 2008 the group continued to seek opportunities for the acquisition of businesses that would add value whilst expanding the group's national footprint. This resulted in the acquisition of Green's Waste Recycling (Pty) Limited in Nelspruit and the business of Ace Waste Removal in Mossel Bay with effect from 1 January 2009. These businesses will afford the group increased opportunities for the expansion of its service offering to existing and potential clients. The group will consider new acquisition opportunities in 2009 as and when they arise, but only to the extent that they offer the required returns.

Black economic empowerment remains an important part of the group's objective, with over 26 percent of its share capital in the hands of previously disadvantaged individuals.

In conclusion, I thank the employees of the group for the dedication shown in striving to achieve its goals in terms of service, earnings and innovation. I thank my fellow directors for their tireless efforts towards continual improvement of the company and I extend my thanks to the group's customers, suppliers and stakeholders for their valuable support.

A handwritten signature in black ink that reads "Ethan".

Ethan Dube  
CHAIRMAN

## CEO's Review

*There was a massive improvement in the group's performance in 2008 compared to the previous year with all operating divisions reaping the rewards and the fruits of their labour.*

2008 marked the group's first full year of trading as a listed company. After the initial excitement of the listing in mid June 2007 and then the difficulties experienced for the remainder of that year, the group was able to re-focus on its core activities.

There was a massive improvement in the group's performance in 2008 compared to the previous year with all operating divisions reaping the rewards and the fruits of their labour. The investments made in both the metals recycling business and new landfill site paid off handsomely. Revenue was up 40 percent to R471 million and attributable earnings up 77 percent to R39,6 million.

However, the group did experience a great deal of pressure from the unforeseen increase in fuel prices and interest rates, both of which are inherently major items of expenditure for the group. It was pleasing to note that, despite these increases, the group performed to such an extent that it was able to shield its profits from these unplanned costs and still deliver good returns for investors.

The traditional waste collection business continued to grow at a sustainable pace with the group leveraging from its national footprint. Although the division saw a reduction in volumes generated at various clients, this has been outpaced by the growth in this sector as more corporate enterprises strive for environmental compliance. The collections business made two strategic acquisitions in 2008 in Mpumalanga and the Western Cape, bringing a fully fledged recycling company into the group for the first time, which will further enhance the group's service offering and delivery in these areas with effect from 1 January 2009.

The landfill division performed slightly below expectations due mainly to fuel costs and under-recoveries on bulk earthworks contracts. These issues have been addressed and appropriate action taken. Going forward the division has re-tendered for some major contracts which have been re-awarded at much improved margins. This, along with the positive ROD (record of decision) by the Gauteng Department of Agriculture, Conservation and Environment allowing for the operation of a landfill site in Gauteng will stand the landfill business in good stead for 2009.

The investment made by the group in 2007 in the metals recycling business (The Metals Recovery Company) paid off handsomely in 2008. The additional service offering was well received by the group's existing customer base and this continues to be the case as we roll out the group's expanded service offering across all our operations nationally. Substantial investments were made in processing equipment which improved the division's outputs and reduced operating costs. We see the year ahead as challenging for this division as a result of fluctuating, and to some extent unpredictable, resource prices. However, steps are being taken to cater for this and we have adapted our buying strategy to mitigate the risk accordingly.



Alan Willcocks  
CHIEF EXECUTIVE OFFICER

The organics recycling division, Earth2Earth, continues to disappoint the group in terms of expected returns. We have embarked on a round of restructuring and rationalisation of this divisions' manufacturing facilities. The division is the market leader in its sector but continues to come under pricing pressure from its competitors. The division will continue to focus on cost cutting and asset utilisation in 2009 with the aim of achieving results that are sustainable in the long term. The export market has been of particular focus and the division has been successful in exporting some large orders to our offshore customer base.

As part of its cost cutting drive, in the latter part of 2008 the group incorporated the businesses of Earth 2 Earth (Pty) Limited and The Metals Recovery Company (Pty) Limited into that of Inter-Waste (Pty) Limited as divisions. This has resulted in a flattening of management structures, with resultant cost savings, as well as greater management control. The Enviro-Fill (Pty) Limited business was incorporated into Inter-Waste (Pty) Limited as a division, effective 1 January 2009.

Taking into account the global economic climate, there is no doubt that the year ahead will be a challenging one. Inter-Waste (Pty) Limited celebrates its 20th year in 2009. It has traded through times of high fuel prices, interest rates at 25 percent and political turmoil. It is in this spirit that the group embraces the challenges of the year ahead and we feel confident that we will produce returns that will please our investors.

In closing, a special thank you to all of our very loyal employees, without whom Interwaste's dream would not have been possible. To our suppliers, we thank you for your support and understanding in these uncertain times. To our customers, once again, thank you for entrusting us with managing the environmental impact created



Alan Willcocks  
CHIEF EXECUTIVE OFFICER

# Corporate Governance Report

The Board of Interwaste Holdings Limited is committed to conducting the business of the group in accordance with the highest levels of integrity, best practice and good corporate governance. The Board is subject to, and fully supports, the Listings Requirements of the JSE and the principles of the Code of Corporate Practices and Conduct contained in the 2002 King Report on Corporate Governance for South Africa (King II).

The Board recognises its responsibility to act in a transparent, accountable and prudent manner in the interests of all the stakeholders of the company.

The directors are of the opinion that the company complied in all material respects with the requirements of King II during the year under review. The Board has also committed itself to the application of King II on an ongoing basis. The directors are also of the opinion that the policies approved by the Board previously have been complied with.

## BOARD OF DIRECTORS

The Board is a unitary Board comprising five executive and two non-executive directors. The roles of Chairman and Chief Executive Officer are separate. The details of each director of the company are contained on page 4 of this report.

In light of the recently published draft Code of Governance Principles for South Africa (King III), the Board has appointed a committee that will make recommendations on the implementation thereof, with specific reference to the composition of the Board and the Audit Committee.

The Company has a formal policy regarding the appointment of executive and non-executive directors. Rotation of the directors, in terms of the company's Articles of Association, takes place with one third of the directorate retiring and being subject to re-election at the company's annual general meeting.

The Board met four times during the year under review with attendance at such meetings being as follows:

Director	Number of Board meetings attended	Category
Ethan Dube	4	Non-executive Chairman
Alan Willcocks	4	Chief Executive Officer
Gavin Tipper <sup>1</sup>	3	Independent non-executive
Ivan John <sup>2</sup>	2	Executive
Bronwyn Willcocks	4	Executive
Leon Grobbelaar	3	Executive
Stan Jewaskiewitz <sup>3</sup>	3	Executive
Neels Venter <sup>4</sup>	1	Executive

Notes:

1. Gavin Tipper was appointed as an independent non-executive director effective 8 April 2008.

2. Ivan John was appointed as an executive director effective 20 May 2008.

3. Stan Jewaskiewitz was appointed as an executive director effective 8 April 2008. He was previously a non-executive director.

4. Neels Venter resigned as executive director effective 20 May 2008.

The company's Designated Advisers attend all Board meetings and the Company Secretary acts as secretary to the Board and also attends all meetings.

In addition to the four formal meetings of the Board during the period under review, the director's of the Board met monthly, on an informal basis. There is also regular informal communication between the executive and non-executive directors.

## RESPONSIBILITIES OF THE BOARD

The Board is comprised of directors who bring a wide range of experience and expertise to the management of the company.

Appointments to the Board take place in a formal and transparent manner, as required by the relevant policy. There is also a policy evidencing a clear division of responsibilities at Board level to ensure that no one individual has unfettered powers of decision making and to ensure a balance of power and authority.

A Board Charter sets out specific responsibilities to be discharged by the Board, and every member thereof, in accordance with King II. The objectives of the Charter are to ensure that all Board members acting on behalf of the company are aware of their duties and responsibilities as Board members, as well as the various pieces of legislation and regulations affecting their conduct, in order to ensure that principles of good corporate governance are applied in all their dealings with and on behalf of the Company.

The responsibilities of the Board, in terms of the Charter are, inter alia:

- To exercise leadership, integrity and judgement, based on fairness, accountability, responsibility and transparency;
- To provide strategic direction to the company;
- To identify key risk areas and key performance indicators;
- To regularly review processes and procedures to ensure the effectiveness of the company's internal systems of control, so that its decision making capability and the accuracy of its reporting are maintained at a high level at all times; and
- To ensure that the company complies with all relevant laws, regulations and codes of best practice.

Decisions on material matters are reserved for the Board and the Board has unrestricted access to all information, records and documents in order to enable it to effectively discharge its functions.

## AUDIT COMMITTEE

The Board has one formal committee, being the Audit Committee. The directors are satisfied that the Audit Committee adequately discharged its functions during the year under review.

The Audit Committee initially comprised Stan Jewaskiewitz (Chairman) and Ethan Dube. On 8 April 2008, Stan Jewaskiewitz resigned from the committee and was appointed as an executive director of the company. Stan Jewaskiewitz was replaced, as member and chairman of the committee, by Gavin Tipper on 8 April 2008.

## Corporate Governance Report (continued)

The company's Designated Advisers are required to attend all Audit Committee meetings. Meetings of the committee are also attended by the group's financial director, other executive directors if required and representatives from the group's external auditors. The Company Secretary also acts as secretary to the Audit Committee.

The Audit Committee met three times during the 2008 financial year with attendance at such meetings being as follows:

Director	Number of Audit Committee meetings attended	Category
Stan Jewaskiewitz <sup>1</sup>	0	Executive
Ethan Dube	3	Non-executive
Gavin Tipper <sup>2</sup>	2	Independent non-executive
Neels Venter	1 (By invitation)	Executive
Ivan John <sup>3</sup>	2 (By invitation)	Executive
Bronwyn Willcocks	3 (By invitation)	Executive

Notes:

1. Stan Jewaskiewitz resigned as member and chairman of the Audit Committee, effective from 8 April 2008.

2. Gavin Tipper was appointed as member and chairman of the Audit Committee effective from 8 April 2008.

3. Ivan John was appointed as an executive director effective from 20 May 2008.

The functions and responsibilities of the Audit Committee are set out in its Terms of Reference, approved by the Board, and include the following:

- Review of the group's annual financial statements, preliminary announcements and interim financial information;
- Review of the external auditor's proposed audit scope and approach and to ensure no unjustified restrictions or limitations have been imposed on the scope thereof;
- Ensuring that significant findings and recommendations made by the internal audit department/external auditors are received and discussed on a timely basis;
- Considering the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the group;
- Reviewing the effectiveness of the system for monitoring compliance with laws and regulations;
- Reviewing any legal matters which could significantly impact the financial statements.

The Board has implemented a process to ensure compliance by the Audit Committee with the Corporate Laws Amendment Act and the draft King III.

### COMPANY SECRETARY

The directors have access to the advice and services of the Company Secretary who is accountable to the Board. The Company Secretary is responsible for, amongst other things, advising the Board on issues of corporate governance, matters of a legal nature, updates to legislation and best practice.

### SHARE DEALINGS

The Board has approved a Trading in Securities policy in terms of which directors and the Company Secretary may not deal in the company's shares without obtaining prior written clearance to do so from either the Chief Executive Officer or the Financial Director of the group. In turn, the Chief Executive Officer and the Financial Director must obtain the prior written consent of the Board prior to dealing in the company's shares. Directors are required to notify the Company Secretary within 24 hours of any trade in the company's shares. The company is in turn obliged to disclose this information to the JSE within 48 hours of the applicable trade.

Directors, the Company Secretary and senior management are prohibited from trading in the company's shares during closed periods which run from the end of the applicable reporting period for interim or annual results until the relevant results are published, or during other periods when such persons are privy to price-sensitive information.

### DIRECTOR'S INTEREST IN CONTRACTS

Directors are required to disclose to the Board all facts material to any conflict of interest which pertain to any contract or transaction to be considered by the Board. A director who has a conflict of interest is prohibited from participating in discussions regarding the relevant matter (except to disclose material facts or respond to questions) and must recuse himself or herself from such discussions.

### EMPLOYMENT EQUITY

The Interwaste group of companies is committed to providing it's employees with a work environment in which they are able to reach their full potential. The company actively promotes workplace equality and seeks to eliminate all forms of discrimination. The company encourages ongoing job-specific training as well as skills development.

### 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 9 to 51 of this annual report.

### GROUP FINANCIAL DIRECTOR

The Listings Requirements of the JSE provide that the Audit Committee consider, on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the group's financial director. The Audit Committee is of the view that the group's financial director is possessed of the requisite expertise and experience for him to fulfill his functions as financial director to the group.

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# Report of the Independent Auditors

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## TO THE MEMBERS OF INTERWASTE HOLDINGS LIMITED AND ITS SUBSIDIARIES

We have audited the accompanying annual financial statements of Interwaste Holdings Limited and its subsidiaries, which comprise the directors' report, the balance sheet as at 31 December 2008, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 13 to 51.

## 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 ("IFRS"), and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITORS' RESPONSIBILITY

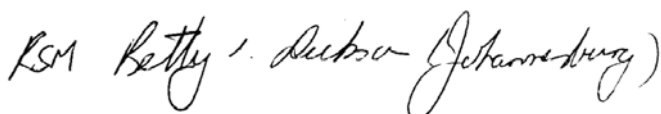
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 auditors' 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 the directors, 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, the financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2008, and of its financial performance and its 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.



**RSM Betty & Dickson (Johannesburg)**

Per: **John Jones** (*Partner*)

**30 March 2009**

Randburg

# Directors' Responsibilities and Approval

for the period ended 31 December 2008

The directors are required by the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards ("IFRS"). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.


