DOING THE RIGHT THING...

# INTEGRATED ANNUAL REPORT 2016

Interwaste Holdings Limited

...IS SEEING THE POTENTIAL TO CHANGE INDUSTRY

# CONTENTS

› SECTION 1

# COMPANY OVERVIEW

This is Interwaste's fifth integrated annual report prepared in accordance with the requirements of the King Code of Corporate Governance for South Africa, 2009 ("King III").

This integrated annual report describes Interwaste's business, our strategy, the primary risks we face and our approach to managing those risks. It sets out the economic results of what we do and, in the sustainable development report, we describe the environmental and societal aspects of our business. The report also contains comment on the Group's prospects.

# CHAIRPERSON'S REVIEW

*Board of directors for 2017*

## Dear Stakeholders

It gives me pleasure to update you on the performance of your group for the year ended 31 December 2016, and to inform you of the progress made by the operations during the period under review.

In addition, one of the objectives of this Integrated Annual Report is to provide you with an overview of Interwaste's efforts in ensuring that it is a responsible corporate citizen, particularly with respect to environmental and societal issues.

Lastly, I trust that this report will provide you with the information necessary to inspire confidence in the group's efforts to ensure its long-term sustainability.

## Economic and Regulatory Environment

Overall demand for waste management services is underpinned by economic factors. Globally, 2016 saw a slight improvement in commodity prices, which had reached historic lows in prior years. This improvement positively impacted on our industrial business, which services clients in the mining and resources sector. We expect continued gains within this portion of our business in 2017, as China recovers economically with resultant continued demand for commodities. Apart from the aforementioned, volumes with respect to waste streams from other clients remain under pressure.

The regulatory framework governing the waste management industry in our domestic and global markets is constantly evolving, and the supervisory capacity of regulators is increasing significantly. We remain abreast of these changes and actively contribute to the development of national policy and legislation through formal submissions and advisory input addressed to policymakers and regulatory authorities.

The litigation between Inter-Waste Proprietary Limited and the Gauteng Department of Agriculture and Rural Development regarding our FG Landfill is ongoing, although we expect that this to be finalised within 2017. We remain committed to fostering amicable, sustainable relationships with the communities in which we operate. Complaints by the communities are taken very seriously and, as in the case of the FG Landfill, we take all reasonable measures to ensure that potential impacts stemming from our operations are effectively mitigated. For example, at the FG Landfill, we employed the services of a leading international company to design, develop, construct and implement an advanced landfill gas management system to mitigate against the generation of landfill gases, in compliance with international best practice.

We approach 2017 with caution due to the prevailing political uncertainty within South Africa, and the inevitable knock-on effects on the economy.

## Results

The group's results are detailed on page 59. Revenue increased by 9% compared to 2015, resulting in a 29% increase in headline earnings from continuing operations. Basic headline earnings were negatively impacted by the losses sustained within Enbitec Environmental Solution Proprietary Limited. We have taken heed of the lessons learnt from Enbitec Enviromental Solutions Proprietary Limited and renewed focus is being brought to bear on all our operations in order to improve efficiencies and ensure the delivery of sustainable results.

From the Board's perspective, we believe the 29% increase in headline earnings per share on continuing operations, in a highly competitive market and under tough trading conditions, underscores the strength of our environmental services, the capability of our management team, as well as the commitment of our workforce.

## Social corporate investment

Our country has many marginalised individuals in need of social and economic upliftment. The need is too great for any one company to address, but we believe that our contribution together with the efforts of many other organisations, result in the tangible upliftment of the most needy in society. We are therefore involved in several corporate social initiatives that address the needs of our society. These are outlined later in the report.

## Outlook

In the coming year, the board of directors ("the board") will ensure that high standards of governance continue to be adhered in all areas of the group. Furthermore, the board will ensure that governance structures and processes evolve to support the group's development and growth. At the end of 2016 the board embarked upon a process of enhancing its composition in order to ensure a diversity of experience and expertise required to support our growth strategy.

We will also be reviewing our company strategy and align the group's activities to attain both short and long-term goals.

## Dividend

The board remains committed to the payment of a dividend, however, in the current economic climate and operational environment a more prudent stance relating to the conservation of cash reserves is warranted and therefore no dividend is declared. Future dividend payment decisions will consider various aspects of the organisation in order to ensure that dividends are sustainable and that the group is still able to capitalise on opportunities which will deliver short, medium and long term value for shareholders.

## Appreciation

On behalf of the Board, I extend my gratitude to all our shareholders and stakeholders for your continued support and confidence in Interwaste. On a similar note, I wish to thank our clients and strategic partners for their support of our operations.

Lastly and most importantly, I would like to thank our executive team and all our employees for their unwavering commitment and willingness to go beyond the expected.

# CHIEF EXECUTIVE OFFICER'S REVIEW

## OVERVIEW

South Africa remains an exciting and dynamic place to conduct business. The group's general trading environment remains competitive with several new waste management service providers entering the market. Interwaste's strategy of providing integrated waste management solutions continues to provide us with a competitive advantage, with Interwaste being one of the few companies in the sector that control the entire value chain. This along with our international health and safety accreditation from TUV Rheinland, our SGS accredited environmental operating standards and fully compliant service offering enables Interwaste to be the supplier of choice for many local and multinational clients.

Demand for services in the waste management industry is largely determined by economic activity as waste volumes are the direct result of a customer's activity. During the year under review we experienced waste volume reductions of up to 20% within our traditional customer base, as demand for customers' products and services slowed.

In order to mitigate reduction in volumes, we aggressively targeted new clients and expanded our service offering within our existing customer base. This has enabled us to achieve moderate growth in revenue despite the negative trading environment. Through various cost containment initiatives, as well as improved asset utilisation, the group has improved profitability at various levels resulting in a 29% increase in headline earnings per share on continuing operations.

Forward looking economic indicators predict subdued growth in many of the industry sectors in which we operate over the next three to five years, which when combined with increasing levels of competition suggest that tough trading conditions are expected to continue in 2017.

Increasing levels of compliance, whether voluntary or legislated, will continue to create demand for our services, providing a pipeline of clientele which will underpin future growth. Over the next few years, the Department of Environmental Affairs will be introducing a host of new environmental legislation which will make way for additional service offerings to our customers thereby generating new revenue and profit opportunities for the group. Based on the nature of our business and the impact of legislation, we are proactive in our participation and constantly engage at both local and national government level to ensure that we are suitably prepared and adequately resourced to leverage off legislative changes.

**Logistics division**

**15%**

**Revenue growth**

**Logistics division**

**108%**

**Increased operating performance**

**Profit after tax on continuing operations**

**32%**

## FINANCIAL PERFORMANCE

The revenue improvement of 9% over that of the prior year is pleasing given that we experienced declines in revenue of up to 20% from our traditional customer base. The increase is representative of our ability to increase volumes through gains in market share mitigating, to a large extent, reduction in volumes from our existing customer base. Market segments positively contributing to growth during the period include the mining and oil and gas sectors, both of which are recovering from historic lows in international commodity prices.

Focused operational efficiencies have resulted in improved profitability evident in increased gross profit and profit after tax on continuing operations by 14% and 32% respectively. The strong inward focus on improving operational efficiencies, cost containment and the drive towards achieving critical mass from our key waste processing facilities will continue to unlock value from existing investments within the group, improving returns on equity.

Historically, the majority of the group's revenues, as well as profits, were derived from logistics based activities. In line with our long-term strategy, significant investments have been made in the establishment of waste handling facilities, including landfills, as well as alternative technologies to manage waste streams which are likely to be banned from landfills within the next three to five years. As a result, a greater number of company owned facilities are now operational and the contributions of facilities to the group's financial performance will increase in the future. This has resulted in an increased requirement to report on traditional logistics and facilities separately. A key reason for this is that the two business environments differ significantly from each other, being subject to different market conditions, finance requirements and expectations in terms of returns. In order to facilitate improved divisional reporting, additional investments in both our accounting and information technology infrastructure have been made.

Revenue from the logistics division increased by 15% despite the competitive nature of the environment while improvements in operating efficiencies resulted in increased operating performance of 108%.

The facilities division reported negative growth both in revenues and profits. This was due to a large construction contract in the prior year not being repeated. In addition, the ongoing operations came under pressure due to reduced customer volumes and the start-up costs associated with the Klinkerstene Landfill. We expect profitability in this division to improve going forward as cost control measures continue to be implemented.

## CASH FLOWS

The group has retained healthy cash reserves and is currently cash generative. However, cash reserves have reduced due to the nature of our business, investment cycles and the differing funding requirements for each of our divisions. Capital investments within our logistics division are financed largely through debt, however, investments into the facilities operations are self-funded utilising cash reserves. During the period under review, investments in facilities were made in order to increase available airspace capacity at our FG facility as well as the commissioning of our new Klinkerstene Landfill Site in Delmas, Mpumalanga. With the completion of these strategic facilities and the focus on obtaining critical mass, investment demand within our facilities division will decrease, resulting in improved cash flows.

The sale of our compost manufacturing division in June 2016, which is largely seasonal and generated positive cash flows in the second half of the year has contributed to a reduction in cash generated from operations. However, continuing operations continue to perform well with year on year increases in cash flows.

Future cash flows are expected to improve as we reach the end of our investment in strategic facilities and as we unlock value within existing operations.

## SADC INVESTMENTS

Our cross-border investments performed well during the period with healthy returns contributing to the group's overall financial performance. In order to limit our exposure to currency fluctuations, we renegotiated US Dollar based contracts with our major cross- border customers. However, with the strengthening of the Rand against the US Dollar during the fiscal period, we incurred exchange rate losses. What is pleasing is that we are still able to repatriate foreign revenue generated outside South Africa, affirming our investment strategy and local knowledge regarding the countries in which we operate.

The SADC Region remains a key growth area and we will continue to assess investments which are appropriately risk warranted. Interwaste invested in various SADC countries 20 years ago. Over this period, we gained extensive local knowledge enabling us to understand and navigate the unique challenges of these foreign environments.

## DISCONTINUED OPERATIONS

Our strategy to broaden the range of our service offering within the environmental sector included the acquisition of a speciality sewerage and water treatment entity in 2015. Unfortunately, this market sector experienced ever increasing levels of competition and unpredicted subdued economic conditions, which, along with the lack of private investment in the development of treatment facilities, resulted in the entity suffering losses. Subsequently, the investment was materially compromised resulting in the entity being placed into liquidation. This situation resulted in an R8 million loss which negatively affected the group's financial performance. The full impact of the loss has been realised and included in the financials with no additional impact expected in the future.

Despite improved financial performance of the division over the past two years, Interwaste disposed of its compost manufacturing division, during the year. The business was heavily reliant on a large volume producer of organic waste. Strategic changes within the producer's operations resulted in a reduction of both the quality and volume of raw material available, requiring a significant change in our operating model. Analysis of alternatives available resulted in the conclusion that the required capital investment and associated return on the investment, did not meet the groups strategic objectives. As a result, the division was sold during the 2016 financial year.

## FG LANDFILL

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

Over the past 10 years the FG Landfill has witnessed significant encroachment by urban development in the vicinity adjacent to the landfill. Certain of these communities have been very vocal in alleging that emissions from the facility are having a significant impact on air quality in the area and have resorted to social and main stream media campaigns to highlight their concerns.

Interwaste has always embraced the communities within which we conduct business and we are respectful of the potential impacts our operations may have on the local environment. As a result, we have always pursued best practice with respect to the management of our operations. Various measures have been implemented at the landfill site to ensure that potential environmental impacts associated with the operation of the landfill are effectively mitigated. These measures were designed, managed and commissioned by leading engineering companies in the sector, both local and international. The final capital investment was in excess of R15 million. The measures included the installation of a progressive landfill gas harvesting network on an active waste cell (the first of its kind in South Africa). The implementation of this system entailed the installation of a vented collection network excavated in the waste body expanding to over 3 500 meters in length. This network was connected to a state of the art gas flaring system supplied and commissioned by global leaders in landfill gas management, Organics PLC from the United Kingdom. We are investigating various opportunities to leverage from this substantial green energy source and plan to implement the appropriate technology to harness same in the short term.

Given the extensive focus on the FG Landfill, the site's licence and compliance have come under scrutiny from both the national and provincial regulators. The company is confident that the site is compliant with its licence conditions and detailed information on the matter is available on the company's website. The company is currently engaged in legal processes involving the applicable regulators and, to this end, we have retained leading environmental law experts.

## DIVIDEND

The executive board remains committed to the payment of a dividend, however in the current economic climate and operational environment a more prudent stance relating to the conservation of cash reserves is warranted and therefore no dividend is declared. Future dividend payments will consider various aspects of the organisation in order to ensure that dividends are sustainable and that the group is still able to capitalise on opportunities which will deliver short, medium and long term value for shareholders.

## OUTLOOK

Based on forecasts of economic growth, it is reasonable to presume relatively flat growth in the coming year. That said, our business model and opportunities are not driven by these factors alone. The provision of integrated waste management solutions in conjunction with increasing levels of compliance will aid in the retention of existing clients and the acquisition of new clients, providing a sound foundation for sustained future growth.

Although revenue growth remains an important factor in our long term strategy, slow economic growth and increasing levels of competition in the near term, have redirected our efforts inward and we firmly believe that additional value can be unlocked from within our existing investments and our financial performance improved organically.

In 2013 and 2014 we initiated a program of transitioning vehicles from full maintenance leases to outright ownership with particular emphasis on our logistics fleet. Historically, full maintenance leases provided some benefit to the group in terms of cost management but placed restrictions on vehicle life to a maximum of 4 years and, as a result, our average fleet age is one of the youngest in the industry. Outright ownership of these assets will provide an opportunity to extend vehicle useful life, in line with industry standards, reducing the group's capex requirements and thereby increasing returns within the Logistics Division. Additionally, we are strengthening internal fleet management processes in order to increase asset utilisation and improve operating performance, the effects of which will be realised in the short to medium term.

Over the past 10 years Interwaste has invested heavily in the development of facilities, including both landfill and alternatives to landfill technologies in line with short, medium and long term regulatory changes within the industry. During the 2016 financial year the last of these major investments, Klinkerstene Landfill, was completed and commissioned. With these investments now complete and facilities operational, attracting new waste volumes to these facilities is a key strategic focus in order to increase revenues and realise the projected returns. The lack of government investment in new waste disposal facilities will further enhance the optimisation of the group's disposal assets. The Gauteng Province has finite landfill disposal space remaining and given the extensive capital investment and lengthy environmental impact assessment process required for the development of new landfills, it is unlikely that any of the large metropolitan areas in Gauteng will invest in this sector in the foreseeable future.

The group has incurred significant capital expenditure on facilities over the past few years and the focus going forward will be on ensuring that the investments generate acceptable returns. Capital expenditure will therefore reduce and will be limited to projects that offer compelling returns.

The waste to energy sector remains an exciting proposition for future long term growth opportunities for the group. The granting of our permit in Gauteng for the development of a 20 Mw thermal waste to energy facility enables our entry into the market. The sector does however require significant capital investment and various business models are being investigated in order to minimise risk, maximise investment returns and leverage off both our existing permit and access to alternative fuels in the form of waste volumes.

## TEAM INTERWASTE

More than 2 400 permanent group employees contribute to their households and South Africa's GDP. Management are extremely proud to have issued long service awards to numerous employees including two recipients of 25-year awards. Noteworthy is our first employee, Mr Julius Ndlovu, who is still employed in the group today. Our first customer, who contracted our services on the establishment of Inter-Waste Proprietary Limited, also remains with the group. This is testament to the values, ethics and standards embedded in the group.

The group's safety and health statistics remain industry leading, confirming our ongoing commitment to employee wellbeing and job specific training. The group continues to invest in our human capital, a culture built over many years, with meaningful, ongoing industry related training and market related pay.

In conclusion, thank you to everyone who is part of "Team Interwaste". We have a great company and many exciting opportunities ahead, along with the responsibility of managing the environmental footprint of valued customers. Ultimately, we are all privileged to be able to contribute to sustainable and positive economic growth in our great country.

To our board members and valued shareholders, the past year was peppered with challenges, most of which we navigated positively. We will continue to effect the same in 2017. Your dedication and continued support is greatly appreciated and valued by the entire team.

WAH Willcocks
Chief Executive Officer

# GROUP OPERATING DIVISIONS AND COMPANIES

## AS AT 31 DECEMBER 2016

**INTERWASTE HOLDINGS LIMITED**

- **INTERWASTE (PTY) LTD 100%**
  - GREENS SCRAP RECYCLING (PTY) LTD 100%
  - KAREE INVESTMENTS SIX SEVEN (PTY) LTD 100% (NAMIBIA)
  - MOZ ENVIRONMENTAL LIMITADA 99% (MOZAMBIQUE)
  - INTERWASTE ENVIRONMENTAL SOLUTIONS (T) (PTY) LTD 99% (TANZANIA)
  - PLATINUM WASTE RESOURCES (PTY) LTD 74%
  - MASAKHANE INTERWASTE (PTY) LTD 65%
  - INTERWASTE ENVIROMENTAL SOLUTIONS (PTY) LTD 100% (DORMANT) (ZAMBIA)
  - INTERWASTE CLEANING (PTY) LTD 49%
  - LIMPOPO PLATINUM WASTE (PTY) LTD 70% (DORMANT)
  - EXTENT ROAD PROPERTIES (PTY) LTD 100% (DORMANT)
  - INTERWASTE INDUSTRIAL CLEANING (PTY) LTD 50% (DORMANT)
  - EARTH 2 EARTH (PTY) LTD 100% (DORMANT)
- **INTERWASTE PROPERTIES (PTY) LTD 100% (DORMANT)**
  - MOZ ENVIRONMENTAL LIMITADA 1% (MOZAMBIQUE)
- **ENVIROWASTE SA (PTY) LTD 100% (DORMANT)**

# COMPANY OVERVIEW


Established in 1989, Interwaste has become one of the largest waste management organisations in South Africa. We remain one of the few service providers that offer holistic waste management solutions, managing waste from point of generation to final destination.

The group provides a diversified range of services to various market sectors, employs over 2 400 full time staff, and has operations throughout South Africa as well as neighbouring countries.

The South African waste management industry is in constant flux with legislative changes impacting various operational and administrative aspects of our business. In order to respond to an evolving environment, Interwaste continuously engages with relevant authorities on impending legislation and we have aligned ourselves with long term strategic objectives of such legislation. Key to regulators development of this legislation, and in line with international best practice, is the hierarchy of waste management which prioritises waste handling methodologies in order to reduce waste volumes to landfill facilities, whilst increasing alternative uses. As a result, Interwaste has developed an Integrated Waste Management Model closely aligned to the hierarchy which forms the cornerstone of our service offering.

## Logistics

Waste logistics remains an essential component of our integrated waste management strategy, and is a critical element in the delivery of our services (representing no less than 70% of the groups revenues). Revenues within the logistics division are however reflective of a holistic range of services incorporated into the logistics reporting framework - including the following:

- Legal Consulting
- Waste classification and laboratory services
- On-site waste management services
- Waste recycling/Commodity trading
- Transportation

The division provides services to over 1 500 customers, employs over 2 000 staff and operates a fleet of 550 specialised waste collection vehicles. Our competitive advantage is largely dependent on our ability to choreograph each element of our integrated waste management offering into a seamless service - providing clients with a single point of contact for the management of their environmental footprint. As a result, Interwaste has developed bespoke management systems in order to manage the delivery of these services, in an increasingly complex operating environment.