The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all relevant forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 31 December 2009 and, in the light of this review and the current financial position, they are satisfied that the group has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's annual financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 10.

The annual financial statements set out on pages 10 to 51, which have been prepared on the going concern basis, were approved by the Board of Directors and were signed on its behalf by:



**Alan Willcocks**  
*Director*  
**30 March 2009**



**Ivan John**  
*Director*  
**30 March 2009**

## Certificate by Company Secretary

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 2008, 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*  
**30 March 2009**

# Audit Committee Report

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The Corporate Laws Amendment Act 24 of 2006 ("CLAA") came into effect on 14 December 2007. The composition of the Audit Committee was therefore changed by the Board of Directors in order to bring it in line with the provisions of the CLAA. Prior to the commencement of the CLAA the committee comprised Messrs SM Jewaskiewitz and EG Dube. Subsequent thereto, SM Jewaskiewitz resigned as Chairman of the Audit Committee and GR Tipper was appointed in his stead.

The Audit Committee has reviewed its membership and intends to supplement such membership with the appointment of a further independent non executive director during the 2009 financial year.

During the financial year ended 31 December 2008, in addition to the duties set out in the Audit Committee's Terms of Reference (a summary is provided on pages 7 and 8 of the Corporate Governance Report), the Audit Committee carried out the following functions:

- Nominated the appointment of RSM Betty & Dickson (Johannesburg) as the registered independent auditor after satisfying itself through enquiry that RSM Betty & Dickson (Johannesburg) is independent as defined in terms of the CLAA;
- Determined the fees to be paid to RSM Betty & Dickson (Johannesburg) and their terms of engagement;
- Ensured that the appointment of RSM Betty & Dickson (Johannesburg) complied with the CLAA and any other legislation relating to the appointment of auditors; and
- Approved a Non-Audit Services Policy which determines the nature and extent of any non-audit services which RSM Betty & Dickson (Johannesburg) may provide to the company.

RSM Betty & Dickson (Johannesburg) do not provide non-audit services to the company and therefore it was not necessary for the Audit Committee to pre-approve any proposed contracts for such services by the auditors.

The Audit Committee has satisfied itself through enquiry that RSM Betty & Dickson (Johannesburg) and Mr John Jones, the designated auditor, are independent of the company.

The Audit Committee recommended the annual financial statements, for the year ended 31 December 2008, for approval to the Board. The Board has subsequently approved the financial statements which will open for discussion at the forthcoming annual general meeting.



**Gavin Tipper**  
*Audit Committee Chairman*  
**30 March 2009**

# Directors' Report

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The directors have pleasure in submitting their report for the year ended 31 December 2008.

## 1. NATURE OF BUSINESS

### MAIN BUSINESS AND OPERATIONS

Interwaste Holdings Limited (the company) is the registered holding company for a group of environmentally conscious waste management companies. The group business activities include waste collection, management of landfills and responsible disposal; previously worked metals recovery 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)

## 2. FINANCIAL RESULTS

The annual financial results for the year ended 31 December 2008 are set out in detail in these annual financial statements and do not, in our opinion, require further comment.

## 3. GOING CONCERN

The annual 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.

## 4. POST BALANCE SHEET EVENTS

Other than those disclosed below, the directors are not aware of any matter or circumstance arising since the end of the financial year relevant to an assessment of the annual financial statements as at 31 December 2008.

In terms of an agreement, approved by the shareholders at a general meeting on 25 August 2008 the Inter-Waste, Enviro-Fill and Ex-Waste vendors will claw back 82 331 659 of the 90 000 000 cancelled shares subsequent to year end

## 5. 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 have been no additional issue of shares in the current year. In terms of an agreement approved by the shareholders at a general meeting on 25 August 2008, 90 000 000 ordinary issued shares were cancelled. The Inter-Waste, Enviro-Fill and Ex-Waste vendors will claw back 82 331 659 of these shares subsequent to year end. The claw back has been taken into account in the fully diluted earnings per share and diluted headline earnings per share.

## 6. 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.

## 7. SHARE INCENTIVE TRUST

Refer to note 31 for detail about share-based payments during the current year.

## 8. NON-CURRENT ASSETS

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

## 9. DIVIDENDS

No dividends were declared or paid to shareholders during the year ended 31 December 2008.

## 10. ACCOUNTING POLICIES

The audited annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretation adopted by the International Accounting Standards Board ("IASB"), the Listings Requirements of the JSE Limited and the Companies Act, 61 of 1973 as amended, and the accounting policies applied in the financial statements are consistent with those applied to the prior year, except for the adoption of the new or revised standards and interpretations as detailed in note 2 of the financial statements.

## 11. DIRECTORS

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

EG Dube (non-executive Chairperson)

LC Grobbelaar

SM Jewaskiewitz

MIG John (Appointed 20 May 2008)

GR Tipper (Independent director)

CR Venter (Resigned 20 May 2008)

WAH Willcocks

BL Willcocks

Mr SM Jewaskiewitz resigned as a non-executive director and became an executive director with effect from 8 April 2008.

Mr GR Tipper was appointed to the Board as an independent director on 8 April 2008.

## Directors' Report (continued)

### 12. SECRETARY AND REGISTERED ADDRESS

The secretary of the company, appointed by the Board on 1 February 2008, is Allen Stuart de Villiers, BA LLB Dip Tax Practice.

The company's registered address is:

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

### 13. DIRECTORS' INTERESTS

At 31 December 2008 the directors (as defined in terms of the JSE Listings Requirements) had the following direct and indirect beneficial interests in the share capital of the company:

	Number of shares		%
	2008 Direct	2008 Indirect	
<b>Executive directors</b>			
LC Grobbelaar	–	7 516 948	2,96
SM Jewaskiewitz <sup>1</sup>	–	260 000	0,10
BL Willcocks	–	46 585 316	18,34
WAH Willcocks	78 000	40 077 234	15,81
	78 000	94 439 498	37,21
<b>Non-executive directors</b>			
EG Dube	–	47 500 000	18,70
GR Tipper <sup>2</sup>	300 000	–	0,12
	300 000	47 500 000	18,82

Notes:

(1) Mr SM Jewaskiewitz changed from a non-executive director to an executive director with effect from 8 April 2008.

(2) Mr GR Tipper appointed to the Board as a non-executive director with effect from 8 April 2008.

There have been no changes in the above interests between the end of the financial year and the date of this report.

### 14. 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 included in note 38 of the annual report.

### 15. INTEREST IN SUBSIDIARIES

Name of subsidiary	Percentage holding	Net income/(loss) after tax
Inter-Waste (Proprietary) Limited	100%	R31 304 201
Enviro-Fill (Proprietary) Limited	100%	R8 333 908
Interwaste Properties (Proprietary) Limited	100%	(R27 433)
Net profit after tax		R39 610 676

### 16. SPECIAL RESOLUTIONS

At a general meeting of the shareholders of Interwaste Holdings Limited, on 25 August 2008, it was resolved that 90 000 000 ordinary issued shares were cancelled.

No special resolutions were passed other than the above.

### 17. AUDITORS

RSM Betty & Dickson (Johannesburg) will continue in office in accordance with section 270(2) of the Companies Act. Mr John Jones will be appointed as the individual registered auditor who will undertake the audit of the company for the ensuing year.

Signed on behalf of the Board



**EG Dube**  
Chairman  
30 March 2009



**WAH Willcocks**  
Chief Executive Officer  
30 March 2009

Interwaste House, Corner of Avocet and Bromhof Roads, Bromhof, Gauteng, South Africa

# Balance Sheet

as at 31 December 2008

Figures in Rand	Notes	Group 2008	Company 2008	Group 2007	Company 2007
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	3	245 262 167	69 623	195 566 173	–
Investments in subsidiaries	40	–	103 679 614	–	102 773 575
Goodwill	4	48 331 814	–	48 331 995	–
Intangible assets	5	179 200	–	179 200	–
Deferred tax	15	2 506 725	40 190	–	–
		296 279 906	103 789 427	244 077 368	102 773 575
<b>Current assets</b>					
Inventories	6	41 319 912	–	24 562 240	–
Loans receivable	7	–	–	120 000	–
Loans to shareholders	8	–	–	1 200 099	1 200 099
Trade and other receivables	9	83 386 729	780 834	90 576 131	705 193
Deposits	10	–	–	2 311 200	–
Current tax receivable		5 504 785	–	–	–
Operating lease asset	11	189 928	–	419 454	–
Loans to group companies	40	–	80 350 033	–	56 523 210
Cash and cash equivalents	12	14 086 903	2 548 975	36 082 126	27 213 401
		144 488 257	83 679 842	155 271 250	85 641 903
<b>Total assets</b>		<b>440 768 163</b>	<b>187 469 269</b>	<b>399 348 618</b>	<b>188 415 478</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
<b>Equity attributable to equity holders of parent</b>					
Share capital	13	175 491 253	182 491 253	177 303 155	184 303 155
Share based payments reserve		1 572 469	1 572 469	666 429	666 429
Retained income		60 640 966	2 167 743	21 030 290	2 722 344
Minority interest		3 819 899	–	2 337 489	–
		241 524 587	186 231 465	201 337 363	187 691 928
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Other financial liabilities	14	68 495 492	–	67 746 811	–
Operating lease liability	11	–	–	229 526	–
Deferred tax	15	25 223 884	–	17 135 838	–
		93 719 376	–	85 112 175	–
<b>Current liabilities</b>					
Loans from shareholders	8	–	–	71 950	–
Other financial liabilities	14	54 793 176	–	45 955 299	–
Current tax payable		2 591 282	764 644	4 267 486	594 099
Trade and other payables	16	46 968 639	473 160	49 730 959	129 451
Dividend payable		–	–	157 500	–
Bank overdraft	12	1 171 103	–	12 715 886	–
		105 524 200	1 237 804	112 899 080	723 550
<b>Total liabilities</b>		<b>199 243 576</b>	<b>1 237 804</b>	<b>198 011 255</b>	<b>723 550</b>
<b>Total equity and liabilities</b>		<b>440 768 163</b>	<b>187 469 269</b>	<b>399 348 618</b>	<b>188 415 478</b>

# Income Statement

for the period ended 31 December 2008

Figures in Rand	Notes	Group 2008	Company 2008	Group 2007*	Company 2007
Revenue	17	471 156 143	–	335 545 560	–
Cost of sales	18	(298 229 002)	–	(202 992 067)	–
<b>Gross profit</b>		<b>172 927 141</b>	<b>–</b>	<b>132 553 493</b>	<b>–</b>
Other income		3 286 429	–	7 296 110	–
Operating expenses		(105 389 580)	(10 538 157)	(97 875 143)	(825 233)
<b>Operating profit/(loss)</b>	19	<b>70 823 990</b>	<b>(10 538 157)</b>	<b>41 974 460</b>	<b>(825 233)</b>
Investment revenue	20	4 546 991	10 402 449	2 744 553	4 167 106
Finance costs	21	(20 747 051)	(1 732)	(12 905 456)	(25 430)
<b>Profit/(loss) before taxation</b>		<b>54 623 930</b>	<b>(137 440)</b>	<b>31 813 557</b>	<b>3 316 443</b>
Taxation	22	(13 530 844)	(417 161)	(8 435 455)	(594 099)
<b>Profit/(loss) for the period</b>		<b>41 093 086</b>	<b>(554 601)</b>	<b>23 378 102</b>	<b>2 722 344</b>
<b>Attributable to:</b>					
Equity holders of the parent		39 610 676	–	22 430 290	–
Minority Interest		1 482 410	–	947 812	–
Earnings per share (cents)	35	14,56	–	7,44	–
Fully diluted earnings per share (cents)	35	12,03	–	7,35	–

\* Management have restated group cost of sales and group operating expenses for the period ended 31 December 2007. This was affected to align 2007 comparatives with the current periods accounting policy.

# Statement of Changes in Equity

for the period ended 31 December 2008

Figures in Rand	Share capital	Share premium	Total share capital	Share-based payments reserve	Retained income	Total attributable to equity holders of the company	Minority interest	Total equity
<b>Group</b>								
<b>Balance at 1 January 2007</b>	<b>100</b>	<b>–</b>	<b>100</b>	<b>–</b>	<b>–</b>	<b>100</b>	<b>–</b>	<b>100</b>
Changes in equity								
At acquisition of subsidiary	–	–	–	–	–	–	1 389 677	1 389 677
Net income/(expenses) recognised directly in equity	–	–	–	–	–	–	1 389 677	1 389 677
Profit for the year	–	–	–	–	22 430 290	22 430 290	947 812	23 378 102
Total recognised income/(expenses) for the period	–	–	–	–	22 430 290	22 430 290	2 337 489	24 767 779
Issue of shares	34 298	184 268 757	184 303 055	–	–	184 303 055	–	184 303 055
Treasury shares	(700)	(6 999 300)	(7 000 000)	–	–	(7 000 000)	–	(7 000 000)
Employees' share option scheme:								
Expense	–	–	–	666 429	–	666 429	–	666 429
Dividends	–	–	–	–	(1 400 000)	(1 400 000)	–	(1 400 000)
Total changes	33 598	177 269 457	177 303 055	666 429	21 030 290	198 999 774	2 337 489	201 337 263
<b>Balance at 1 January 2008</b>	<b>33 698</b>	<b>177 269 457</b>	<b>177 303 155</b>	<b>666 429</b>	<b>21 030 290</b>	<b>198 999 874</b>	<b>2 337 489</b>	<b>201 337 363</b>
Profit for the year	–	–	–	–	39 610 676	39 610 676	1 482 410	41 093 086
Total recognised income/(expenses) for the period	–	–	–	–	39 610 676	39 610 676	1 482 410	41 093 086
Cancellation of shares	(9 000)	9 000	–	–	–	–	–	–
Share issue costs	–	(1 811 902)	(1 811 902)	–	–	(1 811 902)	–	(1 811 902)
Employees' share option scheme:								
Expense	–	–	–	906 040	–	906 040	–	906 040
Total changes	(9 000)	(1 802 902)	(1 811 902)	906 040	39 610 676	38 704 814	1 482 410	40 187 224
<b>Balance at 31 December 2008</b>	<b>24 698</b>	<b>175 466 555</b>	<b>175 491 253</b>	<b>1 572 469</b>	<b>60 640 966</b>	<b>237 704 688</b>	<b>3 819 899</b>	<b>241 524 587</b>
<b>Company</b>								
<b>Balance at 1 January 2007</b>	<b>100</b>	<b>–</b>	<b>100</b>	<b>–</b>	<b>–</b>	<b>100</b>	<b>–</b>	<b>100</b>
Changes in equity								
Profit for the year	–	–	–	–	2 722 344	2 722 344	–	2 722 344
Issue of shares	34 298	184 268 757	184 303 055	–	–	184 303 055	–	184 303 055
Employees' share option scheme:								
Expense	–	–	–	666 429	–	666 429	–	666 429
Total changes	34 298	184 268 757	184 303 055	666 429	2 722 344	187 691 828	–	187 691 828
<b>Balance at 1 January 2008</b>	<b>34 398</b>	<b>184 268 757</b>	<b>184 303 155</b>	<b>666 429</b>	<b>2 722 344</b>	<b>187 691 928</b>	<b>–</b>	<b>187 691 928</b>
Changes in equity								
Loss for the year	–	–	–	–	(554 601)	(554 601)	–	(554 601)
Cancellation of shares	(9 000)	9 000	–	–	–	–	–	–
Share issue costs	–	(1 811 902)	(1 811 902)	–	–	(1 811 902)	–	(1 811 902)
Employees' share option scheme:								
Expense	–	–	–	906 040	–	906 040	–	906 040
Total changes	(9 000)	(1 802 902)	(1 811 902)	906 040	(554 601)	(1 460 463)	–	(1 460 463)
<b>Balance at 31 December 2008</b>	<b>25 398</b>	<b>182 465 855</b>	<b>182 491 253</b>	<b>1 572 469</b>	<b>2 167 743</b>	<b>186 231 465</b>	<b>–</b>	<b>186 231 465</b>

# Cash Flow Statement

for the period ended 31 December 2008

Figures in Rand	Notes	Group 2008	Company 2008	Group 2007	Company 2007
<b>Cash flows from operating activities</b>					
Cash receipts from customers		478 345 545	–	299 149 609	–
Cash paid to suppliers and employees		(395 899 998)	–	(272 068 967)	–
Cash generated from operations	23	82 445 547	(10 260 054)	27 080 642	(734 546)
Interest income		3 942 087	9 797 545	1 476 726	2 899 279
Dividends received		604 904	604 904	1 267 827	1 267 827
Finance costs		(20 747 051)	(1 732)	(12 905 456)	(25 430)
Tax paid	24	(15 130 552)	(286 807)	(16 353 349)	–
<b>Net cash from operating activities</b>		<b>51 114 935</b>	<b>(146 144)</b>	<b>566 390</b>	<b>3 407 130</b>
<b>Cash flows from investing activities</b>					
Loans advanced to group companies		–	(23 826 823)	–	(56 523 210)
Purchase of property, plant and equipment	3	(124 927 175)	(79 656)	(98 380 083)	–
Sale of property, plant and equipment		54 496 494	–	13 461 294	–
Purchase of intangible assets	5	–	–	(179 200)	–
Acquisition of subsidiaries	25	–	–	(1 541 643)	(102 773 575)
Loans repaid/(advanced)		48 050	–	(120 000)	–
<b>Net cash applied to investing activities</b>		<b>(70 382 631)</b>	<b>(23 906 479)</b>	<b>(86 759 632)</b>	<b>(159 296 785)</b>
<b>Cash flows from financing activities</b>					
Proceeds on share issue		–	–	82 400 000	184 303 055
Proceeds/(advances) to shareholders		1 200 099	1 200 099	(1 882 377)	(1 199 999)
Proceeds from other financial liabilities		9 586 559	–	36 683 097	–
Dividends paid	26	(157 500)	–	(3 117 500)	–
Share issue costs		(1 811 902)	(1 811 902)	(4 523 738)	–
<b>Net cash from financing activities</b>		<b>8 817 256</b>	<b>(611 803)</b>	<b>109 559 482</b>	<b>183 103 056</b>
<b>Total cash movement for the period</b>		<b>(10 450 440)</b>	<b>(24 664 426)</b>	<b>23 366 240</b>	<b>27 213 401</b>
Cash at the beginning of the period		23 366 240	27 213 401	–	–
<b>Total cash at the end of the period</b>	12	<b>12 915 800</b>	<b>2 548 975</b>	<b>23 366 240</b>	<b>27 213 401</b>

# Accounting Policies

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for the period ended 31 December 2008

## 1. PRESENTATION OF FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period except for the adoption of new standards and interpretations as detailed in note 2 of the annual financial statements.

The preparation of annual financial statements in conformity with IFRS requires use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1.1.

### 1.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the annual financial statements requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets and liabilities, the reported revenue and costs during the periods presented therein, and the disclosure of contingent liabilities at the date of the annual financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future and the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the financial results or the financial position reported in future periods are discussed below.

#### **Inventory**

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

#### **Allowance for doubtful debts**

The company assesses its trade receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recognised in the income statement, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available.

#### **Allowance for slow moving, damaged and obsolete stock.**

An allowance is made for stock write down to the lower of cost or net realisable value where required. Management have made estimates of the selling price and direct cost to sell on relevant inventory items.

#### **Options granted**

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 31.

#### **Impairment testing**

Management used the value in use method to determine the recoverable amount of goodwill and intangible assets with indefinite useful lives. Additional disclosure of these estimates is included in note 4.

#### **Property, plant and equipment**

Management has made certain estimations with regard to the determination of estimated useful lives and residual values of items of property, plant and equipment, as discussed further in note 1.2.

#### **Taxation**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company 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 company 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 company 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 company to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

# Accounting Policies (continued)

for the period ended 31 December 2008

## 1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

### 1.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

#### Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which they can be applied.

#### Leases

Management has applied its judgement to classify all lease agreements that the company is party to as operating leases, as they do not transfer substantially all the risks and rewards of ownership to the company. Furthermore, as the operating leases in respect of premises are only for relatively short periods of time, management has made a judgement that it would not be meaningful to classify the leases into separate components for the land and for the buildings, and the agreements will be classified in entirety as operating leases.

#### Group financial statements

Management has applied its judgement in assessing whether the commercial and economic relationships with related entities are tantamount to control. If control exists, the relationship of control has been recognised in terms of IAS 27 and SIC 12.

### 1.2 PROPERTY, PLANT AND EQUIPMENT

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, when the benefit of such service results in an improvement in the item which will endure for more than one period. 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.

Day to day expenses incurred on property, plant and equipment are expensed directly in profit or loss for the period. Major maintenance that meets the recognition criteria is capitalised.

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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation commences when an asset is available for use. Depreciation is charged so as to write off the depreciable amount of the items (other than land) to their residual values, over their estimated useful lives, using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the company.

Where an item comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment and depreciated over their estimated useful lives.

Methods of depreciation, useful lives and residual values are reviewed annually. The following methods and useful lives were applied during the year:

Item	Average useful life
Bins and containers	15 years (straight line)
Furniture, fixtures and office equipment	3 to 6 years (straight line)
IT equipment and software	3 years (straight line)
Leasehold improvements	Term of the lease (straight line)
Mobile offices	6 years (straight line)
Motor vehicles	4 to 5 years (straight line)
Tools and workshop equipment	5 years (straight line)
Treatment plant and weighbridges	
• Weighbridges	4 to 10 years (straight line)
• Treatment plant	10 000 hours (per hour)
Lifting and other equipment	4 to 20 years (straight line)
Composting equipment	4 to 20 years (straight line)
Buildings	50 years (straight line)
Site development cost	Term of contract (straight line)

The residual value and the useful life of each asset are reviewed at each financial period-end.

# Accounting Policies (continued)

for the period ended 31 December 2008

## 1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

### 1.2 PROPERTY, PLANT AND EQUIPMENT (continued)

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

Derecognition occurs when an item of property, plant and equipment is disposed of, or when it is no longer expected to generate any further economic benefits.

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.

When a decision is made by the directors that an item of property, plant and equipment will be disposed of, and the requirements of IFRS 5, Non-Current assets Held for Sale and Discontinued Operations, are met, then those specific assets will be presented separately on the face of the balance sheet. The assets will be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets will cease.

### 1.3 GOODWILL

Goodwill is initially measured at cost, being the excess of the business combination consideration over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill is carried at cost less any accumulated impairment.

The excess of the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

Internally generated goodwill is not recognised as an asset.

### 1.4 INTANGIBLE ASSETS

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits;
- There are available technical, financial and other resources to complete the development and to use or sell the asset; and
- The expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful lives.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

# Accounting Policies (continued)

for the period ended 31 December 2008

## 1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

### 1.5 INVESTMENTS IN SUBSIDIARIES

#### Company financial statements

Investments in subsidiaries are carried at cost less any accumulated impairment. The cost of an investment in a subsidiary is the aggregate of:

- The fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- Any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

#### Group financial statements

On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company and its subsidiaries. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequent, any losses applicable to the minority interest in excess of the minority interest are allocated against the interest of the parent.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### 1.6 FINANCIAL INSTRUMENTS

#### Initial recognition

The group 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 group's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified as at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

#### Subsequent measurement

After initial recognition financial assets are measured as follows:

- Loans and receivables and held-to-maturity investments are measured at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.
- Financial assets classified as available-for-sale or at fair value through profit or loss, including derivatives, are measured at fair values. Fair value, for this purpose, is market value if listed, or a value arrived at by using appropriate valuation models if unlisted.
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.

After initial recognition financial liabilities are measured as follows:

- Financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value.
- Other financial liabilities are measured at amortised cost using the effective interest method.

#### Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- Where a financial asset and financial liability are carried at amortised cost, a gain or loss is recognised in profit or loss through the amortisation process and when the financial asset or financial liability is derecognised or impaired.
- A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.
- A gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

# Accounting Policies (continued)

for the period ended 31 December 2008

## 1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

### 1.6 FINANCIAL INSTRUMENTS (continued)

#### **Derecognition of financial instruments**

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

#### **Impairment of financial assets**

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

The particular recognition methods adopted are disclosed in the individual policies stated below.

#### **Shareholder's loan**

Loans from shareholders are classified as other financial liabilities. Loans to shareholders are classified as other financial assets.

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

These include loans to and from fellow subsidiaries and subsidiaries.

Loans to group companies are classified as loans and receivables. Loans from group companies are classified as financial liabilities.

#### **Trade and other receivables**

Trade and other receivables are classified as loans and receivables and are carried at amortised cost less any impairments. Impairment is determined on a specific basis, whereby each asset is individually evaluated for impairment indicators. Write-downs of these assets are expensed in profit or loss.

#### **Trade and other payables**

Trade and other payables are classified as financial liabilities and are measured at amortised cost. Financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

#### **Cash and cash equivalents**

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Cash and cash equivalents are measured at fair value.

#### **Other financial liabilities**

Other financial liabilities are classified as financial liabilities and are measured at amortised cost and comprise original debt less principal payments and amortisation.

#### **Available-for-sale financial assets**

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

# Accounting Policies (continued)

for the period ended 31 December 2008

## 1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

### 1.6 FINANCIAL INSTRUMENTS (continued)

#### Loans and receivables

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment'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 investment'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 investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### 1.7 TAX

#### Current tax assets and liabilities

Current tax for 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 (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

#### Deferred tax assets and liabilities

Deferred taxation is provided using a balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax liability is recognised for all taxable temporary differences, unless specifically exempt and except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which 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 to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which, 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 (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

#### 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.

Secondary tax on companies is accounted for through profit and loss for the period.

### 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.

#### 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 or liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

# Accounting Policies (continued)

for the period ended 31 December 2008

## 1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

### 1.9 INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity. Natural bark compost is valued according to standard costing principles

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.10 IMPAIRMENT OF ASSETS

The company assesses at each balance sheet 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.

Irrespective of whether there is any indication of impairment, the group also:

- Tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- Tests goodwill acquired in a business combination for impairment annually.

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.

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

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of 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 unit. 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.

An entity 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.

# Accounting Policies (continued)

for the period ended 31 December 2008

## 1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

### 1.11 SHARE CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the group reacquires its own equity instruments, those treasury shares are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received is recognised directly in equity.

Shares in the group held by the Share Incentive Trust are classified as treasury shares. The cost of these shares is deducted from equity.

The number of shares held is deducted from the number of issued shares and the weighted average number of shares in the determination of earnings per share. Dividends received on treasury shares are eliminated on consolidation.

### 1.12 SHARE-BASED PAYMENTS

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received are measured, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the company accounts for those services as they are rendered by the counterparty during the vesting period (or on a straight line basis over the vesting period).