Vehicle utilisation and routing efficiencies are key drivers of financial performance and remain high on management's agenda. Ongoing investments in management processes, as well as improved use of information technology, will assist in ensuring the sustainability of the division in an extremely competitive environment.

Improvements to operating practices and finance strategies will allow the group to extend the lifecycle of its vehicles, from four to six years. The improvements will assist in driving returns, as assets are employed for longer periods whilst reducing the groups short term capital expenditure requirements. The average fleet age is approximately 3 years and it is expected that major fleet replacement initiatives will not be required for the next three years. Additional growth in revenue may, however, require the procurement of additional assets.

### Facilities Management Division

Interwaste prides itself on owning and operating some of the most advanced waste management facilities in South Africa, and continues to invest in the development of modern infrastructure to facilitate the delivery of an integrated service in order to meet the demands of our customers.

Being a holistic waste management company, Interwaste constantly endeavours to find innovative and improved ways to divert waste from landfill. To this end, Interwaste owns and operates a number of waste recycling, recovery, treatment and disposal facilities throughout South Africa, as included below.

### Alternative Disposal Technologies - Blending Platform

With the ever-decreasing landfill airspace, and new legislation prohibiting the disposal of certain waste in future, the need to facilitate 'zero-waste-to-landfill' initiatives are critical.

The Lafarge/Interwaste Blending Platform, situated in Kaalfontein, Gauteng, provides for the development and use of waste derived fuels, blended in a safe and internationally acceptable manner. These fuels are utilised as an alternative to coal in modern, permitted cement production plants.

The facility accepts solid, liquid and sludge waste streams from a variety of sources. These waste streams are blended, in accordance with strict chemical and physical specifications, into a homogeneous waste derived fuel. The primary objective for the facility is to pre-treat industrial waste, so that it can be used as a source of Energy (Fuel) in the production of cement.

Although the facility performed below expectation in 2016, mainly due to less than agreed consumption (off-take) by the cement industry, it remains strategic to the group's integrated waste management service offering, with the ability to produce up to 14 000 tonnes of waste derived fuel per annum, with the associated diversion of waste from landfills.

Being another first for Interwaste and South Africa, the facility is a unique asset to Interwaste and industry, and will remain a key component of our integrated service offering.

## Factors influencing profitability between Logistics and Facilities management divisions

### Logistics

**Segment Overview**

Low Barriers to Entry • Low Capital Requirements
Highly competitive

**Performance Drivers**

Logistical Efficiencies • Area Density

**Facilities Dependant**

**CAPEX Requirements**

Financed

### Facilities

**Segment Overview**

High Barriers to Entry • High Capital Requirements
Regulated Enviroment • Few Market Players

**Performance Drivers**

Legislation Volumes • Tonnages

**Logistics Dependant**

**CAPEX Requirements**

Internally Funded


WASTE DISPOSAL AND FACILITIES MANAGEMENT
Development
Operation and Closure
LEGAL COMPLIANCE
Reporting
TECHNICAL SERVICES
Waste Classification
Research and Development
ON-SITE SERVICES
Waste Minimisation
RESOURCE RECOVERY
Recycling
Metals Recovery
SOLID AND LIQUID WASTE TREATMENT
COMMODITY TRADING
WASTE LOGISTICS
INTEGRATED
waste management

### Hazardous Waste Treatment Facility

Interwaste's hazardous waste treatment and transfer facility (HH) in Germiston, Gauteng, offers simple, safe and cost-effective treatment of hazardous solid, liquid and sludge waste streams. The facility offers a wide range of treatment methodologies allowing us to provide our customers with innovative waste management solutions.

In order to safely manage and treat approximately 60 000 tonnes of waste per annum in accordance with applicable regulatory requirements, the facility operates under stringent approval and waste handling procedures. Our safety standards demonstrate our commitment to providing quality environmental services to our transport operating divisions, which service a range of clients across South Africa. Our treatment processes convert hazardous waste streams into low risk solids, and minimises the long-term risks associated with disposal.

The HH Treatment Facility is equipped with its own analytical laboratory, which is supported by our head office based, SANAS accredited waste laboratory, for specific waste testing or assistance to meet waste characterisation needs.

The treatment plant can manage wastewater containing metals, acids, suspended solids, hydrocarbon/petroleum contaminated water and effluent, water based paints, industrial process water or tank rinse waters, to name but a few.

### Rhino Peak Transfer Station and Refuse Derived Fuel (RDF) Facility

The Rhino Peak facility forms part of Interwaste's strategy to utilise transfer facilities as a mechanism for the optimisation of costs associated with the transportation of waste to landfill. In addition to transport cost savings, this strategy also reduces maintenance costs to our transport fleet, which travel long distances under heavy loads and operate under extreme weather conditions, particularly during the rainy season. Interwaste transports approximately 5 000 tonnes of waste per month from the Rhino Peak facility to our Klinkerstene Landfill, which is only one of a number of facilities planned to relieve the pressure on landfills in Gauteng. It has become evident that, due to land-use pressures, future landfills would will have to be regional facilities located some distance from city centres which will accommodate waste from numerous municipalities and other waste generators covering large geographic areas.

This 5 000 tonne per month transfer facility, not only accepts industrial/commercial waste streams for bulking-up and long distance transport, but it is also home to another Interwaste and South African first – a refuse derived fuel (RDF) plant that produces alternative fuels from dry industrial and commercial waste streams which may be used as a substitute for fossil fuels in boilers, cement kilns, power stations, etc.

The plant, currently operating the first of three production lines, produces in the order of 300 to 400 tonnes of RDF per month, which is currently exported while the South African market develops capacity to utilise this alternative energy source. Although the volumes produced are currently relatively low, the manufacture of RDF constitutes diversion of waste from landfill and contributes significantly towards Interwaste's alternative fuels portfolio.

### Conventional Disposal Facilities

The strategic objective of the hierarchy of waste management is to divert waste from landfills, not only in South Africa but internationally. The reality is that diversion from landfill is largely dependent on the availability of alternative technology, as well as the financial viability of these alternatives when compared to legally compliant disposal to landfill. As a result, landfill facilities will continue to play an important role within the industry. For example, research suggests that 70% of domestic waste is still disposed of to landfill in first world countries.

Disposal facilities will, however, become stores of energy as the use of alternative fuels increases, and energy from landfill gas extraction becomes more prevalent. As part of our long-term strategy, Interwaste continues to investigate technologies which will enable the conversion of gas to energy and maximise the stored value within its own landfill facilities.

### FG Landfill

This flagship waste disposal facility is one of only two landfill sites in Gauteng that comply with the latest waste management regulations and landfill design standards. The facility is equipped with an advanced, engineered Class B-lined containment barrier system prescribed for landfills in South Africa. Together with providing a legally compliant solution for most of the waste managed by Interwaste in Gauteng, the FG Landfill also serves the Johannesburg and Ekurhuleni Metropolitan Municipalities including the areas surrounding the facility.

Based on vehicle activity and waste volumes received, this facility remains one of the busiest landfill's in Gauteng, with the volume of waste disposed of being in excess of 600 000 tonnes per annum, and 80 000 vehicle entries per annum. At current disposal volumes, the facility has a remaining lifespan of approximately 5 years, after which the facility will be closed and rehabilitated.

The FG Landfill has a total disposal capacity of 6 700 000 cubic meters of airspace, and plays a pivotal role in supplying a waste disposal solution within Gauteng with its rapidly diminishing disposal airspace. It is a known fact that South Africa is running out of legally compliant, environmentally acceptable disposal facilities and within a limited period, as short as five years, a waste disposal crisis is probable within Gauteng, which generates 6 million tonnes of waste per annum.

## Klinkerstene Landfill

With a 32 million cubic meter capacity and 100 year lifespan, Klinkerstene Landfill was developed on the back of the limited airspace in Gauteng. It has also become extremely difficult to find land for new disposal facilities. With the dire need for accommodation and housing within Gauteng there is just no more land available for landfill development.

Not only is the Klinkerstene Landfill one of the latest landfill facilities to be licenced, it is the only facility within Mpumalanga that complies with applicable legislation.

This Interwaste owned and operated facility accepted its first load of waste in June 2016, and had received 58 000 tonnes by the end of the 2016 financial year. It is anticipated that this volume will double for 2017.

The Klinkerstene Landfill will play an important part of Interwaste's future operations, and will serve as a management solution to the ever-increasing waste volumes generated in Gauteng and Mpumalanga.

## Third-Party Facilities Management

The Facilities Management Division also manages landfill sites on behalf of a selected few utility cooperations and municipalities. Although medium to long term management and operation of third-party landfills initially formed the foundation for Interwaste's facilities management, it is no longer our core focus due to the administrative down-turn of South African municipalities.

Instead, by harnessing our construction and engineering expertise, the division has been extremely successful in the rehabilitation of derelict landfills, as well as the construction of new facilities for municipalities over the past two years.

With an imminent airspace crisis looming in South Africa, Interwaste is participating and competing strongly in the Public Private Partnership arena for the development of new waste disposal facilities, as well as alternatives to landfill such as integrated waste-to-energy facilities.

South Africa has approximately 1 000 landfills, the majority of which are non-compliant and in very poor environmental state. This, coupled with the fact that stringent waste management regulations now prescribe expensive containment barrier systems, means that municipalities will be forced to consider the consolidation of landfills into regional facilities as well as the development of alternatives such as waste to energy plants. Interwaste is at the forefront of such innovative development and hold this as a core focus going forward.

# OUR GOALS

**The main objectives of Integrated Waste Management are to:**

- Improve waste management practices;
- Create opportunities that move away from landfill and focus on alternate waste management solutions
- Highlight efficiencies and deficiencies in current systems of waste management;
- Institute processes that minimise waste at the source and prevent pollution;
- Manage the impact of waste on the receiving environment;
- Manage waste in a holistic manner.

**The elements of Integrated Waste Management include:**

- Minimising waste generation;
- Separation of waste (enabling efficient recycling);
- Storage and collection of waste;
- Transfer and transportation of waste;
- Re-using and recycling waste;
- Disposal of waste (a last resort)
- Stringent management of landfill (general and hazardous waste).

**Applying Integrated Waste Management involves all the major stages of an environmental planning process, including:**

- Analysing the client's current waste process and legal framework;
- Making projections of future requirements;
- Setting objectives;
- Developing projects and programmes to reach set objectives – underpinned by solid environmental compliance;
- Developing and implementing an integrated waste management plan;
- Periodically evaluating and reviewing the plan to ensure objectives are being met and new strategies put in place where needed.

**Grow shareholder value**

Our goal is to provide a substantial annual return to shareholders. In the period since listing, the business has been substantially restructured to meet changing business demands and to ensure that we meet our primary objective of unlocking shareholder value and improving control efficiencies throughout the group. Our business model and opportunities for growth exceed forecasts for emerging markets and developing economies.

Where Interwaste's investment opportunity is based on new waste processing, we believe that we are set for solid business into the coming year – aligned to growing shareholder value and demonstrating market leadership.

**Remain at the forefront of technology in the industry**

Today, more than ever before, South Africa's priority regarding waste management is driving a zero-waste economy. This means less reliance on very strained landfill sites by innovating around waste processes and finding alternate solutions for waste management.

At the centre of such innovation is technological leadership where Interwaste is at the forefront in this regard – with world class technological innovation at its core. In fact, through this, the business is able to reduce disposal volumes – which significantly benefits our clients.

Given the importance of such innovation and market excellence, the group is realising its long-term investment strategy in waste processing facilities and will continue to move strongly towards generating a variety of waste processing options as opposed to traditional landfilling.

**Provide innovative, environmentally sensitive waste management solutions to our clients**

We achieved significant growth in revenue on certain clients during the year under review by providing environmentally friendly, cost effective and legally compliant solutions for the disposal of their waste.

Many companies need to reconsider their waste management practices as a consequence of the new waste regulations. The group will continue to be an innovative waste management partner to such companies, and existing clients, by aiding them to finding alternative, legally compliant, methods of waste management.

### Continue to grow organically and through acquisitions

Interwaste will continue to assess potential industry related acquisitions and conduct value chain analysis, to expand and align our service offering to customer's needs. We have stringent investment hurdle rates and hence our appetite for marginal or long returns on investments is subdued.

The business however, is proud to realise our vision to be the leading service provider in the solid waste to energy market in South Africa. The granting of our permit in Gauteng for the development of a 20 Mw / 1 000 ton per day thermal waste to energy facility is a key and unique asset which we intend leveraging off in the short term and which will have a fundamental impact on continued organic growth.

### Actively participate in the transfer of skills to the historically disadvantaged

Interwaste has, in the past, aimed to establish and grow individuals that are previously disadvantaged by not only solid skills transfer but, very importantly, by providing a platform to own something of their own. The business has helped establish and grow a number of such companies – which have seen their own success through the aid of mentorship and appropriate training.

Today, Interwaste employ more than 2 400 permanent Interwaste employees – contributing to their households and South Africa's GDP.

### Continue our commitment to BBBEE

Interwaste has maintained its BBBEE rating of a level 3. This is a considerable effort and investment, which will be continued as needed. The new codes will have a negative effect on our rating, however work is being performed to limit the impact.

### Attract, develop and retain outstanding talent

Our people are critical to our success and we made a number of senior appointments during the current year, all of whom are making significant contributions to the business. We will continue to search for highly talented people we can bring into the business and we have a carefully designed programme for investing in our employees.

By making use of the Integrated Waste Management Services, our clients effectively outsource their entire waste management function to Interwaste.

Our trained on-site waste management staff assume full responsibility for our client's waste management plans:

- After extensive waste assessment in which all waste streams are analysed, classified and assigned a handling procedure;
- Waste is sorted into the various categories namely recyclable waste (eg. Paper, plastic, metal, cardboard and glass) and non-recyclable waste (hazardous and non-hazardous)
- The waste is then appropriately contained, labelled and transported to the recycling centre or disposal facility;
- Detailed reports are produced on a monthly basis and a full audit report is available.

Interwaste ensures that our clients' waste is classified, sorted, recycled, reused and disposed of in the best practical manner, ensuring cradle to grave peace of mind. Our experience has shown that when this process is successfully implemented, waste costs reduce and there is a measurable contribution to the sustainability of our clients' businesses.

# THE BOARD OF DIRECTORS

**ALAN WILLCOCKS**
CHIEF EXECUTIVE OFFICER

**FUNANI MOJONO**
INDEPENDENT NON-EXECUTIVE CHAIRPERSON

**LEON GROBBELAAR**
GROUP FACILITIES MANAGEMENT DIRECTOR

Alan Willcocks co-founded Inter-Waste Proprietary Limited with Bronwyn in 1989 and was instrumental in listing the business in 2007. Over the past 27 years Alan has acquired an in-depth knowledge of the waste management sector.
He is renowned for innovative waste management solutions and his drive to continually provide better service levels to customers. He is respected and well known in the waste management industry.
In addition to being CEO of Interwaste Holdings Limited, Alan sits on the boards of a number of companies within the Interwaste Group including Inter-Waste (Pty) Ltd, Interwaste Properties (Pty) Ltd, Platinum Waste Resources (Pty) Ltd, Extent Road Property (Pty) Ltd and Greens Scrap Recycling (Pty) Ltd. He is also a director of Trade Our Way (Pty) Ltd and Glynden Props 21 (Pty) Ltd.

Funani is a chemical engineer with extensive experience in waste recycling, supply chain management and business improvement. He has held a number of senior positions in manufacturing businesses. Funani is currently the CEO of Imerys South Africa.
Funani was appointed as the company's board chairperson on 31 March 2017 upon the resignation of Andisiwe Kawa, the board erstwhile chairperson.

Leon Grobbelaar obtained a National Diploma in soil conservation in 1983 and obtained a National Higher Diploma in Irrigation. 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. He has extensive experience in landfill management and is currently the Group's Facilities Management Director. Leon sits on a number of boards within the Interwaste Group including Inter-Waste (Pty) Ltd and Drakenstein Energy (Pty) Ltd. He is also a director of Casa Caritas Home for the Disabled.

**BRONWYN WILLCOCKS**
NON-EXECUTIVE DIRECTOR

Bronwyn Willcocks is a co-founder of Inter-Waste (Pty) Ltd and currently serves as a non-executive director of Interwaste Holdings Limited. She has extensive hands on experience in the waste management industry attained over 27 years of service at Interwaste. On a daily basis, she involves herself in property investment and supports fledgling business entrepreneurs. Bronwyn is also a director of Glynden Props 21 (Pty) Ltd.

**LANDIWE JACKIE MAHLANGU**
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Landiwe Mahlangu is an economist by training and holds B.Admin and B.Admin Honors (Economics) degrees. He completed a Higher Certificate in Financial Markets and Instruments (Academy of Financial Markets and Instruments) and the Executive Development Programme (EDP) at the University of the Witwatersrand in 2001 and 2003 respectively. Landiwe has extensive experience and knowledge in local government, infrastructure development and financing. Landiwe was appointed as the company's audit committee chairperson on 31 March 2017. Landiwe is Director of Amazwe Holdings (Pty) Ltd and Chairman of Esteq (Pty) Ltd.

**ANDRIES CRONJE**
ACTING FINANCIAL DIRECTOR
FROM 23 JANUARY 2017 TO 1 MAY 2017

Andries qualified as a Chartered Accountant in 1998. He has extensive experience in the manufacturing, automotive and FMCG sectors, general financial management as well as in operational costing. He has been with Interwaste for the past 7 years as the Group financial manager.

# THE BOARD OF DIRECTORS

## ADDITIONS AND CHANGES TO THE TEAM DURING 2017

**ROBERT LUMB**
FINANCIAL DIRECTOR

Robert Lumb holds the position of Financial Director at Interwaste. He has over 20 years' experience in the financial field. He was previously the Chief Financial Officer of Barloworld Logistics. Robert has a Bcom, a post-grad in Accounting and Finance and qualified as a Chartered Accountant in 1993.

**CHARLES BOLES**
INDEPENDENT NON-EXECUTIVE DIRECTOR

Charles Boles is a qualified Chartered Accountant with a Higher Diploma in Taxation and Company Law. He has an MBA in which he graduated Cum Laude. Charles was formerly a partner at PricewaterhouseCoopers Inc in the Corporate Finance division. He then worked for Investec Bank Limited before establishing his own business, Titanium Capital. He has a depth of experience in finance, investments and private equity. Charles was appointed to the Hulamin board.

**DAVID ROSEVEAR**
INDEPENDENT NON-EXECUTIVE DIRECTOR

David Rosevear has a Bcom in Accountancy from the University of Witwatersrand. He has extensive knowledge in a number of fields and has over 38 years' experience in the financial field. He has been a Director of a number of companies such as The Bidvest Group Limited and Anchor Group Limited.

## THANK YOU FOR YOUR CONTRIBUTION TO THE INTERWASTE BOARD

**ANDISIWE KAWA**
PREVIOUS INDEPENDENT NON-EXECUTIVE CHAIRPERSON

Andisiwe Kawa held the position of chairperson of the Interwaste Holdings Limited board from August 2010 until she resigned as non-executive director with effect from 31 March 2017. Andisiwe has over 22 years corporate experience both internationally and in South Africa in strategy transformation and finance. Andisiwe holds an MBA from Wharton Business School, an MA from Columbia University and a BSc from the University of Transkei. She has worked in the services, banking and mining sectors. Andisiwe currently serves on various boards as a non-executive director including AVI Limited, Aquarius Platinum (South Africa) (Pty) Ltd, Chuma Holdings (Pty) Ltd, Tiye Capital (Pty) Ltd.

**GAVIN TIPPER**
NON-EXECUTIVE DIRECTOR

Gavin is a Chartered Accountant with BComm. and BAcc. degrees and a Masters in Business Administration. He has been involved in the financial services sector for 26 years. Prior to joining the Coronation Group in 2001 he was a technical partner at KPMG. Gavin holds directorships of a number of listed companies.

**ANDRÉ BROODRYK**
GROUP FINANCIAL DIRECTOR

André is a Chartered Accountant. He has extensive experience in the South African financial services industry having worked as a financial director and in the operational departments of companies operating in the investment treasury and banking industries. He has been with Interwaste for 6 years and has developed a detailed knowledge of the waste industry.

# EXECUTIVE MANAGEMENT

**DAN NKOMO**
ENTERPRISE DEVELOPMENT DIRECTOR

**ALLEN DE VILLIERS**
COMPANY SECRETARY

**HENNIE SCHOEMAN**
REGIONAL DIRECTOR

**GRAEME BAYFORD**
REGIONAL DIRECTOR

Dan Nkomo has been employed by Interwaste for 24 years. He has extensive knowledge of waste management, operations and logistics. Dan possesses qualifications in road transport management from the University of the Witwatersrand and the Rand Afrikaans University respectively. Dan is a director of a number of Interwaste group companies including Inter-Waste (Pty) Ltd, Greens Scrap Recycling (Pty) Ltd, Envirowaste SA (Pty) Ltd and Interwaste Cleaning (Pty) Ltd.

Allen de Villiers is an attorney with BA and LLB degrees (UNP), a diploma in tax practice (RAU) and a postgraduate diploma in business administration (GIBS). Allen has over 17 years experience in the practice of law with experience in the fields of litigation, commercial law and corporate governance.

Hennie holds an MBA (GIBS) and has been involved in waste management for the last 20 years. He is passionate about finding the most effective solutions in transporting waste from customer to end destination. Hennie is responsible for the group's Mozambiquan operations, Secunda and the Vaal, as well as the Northwest Province.

Graeme Bayford has been active within the waste industry for the past 12 years and holds a National Diploma within the Environmental Sciences. Graeme is responsible for the group's coastal operations as well as operations in the Northern Province.

**RAJASPREE PILLAY**
GROUP HUMAN RESOURCES DIRECTOR

**JASON MCNEIL**
GROUP SALES AND MARKETING DIRECTOR

**MIKE NICHOLLS**
DIVISIONAL DIRECTOR – TECHNICAL SERVICES

Rajas Pillay holds the following qualifications: BA, BProc, Advanced Diploma and Masters Degree (Labour Law and Employee Relations) and has passed the Attorneys Board Exam. She has more than 19 years experience in human resource strategy, transformation, corporate legal and employee relations matters. Rajas is a director of the following Interwaste group companies: Interwaste (Pty) Ltd, Greens Scrap Recycling (Pty) Ltd, Envirowaste SA (Pty) Ltd, Interwaste Cleaning (Pty) Ltd, Platinum Waste Resources (Pty) Ltd and Drakenstein Energy (Pty) Ltd.

Jason McNeil holds an MBA (GIBS). He has spent the last 21 years in the operational management of environmental solutions in South Africa. Jason is the sales director for Interwaste (Pty) Ltd and a director of Masakhane Interwaste (Pty) Ltd.

Mike Nicholls holds a B.Sc. Honours degree (UNP). He is passionate about waste reuse and regards waste as a valuable resource. Mike is also a director of Ex-Waste (Pty) Ltd. Mike runs the group's Research and Development Department as well as the state of the art laboratory situated at the Interwaste head office in Germiston.

› SECTION 2

# RISK & GOVERNANCE

# SUSTAINABILITY REPORT

## Our People

At Interwaste our people are our strength, and their safety and wellbeing are of paramount importance. A healthy and safe workplace enhances employee morale and productivity, is essential to effective business operations and is a key ethical imperative.

The Interwaste Group employs more than 2 400 people across South Africa, Namibia and Mozambique (an increase of 352 employees compared to the prior year), resulting from the expansion in Namibia, the Northern Cape and Gauteng.

| Key Indicators* | 2016 | 2015 |
|---|---|---|
| Employee Headcount | 2084 | 2027 |
| Female Employees | 436 | 428 |
| African Employees | 75% | 79.72% |
| Employees with disabilities | 1.36% | 1.18% |
| Learnerships | 2.8% | 0.49% |

*This excludes operations outside of RSA

To sustain a high-performance culture and maintain happy, healthy employees, the group invests in high performance management and employee developmental programmes, through our centralised Human Resources Department. In addition, the internal Health, Safety and Environment (HSE) Department focuses on instilling a strong culture of health, safety and environmental best practice at all levels. The group's HSE policies are strictly applied.

On appointment, all employees are inducted on policies and procedures, ensuring they are aware of and can uphold the group's Values.

## Employee Well-being

Health and safety requirements are monitored as part of the group's risk management framework, and legislative compliance is treated as a minimum standard. This process includes annual health risk assessments, which follows disease management programmes in areas such as HIV/AIDS, Tuberculosis and Diabetes. All employees undergo annual medicals and are required to undergo exit medicals when leaving the company.

In addition to the above, the group has Employee Assistance Programmes to assist employees with holistic wellbeing

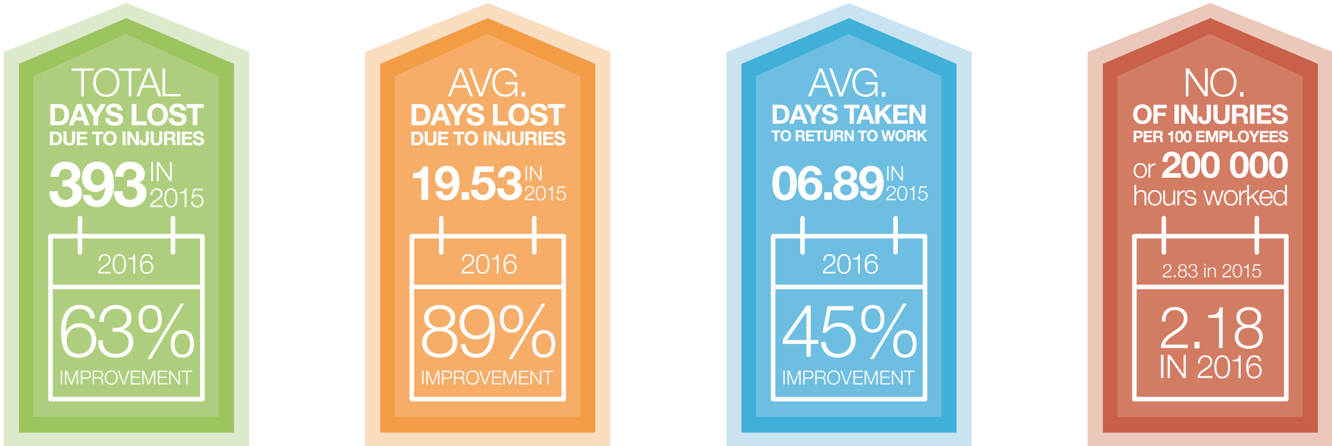
The HSE Department investigates safety related incidents, results of which are referred to the applicable workplace committees. Matters are elevated to management where necessary. The Social and Ethics Committee and/or the Board also receive reports on incidents where appropriate.

HSE systems are maintained by the HSE Department which conducted in excess of 200 internal audits in 2016.

The group actively encourages training on, and compliance with, its internal HSE policies and procedures, applicable legislation and global best practice. The group's HSE drive has shown positive results over several years, with a continuing downward trend in the lost time injury frequency rate ("LTIFR") as well as improvements in other significant indicators.

Despite having earned 14% more hours over the 2016 period, we are proud to present a solid increase in incident reporting activity by 10,94%, this further demonstrates the commitment of the group to health and safety.

As a result of our commitment to this area of our business, Interwaste was awarded an umbrella ISO 14001 (an international environmental management standard) certification from SGS. Furthermore, the FG Landfill, Klinkerstene Landfill and Waste Derived Fuel Blending Platform have received OHSAS 18001 (an international health and safety standard) certification from TUV Rheinland. Both SGS and TUV Rheinland are international accreditation bodies.




## Training and Development Initiatives

Interwaste firmly believes that education is imperative in transforming the lives of people as well the prevalent socio-economic conditions. This philosophy is adopted both internally (employees) and externally (unemployed disadvantaged individuals). Interwaste prides itself in developing disadvantaged people and communities. To that extent Interwaste constantly strives to improve the lives of people in the geographic areas in which it operates. As an organisation we realise that that social mobility can only be achieved through various forms of education i.e. internships, bursaries, skills programmes and learnerships. In response to the aforementioned, the Interwaste Group embarked on the following initiatives in 2016:

## Adult Training and Education Programme (ABET)

For the sixth year in succession we continued the Adult Training and Education Programme, targeted at our employees. Each year we increase the number of learners and extend the geographical areas in which employees operate. We work with accredited providers to ensure that the employees we train acquire communication, literacy and life skills that prepare them for further skills programmes.

In 2016, the business embarked on a literacy drive to extend the ABET Programme to unemployed members of the community. This was offered in the Vaal, Germiston and East London. The beneficiaries of this programme were all previously disadvantaged individuals, situated in rural communities.

## Learnerships for Employed

The following learnerships were awarded during the course of the year:

**16 Management Learnerships**

**8 Hygiene and Cleaning Learnerships**

Aligned to this, Interwaste held its first graduation function on 18 November 2016 at the Birchwood Hotel for individuals who graduated from the Hygiene and Cleaning Learnership. This event was a resounding success, and very motivational for all whom attended.

## Learnerships for Unemployed

The following learnerships were awarded in 2016:

**10 Driving Learnerships**

**20 New Venture Creations**

Training is an important part of our transformation process and our learnership and training programmes are designed accordingly. Training is one of the organisation's key drivers to fast track transformation within the business.

**ABET**

**103**

## Broad Based Black Economic Empowerment

The Interwaste Group is committed to complying with the Broad Based Black Economic Empowerment (BBBEE) Codes. The group embraces transformation in order to advance social and economic mobility amongst previously disadvantaged individuals.

Transformation is driven by the executive committee, to ensure that initiatives are implemented across all levels within the group. In addition, the Social and Ethics Committee actively monitors the group's transformation initiatives to ensure that meaningful progress is made.

The group is measured annually by an external verification agent. In June 2016, and achieved a Level 3 as per the old Department of Trade and Industry Codes. With the stringent amended BBBEE Codes we do anticipate that the Level of Contribution for the business will be impacted negatively. Interwaste Holdings continues to actively pursue improvements in aligning with the new requirements. Interwaste is committed to ongoing improvement in this area and is taking steps to minimise the impact of the amended codes on our rating.

## Corporate Social Investment

Interwaste strives to make a positive impact on the communities in which it operates and has developed a number of key Corporate Social Investment initiatives focused on those communities specifically, to drive this.

### Tops and Tags

In 2011, we launched the eco-friendly initiative "Tops & Tags" as part of the group's larger strategy, to use our business model in innovative ways, in order to give back to the community/s in which we operate. The initiative is run through corporates, schools, non-profit organisations and communities who encourage students, employees and members of the public to bring plastic bread tags and bottle tops from home. The more tops and tags collected, the closer the entity gets towards their goal of earning a wheelchair, which may then be donated to a registered recipient of their choice. This has gone a long way in developing a generation of children that are aware of environmental and social issues.

### BASA Educational Trust Institute

The company has contributed to this institute, situated in Alexander Township, for funding of learners school fees.

### Dukathole Gogos

Interwaste adopted a senior citizens home situated in Germiston (Dukathole Informal Settlement) in 2012. Interwaste's primary contribution has been toward food supplies, infrastructure, health, water, sanitation and security.

### Casa Caritas Non-Profit Organisation

In 2016 Interwaste supported Casa Caritas on a monthly basis by contributing towards its operating costs. Casa Caritas is a home for mentally and physically disabled people, situated on the East Rand.

### Reconciliation Park

Interwaste opened Reconciliation Park at its Germiston Hub, situated in Germiston South, on 16 December 2016. The park has been built within the Interwaste depot, adjacent to an informal settlement (Dukathole), and allows for the children of the local community to play safely. The park is fully equipped with play equipment and is fully secured. The park is open to the children of Dukathole, seven days a week.

### Future Plans

In 2017, the business will be expanding its education drive by starting a computer literacy centre for children of Dukathole.

### Enterprise and Supplier Development

Interwaste uses a variety of suppliers for an array of services to support business operations. Interwaste creates value for suppliers by investing in mentoring, education, infrastructure and social development. The business stance is aligned to BBBEE requirements.

In June 2014, Interwaste assisted with the establishment of Mangena Recycling and Cleaning Services (a 100% black owned business). This business provides infrastructure support, and has created employment opportunities for the residents of Dukathole Informal settlement. For the third consecutive year in a row, this organisation continues to operate profitably under the mentorship of handpicked Interwaste management.

In 2016, Interwaste established a subsidiary company (Masakhane Interwaste (Pty) Ltd), with 35% black shareholding. The entity employs 29 people all from the local community. Interwaste provides this entity with infrastructure support. This initiative created job opportunities for residents of Postmasburg, Kathu, and Kuruman.

**43 367KG**
of TOPS collected

**2 158KG**
of TAGS collected

**256 TOTAL**
wheelchairs handed over

# RISK & GOVERNANCE

## CORPORATE GOVERNANCE REPORT

### Introduction

Interwaste Holdings Limited ("the Company") is a public company listed on the JSE Limited.

The Company's board of directors ("the Board") recognises its responsibility to ensure that the Company is governed in an ethical, prudent and sustainable manner in accordance with the provisions of the South African Companies Act, the JSE Listings Requirements ("the Listings Requirements") and the King Report on Governance for South Africa, 2009 ("King III"). The Board notes the publication of the King IV Report on Corporate Governance for South Africa 2016 on 1 November 2016. The Board is committed to ensuring that operations are conducted in a responsible manner and with due regard for sustainable environmental, social and economic practices and in accordance with King III and, when applicable, King IV.

### Statement of compliance

The Board is of the view that the Company has complied in all material respects with the provisions of King III, unless otherwise stated in this section of the report or in the detailed King III disclosures set out on pages 31 to 36 of this Integrated Annual Report, and has complied with the provisions of the Listings Requirements.

### Board of directors

The Company's Memorandum of Incorporation sets out the general powers of the Board and the directors. The roles and functions of the chairperson and the chief executive officer ("CEO") are formalised in the Company's Board Charter which is reviewed annually. There is a clear division of responsibilities at Board level to ensure a balance of power, with the functions of the chairperson and CEO being separate and independent. No individual director is able to exercise unfettered decision making powers. In order to ensure that conflicts of interest are avoided, Board members are required, at least annually, to provide a general disclosure of their personal financial interests, in terms of section 75 of the Companies Act, and to confirm at each board meeting, that they have no conflicts relating to the matters to be covered at the meeting.

The Board chairperson provides overall leadership and guidance to the Board and sets the ethical tone for the Board.

During the year under review, the Board was chaired by Ms Andisiwe Kawa. Ms Kawa subsequently resigned as non-executive director and board chairperson with effect from 31 March 2017 and Funani Mojono was appointed to chair the Board in her stead. Both Andisiwe and Funani were and are considered to be free from conflicts of interest.

During the year under review, Ms Andisiwe Kawa also served as a member of the Company's Audit Committee. At the time, this was considered appropriate due to the size of the Board. On 1 April 2017 the Board appointed an additional independent non-executive director, Charles Boles, who assumed Ms Andisiwe Kawa's position on the Audit Committee.

The position of CEO is occupied by Mr Alan Willcocks, who is a co-founder of the Company. Mr Alan Willcocks is responsible for management of the day to day affairs of the Company and to ensure the Company's strategic goals and objectives are achieved.

The remaining directors are Robert Lumb (financial director) (appointed with effect from 1 May 2017), Charles Boles (independent non-executive director) (appointed with effect from 1 April 2017), Mrs Bronwyn Willcocks (non-executive), Mr Funani Mojono (independent non-executive Chairman), Mr Landiwe Mahlangu (independent non-executive), Mr David Rosevear (independent non-executive) (appointed with effect from 31 March 2017) and Mr Leon Grobbelaar (Group Facilities Management director).

The independence of non-executive directors is assessed by the Chairperson and the Company Secretary with reference to non-executive directors' declarations of interest and the applicable provisions of King III. An evaluation of the performance of the directors and the Board as a whole, takes place annually.

The Company Secretary, Mr Allen de Villiers, assists the Board in discharging its responsibilities and is a source of guidance on matters of good governance and ethics. He holds BA and LLB degrees, a Diploma in Tax Practice and a Post Graduate Diploma in Business Administration. He has over 17 years' experience as an attorney and nine years' experience as a company secretary at a listed entity. In accordance with the JSE Listings Requirements, his assessment is performed annually by the entire board, including the executive directors.

Based on a formal assessment, which included review of the group company secretary's qualifications, experience and demonstration of competence in execution of the abovementioned functions, the board is of the opinion that Allen de Viliers, possesses the requisite competence, qualifications and experience and has confirmed that he is suitably qualified, competent and experienced to hold the position of group company secretary. The board confirms that the company secretary maintains an arms length relationship with the board at all times.

The Board meets quarterly and further ad hoc meetings are convened when necessary.

All of the Company's directors may seek independent, professional advice on matters pertaining to the Company, at the Company's expense, and have unrestricted access to management, Company information, documentation and property.

## Appointment to the Board

Appointments to the Board are made in accordance with the Appointments to the Board Policy, in a formal and transparent manner and are a matter for the Board, as a whole. The Nominations Committee assists the Board in discharging this function.

In terms of the Appointments to the Board Policy, the nominations committee, when determining the composition of the board as well as any new appointments, strives to promote equal opportunity, including gender diversity, by the elimination of unfair discrimination and the implementation of measures to address disadvantages that could be experienced by designated groups. The committee considers compliance with the gender diversity requirements in its terms of reference with each new appointment and termination and is in the process of developing a separate Group policy to further enhance this process.

## Rotation of directors

In terms of the Company's Memorandum of Incorporation, Mr Funani Mojono and Mr Landiwe Mahlangu retire by rotation at the forthcoming annual general meeting, but being eligible offer themselves for re-election.

Brief curriculum vitae of the directors of the Company are provided on pages 15 to 18 of this report.

## Board committees

The Board has appointed an Audit Committee, a Remuneration Committee, a Nominations Committee and a Social and Ethics Committee. These committees have formal terms of reference that have been approved by the Board and that reflect, where appropriate, the Company's application of the principles contained in King III and the statutory requirements of the Companies Act.

The terms of reference set out, inter alia, the committees' purposes, membership requirements, duties and reporting procedures.

## Audit Committee

The Audit Committee currently consists of Mr Landiwe Mahlangu (committee chairperson), Funani Mojono and Charles Boles.

During 2016, the Audit Committee was chaired by Mr Funani Mojono, an independent non-executive director, with Ms Andisiwe Kawa and Mr Gavin Tipper as committee members. In 2017, Mr Landiwe Mahlangu was appointed to the committee to replace Mr Tipper, who resigned as a non-executive director with effect from 3 March 2017. Mr Charles Boles was appointed to the committee with effect from 1 April 2017 in order to fill the vacancy left by Ms Kawa's resignation.