If the share-based payments vest immediately the services received are recognised in full.

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

### 1.13 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 vacation leave and sick 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 expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

# Accounting Policies (continued)

for the period ended 31 December 2008

## 1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

### 1.14 REVENUE

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

- The group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The group 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 can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the group;
- The stage of completion of the transaction at the balance sheet date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Contract revenue comprises:

- The initial amount of revenue agreed in the contract; and
- Variations in contract work, claims and incentive payments:
  - to the extent that it is probable that they will result in revenue; and
  - they are capable of being reliably measured.

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

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

Dividends are recognised, in profit or loss, when the group's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.15 COST OF SALES

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales. Contract costs comprise:

- Costs that relate directly to the specific contract;
- Costs that are attributable to contract activity in general and can be allocated to the contract; and
- Such other costs as are specifically chargeable to the customer under the terms of the contract.

# Accounting Policies (continued)

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for the period ended 31 December 2008

## 1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

### 1.16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities are undertaken to prepare the asset for its intended use or sale.

### 1.17 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 between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet 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 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.

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.

### 1.18 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- The company has a present 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.

# Notes to the Financial Statements

for the period ended 31 December 2008

## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### IFRIC 11 (AC444) IFRS 2 - Group and Treasury Share Transactions

IFRIC 11 provides guidance on accounting for the following share-based payments transactions:

- Share-based payments involving an entity's own equity instruments in which the entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payments obligation should always be accounted for as equity-settled share-based payments transactions under IFRS 2 Share-based Payment.
- Where a parent grants rights to its equity instruments to employees of its subsidiary, the subsidiary must measure the services received using the requirements for equity-settled transactions in IFRS 2, and must recognise a corresponding increase in equity as a contribution from the parent.
- Where a subsidiary grants rights to equity instruments of its parent to its employees, the subsidiary accounts for the transaction as a cash-settled share-based payments transaction.

The effective date of the interpretation is for years beginning on or after 1 March 2007.

The group has adopted the interpretation for the first time in the 2008 annual financial statements.

The impact of the interpretation is not material.

### 2.2 STANDARDS AND INTERPRETATIONS EARLY ADOPTED

The group has not chosen to early adopt any standards and interpretations.

### 2.3 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE AND RELEVANT

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods:

#### IAS 1 (AC 101) (Revised) Presentation of Financial Statements

The main revisions to IAS 1 (AC 101):

- Require the presentation of non-owner changes in equity either in a single statement of comprehensive income or in an income statement and statement of comprehensive income.
- Require the presentation of a balance sheet at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.
- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only.
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows.' These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 1 January 2009.

The group expects to adopt the standard for the first time in the 2009 annual financial statements.

The adoption of this standard is not expected to impact on the results of the group, but will result in more disclosure than is currently provided in the annual financial statements.

#### IAS 23 (AC 114) (Revised) Borrowing Costs

The revision requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed.

The effective date of the standard is for years beginning on or after 1 January 2009.

The group expects to adopt the standard for the first time in the 2009 annual financial statements.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

#### IFRS 8 (AC 145) Operating segments

IFRS 8 (AC 145) replaces IAS 14 (AC 115) Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

The effective date of the standard is for years beginning on or after 1 January 2009.

The group expects to adopt the standard for the first time in the 2009 annual financial statements.

The adoption of this standard is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the annual financial statements.

# Notes to the Financial Statements

for the period ended 31 December 2008

## 2. NEW STANDARDS AND INTERPRETATIONS (continued)

### May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group expects to adopt the amendment for the first time in the 2009 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the annual financial statements.

### May 2008 Annual Improvements to IFRS's: Amendments to IAS 10 (AC 107) Events after the Reporting Period

The amendment clarified that if dividends are declared (appropriately authorised and no longer at the discretion of the entity) after the reporting period but before the financial statements are authorised for issue, the dividends may not be recognised as a liability as no obligation exists at the reporting date. Thus clarifying that in such cases a liability cannot be raised even if there is a constructive obligation.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group expects to adopt the amendment for the first time in the 2009 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

### May 2008 Annual Improvements to IFRS's: Amendments to IAS 34 (AC 127) Interim Financial Reporting

The amendment clarifies that the requirement to present information on earnings per share in interim financial reports applies only to entities within the scope of IAS 33 (AC 104) Earnings per Share.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group expects to adopt the amendment for the first time in the 2009 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the annual financial statements.

## 2.4 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE OR RELEVANT

The following standards and interpretations have been published and are mandatory for the group's accounting periods beginning on or after 01 January 2009 or later periods but are not relevant to its operations:

### IFRIC 13 (AC 446) Customer Loyalty Programmes

The effective date of the interpretation is for years beginning on or after 1 July 2008.

### IFRIC 16 (AC 449) Hedges of a Net Investment in a Foreign Operation

The effective date of the interpretation is for years beginning on or after 1 October 2008.

### IFRIC 15 (AC 448) Agreements for the Construction of Real Estates

The effective date of the interpretation is for years beginning on or after 1 January 2009.

### IFRS 2 (AC 139) Amendment: IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations

The effective date of the amendment is for years beginning on or after 1 January 2009.

### IAS 32 (AC 125) Financial Instruments: Presentation and IAS 1 (AC 101) Presentation of Financial Statements Amendment: Puttable Financial Instruments and obligations Arising on Liquidation

The effective date of the standard is for years beginning on or after 1 January 2009.

### May 2008 Annual Improvements to IFRS's: Amendments to IAS 8 (AC 103) Accounting Policies Changes in Accounting Estimates and Errors

The effective date of the amendment is for years beginning on or after 1 January 2009.

### May 2008 Annual Improvements to IFRS's: Amendments to IAS 16 (AC 123) Property, Plant and Equipment

The effective date of the amendment is for years beginning on or after 1 January 2009.

### May 2008 Annual Improvements to IFRS's: Amendments to IAS 7 (AC 118) Statement of Cash Flows

The effective date of the amendment is for years beginning on or after 1 January 2009.

### May 2008 Annual Improvements to IFRS's: Amendments to IAS 18 (AC 111) Revenue

The effective date of the amendment is for years beginning on or after 1 January 2009.

### May 2008 Annual Improvements to IFRS's: Amendments to IAS 19 (AC 116) Employee Benefits

The effective date of the amendment is for years beginning on or after 1 January 2009.

### May 2008 Annual Improvements to IFRS's: Amendments to IAS 20 (AC 134) Accounting for Government Grants and Disclosure of Government Assistance

The effective date of the amendment is for years beginning on or after 1 January 2009.

### May 2008 Annual Improvements to IFRS's: Amendments to IAS 23 (AC 114) Borrowing Costs (as revised in 2007)

The effective date of the amendment is for years beginning on or after 1 January 2009.

# Notes to the Financial Statements

for the period ended 31 December 2008

## 2. NEW STANDARDS AND INTERPRETATIONS (continued)

### **May 2008 Annual Improvements to IFRS's: Amendments to IAS 27 (AC 132) Consolidated and Separate Financial Statements**

The effective date of the amendment is for years beginning on or after 1 January 2009.

### **May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments:**

**Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation; IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures**

The effective date of the amendment is for years beginning on or after 1 January 2009.

### **May 2008 Annual Improvements to IFRS's: Amendments to IAS 28 (AC 110) Investments in Associates**

The effective date of the amendment is for years beginning on or after 1 January 2009.

### **May 2008 Annual Improvements to IFRS's: Amendments to IAS 29 (AC 124) Financial Reporting in Hyperinflationary Economies**

The effective date of the amendment is for years beginning on or after 1 January 2009.

### **May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 (AC 128) Impairment of Assets**

The effective date of the amendment is for years beginning on or after 1 January 2009.

### **May 2008 Annual Improvements to IFRS's: Amendments to IAS 38 (AC 129) Intangible Assets**

The effective date of the amendment is for years beginning on or after 1 January 2009.

### **May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement**

The effective date of the amendment is for years beginning on or after 1 January 2009.

### **May 2008 Annual Improvements to IFRS's: Amendments to IAS 40 (AC 135) Investment Property and IAS 16 (AC 123) Property, Plant and Equipment**

The effective date of the amendment is for years beginning on or after 1 January 2009.

### **May 2008 Annual Improvements to IFRS's: Amendments to IAS 41 (AC 137) Agriculture**

The effective date of the amendment is for years beginning on or after 1 January 2009.

### **IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Amendment for determining cost of investment in the separate financial statements on first time adoption**

The effective date of the amendment is for years beginning on or after 1 January 2009.

### **IAS 18 (AC 111) Revenue: Consequential amendments**

The effective date of the amendment is for years beginning on or after 1 January 2009.

### **IAS 21 (AC 112) The Effects of Changes in Foreign Exchange Rates: Consequential amendments**

The effective date of the amendment is for years beginning on or after 1 January 2009.

### **IAS 36 (AC 128) Impairment of Assets: Consequential amendments**

The effective date of the amendment is for years beginning on or after 1 January 2009.

### **IFRS 3 (AC 140) (Revised) Business Combinations**

The effective date of the standard is for years beginning on or after 1 July 2009.

### **IAS 27 (AC132) (Amended) Consolidated and Separate Financial Statements**

The effective date of the amendment is for years beginning on or after 1 July 2009.

### **IAS 7 (AC 118) Statement of Cash flows: Consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements**

The effective date of the amendment is for years beginning on or after 1 July 2009.

### **IAS 28 (AC 110) Investments in Associates: Consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements**

The effective date of the amendment is for years beginning on or after 1 July 2009.

### **IAS 31 (AC 119) Interests in Joint Ventures: Consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements**

The effective date of the amendment is for years beginning on or after 1 July 2009.

### **IAS 12 (AC 102) Income Taxes – consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements**

The effective date of the amendment is for years beginning on or after 1 July 2009.

### **May 2008 Annual Improvements to IFRS's: Amendments to IFRS 5 (AC 142) Non-current Assets Held for Sale and Discontinued Operations**

The effective date of the amendment is for years beginning on or after 1 July 2009.

### **IAS 39 (AC 133) Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items**

The effective date of the amendment is for years beginning on or after 1 July 2009.

### **Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets**

The effective date of the amendment is for years beginning on or after 1 July 2009.

# Notes to the Financial Statements

For the period ended 31 December 2008

	Cost	2008 Accumulated depreciation	Carrying value	Cost	2007 Accumulated depreciation	Carrying value
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>						
<b>Group</b>						
Bins and containers	38 671 520	(8 301 152)	30 370 368	30 987 161	(7 829 760)	23 157 401
Composting equipment	–	–	–	6 438 173	(436 288)	6 001 885
Furniture, fixtures and office equipment	2 790 470	(1 653 995)	1 136 475	1 986 704	(1 405 633)	581 071
IT equipment and software	8 857 579	(6 831 503)	2 026 076	8 096 556	(5 119 276)	2 977 280
Land and buildings	3 372 836	–	3 372 836	3 372 836	–	3 372 836
Leasehold improvements	2 074 920	(900 043)	1 174 877	2 015 723	(472 207)	1 543 516
Lifting and other equipment	75 802 659	(16 037 369)	59 765 290	59 347 512	(11 905 250)	47 442 262
Mobile offices	1 455 521	(508 737)	946 784	1 390 307	(406 103)	984 204
Motor vehicles	170 891 735	(38 089 591)	132 802 144	129 198 931	(28 535 815)	100 663 116
Treatment plant and weighbridges	12 058 890	(3 459 719)	8 599 171	11 183 730	(2 729 953)	8 453 777
Site development cost	4 329 946	–	4 329 946	–	–	–
Tools and workshop equipment	1 226 246	(488 046)	738 200	715 086	(326 261)	388 825
<b>Total</b>	<b>321 532 322</b>	<b>(76 270 155)</b>	<b>245 262 167</b>	<b>254 732 719</b>	<b>(59 166 546)</b>	<b>195 566 173</b>

	Cost	2008 Accumulated depreciation	Carrying value	Cost	2007 Accumulated depreciation	Carrying value
<b>Company</b>						
IT equipment	79 656	(10 033)	69 623	–	–	–
<b>Total</b>	<b>79 656</b>	<b>(10 033)</b>	<b>69 623</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Reconciliation of property, plant and equipment – 2008

	Opening Balance	Additions	Disposals	Depreciation	Total
<b>Group</b>					
Bins and containers	23 157 401	7 771 007	(86 648)	(471 392)	30 370 368
Composting equipment	6 001 885	721 093	(6 217 912)	(505 066)	–
Furniture, fixtures and office equipment	581 071	1 730 253	(841 760)	(333 089)	1 136 475
IT equipment and software	2 977 280	1 315 158	(488 621)	(1 777 741)	2 026 076
Land and buildings	3 372 836	–	–	–	3 372 836
Leasehold improvements	1 543 516	241 671	(180 922)	(429 388)	1 174 877
Lifting and other equipment	47 442 262	40 865 786	(23 654 180)	(4 888 578)	59 765 290
Mobile offices	984 204	65 213	–	(102 633)	946 784
Motor vehicles	100 663 116	66 280 078	(22 446 983)	(11 694 067)	132 802 144
Tools and workshop equipment	388 825	511 161	–	(161 786)	738 200
Site development costs	–	4 329 946	–	–	4 329 946
Treatment, plant and weighbridges	8 453 777	1 095 809	–	(950 415)	8 599 171
	<b>195 566 173</b>	<b>124 927 175</b>	<b>(53 917 026)</b>	<b>(21 314 155)</b>	<b>245 262 167</b>