The Committee discharges its functions in accordance with legislative requirements and the delegated authority of the Board, as set out in its terms of reference.

The Audit Committee is responsible for ensuring that there are appropriate key financial controls in the context of the financial risks the Company faces, and in particular assists the Board in the following matters:

- Monitoring the financial reporting process;
- Recommending the appointment of an independent registered auditor, determining the terms of engagement and approving fees for audit and non-audit work;
- Monitoring the operation and effectiveness of internal control systems, including information technology controls;
- Overseeing the implementation and effective operation of a structured risk management process;
- Implementing sound corporate governance policies;
- Reviewing, and recommending to the Board for approval, the interim and annual financial statements and the assessment of going concern;
- Considering and satisfying itself, on an annual basis, of the expertise and experience of the financial director.

KPMG Incorporated was re-appointed as the Company's external auditor by shareholders at the Company's last annual general meeting. On the recommendation of the Audit Committee, the Board has resolved that the external auditor shall not:

- Function in the role of management;
- Audit its own work; or
- Service in an advocacy role for the Company.

In accordance with the requirements of the Companies Act, all non-audit services provided by the external auditor are pre-approved by the Audit Committee.

The Audit Committee discharged the functions ascribed to it in terms of the Companies Act and the Listings Requirements, as reported in the Audit Committee Report. It also complied in all material respects with its mandate and fulfilled its responsibilities as set out in its terms of reference.

The Committee may call upon any executive directors, company officers, the Company secretary or other assurance providers to provide it with information. The Committee has reasonable access to Company records and the resources necessary for the fulfilment of its functions. It also has the right to obtain independent professional advice at the Company's expense, should such be required for it to fulfil its responsibilities.

The Company currently does not have a separate internal audit function, although external assurance providers are contracted to the Company to provide specific internal audit services, as and when deemed necessary by the Committee or the Board. The need for an internal audit function is regularly considered in the context of the size of the Group.

The report of the Audit Committee is set out on page 46 of this report.

## Remuneration Committee

The Company's Remuneration Committee assists the Board in the determination of the Group remuneration philosophy and the remuneration policies applicable to all levels in the Company. The Committee ensures that the Group's executives and managers are remunerated in a manner that is competitive and appropriate to their individual contributions, and ensures that there is an effective remuneration and reward framework so that all employees are fairly paid and retention levels are as targeted.

In 2016, the Committee was chaired by Mr Funani Mojono, an independent non-executive director, with Ms Andisiwe Kawa as the Committee's second member. The committee met twice during this period. The Committee currently consists of Mr Funani Mojono and Mr Landiwe Mahlangu. A new committee chairperson is due to be appointed in light of the appointment of Mr Mojono as chairman of the audit committee.

## Nominations Committee

The Committee provides input to the Board on senior executive appointments, appointments of non-executive directors and succession matters. During 2016, the Company's Nominations committee was chaired by Ms Andisiwe Kawa, the Board chairperson and Funani Mojono (independent non-executive director), as members. The committee did not meet in 2016.

## Social and Ethics Committee

The Social and Ethics Committee is tasked with discharging the functions set out in the Companies Act for social and ethics committees, including monitoring the Company's activities relating to social and economic development, good corporate citizenship, ethics, the environment, health and safety, consumer relations, labour and employment.

During 2016, the Company's Social and Ethics committee was chaired by Mr Funani Mojono (independent non-executive director) and consisted of Mrs Rajas Pillay, Mr Andries Cronje and Mr Dan Nkomo. The Committee is currently chaired by Mr Landiwe Mahlangu (independent non-executive director) and consists of Mrs Rajas Pillay, Mr Dan Nkomo and Mr Jason McNeil.

The Social and Ethics Committee operates in terms of a mandate approved by the Board and reports to shareholders at the

## Board Charter and Policies

The Board functions within a framework provided by, inter alia, its charter and the following group policies:

- Trading in Securities;
- Appointments to the Board;
- Conflicts of interest;
- Communications;
- Remuneration; and
- Non-Audit services.

The Board Charter and the policies assist Board members in the discharge of their duties and responsibilities and help to ensure that principles of good corporate governance are applied in the performance of their roles and in all their dealings with and on behalf of the Company.

## Meeting attendance

The Board met on four occasions, and the Audit and Social and Ethics Committees met twice, during the year under review. Details of the directors' attendance at the meetings are:

| Director | Number of Board meetings attended | Number of Audit Committee meetings attended | Number of Social and Ethics committee meetings attended | Category |
|---|---|---|---|---|
| Andisiwe Kawa | 3 | 2 | N/A | Non-executive Chairperson |
| Alan Willcocks | 4 | 2 | N/A | CEO |
| Gavin Tipper | 4 | 2 | N/A | Non-executive |
| Bronwyn Willcocks | 4 | 2 | N/A | Non-executive |
| André Broodryk | 4 | 2 | N/A | Executive |
| Funani Mojono | 3 | 2 | 2 | Independent non-executive |
| Leon Grobbelaar | 3 | 2 | N/A | Executive |
| Landiwe Mahlangu | 4 | 2 | N/A | Independent non-executive |

## Dealings in shares

The Company and its directors comply with the Listings Requirements relating to trading the Company's shares. In terms of the Company's Dealing in Securities Policy directors and Company officers are precluded from dealing in Company shares during closed periods, from 30 June and 31 December of each year until the release of the Group's interim and provisional results, respectively.

The same arrangements apply to other closed periods declared during price sensitive transactions. A pre-approval policy and process for all dealings in Company shares by directors and selected key employees is strictly followed. Details of directors' and the company secretary's dealings in Company shares are disclosed through the Stock Exchange News Service ("SENS") in accordance with the Listings Requirements.

The Company secretary regularly disseminates written notices to inform the directors, executives and employees of insider trading legislation, and closed periods.

## Going Concern

The Board is of the opinion that the Group has adequate resources to continue operating in the foreseeable future. Consequently, the going concern basis has been applied in preparing the annual financial statements presented on pages 58 to 116 of this Integrated Annual Report.

## King III

The Board considers good corporate governance as vital to the sustainability of the Group, and believes that the structures currently in place are appropriate based on the Group's size, complexity and requirements. The Board is cognisant of the challenges faced in balancing the achievement of the Company's strategic goals with the implementation of all of the principles contained in King III.

A process of review of the Company's practices against the provisions of King III occurs regularly and the results thereof form the basis of efforts to further improve corporate governance structures within the confines of available resources and having regard to what is practical and sensible in the Group's context.

The Group's compliance with the requirements of King III is summarised below.

| *Principle* | **Description of compliance** |
|---|---|
| **Chapter 1: Ethical Leadership and Corporate Citizenship** | |
| 1.1 The board should provide effective leadership based on an ethical foundation | The Board sets the ethical tone for the business and has ultimate responsibility for the group code of ethics. The Board approves the strategic direction of the group, monitors the implementation thereof and requires adjustments where necessary. |
| 1.2 The board should ensure that the company is and is seen to be a responsible corporate citizen. | Emphasis is placed on complying with all applicable legislation and regulations, and recognising the role the group plays in the environment in which it operates, and the need to contribute positively to that environment. The Board is responsible for the economic, environmental and social performance and reporting of the company. |
| 1.3 The board should ensure that the company's ethics are managed effectively | The Company has a code of ethics which is communicated internally and externally. The Social and Ethics Committee reports to the Board on ethical matters. The relevance of the code of ethics and the effectiveness of its implementation are reviewed on a regular basis. |
| **Chapter 2: Board and Directors** | |
| 2.1 The board should act as the focal point for and custodian of corporate governance. | The Board operates in terms of the Memorandum of Incorporation and the board charter. It is responsible for ensuring that sound corporate governance principles are applied throughout the business, that business is conducted on an ethical basis in line with the group's ethical values, and that the interests of all stakeholders are appropriately taken into account. |
| 2.2 The board should appreciate that strategy, risk, performance and sustainability are inseparable. | The Board works with management in determining the strategic direction of the group and monitors the implementation of strategy. In setting strategy it adopts a risk based approach recognising the need to ensure sustainability. |
| 2.3 The board should provide effective leadership based on an ethical foundation. | Refer 1.1 above. |
| 2.4 The board should ensure that the company is and is seen to be a responsible corporate citizen. | Refer 1.2 above. |
| 2.5 The board should ensure that the company's ethics are managed effectively. | Refer 1.3 above. |

### King III (continued)

| *Principle* | **Description of compliance** |
|---|---|
| **Chapter 2: Board and Directors (continued)** | |
| 2.6 The board should ensure that the company has an effective and independent audit committee. | The membership of the Committee is considered appropriate in the context of the sizes of the Group and the Board. The committee operates in terms of a charter approved by the Board and its effectiveness is informally reviewed on an annual basis. |
| 2.7 The board should be responsible for the governance of risk. | In approving the strategic direction of the Group and monitoring the implementation of strategy, the Board takes account of the risks faced by the Group. The financial aspects of the risk management system are monitored by the Audit Committee, which reports to the Board on that process, and the non-financial aspects are monitored by the Board through the executive. |
| 2.8 The board should be responsible for information technology (“IT”) governance. | The Board monitors IT governance through the audit committee and executive management. |
| 2.9 The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards. | The Group operates in a highly regulated environment and has a substantial compliance function designed to ensure adherence to applicable laws and regulations. In addition, it is subject to regular external compliance audits. Consideration is regularly given to non-binding rules, codes and standards and to the need for and value of compliance with those. |
| 2.10 The board should ensure that there is an effective risk-based internal audit function. | As a result of the relatively small size of the Group and the high level of hands on management by the executive, the Group does not have an internal audit function. Where appropriate, specific internal audit assignments are performed by an external service provider. |
| 2.11 The board should appreciate that stakeholders’ perceptions affect the company’s reputation. | The Company engages with its various stakeholders as appropriate. The extent and nature of the engagements vary based on the interests of the different stakeholders. |
| 2.12 The board should ensure the integrity of the company’s integrated annual report. | The Audit Committee oversees integrated reporting and is responsible for reporting to the Board on the financial aspects of the integrated annual report and the integrity thereof. The non-financial aspects of the report are considered by the board directly. |
| 2.13 The board should report on the effectiveness of the company’s system of internal controls. | The Audit Committee monitors the financial controls and reports to the Board on the results thereof. The Board reviews the effectiveness of the non-financial controls through executive management and ad hoc internal audit engagements. The integrated annual report includes reporting on the system of internal controls. |
| 2.14 The board and its directors should act in the best interests of the company. | The Board and directors are, inter alia, required to exercise due care, skill and diligence; act in good faith; exercise objective judgement; declare any personal financial interests or conflicts of interest; and not deal in the Company’s securities during closed or other price sensitive periods. |
| 2.15 The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act. | The application of the going concern principle and the solvency of the Group are reviewed on a regular basis. The Board is aware of and understands its responsibilities regarding business rescue proceedings. |
| 2.16 The board should elect a chairperson of the board who is an independent non- executive director. The CEO of the company should also not fulfil the role of chairperson of the board. | The position of chairperson is held by an independent non-executive director. |

## King III (continued)

| *Principle* | **Description of compliance** |
|---|---|
| **Chapter 2: Board and Directors (continued)** | |
| 2.17 The board should appoint the CEO and establish a framework for the delegation of authority. | The CEO is appointed by the Board and his role and responsibilities are set out in the Board charter. The Group has a formalised framework for the delegation of authority. |
| 2.18 The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent. | The Board comprises a majority of non-executive directors and a majority of the non-executives are independent. |
| 2.19 Directors should be appointed through a formal process. | There is a formal process for the appointment of directors and the Board is assisted in the process by the Nominations committee. |
| 2.20 The induction of and on-going training and development of directors should be conducted through formal processes. | Where appropriate, new directors are formally inducted. Training of directors takes place where necessary, however due to the size of the Group the process is not formalised. |
| 2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary. | The Company has a competent, qualified and experienced company secretary. |
| 2.22 The evaluation of the board, its committees and the individual directors should be performed every year. | Annual evaluations of the Board, its committees and individual directors, are conducted, and where appropriate follow up actions are taken. |
| 2.23 The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities. | The Board has delegated certain functions, without abdicating responsibility, to the executive committee, the Audit and Risk committee, the Remuneration committee, Nominations committee and to the Social and Ethics committee. Where appropriate, ad hoc committees are constituted and functions delegated to those. The Board retains overall responsibility for any functions it delegates. |
| 2.24 A governance framework should be agreed between the group and its subsidiary boards. | Due to the relatively small size of the Group there are limited subsidiary boards. The Group governance framework applies to those boards. |
| 2.25 Companies should remunerate directors and executives fairly and responsibly. | The Remuneration committee reviews the remuneration philosophy and policies on an annual basis and remuneration packages are benchmarked externally where appropriate. |
| 2.26 Companies should disclose the remuneration of each individual director and prescribed officer. | The remuneration of directors and prescribed officers is disclosed in the integrated annual report. |
| 2.27 Shareholders should approve the company's remuneration policy. | Shareholders approve the Company's remuneration policy by way of a non-binding advisory vote at the Annual General Meeting (AGM). |

## King III (continued)

| *Principle* | **Description of compliance** |
|---|---|
| **Chapter 3: Audit Committees** | |
| 3.1 The board should ensure that the company has an effective and independent Audit Committee. | The Audit Committee is comprised of three non-executive directors, elected by shareholders at the Annual General Meeting. The composition thereof is considered appropriate in the context of the sizes of the Group and the Board. The effectiveness of the Audit Committee is assessed on an annual basis. |
| 3.2 Audit Committee members should be suitably skilled and experienced independent non-executive directors. | Audit Committee members are appointed after being assessed as suitably skilled and experienced. Two of the three audit committee members are independent non- executive directors, the third member is a non-executive director. |
| 3.3 The Audit Committee should be chaired by an independent non-executive director. | The Audit Committee is chaired by an independent non-executive director. |
| 3.4 The Audit Committee should oversee integrated reporting. | The Audit Committee operates in terms of its charter which includes the responsibility for overseeing integrated reporting, specifically the financial aspects thereof. |
| 3.5 The Audit Committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities. | The activities of management and external audit are co-ordinated, to the extent practical, and the relationship between management and the external auditors is monitored by the Audit Committee. As noted above, internal audit is limited to ad hoc assignments. Where these are performed they are co-ordinated with the activities of management and, if relevant, external audit. |
| 3.6 The Audit Committee should satisfy itself of the expertise, resources and experience of the company's finance function. | The Audit Committee evaluates the expertise, experience and resources of the finance function and the financial director on an annual basis. |
| 3.7 The Audit Committee should be responsible for overseeing internal audit. | Due to the relatively small size of the Group, internal audit activities are limited to ad hoc assignments. Where these are performed, they are overseen by the Audit Committee. |
| 3.8 The Audit Committee should be an integral component of the risk management process. | Due to the small size of the Group, the Audit committee, together with the Board, oversees the risk management process. |
| 3.9 The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process. | The Audit Committee recommends the appointment of the external auditor to shareholders at the AGM. The committee is responsible for overseeing the external audit process. |
| 3.10 The Audit Committee should report to the board and shareholders on how it has discharged its duties. | The Audit Committee reports to the Board at relevant board meetings on the discharge of its duties and the integrated annual report contains a report from the Audit Committee to shareholders. The chairman of the Audit Committee attends the AGM and is available to answer questions from shareholders on matters relevant to the committee. |
| **Chapter 4: The Governance of Risk** | |
| 4.1 The board should be responsible for the governance of risk. | In terms of the board charter, the Board is responsible for the governance of risk. Without abdicating any of its responsibilities, the Board delegates certain of these responsibilities to the Audit Committee (AGM). |

## King III (continued)

| *Principle* | **Description of compliance** |
|---|---|
| **Chapter 4: The Governance of Risk** | |
| 4.2 The board should determine the levels of risk tolerance. | Risk, and the extent of acceptable risk, are reviewed by the Board as part of the strategic process and are regularly reconsidered as the implementation of strategy is monitored. |
| 4.3 The risk or audit committee should assist the board in carrying out its risk responsibilities. | Refer 4.1 above. |
| 4.4 The board should delegate to management the responsibility to design, implement and monitor the risk management plan. | Management is responsible for identifying and responding to the risks faced by the business, and for implementing an effective risk management plan. The Board reviews this process. |
| 4.5 The board should ensure that risk assessments are performed on a continual basis. | Risks are assessed on a regular basis as part of normal operational management practices. |
| 4.6 The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks. | The consideration of unpredictable risks, and appropriate responses to those risks, is incorporated in normal operational management processes. |
| 4.7 The board should ensure that management considers and implements appropriate risk responses. | Appropriate risk responses are considered and implemented by management on an on-going basis. |
| 4.8 The board should ensure continual risk monitoring by management. | Risks are monitored on a continual basis as part of normal operational management processes. |
| 4.9 The board should receive assurance regarding the effectiveness of the risk management process. | Assurance regarding the risk management process is provided to the Board by management and the Audit Committee. Where appropriate, exceptions or major issues are highlighted and discussed. |
| 4.10 The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosures to stakeholders. | The integrated annual report includes relevant risk disclosures taking into account the nature of the business and competitively sensitive information. The need for other risk disclosures is monitored by the Board. |
| **Chapter 5: The Governance of Information Technology** | |
| 5.1 The board should be responsible for information technology ("it") governance. | The Board monitors IT governance through the Audit Committee and executive management. |
| 5.2 IT should be aligned with the performance and sustainability objectives of the company. | IT is designed to support the performance of the Group and to contribute to the achievement of its sustainability objectives. |

## King III (continued)

| *Principle* | **Description of compliance** |
|---|---|
| **Chapter 5: The Governance of Information Technology (continued)** | |
| 5.3 The board should delegate to management the responsibility for the implementation of an IT governance framework. | Management is responsible for the implementation of the IT governance framework. |
| 5.4 The board should monitor and evaluate significant IT investments and expenditure. | In line with Company policies for delegation of authority and approval of capital expenditure, the Board considers all significant IT investments and expenditure. |
| 5.5 IT should form an integral part of the company's risk management. | IT is an integral part of risk management and is monitored and reviewed accordingly. |
| 5.6 The board should ensure that information assets are managed effectively. | The management of information and information assets forms part of normal management processes and is subject to regular review and improvement, where applicable. |
| 5.7 A risk committee and audit committee should assist the board in carrying out its responsibilities. | Refer 5.1 above. |
| **Chapter 6: Compliance with Laws, Rules and Standards** | |
| 6.1 The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards. | The board charter requires compliance with applicable laws and regular consideration is given to adherence to relevant non-binding rules, codes and standards. |
| 6.2 The board and each director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business. | The Board charter requires the Board and individual directors to have a working knowledge of the effects of applicable laws, rules, codes and standards on the Group's business. Where relevant, directors are briefed on these matters. |
| 6.3 Compliance risk should form an integral part of the company's risk management process. | Compliance risk forms part of the Company's risk management framework and processes. |
| 6.4 The board should delegate to management the implementation of an effective compliance framework and process. | Compliance risk and the implementation of an effective compliance framework is delegated to management. There is a compliance department and significant resources are applied to the area. |
| **Chapter 7: Internal Audit** | |
| 7.1 The board should ensure that there is an effective risk based internal audit. | To date the committee has felt that given the size, complexity and financial constraints of the Group, an internal audit function was not required on a full-time basis. The committee has since reconsidered the position and aims to introduce some elements of internal audit in phases from 2017. |
| 7.2 Internal audit should follow a risk based approach to its plan. | Refer 7.1 above. Where ad hoc assignments are performed they are risk based. |

## King III (continued)

| *Principle* | **Description of compliance** |
|---|---|
| **Chapter 7: Internal Audit (continued)** | |
| 7.3 Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management. | Refer 7.1 above. |
| 7.4 The Audit Committee should be responsible for overseeing internal audit. | Refer 7.1 above. Where ad hoc assignments are performed they are overseen by the Audit Committee. |
| 7.5 Internal audit should be strategically positioned to achieve its objectives. | Refer 7.1 above. |

| | |
|---|---|
| **Chapter 8: Governing Stakeholder Relationships** | |
| 8.1 The board should appreciate that stakeholders' perceptions affect a company's reputation. | The Board recognises the relevance of its different stakeholders and the Company engages with various stakeholders as appropriate. The extent and nature of the engagements vary based on the interests of the different stakeholders. |
| 8.2 The board should delegate to management to proactively deal with stakeholder relationships. | Management is responsible for proactively dealing with stakeholder relationships. |
| 8.3 The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company. | The Company recognises material stakeholders with legitimate interests and engages with them as appropriate. |
| 8.4 Companies should ensure the equitable treatment of shareholders. | All shareholders are treated equitably. In dealing with shareholders, the Company complies with the relevant provisions of the Companies Act and the Listings Requirements. |
| 8.5 Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence. | Refer 8.1 above. The Company's communications with different stakeholders are tailored to the nature of the stakeholders and their interests. |
| 8.6 The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible. | Should disputes with stakeholders arise, they are addressed in the appropriate forum and resolved as effectively, efficiently and expeditiously as possible. |

| | |
|---|---|
| **Chapter 9: Integrated Reporting and Disclosure** | |
| 9.1 The board should ensure the integrity of the company's integrated annual report. | The Audit Committee oversees integrated reporting and is responsible for reporting to the Board on the financial aspects of the integrated annual report and the integrity thereof. The Board retains responsibility for the integrity of the Integrated Annual Report. |
| 9.2 Sustainability reporting and disclosure should be integrated with the company's financial reporting. | Sustainability reporting and disclosure form part of the integrated annual report. |
| 9.3 Sustainability reporting and disclosure should be independently assured. | External assurance will be considered when the sustainability reporting is more fully developed and the Board is of the view that the value of such assurance will exceed the cost thereof. |

# IT GOVERNANCE

The Board is cognisant of the strategic importance of information technology ("IT") to the effective functioning of Interwaste.

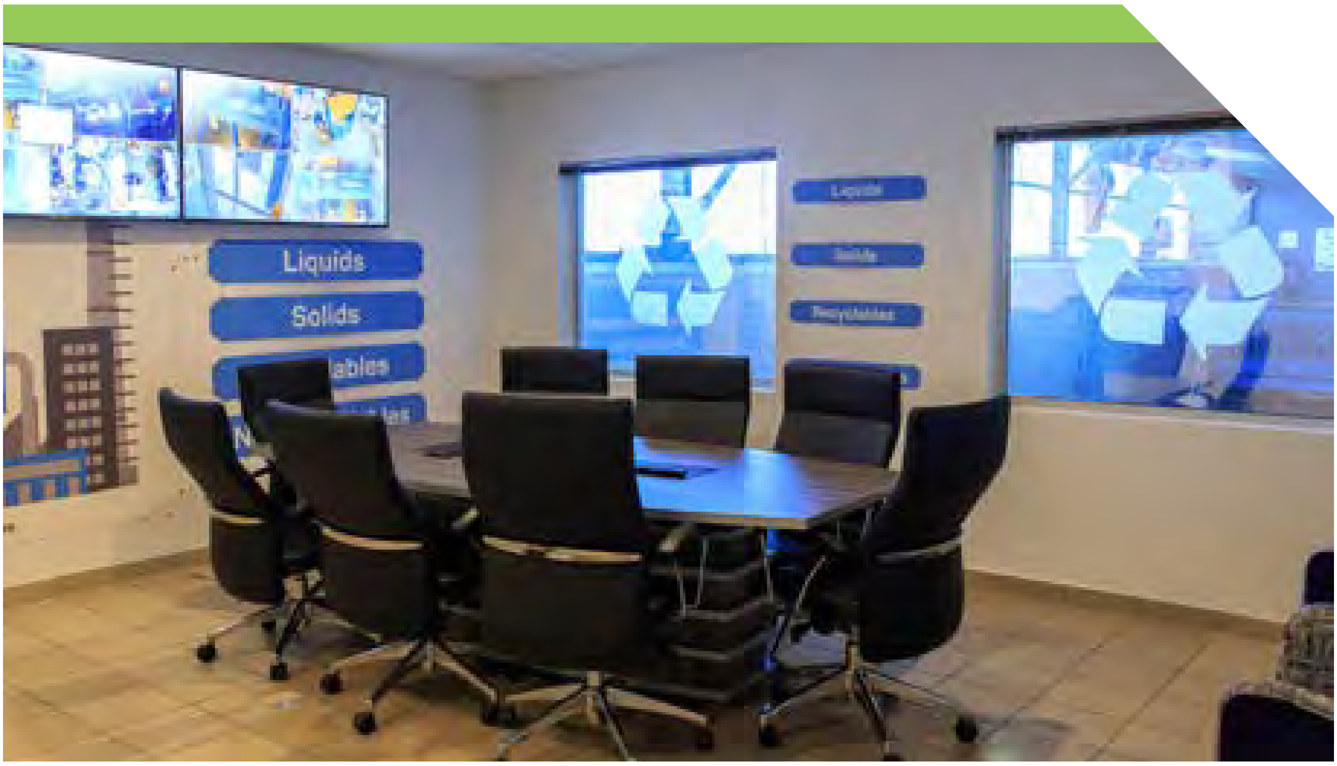
The Board is responsible for IT governance and ensures that the Group acquires and retains the resources necessary to ensure the effective functioning of the IT system. IT risks and the mitigation and management of these risks are regularly reviewed and improvements to systems and structures are made where appropriate.

The General Manager of IT is responsible for presenting a montly report to executive committee to address any risk and provide a progress on projects.

| Principle | | |
|---|---|---|
| The Board should be responsible for information technology (IT) governance. | 5.1: | Applied |
| IT should be aligned with the performance and sustainability objectives of the company. | 5.2: | Applied |
| The Board should delegate to management the responsibility for the implementation of an IT governance | 5.3: | Applied |
| The Board should monitor and evaluate significant IT investments and expenditure. | 5.4: | Applied |
| IT should form an integral part of the company's risk management. | 5.5: | Applied |
| The Board should ensure that information assets are managed effectively. | 5.6: | Applied |
| A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities. | 5.7: | Applied |

Specifically, the Board is satisfied that appropriate backup procedures and disaster recovery plans are in place.

# IT TECHNOLOGICAL INNOVATIONS




### Customer Portal

Interwaste boasts a state of the art customer portal which allows clients access to environmental and accounting information, from the comfort of their own office. The link to this portal is available from our website www.interwaste.co.za. Continual website upgrades ensure enhanced functionality and features including the following:

- **Environmental Reports**
  These reports reflect the tonnage/weight waste collected from client sites and gives a breakdown per waste type for each address that is serviced by Interwaste.
- **Recycling Reports**
  While these reports also reflect tonnage/weight of recyclables from client sites, detailed reports reflecting the recycled waste types, weight, rebate rate, amount payable to the client and collection dates are also available.
- **Consolidated Reports**
  This section provides an overall view of client accounts, including a percentage of waste disposed, recycled or re-used.
- **Invoice Packs**
  Clients may access financial information by an amount or invoice number or a copy of the invoice, delivery note, and landfill tip ticket.
- **Statements**
  Clients may view month-end statements as well as historical statements.

# REMUNERATION REPORT

This report sets out the group's remuneration philosophy and remuneration policies for non-executive directors, executive directors and senior managers. Details of the remuneration of executive directors and certain senior managers, and the fees paid to non-executive directors for the financial year ended 31 December 2016 are on pages 113 to 115 under notes to the financial statements.

## Remuneration Philosophy

The group's remuneration philosophy is to pay packages, benchmarked against comparable positions in the market, that facilitate the employment and retention of talented people, whose levels of integrity are high, who subscribe to the group's culture and values and, who have the ability and motivation to achieve the group's strategic goals.

The objectives of the remuneration policy are to:

- Attract individuals who are innovative, who have high levels of integrity, a strong work ethic and who subscribe to the Group's culture and values;
- Reward individuals appropriately for strong performance and the achievement of the Group's objectives;
- Reward exceptional performance by individuals, measured using a performance management system;
- Retain competent employees who contribute meaningfully to the Group's performance;
- Motivate high levels of performance in line with the Group's strategic objectives and business priorities;
- Recognise and, where possible, address differing employee needs;
- Support the Group's transformation agenda;
- Achieve fairness and equity in remuneration and reward;
- Allow the organisation to compete effectively in the labour market and to recruit and retain high calibre staff.

Remuneration packages for management and executives include an appropriate balance of short and long term rewards designed to ensure that their interests are aligned with those of shareholders.

## Interwaste Share Scheme

The Interwaste Share Scheme was approved by shareholders during 2012 and the first allocations were made in terms of the scheme in that year. The document proposing the Scheme stated that "the objectives of the Scheme are to incentivise selected employees through an opportunity to participate in the Company's equity. This should result in an increased alignment of interests between employees and shareholders, motivate improved performance by senior employees and promote the creation of long term shareholder wealth. The Scheme should contribute materially to the Group's ability to retain the employees who participate therein over the medium term."

The Scheme delivers value to employees based on share price appreciation over the option strike price. Executive directors, general managers, other managers and selected staff regarded as out performers or as strategic to the Group, are eligible to participate in the Scheme. Options are allocated at the discretion of the Remuneration committee, which takes account of market practice in determining the frequency and scale of allocations. Where appropriate, the Remuneration Committee may attach performance conditions to the options it allocates. The options vest over two to five years and are required to be exercised within two years of the date of their vesting.

## Composition of remuneration

The composition of remuneration packages of executive directors and senior managers are:

- A guaranteed remuneration package;
- An annual bonus based on appropriate combinations of divisional, Group and individual performance; and
- A long term incentive plan in the form of the Interwaste Share scheme.

## Guaranteed remuneration

The Remuneration committee reviews the salaries of executive directors and senior management annually. As part of this process the remuneration paid by the Group is benchmarked against remuneration levels in relevant sectors of the South African market.

The Group remunerates employees at levels reflective of the market, subject to their experience and contribution. Where there is significant out performance, remuneration levels are adjusted accordingly. Underperforming employees are paid at below average levels and are actively managed. Where necessary above average levels of remuneration are paid to attract high performing individuals to the Group or to attract managers with knowledge or experience relevant to Interwaste's plans for growth.

## Short-term incentive schemes

Annual bonuses are based on a combination of the performance of the division to which an employee is attached and their individual performance. The more the employee is able to influence the financial performance of the division, the greater the extent to which his / her bonus is aligned to the performance of the division. The bonuses payable to executive directors are based on a combination of the group's financial performance and their individual performance.

Executive management recommends annual bonuses to the Remuneration Committee for approval. The committee retains final discretion over the incentives.

# DIRECTORS', PRESCRIBED OFFICERS' AND KEY MANAGEMENT'S EMOLUMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

| DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS | | | | | | | |
|---|---|---|---|---|---|---|---|
| DIRECTORS' EMOLUMENTS | | | | | | | |
| Directors' emoluments | Salary | Fees | Motor vehicle allowance | Bonus and gratuity | Sub total | Share option expense | Total |
| **Group and Company** | R | R | R | R | R | R | R |
| **2016** | | | | | | | |
| **Executive** | | | | | | | |
| Alan Willcocks | 2 838 486 | – | – | 85 155 | 2 923 641 | – | 2 923 641 |
| Leon Grobbelaar | 1 942 833 | – | 145 124 | 61 885 | 2 149 842 | 126 657 | 2 276 499 |
| André Broodryk | 2 460 000 | – | 120 000 | 77 400 | 2 657 400 | 138 868 | 2 796 268 |
| | 7 241 319 | – | 265 124 | 224 440 | 7 730 883 | 265 525 | 7 996 408 |
| **Non-executive – fees** | | | | | | | |
| Gavin Tipper | – | 79 500 | – | – | 79 500 | – | 79 500 |
| Andisiwe Kawa | – | 64 500 | – | – | 64 500 | – | 64 500 |
| Funani Mojono | – | 89 800 | – | – | 89 800 | – | 89 800 |
| Bronwyn Willcocks | – | 67 500 | – | – | 67 500 | – | 67 500 |
| Landiwe Mahlangu | – | 79 500 | – | – | 79 500 | – | 79 500 |
| | – | 380 800 | – | – | 380 800 | – | 380 800 |
| **Other consulting** | | | | | | | |
| Gavin Tipper | – | 1 067 480 | – | – | 1 067 480 | – | 1 067 480 |
| | 7 241 319 | 1 448 280 | 265 124 | 224 440 | 9 179 163 | 265 525 | 9 444 688 |

### Non-executive directors' emoluments

Non-executive directors are remunerated in line with market related rates taking into account their responsibilities on board and on any of the sub committees on which they serve. For services that all outside their ordinary duties as directors they are remunerated by the way of a market related fee.

# DIRECTORS', PRESCRIBED OFFICERS' AND KEY MANAGEMENT'S EMOLUMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## OTHER PRESCRIBED OFFICERS' AND KEY MANAGEMENT'S EMOLUMENTS

The prescribed officers of the Group and Company, as defined in the Companies Act of 2008, and the key management personnel of the Group and Company, as defined in IAS24, are the executive directors of the Company and the executive directors of the Company's major subsidiary, Interwaste Proprietary Limited. The remuneration paid to the executive directors of the Company is disclosed on page 47. The remuneration paid to the other prescribed officers and key management personnel is set out below.

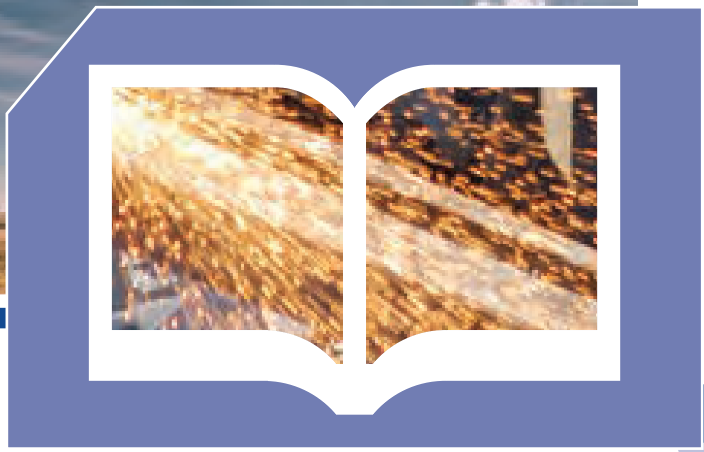
| Group and Company | Salary | Bonus and gratuity | Motor vehicle allowance | Other | Sub total | Share option expense | Total |
|---|---|---|---|---|---|---|---|
| | R | R | R | R | R | R | R |
| **2016** | | | | | | | |
| Dan Nkomo | **1 056 510** | **–** | **127 323** | **18 060** | **1 201 893** | **–** | **1 201 893** |
| Jason McNeil | **1 882 860** | **59 365** | **113 952** | **–** | **2 056 177** | **137 624** | **2 193 801** |
| Rajas Pillay | **1 492 500** | **45 000** | **76 500** | **–** | **1 614 000** | **78 609** | **1 692 609** |
| | **4 431 870** | **104 365** | **317 775** | **18 060** | **4 872 070** | **216 233** | **5 088 303** |

› SECTION 3

# GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS

# CONTENTS

## FOR THE YEAR ENDED 31 DECEMBER 2016



### Section 3: Annual Financial Statements

for the year ended 31 December 2016



The annual financial statements were prepared under the supervision of Andries Cronjé CA (SA), Acting Financial Director.

The annual financial statements of Interwaste Holdings Limited have been audited in compliance with Section 29 and 30 of the Companies Act of South Africa.

### Section 4: Notice to Shareholders

# DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the group and company annual financial statements of Interwaste Holdings Limited, comprising the statements of financial position at 31 December 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and the directors' report.

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

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and, apart from discontinued operations disclosed in the group and company annual financial statements, the directors have no reason to believe that the businesses will not be going concerns in the year ahead.

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

Approval of the group and company annual financial statements

The group and company annual financial statements of Interwaste Holdings Limited, as identified in the first paragraph, were approved by the board of directors on 26 May 2017 and are signed by:

Alan Willcocks
Chief Executive Officer
Authorised Director

Funani Mojono
Chairperson
Authorised Director

# CERTIFICATE BY COMPANY SECRETARY

In my capacity as Company Secretary, I hereby confirm, in terms of section 268 G(d) of the Companies Act, 2008, as amended, that for the year ended 31 December 2016, 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

# AUDIT COMMITTEE REPORT

The Audit Committee ("the committee") of Interwaste Holdings Limited and its subsidiaries ("the Group") complies with relevant legislation, regulation and governance practices. The responsibilities of the committee are outlined in its written terms of reference, which is reviewed and updated by the board of directors ("the board") on an annual basis. This report of the committee is presented to shareholders in compliance with the requirements of the Companies Act (71 of 2008, as amended) of South Africa.

## ROLE OF THE COMMITTEE

The objectives and functions of the committee are set out in its charter. In summary the committee:

- aims to ensure the maintenance of adequate accounting records and effective financial reporting and internal control systems;
- aims to ensure compliance of published financial reports with relevant legislation, financial reporting standards and good governance;
- aims to ensure Group assets are safeguarded;
- has oversight of fraud, information security and information technology risks in so far as these impact on the financial reporting process;
- confirms the nomination and appointment of the external auditor, ensuring such appointment is legislatively compliant;
- approves the terms of engagement and fees of the external auditor, as recommended by management;
- defines and considers the non-audit services that may be rendered by the external auditor;
- considers the external auditor's findings arising from the financial statement audit;
- monitors the functioning and approves the coverage plan of the internal audit department;
- reviews the expertise, resources and experience of the Group's finance function and the expertise and experience of the Finance Director; and
- reviews and recommends to the board the approval of the Group's Integrated Annual Report, Interim Report, Provisional Report, Annual Financial Statements and published results announcements.

## STRUCTURE OF THE COMMITTEE

The committee comprises three independent non-executive directors, and the chairperson of the committee is not the Chairman of the board of directors of the company. The following directors served on the committee during the reporting period:

- Mr Funani Mojono (Chairperson until 31 March 2017 when he became chairperson of the board of directors)
- Mr Landiwe Mahlangu (Appointed Chairperson on 31 March 2017)
- Ms Andy Kawa (Resigned on 31 March 2017)
- Mr Gavin Tipper (Resigned on 3 March 2017)
- Mr Charles Boles (Appointed on 1 April 2017)
- Mr David Rosevear (Appointed on 31 March 2017)

Biographical details of the committee members appear on pages 15 to 17 of the 2016 Integrated Annual Report. Fees paid to the committee members are outlined in note 29 of the Group annual financial statements. Having regard for their qualifications, as well as their extensive work experience in financial accounting, auditing, consulting and corporate business, the members of the committee are regarded as having the relevant financial expertise and experience required of an audit committee member.

The Finance Director, Company Secretary and external auditor also attend meetings of the committee as invitees. The chairman of the committee periodically meets separately with the external auditor without members of executive management being present.