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

	Opening Balance	Additions	Depreciation	Total
<b>Company</b>				
IT equipment and software	–	79 656	(10 033)	69 623
<b>Total</b>	–	79 656	(10 033)	69 623

## Reconciliation of property, plant and equipment – 2007

	Opening Balance	Additions	Additions Through Business Combinations	Disposals	Depreciation	Total
<b>Group</b>						
Bins and containers	–	4 476 325	20 010 060	(11 261)	(1 317 723)	23 157 401
Composting equipment	–	4 207 463	2 140 636	(46 408)	(299 806)	6 001 885
Furniture, fixtures and office equipment	–	329 211	545 523	(62 592)	(231 071)	581 071
IT equipment and software	–	1 839 566	2 632 318	–	(1 494 604)	2 977 280
Land and buildings	–	382 356	2 990 480	–	–	3 372 836
Leasehold improvements	–	832 268	1 000 542	–	(289 294)	1 543 516
Lifting and other equipment	–	24 543 618	28 595 759	(1 482 788)	(4 214 327)	47 442 262
Mobile offices	–	191 998	855 911	–	(63 705)	984 204
Motor vehicles	–	58 894 852	59 622 137	(7 116 551)	(10 737 322)	100 663 116
Tools and workshop equipment	–	143 006	335 304	–	(89 485)	388 825
Treatment, plant and weighbridges	–	2 539 420	7 570 587	(1 345 157)	(311 073)	8 453 777
	–	98 380 083	126 299 257	(10 064 757)	(19 048 410)	195 566 173

## Group

Figures in Rand	2008	2007
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## Pledged as security

Carrying value of assets pledged as security (Refer to note 14):

Motor vehicles	131 050 787	80 012 028
Lifting and other equipment	32 019 856	18 327 659
Land and buildings	3 372 836	3 372 836
Site development costs	1 805 614	–

## Details of properties

Land and buildings comprise of stand holdings 121, Pomona Estate, Agricultural Holdings, Kempton Park. Held under title deed T 93963/2005

– Purchase price: 26 July 2005	2 200 000	2 200 000
– Additions since purchase: 2006	1 010 687	1 010 687
– Additions since purchase: 2007	162 149	162 149
	3 372 836	3 372 836

Land and buildings were valued on 1 December 2008 at a market value of R9 100 000 (2007: R3 700 000) by Mills Fitchet an independent expert. The assumptions underlying the valuation of land and buildings were based on current market conditions.

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

Figures in Rand	Cost	2008 Accumulated amortisation	Carrying value	Cost	2007 Accumulated amortisation	Carrying value
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## 4. GOODWILL

<b>Group</b>						
Goodwill	49 263 007	(931 193)	48 331 814	49 263 188	(931 193)	48 331 995

Reconciliation of goodwill – 2007				Additions through business combinations		
				Opening balance		Total
Goodwill				–	48 331 995	48 331 995

The goodwill was acquired during the purchase of the subsidiaries Inter-Waste (Proprietary) Limited and Enviro-Fill (Proprietary) Limited on 1 January 2007.

### Impairment reviews of goodwill

Significant goodwill and the cash-generating unit to which it relates are detailed below:

	Unit(s) allocated	Carrying amount
Interwaste (Proprietary) Limited	Interwaste group revenue stream	35 812 621
Enviro-Fill (Proprietary) Limited	Enviro-Fill group revenue stream	11 853 002

The recoverable amounts of goodwill identified above have been determined on the basis of value in use calculations. The value in use calculations use cash flow projections based on 2008 financial year figures, extrapolated at 10% per annum for a further five years. This five year cumulative cash flow was discounted using a weighted average cost of capital of 17,83%.

Key assumptions used in value in use calculations include estimated future Interwaste and Enviro-Fill group revenue streams. 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 10% would cause the valuation of goodwill to move by an amount of R18 million. A 1% change in the weighted average cost of capital would cause a movement of R12.3 million in the valuation. As the impairment test valuation exceeds the carrying amount by approximately 200%, there is minimal risk of an impairment loss existing at balance sheet date.

	Cost	2008 Accumulated amortisation	Carrying value	Cost	2007 Accumulated amortisation	Carrying value
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## 5. INTANGIBLE ASSETS

<b>Group</b>						
Permit for operation of treatment plant	179 200	–	179 200	179 200	–	179 200

Reconciliation of intangible assets – 2007				2007		
				Opening balance	Additions	Total
Permit for operation of treatment plant				–	179 200	179 200

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

Figures in Rand	2008	2007
<b>6. INVENTORIES</b>		
<b>Group</b>		
Consumables	732 104	1 247 009
Finished goods	–	2 722 930
Fuel	1 184 995	812 021
Raw materials	35 251 499	16 700 755
Work in progress	4 151 314	3 079 525
	<b>41 319 912</b>	<b>24 562 240</b>

Raw materials include unprocessed metal stock as well as bark compost. The bark compost was quantified by independent expert surveyors, SG Henning Surveyors and Management Consultants. The unprocessed metals were quantified by Turner & Townsend, quantity surveyors. Both Turner & Townsend and SG Henning are in no way connected to the Interwaste group of companies.

The amount of inventories recognised as an expense during the year amounted to R76 285 811 (2007: R39 592 921)

There are no inventories pledged as security for liabilities owing by the group.

No write down of inventory to net realisable value occurred during the year.

## 7. LOANS RECEIVABLE

<b>Group</b>		
Zeranza (Proprietary) Limited	–	120 000

	Group 2008	Company 2008	Group 2007	Company 2007
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## 8. LOANS TO/(FROM) SHAREHOLDERS

Wilco Family Trust	–	–	889 227	889 227
Filma Family Trust	–	–	71 798	71 798
Hamutenya & Kaulinge Investments	–	–	(35 975)	–
National Property Academy CC	–	–	(35 975)	–
Tibiyo Ta Mbuyze Trust	–	–	71 798	71 798
Kusasa Trust	–	–	71 798	71 798
GL Share Trust	–	–	71 798	71 798
MB Nicholls	–	–	23 680	23 680
	–	–	<b>1 128 149</b>	<b>1 200 099</b>
Current assets	–	–	<b>1 200 099</b>	<b>1 200 099</b>
Current liabilities	–	–	<b>(71 950)</b>	<b>–</b>
	–	–	<b>1 128 149</b>	<b>1 200 099</b>

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

Figures in Rand	Group 2008	Company 2008	Group 2007	Company 2007
<b>9. TRADE AND OTHER RECEIVABLES</b>				
Accrued income	6 844	–	277 072	–
Deposits	7 481 824	–	195 099	–
Other receivables	1 628 588	63 103	3 731 338	–
Prepayments	2 964 721	–	5 527 563	–
Sundry debtors	594 330	–	455 742	–
Trade receivables	70 524 603	704 419	75 941 890	455 742
VAT	185 819	13 312	4 447 427	249 451
	<b>83 386 729</b>	<b>780 834</b>	<b>90 576 131</b>	<b>705 193</b>

## Fair value of trade and other receivables

There is no material difference between the fair value of trade and other receivables and their book value.

## Trade and other receivables impaired

The amount of the provision was R817 839 (2007: R708 840)

The ageing of these receivables is as follows:

Over four months	817 839	–	708 840	–
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## Reconciliation of provision for impairment of trade and other receivables

Opening balance	708 840	–	–	–
Amounts acquired as part of business combination	–	–	577 466	–
Provision for impairment	108 999	–	304 070	–
Amounts written off as uncollectible	–	–	(172 696)	–
	<b>817 839</b>	<b>–</b>	<b>708 840</b>	<b>–</b>

The creation and release of the provision for impaired receivables has been included in operating expenses in the income statement.

Interwaste (Proprietary) Limited and Enviro-Fill (Proprietary) Limited have ceded the book value of trade debtors, contract and retention monies as security in favour of Standard Bank Limited.

## 10. DEPOSITS

The deposit of R2 311 200 in 2007 relates to a deposit paid for the property at 18 Vickers Road, City Deep, Gauteng. There is no material difference between the fair value of the deposit and its book value.

–	–	2 311 200	–
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## 11. OPERATING LEASE ASSET/(LIABILITY)

Opening balance	189 928	–	–	–
Movement during the year	–	–	189 928	–
	<b>189 928</b>	<b>–</b>	<b>189 928</b>	<b>–</b>
Current assets	189 928	–	419 454	–
Non-current liabilities	–	–	(229 526)	–
	<b>189 928</b>	<b>–</b>	<b>189 928</b>	<b>–</b>

There is no material difference between the market and fair value of these operating lease assets and liabilities.

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

Figures in Rand	Group 2008	Company 2008	Group 2007	Company 2007
<b>12. CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents consist of:				
Cash on hand	169 460	–	188 469	–
Bank balances	9 726 779	476 244	9 515 348	835 092
Short-term deposits	2 117 933	–	8 110 482	8 110 482
Prudential Dividend Investment Fund	2 072 731	2 072 731	18 267 827	18 267 827
Bank overdraft	(1 171 103)	–	(12 715 886)	–
	<b>12 915 800</b>	<b>2 548 975</b>	<b>23 366 240</b>	<b>27 213 401</b>
Current assets	<b>14 086 903</b>	<b>2 548 975</b>	<b>36 082 126</b>	<b>27 213 401</b>
Current liabilities	<b>(1 171 103)</b>	<b>–</b>	<b>(12 715 886)</b>	<b>–</b>
	<b>12 915 800</b>	<b>2 548 975</b>	<b>23 366 240</b>	<b>27 213 401</b>

## As at 31 December 2008 the overdraft facilities are secured by:

Inter-Waste (Proprietary) Limited overdraft facilities are secured by the following:

Momentum Life Policy

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

Enviro-Fill (Proprietary) Limited has issued an unlimited suretyship in favour of Standard Bank Limited for Kutu Waste Management Services (Proprietary) Limited

The directors of Enviro-Fill (Proprietary) Limited have signed unlimited suretyship in favour of Standard Bank Limited.

Bank overdrafts, repayable on demand, fluctuate from being positive to overdrawn and are considered an integral part of the groups' cash management for cash flow purposes.

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

## 13. SHARE CAPITAL

### Authorised

500 000 000 ordinary shares of R0,0001 each	50 000	50 000	50 000	50 000
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### Reconciliation of number of shares issued:

Balance brought forward	343 979 551	343 979 551	100	100
Issue of shares – ordinary shares	–	–	343 979 451	343 979 451
Share cancellation	(90 000 000)	(90 000 000)	–	–
	<b>253 979 551</b>	<b>253 979 551</b>	<b>343 979 551</b>	<b>343 979 551</b>

246 020 449 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.

### Issued

253 979 551 ordinary shares of R0,0001 each	25 398	25 398	34 398	34 398
Share premium	175 466 555	182 465 855	177 269 457	184 268 757
Treasury shares	(700)	–	(700)	–
	<b>175 491 253</b>	<b>182 491 253</b>	<b>177 303 155</b>	<b>184 303 155</b>

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

Figures in Rand	Group 2008	Company 2008	Group 2007	Company 2007
<b>14. OTHER FINANCIAL LIABILITIES</b>				
<b>Held at amortised cost</b>				
Instalment sale agreements	123 214 837	–	111 388 182	–
The instalment sale agreements are payable over two to three years at interest rates ranging from prime less 2% to prime, secured by motor vehicles and lifting and other equipment. (Refer note 3). Instalment sales are held with ABSA Bank, Nedbank, Daimler Chrysler South Africa and BOE Bank.				
<b>Ex-Waste (Proprietary) Limited</b>	–	–	2 115 913	–
<b>EJ Braak Environmental (Proprietary) Limited</b>	–	–	80 664	–
<b>African Scrap Metal Processing CC</b>	–	–	27 775	–
<b>Abisa Bank Limited</b>	73 831	–	89 576	–
The loan bears interest at prime bank lending rates and is repayable over a period of 20 years. Secured by land and buildings with a book value of R3 372 836. (Refer to note 3).				
	123 288 668	–	113 702 110	–
<b>Non-current liabilities</b>				
At amortised cost	68 495 492	–	67 746 811	–
<b>Current liabilities</b>				
At amortised cost	54 793 176	–	45 955 299	–
	123 288 668	–	113 702 110	–
There is no material difference between the fair value of other financial liabilities and their book value. Increases in other financial liabilities have arisen as a result of increased capital expenditure incurred by the group.				
<b>15. DEFERRED TAX</b>				
<b>Deferred tax asset/(liability)</b>				
Accelerated capital allowances	(25 170 705)	–	(21 769 388)	–
Deferred lease	(53 179)	–	(55 079)	–
Other originating temporary differences	836 910	40 190	496 538	–
STC credit	–	–	35 000	–
Tax losses available for set off against future taxable income	1 669 815	–	4 157 091	–
	(22 717 159)	40 190	(17 135 838)	–
<b>Reconciliation of deferred tax asset/(liability)</b>				
Opening balance	(17 135 838)	–	–	–
At acquisition of subsidiaries	–	–	(17 413 898)	–
Accelerated capital allowances	(4 151 986)	–	(1 603 715)	–
Deferred lease	–	–	(55 079)	–
(Decrease)/increase in tax loss available for set off against future taxable income	(2 343 928)	–	1 626 092	–
Other originating temporary differences	357 494	40 190	275 762	–
STC credit	(33 793)	–	35 000	–
Rate change	590 892	–	–	–
	(22 717 159)	40 190	(17 135 838)	–
Non-current asset	2 506 725	40 190	–	–
Non-current liability	(25 223 884)	–	(17 135 838)	–
	(22 717 159)	40 190	(17 135 838)	–