## INTERNAL AUDIT

To date the committee has felt that given the size, complexity and financial constraints of the Group, an internal audit function was not required on a full-time basis. The committee has since reconsidered the position and aims to introduce some elements of internal audit in phases from 2017.

# AUDIT COMMITTEE REPORT (CONTINUED)

## INTERNAL CONTROLS

The Group aims to maintain a high standard of internal control. The sound control environment in the Group is founded on:

- strong responsibility for controls by executives;
- executive commitment to integrity and ethical values; and
- the skills and competence of executives.

The soundness of the Group's control environment is illustrated through:

- management's hands-on operating style;
- clear communication through employee policies and operating procedures;
- assignment of authority and responsibility to appropriate levels of management; and
- a control consciousness throughout the Group.

The Interwaste board is ultimately responsible for the Group's system of internal control, which is designed to ensure:

- effectiveness and efficiency of operations;
- safeguarding, verification of and accountability for assets;
- detection and minimisation of fraud and losses;
- reliability of financial and operational information and reporting; and
- compliance with applicable laws, regulations, policies and procedures.

The Interwaste board delegates responsibility for the implementation and maintenance of the control framework to management.
The committee, together with and external auditor, assists the board in monitoring the effectiveness and adequacy of the control environment.

The committee reports that during the period under review:

- internal control procedures were represented by management as having been substantially effective and appropriate;
- no material breach of internal controls and procedures was brought to its attention;
- key risks appeared to be adequately documented and appropriately monitored and reported on by management;
- policies and authority levels were represented by management as having been enforced and adhered to;
- material challenges linked to validity of licences and stakeholder relations were reported and the Group was found to be compliant; and
- fraudulent activities linked to one of the subsidiaries affecting the Group was brought to its attention.

## EXTERNAL AUDIT

The Group's external auditor is KPMG Inc. Fees paid to the auditor are detailed in note 18 of the group and company annual financial statements.

The external auditor's plan for the annual audit of the Group's financial statements, which plan incorporates the identification of significant risks and how they are to be addressed during the audit, is presented and approved at a meeting of the committee before the commencement of audit fieldwork.

The external auditor has unrestricted access to the Group's records and management. The external auditor furnishes a written report to the committee on significant findings arising from the annual audit and is able to raise matters of concern directly with the chairman of the committee.

## AUDITOR INDEPENDENCE

The committee is satisfied that the external auditor KPMG Inc, and the designated audit partner are independent of the Group and management, and are therefore able to express an independent opinion on the fair presentation of the group and company annual financial statements.

# AUDIT COMMITTEE REPORT (CONTINUED)

This conclusion is, inter alia, based on the following:

- the Group's policy that prohibits or otherwise restricts the non-audit services that may be provided by the external auditor;
- auditing profession standards that preclude the external auditor's personnel from holding shares in or having other business relationships with the Group;
- the external auditor may not provide services that could be seen as participating in the management of the Group's affairs; and
- the assurance provided by the external auditor that internal governance processes within the audit firm support the claim to independence.

The committee has a policy which limits the provision of non-audit services by the auditor. The auditor is restricted from rendering accounting, company secretarial, internal audit, legal, valuation, financial information system design, actuarial, management, human resources and investment services.

## COMMITTEE FUNCTIONING

During the reporting period two committee meetings were held. Meetings are scheduled to coincide with the key dates in the Group's financial reporting and audit cycle.

Reports routinely considered by the committee at these meetings included the Finance Director's Report.

The committee also considered the draft interim, provisional and annual financial reports and announcements, and the Integrated Annual Report, prepared by management, and recommended their adoption by the board subject to identified amendments.

The committee further considered the external auditor's audit plan and the appropriateness of the responses of management to the comments raised by the auditor in relation to the prior period audit.

During the reporting, period the committee undertook the following:

- nominated for appointment the external auditor and obtained assurance from management that this appointment complied with legislative requirements;
- noted which audit partner had been assigned to the annual audit engagement;
- approved the external auditor's fees and terms of engagement that had been negotiated by management;
- reviewed the Group's tax risk management and compliance activities, particularly relating to value-added tax and income tax in South Africa and the Group's fiscal obligations in countries outside of South Africa;
- considered the report of the JSE's Financial Reporting Investigations Panel on its findings arising from the Panel's monitoring of the financial reports published by JSE-listed companies; and
- reviewed and updated the charter of the committee and recommended its adoption by the board.

The committee carried out its other responsibilities as set out in its board-approved charter, including those relating to the audit and financial reporting obligations of the Group's subsidiary companies during the reporting period, by way of a consideration of annual financial statements and interim and preliminary reports, and audit and management reports at its scheduled meetings.

Following each meeting of the committee, the chairman of the committee submits a written report to the directors on the committee's activities, findings and recommendations, and presents and invites questions on this report at the board meeting immediately following the committee meeting.

## CHIEF FINANCIAL OFFICER'S EXPERTISE AND EXPERIENCE

The committee reports in terms of the JSE Listings Requirements that, based on a formal assessment process, it was satisfied as to the appropriateness of the expertise and experience of the Group's Finance Director during the reporting period.

# AUDIT COMMITTEE REPORT (CONTINUED)

### FINANCE FUNCTION'S EXPERTISE, RESOURCES AND EXPERIENCE

Based on a consideration of the qualifications, participation in continuing professional education and the nature, duration and relevance of the experience of key managers in the Group's finance department, as well as a review of the staff complement, functional responsibilities of and information systems available to the department, the committee reports in terms of the King III Code that it is satisfied as to the appropriateness of the collective expertise and experience of the Group's finance function and the adequacy of its human and technological resources.

### ANNUAL FINANCIAL STATEMENTS AND INTEGRATED ANNUAL REPORT

The committee has recommended the Group's 2016 audited financial statements (of which this report forms part), and the 2016 Integrated Annual Report, to the board for approval.

### APPROVAL OF THE REPORT

The committee confirms that it has functioned in accordance with its charter for the reporting period and that its report to shareholders was approved by the board.

Mr Landiwe J Mahlangu
Chairperson
Date: 26 May 2017

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

**The directors have pleasure in submitting their report for the year ended 31 December 2016.**

### NATURE OF BUSINESS

Interwaste Holdings Limited (the company) is the holding company of a group of environmentally conscious waste management companies. The group's business activities include waste collection, management of landfills, responsible disposal of waste, sale of recyclable waste, recovery of previously worked metals and manufacture of natural bark compost. The manufacture of natural bark compost business was sold in the current year and has been accounted for as a discontinued operation in the financial statements. Operations are based primarily in South Africa and Mozambique and the company is listed on the Johannesburg Stock Exchange (JSE).

### FINANCIAL RESULTS

The financial results for the year ended 31 December 2016 are set out in detail in these financial statements and are discussed in the Chairperson and Chief Executive Officer's review.

### GOING CONCERN

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

### SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year, and up to the date of approval of these financial statements, relevant to an assessment of the financial statements at 31 December 2016.

# DIRECTORS' REPORT (CONTINUED)

## AUTHORISED AND ISSUED SHARE CAPITAL

**Alterations to authorised share capital**

During the financial year under review, the company made no changes to authorised share capital.

**Issue of shares**

Apart from shares issued under the Group's share-based payment scheme for its employees, no general or specific shares were issued during the year under review.

## BORROWING LIMITATIONS

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

## SHARE INCENTIVE TRUST

Refer to note 12 for detail on share-based payment transactions during the current year.

## NON-CURRENT ASSETS

There were no major changes to the nature of the non-current assets of the company during the year, details of which are disclosed in the financial statements.

## DIVIDENDS

No dividends were declared or paid to shareholders during the year ended 31 December 2016 (2015: Rnil).

Platinum Waste Resources Proprietary Limited, a subsidiary, paid a dividend of R260 000 (2015: Rnil) to non-controlling shareholders.

Interwaste Cleaning Proprietary Limited, a subsidiary, paid no dividends (2015: R538 560) to non-controlling shareholders.

## ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act, 2008. The accounting policies applied are consistent with those applied in the prior year.

## DIRECTORS

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

| | | | | |
|---|---|---|---|---|
| A Kawa | (Chairperson) | (independent non-executive) | - | (resigned on 31 March 2017) |
| AP Broodryk | (Financial Director) | | - | (resigned on 23 January 2017) |
| BL Willcocks | | (non-executive) | | |
| GR Tipper | | (non-executive) | - | (resigned on 3 March 2017) |
| L Mahlangu | | (independent non-executive) | | |
| LC Grobbelaar | (Facilities Management Director) | | | |
| PF Mojono | (Chairperson) | (independent non-executive) | - | (appointed Chairperson from 31 March 2017) |
| WAH Willcocks | (Chief Executive Officer) | | | |
| C Boles | | (independent non-executive) | - | (appointed on 1 April 2017) |
| R Lumb | (Financial Director) | | - | (appointed on 1 May 2017) |

## SECRETARY AND REGISTERED ADDRESS

| | |
|---|---|
| The secretary of the company is: | Allen Stuart de Villiers, (BA) LLB Dip Tax Practice. |
| The company's registered address is: | 2 Brammer Street, Industries East, Germiston South |
| | PO Box 382, Germiston, 1400 |

# DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' INTERESTS

At 31 December 2016, the directors and their associates (as defined in terms of the JSE Listings Requirements) had the following direct and indirect beneficial interests in the share capital of the company:

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Beneficial direct | Beneficial indirect | Total | Beneficial Direct | Beneficial Indirect | Total |
| **Executive Directors** | | | | | | |
| Alan Willcocks | 100 000 | 74 432 911 | 74 532 911 | 100 000 | 74 432 911 | 74 532 911 |
| Leon Grobbelaar | – | 2 190 007 | 2 190 007 | – | 2 490 007 | 2 490 007 |
| André Broodryk | 3 700 000 | – | 3 700 000 | 2 800 000 | – | 2 800 000 |
| | | | | | | |
| **Non-executive Directors** | | | | | | |
| Gavin Tipper | 14 006 751 | – | 14 006 751 | 14 006 751 | – | 14 006 751 |
| Bronwyn Willcocks | – | 74 432 911 | 74 432 911 | – | 74 432 911 | 74 432 911 |
| | **17 806 751** | **151 055 829** | **168 862 580** | **16 906 751** | **151 355 829** | **168 262 580** |
| **Prescribed officers** | | | | | | |
| Dan Nkomo | 50 000 | – | 50 000 | 50 000 | – | 50 000 |
| Jason McNeil | 279 548 | – | 279 548 | 279 548 | – | 279 548 |
| | **329 548** | **–** | **329 548** | **329 548** | **–** | **329 548** |

No official has any non-beneficial interest in the ordinary shares of the company. No changes in directors' and prescribed officers shareholding have taken place between the end of the financial year and the date of approval of this Integrated Annual Report.

### MAJOR SHAREHOLDERS

Details of the interests of shareholders who hold, directly or indirectly, beneficial interests in 5% or more of the company's share capital, are reflected in the shareholder analysis out on page 117.

### INTERESTS IN SUBSIDIARIES

Interests in subsidiaries are disclosed in note 5 to the financial statements.

### SPECIAL RESOLUTIONS

No special resolutions were passed during the financial year ended 31 December 2016, other than those tabled and passed at the Annual General Meeting in June 2016.

# INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF INTERWASTE HOLDINGS LIMITED**

*Report on the Audit of the Consolidated and Separate Financial Statements*

## OPINION

We have audited the consolidated and separate financial statements of Interwaste Holdings Limited (the Group and Company) set out on pages 58 to 116, which comprise the statements of financial position at 31 December 2016, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Interwaste Holdings Limited at 31 December 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

There are no key audit matters reported for the separate financial statements. These key audit matters are applicable to the consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## REVENUE RECOGNITION

*Refer to accounting policies Note 1.7 and Note 17 to the financial statements.*

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| Included in the consolidated financial statements is revenue amounting to R924 million. Due to the nature of the operations of the Group, the revenue is split between:<br>• Sale of goods which is evidenced by delivery and<br>• Services which is evidenced by waybill and/or customer acknowledgment.<br>Due to the significant volume of revenue and the significant work effort by the audit team, the recognition of revenue was considered a key audit matter. | Our audit work included the following procedures:<br>• comparing the revenue recognition policies in accordance with the Group's stated accounting policies against IAS 18 Revenue;<br>• testing manual and automated controls over the revenue process and tests of detail which included verification of changes to customer master file data and inspection of contracts and proof of delivery (sale of goods) and way bill and /or customer acknowledgements (services) to assess whether the Group's revenue recognition policy was being applied consistently throughout the period;<br>• performing various substantive analytical procedures for both sale of goods and services;<br>• performing revenue cut-off procedures through inspection of invoices raised close to year-end and corresponding proof of delivery and customer acknowledgments to confirm that transactions were recorded in the correct period;<br>• inspection of post year-end credit notes for sale of goods and services to re-affirm revenue was accounted for in the correct period; and<br>• considering the appropriateness of revenue disclosure in the consolidated financial statements. |

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### VALUATION OF GOODWILL

*Refer to accounting policies Note 1.5 and Note 4 to the financial statements.*

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| At 31 December 2016 the consolidated statement of financial position includes goodwill amounting to R64 million, which comprise three cash generating units (CGUs).<br><br>The impairment of the goodwill assessment relating to the Logistics cash generating unit amounting to R47 million, required significant judgement to be applied by management.<br><br>The key assumptions used in the value in use calculation included estimated future revenue streams, weighted average cost of capital ("WACC"), growth rates, as well as economic assumptions such as escalations.<br><br>Due to significant estimates and judgements applied by management and work effort from the audit team this was considered a key audit matter. | Our audit work included, the following:<br>• assessing and challenging management's determination of the Logistics CGU based on our understanding of the nature of the Group's business and the economic environment in which the segments operate;<br>• testing the controls around the preparation and review of the forecasts and the annual impairment testing for goodwill to determine if controls are operating effectively;<br>• challenging management's assumptions and estimates used to determine the recoverable value of its assets, including those relating to forecast revenue, expenses, capital expenditure and discount rates by adjusting for future events and corroborating the key market related assumptions to external data;<br>• Using our own valuation specialists in challenging management's assumptions related to discount rates by re-computing the discount rates using market related information and then comparing it to management's computation;<br>• re-computing cash flow models to determine mathematical accuracy and agreeing relevant data to the latest forecasts;<br>• assessing the historical accuracy of forecasting of the Group;<br>• performing a sensitivity analysis on the WACC and growth rate assumptions on the Logistics CGU;<br>• assessing whether assumptions, such as working capital and capital spend, had been determined and applied consistently across the Group; and<br>• considering the appropriateness of the disclosure of goodwill in the consolidated financial statements. |

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### PROPERTY, PLANT AND EQUIPMENT

*Refer to accounting policies Note 1.2 and Note 3 to the financial statements.*

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| At 31 December 2016, property, plant and equipment had a carrying amount of R713 million. Due to the multifaceted nature of these assets, considering the industry in which the Group operates, the process for determining useful lives and residual values under IAS 16 Property, plant and equipment is judgemental.<br><br>Due to the nature of the property, plant and equipment and the work effort from the audit team property, plant and equipment was considered a key audit matter. | Our audit work included, but was not restricted to:<br>• evaluating the property, plant and equipment recognition and measurement policy;<br>• evaluating the process followed by management in the determination of residual values and useful lives;<br>• testing whether controls were being performed, on the preparation and review of useful lives and residual values;<br>• challenging management assumptions and judgements on their assessment of useful lives and residual values, by seeking corroborative external and internal evidence such as market prices and recent asset sales respectively;<br>• using our Information Technology specialists to re-compute the depreciation expense;<br>• verifying the objectivity, qualifications, experience and independence for specialists used to determine the extent of capacity of the utilization for landfill sites;<br>• re-computing depreciation for landfill assets based on changes in their airspace capacity;<br>• performing various analytical procedures and tests of detail to gain assurance over the depreciation expense and reasonableness of residual values and useful lives; and<br>• considering the appropriateness of the disclosure of property, plant and equipment in the consolidated financial statements in accordance with the applicable financial reporting framework. |

### VALUATION OF THE PROVISION FOR SITE REHABILITATION

*Refer to accounting policies Note 1.2 and Note 1.11 and Note 14 to the financial statements.*

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| At 31 December 2016, the Group's statement of financial position includes a provision for site rehabilitation related to landfill sites amounting to R34 million.<br><br>Management apply a high degree of estimation and judgement in the valuation techniques used in determining the provision for site rehabilitation. Experienced independent waste management engineers engaged by the Group are used in the determination of the estimated site rehabilitation cost which is used in determining this provision.<br><br>The following key assumptions are considered in the calculation of this provision:<br>- discount rates, inflation, size of area to be rehabilitated, period to rehabilitation and the expected cost of rehabilitation materials and labour.<br><br>Due to the significant judgement and estimation applied by management the valuation of the provision for site rehabilitation was considered as a key audit matter. | Our audit work included, but was not restricted to:<br>• assessing the process followed by management in the determination of provision for site rehabilitation based on our understanding of the nature of the Group's business and applicable environmental rehabilitation laws and regulations;<br>• considering the competence, objectivity, qualifications and experience of the experienced independent waste management engineers used by management in the determination of the provision;<br>• obtained relevant reports from management and experienced independent waste management engineers and assessed the key assumptions used in the calculation of the provision for reasonableness through comparing them with corroborating internal and external data; and<br>• considering the appropriateness of the disclosure of the provision for site rehabilitation in the consolidated financial statements in accordance with the applicable financial reporting framework. |

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the Integrated Annual Report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company to cease operations, or have no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Interwaste Holdings Limited for 7 years.

**KPMG Inc.**
Registered Auditor

Per G Parker
Chartered Accountant (SA)
Registered Auditor
Director
26 May 2017

85 Empire Road
Parktown
Johannesburg
2122

# STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2016

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | *Note* | 2016 | 2015 | 2016 | 2015 |
| | | R | R | R | R |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 3 | 713 289 588 | 674 803 815 | – | – |
| Goodwill | 4 | 64 008 487 | 61 081 792 | – | – |
| Investments in subsidiaries | 5 | – | – | 79 167 363 | 80 192 799 |
| Deferred tax assets | 6 | 1 616 013 | 1 213 317 | 233 033 | 218 713 |
| Loan to subsidiary company | 7 | – | – | 267 456 571 | 257 197 102 |
| | | **778 914 088** | **737 098 924** | **346 856 967** | **337 608 614** |
| **Current assets** | | | | | |
| Inventories | 8 | 8 143 406 | 11 472 028 | – | – |
| Current tax receivable | | 6 065 826 | 4 744 543 | 194 709 | – |
| Trade and other receivables | 9 | 193 223 228 | 180 338 389 | – | – |
| Cash and cash equivalents | 10 | 30 850 892 | 53 153 900 | 12 198 | 12 713 |
| | | **238 283 352** | **249 708 860** | **206 907** | **12 713** |
| **TOTAL ASSETS** | | **1 017 197 440** | **986 807 784** | **347 063 874** | **337 621 327** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Stated capital | 11 | 315 558 431 | 317 619 119 | 318 784 379 | 317 619 119 |
| Share-based payment reserve | 12 | 5 401 378 | 4 245 724 | 5 401 378 | 4 245 724 |
| Foreign currency translation reserve | | (8 062 401) | (2 628 148) | – | – |
| Retained earnings | | 225 005 883 | 181 240 622 | 18 107 987 | 10 594 433 |
| **Equity attributable to owners of the company** | | **537 903 291** | **500 477 317** | **342 293 744** | **332 459 276** |
| Non-controlling interests | 5 | 3 440 247 | 3 685 555 | – | – |
| | | **541 343 538** | **504 162 872** | **342 293 744** | **332 459 276** |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Interest-bearing borrowings | 13 | 183 578 776 | 204 876 408 | – | – |
| Provision for site rehabilitation | 14 | 34 347 443 | 27 930 804 | – | – |
| Deferred tax liabilities | 6 | 56 119 552 | 46 833 144 | – | – |
| | | **274 045 771** | **279 640 356** | **–** | **–** |
| **Current liabilities** | | | | | |
| Interest-bearing borrowings | 13 | 105 385 712 | 91 461 372 | – | – |
| Trade and other payables | 15 | 92 262 548 | 111 251 937 | 4 770 130 | 4 985 626 |
| Current tax payable | | 4 159 871 | 291 247 | – | 176 425 |
| | | **201 808 131** | **203 004 556** | **4 770 130** | **5 162 051** |
| **TOTAL LIABILITIES** | | **475 853 902** | **482 644 912** | **4 770 130** | **5 162 051** |
| **TOTAL EQUITY AND LIABILITIES** | | **1 017 197 440** | **986 807 784** | **347 063 874** | **337 621 327** |

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | *Note* | 2016 | 2015 Restated* | 2016 | 2015 |
| | | R | R | R | R |
| **CONTINUING OPERATIONS** | | | | | |
| Revenue | *17* | 924 003 299 | 851 300 662 | 4 916 104 | – |
| Cost of sales | | (527 952 951) | (505 255 578) | – | – |
| **GROSS PROFIT** | | **396 050 348** | **346 045 084** | **4 916 104** | **–** |
| Operating expenses | | (297 591 395) | (270 513 097) | (12 735 035) | (12 670 532) |
| Administrative expenses | | (270 430 635) | (249 180 723) | (12 735 035) | (12 670 532) |
| Selling and distribution expenses | | (17 963 578) | (15 054 889) | – | – |
| Research and development expenses | | (9 197 182) | (6 277 485) | – | – |
| **RESULTS FROM OPERATING ACTIVITIES** | *18* | **98 458 953** | **75 531 987** | **(7 818 931)** | **(12 670 532)** |
| **Net finance (costs)/income** | *19* | (28 719 363) | (23 624 664) | 16 481 069 | 13 629 854 |
| Finance costs | | (30 881 738) | (25 600 129) | (25 207) | – |
| Finance income | | 2 162 375 | 1 975 465 | 16 506 276 | 13 629 854 |
| **PROFIT BEFORE TAXATION** | | **69 739 590** | **51 907 323** | **8 662 138** | **959 322** |
| Taxation expense | *20* | (21 999 198) | (15 666 912) | (1 148 584) | (372 905) |
| **PROFIT FROM CONTINUING OPERATIONS** | | **47 740 392** | **36 240 411** | **7 513 554** | **586 417** |
| **DISCONTINUED OPERATIONS** | | | | | |
| (Loss)/profit from discontinued operations, net of tax | *16* | (3 960 789) | 5 992 235 | – | – |
| **PROFIT FOR THE YEAR** | | **43 779 603** | **42 232 646** | **7 513 554** | **586 417** |
| Less: non-controlling interests | | (14 342) | (1 331 284) | – | – |
| **INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **43 765 261** | **40 901 362** | **7 513 554** | **586 417** |
| **OTHER COMPREHENSIVE INCOME** | | | | | |
| **Items that are or may be reclassified to profit and loss** | | | | | |
| Foreign currency translation reserve movement on foreign operations | | (5 434 253) | (2 687 827) | – | – |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **38 331 008** | **38 213 535** | **7 513 554** | **586 417** |
| **CONTINUING AND DISCONTINUED OPERATIONS** | | | | | |
| **Earnings per share (cents)** | *25* | **9.36** | **8.77** | | |
| **Diluted earnings per share (cents)** | *25* | **9.29** | **8.65** | | |
| **CONTINUING OPERATIONS** | | | | | |
| **Earnings per share (cents)** | *25* | **9.95** | **7.74** | | |
| **Diluted earnings per share (cents)** | *25* | **9.88** | **7.63** | | |

**See note 16.*

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

| Group | Stated capital (note 11) | Share-based payment reserve (note 12) | Foreign currency translation reserve* | Retained earnings | Total | Non-controlling interests (note 5) | Total equity |
|---|---|---|---|---|---|---|---|
| | R | R | R | R | R | R | R |
| **BALANCE AT 1 JANUARY 2015** | **306 497 567** | **3 294 788** | **59 679** | **140 339 260** | **450 191 294** | **2 891 266** | **453 082 560** |
| **Total comprehensive income** | | | | | | | |
| Profit for the year | – | – | – | 40 901 362 | 40 901 362 | 1 331 284 | 42 232 646 |
| Foreign currency translation reserve | – | – | (2 687 827) | – | (2 687 827) | – | (2 687 827) |
| **Transactions with owners, recorded directly in equity** | | | | | | | |
| **Contributions by and distributions to shareholders** | | | | | | | |
| Share-based payment transactions | – | 1 273 319 | – | – | 1 273 319 | – | 1 273 319 |
| Share options exercised | 1 267 009 | (322 383) | – | – | 944 626 | – | 944 626 |
| Issue of ordinary shares | 9 854 543 | – | – | – | 9 854 543 | – | 9 854 543 |
| **Changes in ownership interests in subsidiaries** | | | | | | | |
| Non-controlling interest in newly established subsidiary | – | – | – | – | – | 1 065 | 1 065 |
| Acquisition of subsidiary with non-controlling interests | – | – | – | – | – | 500 | 500 |
| Dividends paid to non-controlling interests | – | – | – | – | – | (538 560) | (538 560) |
| **BALANCE AT 31 DECEMBER 2015** | **317 619 119** | **4 245 724** | **(2 628 148)** | **181 240 622** | **500 477 317** | **3 685 555** | **504 162 872** |
| **Total comprehensive income** | | | | | | | |
| Profit for the year | – | – | – | 43 765 261 | 43 765 261 | 14 342 | 43 779 603 |
| Foreign currency translation reserve | – | – | (5 434 253) | – | (5 434 253) | – | (5 434 253) |
| **Transactions with owners, recorded directly in equity** | | | | | | | |
| **Contributions by and distributions to shareholders** | | | | | | | |
| Share-based payment expense | – | 1 500 190 | – | – | 1 500 190 | – | 1 500 190 |
| Share options exercised | 1 165 260 | (344 536) | – | – | 820 724 | – | 820 724 |
| Treasury shares acquired | (3 225 948) | – | – | – | (3 225 948) | – | (3 225 948) |
| **Changes in ownership interests in subsidiaries** | | | | | | | |
| Non-controlling interest in newly established subsidiary | – | – | – | – | – | 350 | 350 |
| Dividends paid to non-controlling interests | – | – | – | – | – | (260 000) | (260 000) |
| **BALANCE AT 31 DECEMBER 2016** | **315 558 431** | **5 401 378** | **(8 062 401)** | **225 005 883** | **537 903 291** | **3 440 247** | **541 343 538** |

**The foreign currency translation reserve comprises of foreign currency differences arising from the translation of the financial statements of foreign operations.*

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

| Company | Stated capital (note 11) | Share-based payment reserve (note 12) | Retained earnings | Total equity |
|---|---|---|---|---|
| | R | R | R | R |
| **BALANCE AT 1 JANUARY 2015** | **306 497 567** | **3 294 788** | **10 008 016** | **319 800 371** |
| **Total comprehensive income** | | | | |
| Profit for the year | – | – | 586 417 | 586 417 |
| **Transactions with owners, recorded directly in equity** | | | | |
| **Contributions by and distributions to shareholders** | | | | |
| Share-based payment – expense | – | 372 483 | – | 372 483 |
| Share-based payment – investment in subsidiary | – | 900 836 | – | 900 836 |
| Share options exercised | 1 267 009 | (322 383) | – | 944 626 |
| Issue of ordinary shares | 9 854 543 | – | – | 9 854 543 |
| **BALANCE AT 31 DECEMBER 2015** | **317 619 119** | **4 245 724** | **10 594 433** | **332 459 276** |
| **Total comprehensive income** | | | | |
| Profit for the year | – | – | 7 513 554 | 7 513 554 |
| **Transactions with owners, recorded directly in equity** | | | | |
| **Contributions by and distributions to shareholders** | | | | |
| Share-based payment – expense | – | 332 645 | – | 332 645 |
| Share-based payment – investment in subsidiary | – | 1 167 545 | – | 1 167 545 |
| Share options exercised | 1 165 260 | (344 536) | – | 820 724 |
| **BALANCE AT 31 DECEMBER 2016** | **318 784 379** | **5 401 378** | **18 107 987** | **342 293 744** |

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | | R | R | R | R |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Cash generated from/ (utilised by) operations | *21.1* | 177 526 873 | 180 022 090 | (7 757 526) | (12 605 524) |
| Finance costs paid | | (29 525 285) | (26 480 573) | (25 207) | – |
| Finance income received | | 2 205 832 | 1 975 465 | 16 506 276 | 13 629 854 |
| Tax paid | *21.2* | (9 470 426) | (16 266 620) | (1 534 038) | (318 912) |
| **Net cash inflow from operating activities** | | **140 736 994** | **139 250 362** | **7 189 505** | **705 418** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Purchase of property, plant and equipment | *3* | (157 538 881) | (176 552 726) | – | – |
| Proceeds on disposal and scrapping of property, plant and equipment | | 4 725 046 | 5 211 548 | – | – |
| Dividend from pre-acquisition profits | | – | – | 1 904 189 | – |
| Disposal of discontinued operations, net of cash disposed of | *16.2* | 8 560 000 | – | – | – |
| Non-controlling interest in subsidiary | | 350 | 1 565 | – | – |
| Acquisition of business net cash acquired | *21.3* | (2 926 695) | (3 200 000) | – | – |
| **Net cash outflow on investing activities** | | **(147 180 180)** | **(174 539 613)** | **1 904 189** | **–** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Proceeds on issue of share capital | *11* | 1 165 260 | 11 121 552 | 1 165 260 | 11 121 552 |
| Treasury shares acquired | *11* | (3 225 948) | – | – | – |
| Loan advanced to subsidiary company | | – | – | (10 259 469) | (11 834 104) |
| Net movement in interest-bearing borrowings | | (7 373 292) | 15 954 506 | – | – |
| Interest-bearing borrowings raised | | 105 410 059 | 121 149 248 | – | – |
| Interest-bearing borrowings repaid | | (112 783 351) | (105 194 742) | – | – |
| Dividends paid to non-controlling interests | *32* | (260 000) | (538 560) | – | – |
| **Net cash (outflow)/inflow from financing activities** | | **(9 693 980)** | **26 537 498** | **(9 094 209)** | **(712 552)** |
| **Total cash movement for the year** | | (16 137 166) | (8 751 753) | (515) | (7 134) |
| Effect of exchange rate fluctuations on cash held | | (6 165 842) | – | – | – |
| Cash and cash equivalents at beginning of year | | 53 153 900 | 61 905 653 | 12 713 | 19 847 |
| **TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR** | *10* | **30 850 892** | **53 153 900** | **12 198** | **12 713** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

*Reporting entity*

Interwaste Holdings Limited is a company domiciled in South Africa.

The address of the company's registered office is 2 Brammer Street, Industries East, Germiston South. The group financial statements as at and for the year ended 31 December 2016, comprise the company and its subsidiaries (together referred to as the "group" and individually as "group entities"). The group's activities range across a broad spectrum of sectors (see the segment report and the directors' report).

The financial statements include the following principal accounting policies, which are consistent with those used in the previous financial year. The accounting policies are applicable both to the group and company financial statements unless the context indicates otherwise.

*Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act of South Africa, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council.

*Basis of measurement*

The financial statements have been prepared on the historical cost basis.

*Functional and presentation currency*

These financial statements are presented in South African Rands, which is the company's functional currency. All financial information is presented in South African Rands with no decimal.

*Changes in accounting policies*

The group has consistently applied the accounting policies set out in note 1 to all periods presented in these financial statements.

### 1.1 Significant judgements

In preparing the financial statements in conformity with IFRS, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results in the future could differ from these estimates, which differences may be material to the annual financial statements.

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

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

– Note 1.2 – Property, plant and equipment;

– Note 1.4 – Business combinations and goodwill;

– Note 1.5 – Measurement of the recoverable amounts of cash generating units containing goodwill;

– Note 1.9 – Taxation;

– Note 1.11 – Provisions;

– Note 1.12 – Share-based payments; and

– Note 1.13 – Trade receivables.

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

*Impairment of assets*

The group tests whether assets have suffered any impairment, in accordance with the accounting policy stated in note 1.5. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Estimates are based on management's interpretation of market forecasts. Disclosure of these estimates relating to goodwill with an indefinite useful life is provided in note 4.

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

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

*Trade receivables*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.1 Significant judgements (continued)**

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

*Property, plant and equipment*

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

*Taxation*

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

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

*Share based payments*

Management used the Black-Scholes-Merton model to determine the value of the options at issue date. Additional details regarding the estimates are included in note 12.

*Business combinations*

Management has made judgements on when control transferred for its business combinations. In additions, assumptions have been made on the fair value measurements of net assets and liabilities acquired. Refer to note 21.3 for more details.

*Provisions*

Management has made assumptions on the recognition and measurement of provisions and contingencies which include key assumptions about the likelihood and magnitude of an outflow of resources related to rehabilitation provisions as per note 14.

**1.2 Property, plant and equipment**

*Recognition and measurement*

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

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

- it is probable that future economic benefits associated with the item will flow to the group; 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 or replace part of. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

*Assets under construction*

Assets under construction are not depreciated until these assets are available for use. Assets under construction are considered for impairment on an ongoing basis.

*Borrowing costs*

The group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

*Depreciation*

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 1.2 Property, plant and equipment (continued)

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

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

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

Depreciation commences when an asset is available for use.

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

| Item | Average useful life |
|---|---|
| Buildings | 4 – 25 years |
| Leasehold improvements | Remaining lease term |
| Landfill assets | Based on utilised capacity |
| Vehicles | 2 – 8 years |
| Plant and equipment | 3 – 20 years |
| Computer, furniture and office equipment | 3 – 6 years |

Land and assets under construction are not depreciated.

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

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease term, in which case the assets are depreciated over their useful lives.

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

*Subsequent expenditure*

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

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

### 1.3 Investment in subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the group financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the group financial statements.

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

*Loss of control*

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

### 1.4 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.4 Business combinations (continued)**

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

An impairment loss in respect of goodwill is not reversed.

*Acquisitions of non-controlling interests*

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

For each business combination the Group elects to measure any non-controlling interest in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

**1.5 Impairment**

*Non-financial assets*

The group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset. For goodwill the recoverable amount is estimated at each reporting date.

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

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

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.

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

An impairment loss is recognised for a cash-generating unit 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.

The group 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 1.5 Impairments (continued)

*Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset, for example, default or delinquency by a debtor, or indications that the debtor will enter bankruptcy.

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

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

### 1.6 Leases

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

*Finance leases – lessee*

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

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

*Operating leases – lessee*

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

### 1.7 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the sale of goods provided in the normal course of business and for services rendered, net of trade discounts and volume rebates, and value added tax. The group's revenue streams have been disclosed in note 17.

*Sale of goods*

Revenue from the sale of goods which primarily comprises of the sale of recycled products or compost, is recognised when all of the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods. This happens when goods are either collected by or delivered to the customer dependent on the terms of transaction;
- 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 group; and
- the costs incurred or to be incurred in respect of the transaction can be estimated reliably.

*Services*

Service revenue for the logistics business arises on the collection and disposal of waste on behalf of customers. This revenue is recognised once the waste is disposed of and the service is completed and the timing between the collection and disposal seldom exceeds one day.

For landfill management revenue, revenue is recognised on a straight line basis over the management contract.

*Holding company*

Dividend income is recognised in profit or loss on the date that the right to receive payment is established. In the company's separate financial statements, dividend income is regarded as revenue as the company is an investment holding company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### 1.8 Finance income and finance costs

Finance income comprises interest income on funds invested and on funds advanced to related parties and group companies. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Financing costs comprise interest payable on borrowings calculated using the effective interest method. Financing costs are recognised in profit or loss. The interest expense component of finance lease payments is recognised in profit or loss using the effective interest method. The unwinding of the effect of discounting of provisions for site rehabilitation is classified as part of finance costs in the profit or loss.

### 1.9 Taxation

*Current tax assets and liabilities*

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

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

*Deferred tax assets and liabilities*

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

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

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

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

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

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

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, 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 to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

*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 other comprehensive income; or
- a business combination.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 1.9 Taxation (continued)

*Dividend withholding tax*

Dividend withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012.

The company withholds dividends tax on behalf of its shareholders at a rate of 15% on dividends declared. Amounts withheld are not recognised as part of the company's tax charge, but rather as part of the dividend paid, recognised directly in equity.

Where withholding tax is withheld on dividends received, the dividend is recognised as the gross amount with the related withholding tax recognised as part of the tax expense unless it is otherwise reimbursable, in which case it is recognised as an asset.

### 1.10 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 reporting date:

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous 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 other comprehensive income. 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.

*Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Rands at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Rands at the average exchange rates per month for the monthly transactions.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

Foreign exchange gains and losses that arise from a net investment in a subsidiary with a different functional currency (a foreign operation) can be deferred in equity until disposal or substantial partial disposal of the foreign operation. Only monetary items for which settlement is neither planned nor likely to occur in the foreseeable future can form part of the net investment in a foreign operation.

### 1.11 Provisions

Provisions are recognised when:

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 1.11 Provisions (continued)

*Site rehabilitation*

In accordance with the group's environmental policy and applicable legal requirements, a provision for site rehabilitation in respect of contaminated land, and the related expense, is recognised when the land is contaminated. A site rehabilitation provision is recognised as part of the cost of the related asset if damage to the land is done before the asset is ready for use. In cases where the damage occurs as a result of the ongoing activities of the group, a site rehabilitation provision is recognised to the statement of comprehensive income immediately based on the extent of the damage as no future economic benefits will flow to the group.

### 1.12 Employee benefits

*Short-term employee benefits*

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

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

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

*Share-based payments*

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

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

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

*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

### 1.13 Financial instruments

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 in the statement of financial position when the group becomes party to the contractual provisions of the instrument.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

*Non-derivative financial instruments*

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

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

*Loans to/(from) related parties*

These include loans to subsidiaries and related parties, and are recognised initially at fair value plus direct transaction costs.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 1.13 Financial instruments (continued)

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

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

*Trade and other payables*

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

*Trade and other receivables*

Trade and other receivables are measured at fair value, and are subsequently measured at amortised cost using the effective interest method.

*Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method, less any impairment losses.

*Share capital*

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

### 1.14 Cash and cash equivalents

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

### 1.15 Inventories

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

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

### 1.16 Segment reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the group's CEO (chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance. Discrete financial information is available for operating segments.

*Segment revenue*

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

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

*Segment results*

Segment results equal segment revenue less segment expenses before any adjustment for non-controlling interest.

*Segment assets and liabilities*

Segment assets and liabilities include direct and reasonable allocable operating assets, investments in associates and liabilities. Segment assets comprise total assets and segment liabilities comprise total liabilities.