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

Figures in Rand	Group 2008	Company 2008	Group 2007	Company 2007
<b>16. TRADE AND OTHER PAYABLES</b>				
Accrued expenses	5 752 742	–	4 885 276	–
Deposits received	–	–	1 260	–
Other payables	1 826 378	400 703	5 403 920	–
Trade payables	36 767 950	72 457	37 718 757	61 751
Accrued audit fees	–	–	–	67 700
VAT	2 621 569	–	1 721 746	–
	<b>46 968 639</b>	<b>473 160</b>	<b>49 730 959</b>	<b>129 451</b>
Accrued liabilities represent miscellaneous contractual liabilities that relate to expenses that were incurred, but not paid for at the year end. The book value of trade and other payables is considered to be in line with their fair value at balance sheet date.				
<b>17. REVENUE</b>				
Sale of goods	322 740 883	–	222 447 686	–
Rendering of services	148 415 260	–	113 097 874	–
	<b>471 156 143</b>	<b>–</b>	<b>335 545 560</b>	<b>–</b>
<b>18. COST OF SALES</b>				
<b>Sale of goods</b>				
Cost of goods sold	76 285 811	–	39 592 921	–
<b>Rendering of services</b>				
Cost of services	221 943 191	–	163 399 146	–
	<b>298 229 002</b>	<b>–</b>	<b>202 992 067</b>	<b>–</b>
<b>19. OPERATING PROFIT</b>				
Operating profit for the year is stated after accounting for the following:				
Interest from subsidiaries	–	9 134 819	–	1 828 135
<b>Operating lease charges</b>				
Premises				
Contractual amounts	4 184 674	–	4 362 669	–
Motor vehicles				
Contractual amounts	104 025	–	339 713	–
Equipment				
Contractual amounts	89 619	–	203 916	–
Lease rentals				
Contractual amounts	–	–	335 863	–
	<b>4 378 318</b>	<b>9 134 819</b>	<b>5 242 161</b>	<b>1 828 135</b>
Profit on sale of property, plant and equipment	579 465	–	3 396 537	–
Depreciation on property, plant and equipment	21 314 155	10 033	19 048 410	–
Employee costs	52 561 495	5 772 811	43 461 075	–
Positive goodwill on business combination	–	–	(250 575)	–

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

Figures in Rand	Group 2008	Company 2008	Group 2007	Company 2007
<b>20. INVESTMENT REVENUE</b>				
<b>Dividend revenue</b>				
Unit trusts – local	604 904	604 904	1 267 827	1 267 827
<b>Interest revenue</b>				
Subsidiaries	–	9 134 819	–	1 828 135
Other	3 100 819	–	–	–
Bank	841 268	662 726	1 476 726	1 071 144
	4 546 991	10 402 449	2 744 553	4 167 106
<b>21. FINANCE COSTS</b>				
Other financial liabilities	8 513 515	–	11 976 262	–
Bank	8 737 228	1 732	893 454	676
Other	3 294 870	–	–	–
Late payment of tax	10 702	–	10 986	–
Other interest paid	190 736	–	24 754	24 754
	20 747 051	1 732	12 905 456	25 430
<b>22. TAXATION</b>				
<b>Major components of the tax expense</b>				
<b>Current</b>				
Local income tax – current period	7 949 563	457 351	8 679 484	594 099
STC	–	–	31 500	–
Donations tax	–	–	2 545	–
	7 949 563	457 351	8 713 529	594 099
<b>Deferred</b>				
Temporary difference on tangible assets	4 151 986	–	1 603 715	–
Tax losses available for set off against future taxable income	2 343 928	(40 190)	(1 626 106)	–
Deferred lease	–	–	55 079	–
STC credit	33 793	–	(35 000)	–
Other deferred tax	(357 494)	–	(275 762)	–
Rate change	(590 932)	–	–	–
	5 581 281	(40 190)	(278 074)	–
	13 530 844	417 161	8 435 455	594 099
<b>Reconciliation of the tax expense</b>	%	%	%	%
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	28,00	28,00	29,00	29,00
Capital gains tax	(0,13)	–	0,35	–
Disallowable charges	2,44	(330)	(1,74)	–
Exempt income	(1,11)	–	(1,70)	(11,09)
Temporary differences	(4,43)	(1,52)	0,59	–
	24,77	(303,52)	26,50	17,91

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

Figures in Rand	Group 2008	Company 2008	Group 2007	Company 2007
<b>23. CASH GENERATED FROM OPERATIONS</b>				
Profit before taxation	54 623 930	(137 440)	31 813 557	3 316 443
<b>Adjustments for:</b>				
Depreciation	21 314 155	10 033	19 048 410	–
Profit on sale of assets	(579 465)	–	(3 396 537)	–
Dividends received	(604 904)	(604 904)	(1 267 827)	(1 267 827)
Interest received	(3 942 087)	(9 797 545)	(1 476 726)	(2 899 279)
Finance costs	20 747 051	1 732	12 905 456	25 430
Positive goodwill	–	–	(250 575)	–
Share-based payment expense	906 040	–	666 429	666 429
Deferred lease asset	–	–	189 928	–
<b>Changes in working capital:</b>				
Inventories	(16 757 672)	–	(13 213 266)	–
Trade and other receivables	7 189 402	(75 641)	(35 580 905)	(705 193)
Deposits	2 311 200	–	(2 311 200)	–
Trade and other payables	(2 762 103)	343 711	19 953 898	129 451
	82 445 547	(10 260 054)	27 080 642	(734 546)
<b>24. TAX PAID</b>				
Current tax for the period recognised in income statement	(13 530 844)	(417 161)	(8 435 455)	(594 099)
Adjustment in respect of businesses acquired during the period	–	–	(11 907 306)	–
Deferred tax adjustment	5 581 281	(40 191)	(278 074)	–
Tax payable opening balance	(4 267 486)	(594 099)	4 267 486	594 099
Tax receivable closing balance	(2 913 503)	764 644	–	–
	(15 130 552)	(286 807)	(16 353 349)	–

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

Figures in Rand	2008	2007
<b>25. ACQUISITION OF BUSINESSES</b>		
<b>Group</b>		
<b>Fair value of assets acquired – Inter-Waste (Proprietary) Limited</b>		
Property, plant and equipment	–	93 291 817
Investments	–	5 339 763
Inventories	–	10 666 716
Trade and other receivables	–	40 357 132
Trade and other payables	–	(19 735 026)
Tax liability	–	(11 766 713)
Other financial liabilities	–	(60 473 384)
Cash	–	(1 930 005)
Deferred tax liability	–	(13 048 164)
Loans from shareholders	–	(682 377)
Outside shareholders	–	(944 975)
Total net assets acquired	–	41 074 784
Goodwill on acquisition	–	34 376 274
<b>Purchase consideration</b>	–	<b>75 451 058</b>
<b>Consideration paid</b>		
Equity	–	(75 451 058)
<b>Net cash outflow on acquisition</b>		
Cash acquired	–	(1 930 005)
<b>Fair value of assets acquired – Enviro-Fill (Proprietary) Limited</b>		
Property, plant and equipment	–	33 007 440
Deferred tax liability	–	(4 448 523)
Inventories	–	682 258
Trade and other receivables	–	14 638 094
Trade and other payables	–	(9 441 796)
Tax liability	–	(140 593)
Loans from shareholders	–	(71 950)
Cash	–	388 362
Other financial liabilities	–	(16 545 629)
Dividend payable	–	(1 875 000)
Outside shareholders	–	(1 389 677)
Total net assets acquired	–	14 802 986
Less: Existing share of net assets before acquisition	–	11 853 003
<b>Purchase consideration</b>	–	<b>26 655 989</b>
<b>Consideration paid</b>		
Equity	–	(26 655 989)
<b>Net cash outflow on acquisition</b>		
Cash acquired	–	388 362
<b>Cash acquired – Total</b>	–	<b>(1 541 643)</b>

On 1 January 2007 the company acquired 100% of Inter-Waste (Proprietary) Limited and Enviro-Fill (Proprietary) Limited.

The goodwill represents the future income earning capacity of the individual businesses.

No acquisitions have been completed during the 2008 financial year.

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

Figures in Rand	2008	2007
<b>26. DIVIDENDS PAID</b>		
<b>Group</b>		
Balance at beginning of period	(157 500)	–
Adjustment in respect of businesses acquired during the period	–	(1 875 000)
Dividends	–	(1 400 000)
Balance at end of the period	–	157 500
	(157 500)	(3 117 500)

## 27. RELATED PARTIES

### Group

#### Relationships

Shareholder	Wilco Family Trust
Shareholder	Frilma Family Trust
Shareholder	Tibiyo Ta Mbuyze Trust
Shareholder	Kusasa Trust
Shareholder	GL Share Trust
Shareholder	MB Nicholls
Shareholder of Enviro-Fill Namibia (Proprietary) Limited	National Property Academy CC
Shareholder of Enviro-Fill Namibia (Proprietary) Limited	Hamutenya & Kaulinge Investments
MB Nicholls shareholder	Ex-Waste (Proprietary) Limited
Director	EG Dube
Director	WAH Willcocks
Director	LC Grobbelaar
Director	BL Willcocks
Director	MIG John
Director	SM Jewaskiewitz
Director	GR Tipper

#### Related party balances

##### Loan accounts – Owing (to)/by related parties

Wilco Family Trust	–	889 227
Frilma Family Trust	–	71 798
Tibiyo Ta Mbuyze Trust	–	71 798
Kusasa Trust	–	71 798
GL Share Trust	–	71 798
MB Nicholls	–	23 680
National Property Academy CC	–	(35 975)
Hamutenya & Kaulinge Investments	–	(35 975)
Ex-Waste (Proprietary) Limited	(3 560 068)	(2 115 913)

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

Figures in Rand	2008	2007
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## 27. RELATED PARTIES (continued)

### Company

#### Relationships

Subsidiary	Inter-Waste (Proprietary) Limited
Subsidiary	Enviro-Fill (Proprietary) Limited
Subsidiary	Interwaste Properties (Proprietary) Limited
Special purpose entity	Interwaste Share Incentive Trust
Sub-subsidiary	Earth 2 Earth (Proprietary) Limited
Sub-subsidiary	The Metals Recovery Company (Proprietary) Limited
Sub-subsidiary	Interwaste Cleaning (Proprietary) Limited
Sub-subsidiary	Kutu Waste Management Services (Proprietary) Limited
Sub-subsidiary	Platinum Waste Resources (Proprietary) Limited
Sub-subsidiary	Enviro-Fill Namibia (Proprietary) Limited
Sub-subsidiary	Cyclone Engineering Projects (Proprietary) Limited
Sub-subsidiary	Envitech Projects (Proprietary) Limited
Director	EG Dube
Director and Trustee of The N2 Property Trust	WAH Willcocks
Director	LC Grobbelaar
Director and Trustee of The N2 Property Trust	BL Willcocks
Director	GR Tipper
Director	MIG John
Director	SM Jewaskiewitz
Shareholder	MB Nicholls
Shareholder	GL Share Trust
Shareholder	Kusasa Trust
Shareholder	Tibiyo Ta Mbuyze Trust
Shareholder	Filma Family Trust
Shareholder	Wilco Family Trust

### Related party balances

#### Loan accounts – Owing (to)/by related parties

Inter-Waste (Proprietary) Limited	62 334 076	35 653 794
Enviro-Fill (Proprietary) Limited	13 117 957	11 536 945
Interwaste Share Incentive Scheme	4 837 000	7 000 000
Interwaste Properties (Proprietary) Limited	61 000	2 332 471
MB Nicholls	–	23 680
GL Share Trust	–	71 798
Kusasa Trust	–	71 798
Tibiyo Ta Mbuyze Trust	–	71 798
Filma Family Trust	–	71 798
Wilco Family Trust	–	889 227

### Related party transactions

#### Interest received from related parties

Inter-Waste (Proprietary) Limited	(7 332 945)	(1 387 392)
Enviro-Fill (Proprietary) Limited	(1 801 875)	(419 372)
Interwaste Properties (Proprietary) Limited	–	(21 371)

Rental expenses that were paid to The N2 Property Trust were incurred at market related amounts.

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

Figures in Rand	Group 2008	Company 2008	Group 2007	Company 2007	
28. AUDITORS' REMUNERATION					
Fees	1 258 018	273 239	678 529	245 994	
Consulting	21 000	256 176	202 631	115 591	
	1 279 018	529 415	881 160	361 585	
	Basic	Enter- tainment	Motor Allowance	Bonus	Total

## 29. DIRECTORS' EMOLUMENTS

### Group 2008

#### Executive

Alan Willcocks	1 719 786	1 400	40 000	–	1 761 186
Bronwyn Willcocks	1 068 902	1 400	–	–	1 070 302
Leon Grobbelaar	990 400	–	140 000	–	1 130 400
Ivan John	564 000	–	36 000	72 625	672 625
Neels Venter	373 159	–	73 844	–	447 003
Stanislaus Marthinus Jewaskiewitz	131 040	–	–	–	131 040
	4 847 287	2 800	289 844	72 625	5 212 556

### Group 2007

#### Executive

Alan Willcocks	1 466 928	3 500	100 000	–	1 570 428
Bronwyn Willcocks	977 952	3 500	–	–	981 452
Leon Grobbelaar	681 000	–	168 700	80 000	929 700
Neels Venter	696 000	–	160 000	80 000	936 000
Less: Paid by subsidiaries	(3 821 880)	(7 000)	(428 700)	(160 000)	(4 417 580)

– – – – –

#### Non-Executive

No emoluments have been paid to non-executive directors.

## 30. COMPARATIVE FIGURES

Comparative figures for both the Interwaste Holdings Limited as well as the Interwaste Holdings group are shown for all annual financial statement elements.

## 31. SHARE INCENTIVE SCHEME

### Information on options granted during the year

In terms of the Interwaste Holdings Share Incentive Scheme, shares are sold to selected employees. The purchase price is equal to the middle market price of the shares on the JSE Limited on the trading day immediately preceding the allocation to the employee. The purchase consideration is funded by a loan from the share incentive trust to the employee. Options vest in tranches over a period of four 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 one employee may be entitled to at any time is 1% of the ordinary issued 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.

The following assumptions were used in valuing the various option grants:

	2008	2007
Expected volatility	47%	47%
Risk-free interest rate	8,58 - 9,15	8,58 - 9,15
Expected dividend yield	–	–
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 in 2007 and 2008 of 47% reflects the assumption that the historical volatilities of 47% are indicative of future trends.

The fair value of the share options that were granted over the year to 31 December 2008 is R906 040 (2007: R666 429).

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

## 31. SHARE INCENTIVE SCHEME (continued)

The following table illustrates the number and weighted average exercise prices of share options held by eligible participants:

	2008 Number of share options	2008 Weighted average exercise price (R)	2007 Number of share options	2007 Weighted average exercise price (R)
At 1 January	6 325 000	1,00	–	–
New allocations made	–	–	7 000 000	1,00
Forfeited allocations	(496 000)	1,00	(675 000)	1,00
Outstanding at 31 December	5 829 000	1,00	6 325 000	1,00
Average subscription price per share	1,00	1,00	1,00	1,00

The options outstanding at 31 December 2008 become unconditional on the following dates:

	2008 Subscription price (R)	2008 Number of shares	2007 Subscription price (R)	2007 Number of shares
13 June 2008	1,00	769 000	1,00	1 265 000
13 June 2009	1,00	1 581 250	1,00	1 581 250
13 June 2010	1,00	1 581 250	1,00	1 581 250
13 June 2011	1,00	1 897 500	1,00	1 897 500
		5 829 000		6 325 000

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

## 32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

The Board of Directors has approved strategies for the management of financial risks, which are in line with corporate objectives. These guidelines set up the short- and long-term objectives and action to be taken in order to manage the financial risks that the group faces.

The major guidelines of this policy are the following:

- Minimise interest rate, currency and market risk for all kinds of transactions.
- All financial risk management activities are carried out and monitored at central level.
- All financial risk management activities are carried out on a prudent and consistent basis and follow the best market practices.

The main market risks to which the group is exposed are interest rates and credit risk. There is also exposure to liquidity risk.

Figures in Rand	Group 2008	Company 2008	Group 2007	Company 2007
Current tax receivable	5 504 785	–	–	–
Loans and receivables: Trade and other receivables	83 386 279	780 834	90 576 131	705 193
Loans and receivables: Loans to group companies	–	80 350 033	–	56 523 210
Cash and cash equivalents	14 086 903	2 548 975	36 082 126	27 213 401
Loans and receivables: Shareholder loans	–	–	1 200 099	1 200 099
Loans and receivable	–	–	120 000	–
Deposits	–	–	2 311 200	–
	102 977 967	83 679 842	130 289 556	85 641 903
Measured at amortised cost:				
Borrowings and instalment sale agreements	123 288 668	–	113 702 110	–
Other financial liabilities: Shareholder loans	–	–	71 950	–
Other financial liabilities: Trade and other payables	46 968 639	473 162	49 730 959	129 451
Current tax payable	2 591 282	764 644	4 267 486	594 099
Bank overdraft	1 171 103	–	12 715 886	–
	174 019 692	1 237 806	180 488 391	723 550

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

## 32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (continued)

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis.

Credit guarantee insurance is purchased when deemed appropriate.

The table below shows the credit limit and balance of the five major trade receivables at the balance sheet date. No ratings of customers have been performed by the bank, however credit ratings are obtained from a recognised credit rating institution.

Figures in Rand			31 December	31 December
Debtor	Rating	Credit limit	2008	2007
Debtor A	not done	None	5 791 206	9 464 071
Debtor B	not done	None	2 401 729	2 569 188
Debtor C	not done	None	2 074 804	2 108 644
Debtor D	not done	None	1 934 416	2 074 804
Debtor E	not done	None	1 903 039	1 340 529
Less than 30 days			<b>31 604 426</b>	<b>35 413 276</b>
31 – 60 days			<b>19 832 639</b>	<b>18 851 313</b>
61 – 90 days			<b>7 042 611</b>	<b>7 504 321</b>
91 – 180 days			<b>6 688 021</b>	<b>7 219 853</b>
Over 180 days			<b>5 356 906</b>	<b>6 953 127</b>
			<b>70 524 603</b>	<b>75 941 890</b>

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, group management maintains flexibility in funding by maintaining availability under committed credit lines.

The group's risk to liquidity is as a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years
<b>At 31 December 2008</b>		
Other financial liabilities	<b>54 793 176</b>	<b>68 495 226</b>
Trade and other payables	<b>46 968 639</b>	–
Bank overdraft	<b>1 171 103</b>	–
<b>At 31 December 2007</b>		
Other financial liabilities	<b>45 955 299</b>	<b>67 746 811</b>
Trade and other payables	<b>49 730 959</b>	–
Bank overdraft	<b>12 715 886</b>	–

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

Figures in Rand	2008	2007
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## 32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (continued)

### Interest rate risk

#### Group

The group's exposure to interest rate risk mainly concerns financial liabilities and assets. These are both floating rate and non-interest bearing instruments. At present the group does not hold loans and receivables that are long-term in nature. The following table analyses the breakdown of liabilities by type of interest rate:

	Floating Rate	Floating Rate
<b>Interest bearing</b>		
Other financial (liabilities)/assets	(123 288 668)	(113 702 110)
Bank overdraft	(1 171 103)	(12 715 886)
Cash and cash equivalents	14 086 903	36 082 126
<b>Non interest bearing</b>		
Trade and other receivables	83 386 729	90 576 131
Trade and other payables	46 968 639	49 730 959

### Sensitivity analysis

A hypothetical increase/decrease in interest rates by 50 basis points, with all other variables remaining constant, would increase/decrease profits after tax by R397 342 (2007: R325 209).

A hypothetical increase/decrease in interest rates by 100 basis points, with all other variables remaining constant, would increase/decrease profits after tax by R794 684 (2007: R650 418).

The analysis has been performed for floating interest rate financial liabilities. The impact of a change in interest rates on floating interest rate financial liabilities has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses.

### Company

The company has no exposure to interest rate risk. The following table analyses the breakdown of assets by type of interest rate

Figures in Rand	2008	2007
Floating rate	78 062 008	76 736 611
Non-interest bearing	4 837 000	7 000 000
	82 899 008	83 736 611

### Sensitivity analysis

A hypothetical increase/decrease in interest rates by 50 basis points, with all other variables remaining constant, would increase/decrease profits after tax by R281 023 (2007: R301 457).

A hypothetical increase/decrease in interest rates by 100 basis points, with all other variables remaining constant, would increase/decrease profits after tax by R562 046 (2007: R502 903).

### Foreign currency risk

Since the company operates internationally, it is exposed to foreign currency risk as part of its normal industrial and commercial business. In particular, the company is exposed to USD currency risk due to sales made to the relevant countries.

The company does not hedge foreign exchange fluctuations.

Financial assets as at 31 December 2008 are analysed by currency as follows:

	2008 Trade and other receivables	2007 Trade and other receivables
USD	86 565	50 640

### Sensitivity analysis

A hypothetical 10% increase/decrease in the exchange rate of the Rand against the USD would increase/decrease profits after tax by R82 193 (2007: R35 547).

### Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities), cash and cash equivalents and equity as disclosed in the balance sheet.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

Figures in Rand	Group 2008	Company 2008	Group 2007	Company 2007
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## 33. CONTINGENCIES

### Tax consequences of undistributed reserves

STC on remaining reserves	5 512 815	197 067	1 911 845	247 486
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The group has signed an unlimited cross deed of suretyship for Inter-Waste (Proprietary) Limited, Enviro-Fill (Proprietary) Limited, Earth 2 Earth (Proprietary) Limited and The Metals Recovery Company (Proprietary) Limited.

Figures in Rand	2008	2007
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## 34. COMMITMENTS

### Group

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1 342 887	2 438 933
- in second to fifth year inclusive	1 930 624	4 469 080
	3 273 511	6 908 013

Operating lease payments represent rentals payable by the group for certain of its office properties.

Leases are negotiated for an average term of one year with an option to re-new for a further 5 years.

### Authorised capital expenditure

The group has entered into an agreement to purchase a business to the amount of R10 000 000. A deposit of R5 000 000 was paid in the current year and the balance of R5 000 000 will be paid on 5 June 2009.

## 35. EARNINGS AND FULLY DILUTED EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on earnings of R39 610 676 and a weighted average number of shares in issue of 272 061 517.

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 earnings per ordinary share is based on earnings of R39 610 676 and a weighted average number of shares in issue of 329 311 207.

## 36. HEADLINE EARNINGS AND FULLY DILUTED HEADLINE EARNINGS

The headline earnings per ordinary share of 14.41 cents is based on earnings of R39 193 461 and a weighted average number of shares in issue of 272 061 517.

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 earnings per ordinary share of 11.90 cents is based on earnings of R39 193 461 and a weighted average number of shares in issue of 329 311 207.

Reconciliation of headline earnings:

Attributable profit per the income statement	39 610 676	22 430 290
Adjusted for:		
- Profit on sale of property, plant and equipment	(417 215)	(2 411 541)
Fully diluted headline earnings	39 193 461	20 018 749

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

Figures in Rand	2008	2007
<b>37. SEGMENT REPORT</b>		
<b>Gross revenue</b>		
Waste management	289 205 526	177 635 913
Compost manufacturing and sales	61 146 107	44 995 576
Landfill management, construction and rehabilitation	120 804 510	112 914 071
	<b>471 156 143</b>	<b>335 545 560</b>
<b>Operating profit before finance costs and tax</b>		
Waste management	48 116 825	26 478 200
Compost manufacturing and sales	7 534 635	988 343
Landfill management, construction and rehabilitation	19 719 521	17 252 470
	<b>75 370 981</b>	<b>44 719 013</b>
<b>Depreciation</b>		
Waste management	15 189 979	13 858 449
Compost manufacturing and sales	1 417 746	980 634
Landfill management, construction and rehabilitation	4 706 430	4 209 327
	<b>21 314 155</b>	<b>19 048 410</b>
<b>Segment assets</b>		
Waste management	333 548 872	266 419 458
Compost manufacturing and sales	706 620	47 518 445
Landfill management, construction and rehabilitation	106 512 671	85 410 715
	<b>440 768 163</b>	<b>399 348 618</b>
<b>Segment liabilities</b>		
Waste management	124 277 367	130 837 910
Compost manufacturing and sales	3 532 391	19 147 723
Landfill management, construction and rehabilitation	71 433 818	48 025 622
	<b>199 243 576</b>	<b>198 011 255</b>
<b>Capital expenditure</b>		
Waste management	89 002 851	68 987 073
Compost manufacturing and sales	7 123 275	15 232 144
Landfill management, construction and rehabilitation	28 801 049	14 160 866
	<b>124 927 175</b>	<b>98 380 083</b>

For management purposes the group is organised into three major operating divisions: waste management, compost manufacturing and landfill management. Such structural organisation is determined by the nature of risks and returns associated with each business segment and define the management structure as well as the internal reporting system. It represents the basis on which the group reports its primary segment information.

The waste management segment aims to provide leading integrated waste management offerings through innovative, highly competitive, quality services that meet and exceed our stakeholders expectations.

The compost manufacturing segment is involved with the manufacture and sale of natural bark compost.

The landfill management segment operate and manage landfills on behalf of local municipalities in and around southern Africa.

# Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

	Beneficial Direct	2008 Beneficial Indirect	Total	Beneficial Direct	2007 Beneficial Indirect	Total
<b>38. DIRECTORS' SHAREHOLDING</b>						
<b>Executive</b>						
Alan Willcocks	78 000	40 077 234	40 155 234	-	79 050 606	79 050 606
Bronwyn Willcocks	-	46 585 316	46 585 316	-	79 050 606	79 050 606
Leon Grobbelaar	-	7 516 948	7 516 948	-	12 016 918	12 016 918
Stanislaus Marthinus Jewaskiewitz	-	260 000	260 000	-	20 000	20 000
Neels Venter (resigned)	-	-	-	-	12 766 917	12 766 917
<b>Non executive</b>						
Ethan Gilbert Dube	-	47 500 000	47 500 000	-	47 500 000	47 500 000
Gavin Tipper	300 000	-	300 000	-	-	-
	<b>378 000</b>	<b>141 939 498</b>	<b>142 317 498</b>	<b>-</b>	<b>230 405 047</b>	<b>230 405 047</b>

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

The company has not been advised of any changes in the above interests of the directors during the period up to the date of this report other than those referred to in notes 4 and 5 of the directors report.

## 39. 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 Income Statement, was R1 532 042.

The company is under no obligation to cover any unfunded benefits.

Figures in Rand	Group 2008	Group 2007	Company 2008	Company 2007
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## 40. INVESTMENT IN SUBSIDIARIES

Unlisted shares at cost	-	-	103 679 614	102 773 575
Net amount owing by subsidiaries	-	-	80 350 033	56 523 210
	<b>-</b>	<b>-</b>	<b>184 029 647</b>	<b>159 296 785</b>

A schedule of subsidiaries of the group and loans to group companies is set out in the Schedule of Investments in Subsidiaries and Shareholder Analysis.

# Schedule of Investments in Subsidiaries & Shareholder Analysis

For the period ended 31 December 2008

Group Figures in Rand	Share capital	% holding 2008	Shares cost 2008	Amounts owing by/(to) subsidiaries
<b>1. INVESTMENTS IN SUBSIDIARIES</b>				
<b>Direct</b>				
Inter-Waste (Proprietary) Limited	900	100	75 903 871	62 334 076
Enviro-Fill (Proprietary) Limited	100	100	26 869 604	13 117 957
Interwaste Properties (Proprietary) Limited	100	100	100	61 000
<b>Indirect</b>				
Earth 2 Earth (Proprietary) Limited	100	100	588 137	-
Interwaste Cleaning (Proprietary) Limited	100	49	49	-
The Metal Recovery Company (Proprietary) Limited	100	100	100	-
Kutu Waste Management Services (Proprietary) Limited	100	100	1 506 125	-
Platinum Waste Resources (Proprietary) Limited	100	52	78 000	-
Enviro-Fill Namibia (Proprietary) Limited	100	50	52	-
Cyclone Engineering Projects (Proprietary) Limited	100	36,95	370	-
Envitech Projects (Proprietary) Limited	100	51	100	-
			104 946 508	75 513 033

Company	% holding 2008	% holding 2007	Carrying amount 2008	Carrying amount 2007
Inter-Waste (Proprietary) Limited	100	100	76 809 910	75 903 871
Enviro-Fill (Proprietary) Limited	100	100	26 869 604	26 869 604
Interwaste Properties (Proprietary) Limited	100	100	100	100
			103 679 614	102 773 575

## Loans to group companies

### Subsidiaries

Inter-Waste (Proprietary) Limited	62 334 076	35 653 794
The loan is unsecured, bears interest at prime bank lending rate minus 1% per annum and has no fixed terms of repayment.		
Enviro-Fill (Proprietary) Limited	13 117 957	11 536 945
The loan is unsecured, bears interest at prime bank lending rate minus 1% per annum and has no fixed terms of repayment.		
Interwaste Share Incentive Trust	4 837 000	7 000 000
The loan is unsecured, interest free and has no fixed terms of repayment.		
Interwaste Properties (Proprietary) Limited	61 000	2 332 471
The loan is unsecured, bears interest at prime bank lending rate minus 1% per annum and has no fixed terms of repayment.		
	80 350 033	56 523 210

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

# Supplementary Information

For the period ended 31 December 2008

	Number of shareholders	%	Number of shares	%
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## 2. SHAREHOLDER ANALYSIS

### Holdings

1- 1 000	400	39.88	222 839	0.06
1 001- 10 000	337	33.60	1 516 040	0.44
10 001- 100 000	195	19.44	7 124 986	2.07
100 001-1 000 000	47	4.69	15 140 948	4.40
>1 000 000	24	2.39	229 974 738	93.03
	1 003	100.00	253 979 551	100.00

	Number of shareholders	%	Number of shares	%
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### Analysis of holdings

Banks	1	0.11	704 353	0.28
Brokers	1	0.11	450	0.00
Close Corporations	18	1.79	421 457	0.17
Endowment funds	2	0.21	7 913	0.00
Individuals	852	84.95	31 774 933	12.51
Insurance companies	2	0.21	9 032 930	3.56
Investment companies	4	0.40	1 404 412	0.55
Medical aid schemes	1	0.11	9 056	0.00
Mutual funds	3	0.31	11 639 355	4.58
Nominees and trusts	69	6.88	112 196 957	44.18
Other corporates	5	0.51	86 539	0.03
Pension funds	9	0.91	513 086	0.20
Private companies	35	3.49	79 188 110	31.18
Share trusts	1	0.01	7 000 000	2.76
	1 003	100.00	253 979 551	100.00

	Number of shareholders	%	Number of shares	%
--	---------------------------	---	---------------------	---

### Public/non-public shareholders

<b>Public</b>	991	99.9	103 362 053	40.70
<b>Non-public</b>	12	0.1	150 617 498	59.30
Directors and associates	11	0.1	143 617 498	56.50
Share Incentive Trust	1	0.00	7 000 000	2.80
	1 003	100.00	253 979 551	100.00

### Beneficial shareholders holding 5% or more.

The interest of any shareholder, as far as the company is aware, who is directly or indirectly beneficially interested in 5% or more of Interwaste Holdings' capital as at the date of this report, is set out below:

Shareholder	Number of shares Direct	Number of shares Indirect	%
Willcocks, BL (Wilco Family Trust No. 2)	-	46 585 316	18.34
Willcocks, WAH (Wilco Family Trust No. 1)	78 000	40 077 234	15.81
Dube, EG (Georgia Avenue Investments 32 (Pty) Limited)	-	47 500 000	18.70

# Shareholders' Diary

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## Salient dates

Financial year-end	31 December 2008
Annual General Meeting	19 June 2009

## Reports

Interim results for half year to June 2009	September 2009
Abridged annual results announcement for 2009	31 March 2010
Annual Financial Statements for 2009	31 March 2010

# 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 Friday 19 June 2008 at 11:00 to conduct the following business:

1. To receive and adopt the annual financial statements of the group for the financial year ended 31 December 2008, including the directors' report and the report of the auditors therein.
2. To re-elect the following directors:
  - 2.1 LC Grobbelaar
  - 2.2 BL Willcocks

who, in terms of the Company's articles of association retire by rotation at the annual general meeting, but, being eligible, offer themselves for re-election.

An abbreviated curriculum vitae in respect of each director offering himself/herself for re-election is set out on page 4 of this annual report.

3. To confirm the appointment of IMG John who was appointed as an executive director with effect from 20 May 2008.

Mr John's abbreviated curriculum vitae is set out on page 4 of this annual report.
4. To authorise the directors to re-appoint RSM Betty & Dickson (Johannesburg) as the independent auditors of the Company and to appoint Mr John Jones, being a member of RSM Betty & Dickson (Johannesburg), as the individual registered auditor who will undertake the audit of the Company, for the ensuing year.
5. To approve the fees of the non-executive directors for the year ended 31 December 2008 as contained on page 45 of the annual financial statements.

As special business to consider and, if deemed fit, to pass with or without modification, the following resolutions:

### Ordinary resolution

6. "Resolved that all the unissued shares in the capital of the Company be placed under the control of the directors at their discretion until the next annual general meeting of the Company as a general authority in terms of section 221(2) of the Companies Act 61 of 1973, as amended ("the Act"), subject to the provisions of the Act and the Listings Requirements of the JSE Limited."

### Ordinary resolution

7. "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:
  - 7.1 that the shares must be of a class already in issue;
  - 7.2 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;
  - 7.3 that the shares may not in any one financial year in the aggregate exceed 50% 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;
  - 7.4 that the maximum discount at which such shares may be issued or sold, as the case may be, is 10% 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, as the case may be and as agreed between the Company and the party subscribing for the shares;
  - 7.5 that such authorisation be valid only until the next annual general meetings or for 15 months from the date of this resolution, whichever is the earlier date;
  - 7.6 that an announcement giving full details; including the impact on net asset value and earnings per share, be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to the issue."

### Voting

In terms of the Listings Requirements of the JSE, the approval of 75% majority of the votes cast in favour of this resolution by all shareholders present or represented by proxy (excluding the DA and the controlling shareholders together with their associates) is required to approve this resolution.

## Notice to Shareholders (continued)

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### Special Resolution

8. "Resolved that, as a general authority contemplated in the Companies Act 61 of 1973 ("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 Limited ("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:
- 8.1 that the Company and its subsidiaries are enabled by their articles of association to repurchase such shares;
- 8.2 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 counter party;
- 8.3 that the Company and its subsidiaries are authorised by its members in terms of a special resolution taken at general meetings, to make such general repurchases, such authorisation being valid only until the next annual general meetings or for 15 months from the date of this special resolution, whichever is the earlier date;
- 8.4 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 three 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 three percent in aggregate of the initial number of that class acquired thereafter;
- 8.5 at any one time the Company may only appoint one agent to effect any repurchase on the Company's behalf;
- 8.6 the repurchase of shares will not take place during a prohibited period and will not affect compliance with the shareholders' spread requirements as laid down by the JSE;
- 8.7 the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 20% of the Company's issued share capital and a maximum of 10% in aggregate of the Company's issued share capital that may be repurchased in terms of the Act, by the subsidiaries of the Company, at the time this authority is given;
- 8.8 the repurchase of shares may not be made at a price greater than 10% above the weighted average traded price of the market value of the shares as determined over the five business days immediately preceding the date on which the transaction is effected;
- 8.9 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 over SENS prior to the commencement of the prohibited period;
- 8.10 the Company may not enter the market to 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 special resolution is to grant the Company and its subsidiaries a generally 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 effect of this special resolution would be that the Company and its subsidiaries will have been authorised generally to repurchase the Company's shares on the open market, subject to the Act and the Listings Requirements of the JSE.

At the present time the directors have no specific intention with regard to the utilisation of this authority, which will only be used if the circumstances are appropriate.

### 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 special resolution above:

#### Working capital statement

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 its 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 4 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.

# Notice to Shareholders (continued)

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## Directors' responsibility statement

The directors, whose names are given on page 4 of this annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution 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 the facts and developments reported on in this annual report, there have been no material changes in the affairs, financial or trading position of the group since 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 accordance with the reference pages in the annual report of which this notice forms part:

Directors and management (*Refer to page 4*)

Major shareholders of the Company (*Refer to page 53*)

Directors' interests in the Company's shares (*Refer to page 23*)

Share capital (*Refer to page 37*).

## 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 (who need not be a shareholder of the Company) to attend, speak and on a poll, to vote in his/her stead. A proxy need not be a shareholder of the Company.

## Certificated shareholders

A Form of Proxy is attached for completion by registered certificated shareholders and dematerialised shareholders with own-name registration who are unable to attend the annual general meeting in person. Forms of Proxy must be completed and received by the transfer secretaries, Computershare Investor Services (Proprietary) Limited, by no later than 11h00 on Wednesday, 17 June 2009. Registered certificated shareholders and dematerialised shareholders with own-name registration who complete and lodge Forms of Proxy will nevertheless be entitled to attend and vote in person at the general meeting to the exclusion of their appointed proxy/(ies) should such member wish to do so.

## Dematerialised shareholders

Beneficial owners of dematerialised shares who wish to attend the annual general meeting have to request their Central Securities Depository Participant ("CSDP") or broker to provide them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

By order of the Board



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

Company Secretary

**30 March 2009**

# Directorate and Administration

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## DIRECTORS

### Executive Directors

WAH Willcocks - Chief Executive Officer

LC Grobbelaar

SM Jewaskiewitz

IMG John – Group Financial Director

BL Willcocks

### Non-executive Director

EG Dube

### Independent Non-executive Director

GR Tipper

## 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 73503, Fairlands, 2030

## COMPANY REGISTRATION NUMBER

2006/037223/06

## AUDITORS

RSM Betty & Dickson (Johannesburg)

Corner of Cross & Charmaine Avenue, President Ridge, Randburg

PO Box 1734, Randburg, 2125

## 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 Biermann Avenue, Rosebank, 2196

Private Bag X41, Saxonwold, 2196

## DESIGNATED ADVISER

Vunani Corporate Finance

39 First Road, Hyde Park, 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")



## Interwaste Holdings Limited

**FOR USE BY SHAREHOLDERS HOLDING SHARE CERTIFICATES 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 11:00 ON FRIDAY 19 JUNE 2009.**

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)

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 Friday 19 June 2009 at 11:00 and at any adjournment thereof, as follows:

	Number of Interwaste Shares		
	In Favour	Against	Abstain
1. Adoption of annual financial statements			
2. Re-election of directors			
2.1 LC Grobbelaar			
2.2 BL Willcocks			
3. Confirmation of IMG John's appointment			
4. Re-appointment of independent auditors			
5. Approval of the fees of the non-executive directors			
6. To place the unissued share capital under the control of the directors			
7. General Authority to issue shares for cash			
8. Special resolution: General Authority to repurchase the Company's shares			

Signed at on 2009

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 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown 2107, Fax +27 11 688 5238), to reach the Company by no later than 11:00 on Wednesday 17 June 2009.
3. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholders' choice in the space/s provided, with or without deleting the words "the chairman of the meeting". Any such deletion must be individually initialled by the shareholder, failing which they will not have been validly affected. 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.
4. Any alterations or corrections to this Form of Proxy have to be initialled by the relevant signatory(ies).
5. Each shareholder is entitled 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.
6. Voting instructions for each of the resolutions must be completed by filling 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.
7. 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.
8. 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.
9. 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.
10. 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 have to 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.
11. 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 11:00 on Wednesday 17 June 2009.
12. 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.
13. 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.

## **Transfer secretaries' office**

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

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*In line with Interwaste Holdings Limited's stated environmental policy on natural resource utilisation, this report is printed on Triple Green recyclable paper produced from sustainable sugar cane fibre.*

*This report was designed and produced by the Interwaste Holdings Limited marketing department.*