### 1.17 Discontinued operation

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a business acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

### 1.18 Goodwill

Goodwill arises on the acquisitions of business combinations.

Acquisition of non-controlling interests are accounted for as a transaction with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Goodwill is measured at cost less accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 2. NOTE ON STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of the financial statements of Interwaste Holdings Limited for the year ended 31 December 2016, the following Standards and Interpretations, relevant to the entity, were in issue but not yet effective:

| Standard/Interpretation | | Date issued by IASB | Effective date<br>Periods beginning on or after |
|---|---|---|---|
| IAS 7 | Disclosure amendments | January 2014 | 1 January 2017 |
| IAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses | May 2014 | 1 January 2017 |
| IFRS 15 | Revenue from contracts with customers | May 2014 | 1 January 2018 |
| IFRS 9 | Financial Instruments | July 2014 | 1 January 2018 |
| IFRS 16 | Leases | January 2016 | 1 January 2019 |

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

### IAS 7 Disclosure amendments

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. The Group is not expecting to have to provide significant additional disclosure on adoption of this amendment.

The amendments apply for annual periods beginning on or after 1 January 2017 and will be adopted in the year ending 31 December 2017.

### IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses that are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The Group does not expect these amendments to significantly impact the recognition and measurement its deferred tax assets.

The amendments apply for annual periods beginning on or after 1 January 2017 and will be adopted in the year ending 31 December 2017.

### IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The Group has done a preliminary assessment of the potential impact of the adoption of IFRS 15.

For revenue from the sale of goods, management does not expect a significant impact on the measurement or timing of revenue recognition as:

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 2. NOTE ON STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

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

Disclosures relating to revenue are expected to be expanded significantly on the adoption of IFRS 15.

The Group is currently in the process of performing a detailed assessment of the impact resulting from the application of IFRS 15 and the related disclosures.

The standard is effective for annual periods beginning on or after 1 January 2018 and will be adopted in the year ending 31 December 2018.

### IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 eliminates the current IAS 39 categories and contains three principle classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit and loss.

Management has performed a preliminary assessment of the impact of IFRS 9. Given the nature of the Group's financial instruments, the Group does not believe that the new classification requirements will significantly impact on the measurement of these instruments. The impairment model for trade receivables will change from an "incurred loss" model to an "expected loss" model.

Extensive additional disclosures will be required, specifically relating to credit risk and expected credit losses

The Group is in the process of performing a more detailed assessment of the impact of these changes and related disclosures.

The standard is effective for annual periods beginning on or after 1 January 2018 and will be adopted in the year ending 31 December 2018.

### IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position.

The entity has a number of operating leases for equipment and vehicles that may be recognised on the statement of financial position as a result of the adoption of IFRS 16. Management has identified specific contracts where an impact is expected and is in the process of determining:

1) Whether these contracts meet the definition of lease contracts per IFRS 16;
2) Whether any scope exemptions apply; and
3) The quantitative impact of recognising these leases on balance sheet, where relevant.

No significant impact is expected for the Groups' finance leases.

Additional information regarding the impact of adopting IFRS 16 will be disclosed before adoption, once the Group has completed a more detailed assessment.

The standard is effective for annual periods beginning on or after 1 January 2019 and will be adopted in the year ending 31 December 2019.

## 3. PROPERTY, PLANT AND EQUIPMENT

| Group | Land, buildings and improvements | Landfill assets | Vehicles | Plant and equipment | Computers, furniture and office equipment | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| | R | R | R | R | R | R | R |
| **COST** | | | | | | | |
| **BALANCE AT 1 JANUARY 2016** | **114 946 429** | **93 323 888** | **321 645 989** | **367 112 950** | **31 580 995** | **47 259 765** | **975 870 016** |
| Additions | 13 154 409 | 7 886 667 | 44 728 206 | 43 499 346 | 6 382 006 | 41 888 247 | 157 538 881 |
| – to enhance existing operations | 12 125 331 | 7 886 667 | 10 630 661 | 30 191 733 | 3 206 238 | – | 64 040 630 |
| – to expand operations | 1 029 078 | – | 34 097 545 | 13 307 613 | 3 175 768 | 41 888 247 | 93 498 251 |
| Transfer from assets under construction | 8 743 249 | 31 518 418 | 1 159 910 | 5 906 893 | 1 334 824 | (48 663 294) | – |
| Disposal of business | – | – | (29 975) | (16 821 044) | (523 132) | – | (17 374 151) |
| Site rehabilitation cost | – | 3 549 853 | – | – | – | – | 3 549 853 |
| Disposals and scrapping | (196 035) | – | (4 079 189) | (7 949 641) | (106 947) | – | (12 331 812) |
| Effect of movements in exchange rates | (2 692 609) | – | (605 563) | (667 879) | (58 325) | (442 540) | (4 466 916) |
| **BALANCE AT 31 DECEMBER 2016** | **133 955 443** | **136 278 826** | **362 819 378** | **391 080 625** | **38 609 421** | **40 042 178** | **1 102 785 871** |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENTS** | | | | | | | |
| **BALANCE AT 1 JANUARY 2016** | **(11 970 145)** | **(26 699 583)** | **(90 835 227)** | **(154 154 885)** | **(17 406 361)** | **–** | **(301 066 201)** |
| Current year charge | (3 868 102) | (18 366 906) | (42 968 298) | (34 914 037) | (6 651 451) | – | (106 768 794) |
| Disposal of business | – | – | 14 223 | 10 536 742 | 166 673 | – | 10 717 638 |
| Disposals and scrapping | 69 144 | – | 1 538 815 | 4 378 108 | 21 316 | – | 6 007 383 |
| Effect of movements in exchange rates | 982 573 | – | 302 774 | 283 419 | 44 925 | – | 1 613 691 |
| **BALANCE AT 31 DECEMBER 2016** | **(14 786 530)** | **(45 066 489)** | **(131 947 713)** | **(173 870 653)** | **(23 824 898)** | **–** | **(389 496 283)** |
| **CARRYING VALUE AT 31 DECEMBER 2016** | **119 168 913** | **91 212 337** | **230 871 665** | **217 209 972** | **14 784 523** | **40 042 178** | **713 289 588** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Land, buildings and improvements | Landfill assets | Vehicles | Plant and equipment | Computer, furniture and office equipment | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| | R | R | R | R | R | R | R |
| **COST** | | | | | | | |
| **BALANCE AT 1 JANUARY 2015** | **98 427 904** | **83 972 268** | **257 723 461** | **318 723 362** | **23 768 079** | **36 525 001** | **819 140 075** |
| Additions through business combinations | – | – | 810 000 | 1 756 919 | 378 119 | – | 2 945 038 |
| Additions | 7 420 629 | 8 332 941 | 75 734 896 | 51 011 594 | 7 473 746 | 26 578 920 | 176 552 726 |
| – to enhance existing operations | 3 068 560 | – | 55 945 317 | 20 255 875 | 5 547 046 | – | 84 816 798 |
| – to expand operations | 4 352 069 | 8 332 941 | 19 789 579 | 30 755 719 | 1 926 700 | 26 578 920 | 91 735 928 |
| Reclassification | 12 290 766 | – | – | 3 134 828 | 83 371 | (15 508 965) | – |
| Site rehabilitation cost | – | 1 018 679 | – | – | – | – | 1 018 679 |
| Disposals and scrapping | (1 019 771) | – | (11 545 058) | (7 071 259) | (104 021) | – | (19 740 109) |
| Effect of movements in exchange rates | (2 173 099) | – | (1 077 310) | (442 494) | (18 299) | (335 191) | (4 046 393) |
| **BALANCE AT 31 DECEMBER 2015** | **114 946 429** | **93 323 888** | **321 645 989** | **367 112 950** | **31 580 995** | **47 259 765** | **975 870 016** |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENTS** | | | | | | | |
| **BALANCE AT 1 JANUARY 2015** | **(7 998 301)** | **(12 493 427)** | **(62 436 507)** | **(124 996 812)** | **(12 625 093)** | **–** | **(220 550 140)** |
| Current year charge | (5 153 726) | (14 206 156) | (36 571 196) | (35 069 565) | (4 834 912) | – | (95 835 555) |
| Disposals and scrapping | 910 900 | – | 7 895 514 | 5 727 828 | 46 656 | – | 14 580 898 |
| Effect of movements in exchange rates | 270 982 | – | 276 962 | 183 664 | 6 988 | – | 738 596 |
| **BALANCE AT 31 DECEMBER 2015** | **(11 970 145)** | **(26 699 583)** | **(90 835 227)** | **(154 154 885)** | **(17 406 361)** | **–** | **(301 066 201)** |
| **CARRYING VALUE AT 31 DECEMBER 2015** | **102 976 284** | **66 624 305** | **230 810 762** | **212 958 065** | **14 174 634** | **47 259 765** | **674 803 815** |

### Impairment

There were no indications of impairment on any of the categories of property, plant and equipment and no impairment losses were incurred in the current and prior year.

### Properties owned by the Group

A register containing all the details of properties owned by the Group is available for inspection at the company's registered office.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Security

The following property, plant and equipment has been pledged as security for borrowings used to finance them:

| | GROUP | |
|---|---|---|
| | 2016 | 2015 |
| **Year-end balance for assets under instalment sale agreements/ mortgage bonds** | R | R |
| Carrying value of capitalised assets | 302 673 010 | 290 780 969 |
| Cost | 409 751 171 | 364 956 678 |
| Accumulated depreciation | (107 078 161) | (74 175 709) |
| Classification of carrying value of assets committed as security for debt | 302 673 010 | 290 780 969 |
| Land, buildings and improvements | 9 388 703 | 6 450 549 |
| Landfill assets | 4 167 962 | – |
| Vehicles | 188 081 431 | 183 167 247 |
| Plant and equipment | 95 926 005 | 95 642 211 |
| Computers, furniture and office equipment | 5 108 909 | 5 520 962 |
| Current year additions to assets under instalment sale agreements/mortgage bonds | 86 304 490 | 91 299 240 |
| Cost of capital assets | 93 341 719 | 98 778 442 |
| Accumulated depreciation | (7 037 229) | (7 479 202) |

### Assets under construction

Assets under construction relate to primarily to costs incurred up to reporting date for the construction and development of business premises, landfill cells at the Group's landfill sites and the customisation of vehicles and equipment for the Group's business operations.

| | GROUP | |
|---|---|---|
| | 2016 | 2015 |
| | R | R |
| Buildings and improvements construction | 1 599 463 | 9 832 863 |
| Landfill construction and development | 37 064 395 | 31 229 921 |
| Vehicles and equipment customisation | 1 378 320 | 6 196 981 |
| | **40 042 178** | **47 259 765** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Change in classification

During 2016, the group modified the classification of property, plant and equipment to reflect more appropriately the way in which economic benefits are derived from its use. Landfill assets are now disclosed separately from land, buildings and improvements since their nature, risk, impairment, usage and depreciation methods differ significantly from other types of land, buildings and improvements. Comparative amounts in the property, plant and equipment note were restated for consistency. The change has no impact on the statements of financial position, profit or loss and other comprehensive income, statement of changes in equity, cash flows and other notes to the financial statements.

### Significant judgments and assumptions

In the determination of the useful lives and residual value of property, plant and equipment, the following factors are taken into account which form the basis of management's judgements and assumptions:

- Past experience regarding the period over which an asset will be economically viable
- Periods over which similar asset classes are depreciated in the industry
- Market values and second hand market conditions
- Experience from recent disposals of property, plant and equipment
- The specific application of the asset, its current condition and the environment in which it operates

## 4. GOODWILL

| Group | Cost | Accumulated impairments | Carrying value |
|---|---|---|---|
| | R | R | R |
| **2016** | | | |
| Goodwill | 66 371 494 | (2 363 007) | 64 008 487 |
| **2015** | | | |
| Goodwill | 63 444 799 | (2 363 007) | 61 081 792 |

| RECONCILIATION OF GOODWILL – 2016 | | | |
|---|---|---|---|
| | Balance at 1 January | Acquisitions through business combinations | Balance at 31 December |
| | R | R | R |
| Goodwill | 61 081 792 | 2 926 695 | 64 008 487 |
| **RECONCILIATION OF GOODWILL – 2015** | | | |
| Goodwill | 59 381 792 | 1 700 000 | 61 081 792 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

**4. GOODWILL (CONTINUED)**

| IMPAIRMENT REVIEW OF GOODWILL | | |
|---|---|---|
| **Cash generating units** | | |
| | **2016** | **2015** |
| – Facilities* | 11 853 004 | 11 853 004 |
| – Logistics+1 | 47 042 451 | 35 148 213 |
| – Green's Scrap Recycling Proprietary Limited | 5 113 032 | 5 113 032 |
| – Envirowaste SA Proprietary Limited | – | 8 967 543 |
| **TOTAL** | **64 008 487** | **61 081 792** |

+ Previously Waste management

* Previously Landfill management

[1] During a group restructuring in the current year, the business of Envirowaste SA Proprietary Limited, a subsidiary, was transferred into Inter-Waste Proprietary Limited, a subsidiary, resulting in goodwill amounting to R8 967 543 being transferred to the Logistics business of Inter-Waste Proprietary Limited. The group also acquired a Logistics business with goodwill of R2 926 695 through a business combination. The Logistics business is highly integrated and consequently a single cash generating unit ("CGU") was formed due to the inability to separately identify and monitor cash flows related to the transferred Envirowaste SA Proprietary Limited business and the acquired business. Accordingly, a single goodwill impairment assessment has been performed for the Logistics business.

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

Key assumptions used in the value in use calculations include estimated future revenue streams.

The value in use calculations use cash flow projections based on 2017 budgeted figures, escalated at 6% (2015; 5%) per annum for four years with a perpetual growth rate 4.5% (2015; 5%) per annum. These cumulative cash flows were discounted using a weighted average cost of capital.

The discount rate was estimated as the company's weighted average cost of capital (WACC) which was based on a cost of debt and a required rate of return on equity estimated from the risk free rate based on the R186 bond rate of 8.91% (2015: R186 bond of 7.96%), and adjusted for market and small stock premiums.

Possible debt leveraging of 32.12% (2015: 31.42%) has been used in computing the WACC for the Logistics and Facilities CGUs while 35.29% (2015: 31.42%) was used for Green's Scrap Recycling Proprietary Limited CGU.

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.

| | **2016** | | | **2015** | | |
|---|---|---|---|---|---|---|
| | **Weighted average cost of capital** | **Cost of debt** | **Required rate of return on equity** | **Weighted average cost of capital** | **Cost of debt** | **Required rate of return on equity** |
| Facilities* | **15,15%** | **7,56%** | **18,74%** | 15,75% | 7,38% | 19,58% |
| Logistics+1 | **14,81%** | **7,56%** | **18,24%** | 15,75% | 7,38% | 19,58% |
| Green's Scrap Recycling Proprietary Limited | **15,61%** | **7,56%** | **20,00%** | 16,79% | 7,38% | 21,10% |
| Envirowaste SA Proprietary Limited | **–** | **–** | **–** | 16,79% | 7,38% | 21,10% |

Based on the above assumptions, the value of recoverable amounts was greater than the carrying amounts of goodwill.

+ Previously Waste management

* Previously Landfill management

[1] Includes Envirowaste SA Proprietary Limited which has been divisionalised into Inter-Waste Proprietary Limited.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 4. GOODWILL (CONTINUED)

### Sensitivity analysis

An analysis of the recoverable amounts (in Rands) relating to goodwill, of the CGU's for changes in the key valuation assumptions is presented below:

| | | 2016 | | | | 2015 | | |
|---|---|---|---|---|---|---|---|---|
| **FACILITIES[*]** | | | | | | | | |
| | | **WACC** | | | | WACC | | |
| | | **14,15%** | **15,15%** | **16,15%** | | 14,75% | 15,75% | 16,75% |
| Growth rate | 5% | **143 800 655** | **123 191 498** | **105 841 530** | 4% | 272 142 142 | 237 725 538 | 209 153 984 |
| | 6% | **169 853 304** | **145 854 446** | **124 155 557** | 5% | 289 359 395 | 253 089 510 | 222 988 596 |
| | 7% | **201 933 625** | **171 018 796** | **145 911 358** | 6% | 307 287 736 | 269 081 231 | 237 382 418 |

| | | 2016 | | | | 2015 | | |
|---|---|---|---|---|---|---|---|---|
| **LOGISTICS[+1]** | | | | | | | | |
| | | **WACC** | | | | WACC | | |
| | | **13,81%** | **14,81%** | **15,81%** | | 14,75% | 15,75% | 16,75% |
| Growth rate | 5% | **48 460 152** | **(3 111 994)** | **(46 300 034)** | 4% | 108 711 930 | 57 877 023 | 15 675 523 |
| | 6% | **123 383 802** | **63 074 864** | **6 899 003** | 5% | 121 305 499 | 68 877 098 | 25 365 993 |
| | 7% | **216 352 908** | **135 548 624** | **70 427 792** | 6% | 133 988 684 | 79 950 550 | 35 116 701 |

| | | 2016 | | | | 2015 | | |
|---|---|---|---|---|---|---|---|---|
| **GREEN'S SCRAP RECYCLING PROPRIETARY LIMITED** | | | | | | | | |
| | | **WACC** | | | | WACC | | |
| | | **14,61%** | **15,61%** | **16,61%** | | 15,79% | 16,79% | 17,79% |
| Growth rate | 5% | **11 633 858** | **10 165 804** | **8 922 854** | 4% | 25 137 643 | 22 172 239 | 19 669 205 |
| | 6% | **13 500 537** | **11 989 941** | **10 255 425** | 5% | 26 397 572 | 23 300 992 | 20 687 939 |
| | 7% | **15 777 329** | **13 606 604** | **11 828 081** | 6% | 27 698 062 | 24 465 603 | 21 738 860 |

| | | | | |
|---|---|---|---|---|
| **ENVIROWASTE SA PROPRIETARY LIMITED** | | | | |
| | | WACC | | |
| | | 15,79% | 16,79% | 17,79% |
| Growth rate | 4% | 35 233 046 | 30 847 938 | 27 146 562 |
| | 5% | 36 937 559 | 32 371 199 | 28 518 060 |
| | 6% | 38 690 482 | 33 937 312 | 29 927 773 |

[+] Previously Waste management
* Previously Landfill management
[1] Includes Envirowaste SA Proprietary Limited which has been divisionalised into Inter-Waste Proprietary Limited.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 5. INVESTMENTS IN SUBSIDIARIES

| Company | Issued share capital | Percentage holding 2016 | Carrying value of investment 2016 | Share of net profit |
|---|---|---|---|---|
| | R | | R | R |
| **2016** | | | | |
| **Direct** | | | | |
| – Inter-Waste Proprietary Limited | 900 | 100% | 79 167 163 | 26 416 138 |
| – Cost of investment | 900 | 100% | 75 375 128 | 26 416 138 |
| – Share-based payment allocation | – | – | 3 792 035 | – |
| – Envirowaste SA Proprietary Limited+ | 1 000 | 100% | 100 | 2 889 955 |
| – Interwaste Properties Proprietary Limited | 100 | 100% | 100 | – |
| | | | 79 167 363 | 29 306 093 |
| **Indirect** | | | | |
| – Interwaste Cleaning Proprietary Limited* | 100 | 49% | 49 | 614 919 |
| – Platinum Waste Resources Proprietary Limited | 1 000 | 74% | 433 392 | 1 358 203 |
| – Moz Environmental Limitada (Mozambique) | 4 285 | 100% | 4 285 | 8 895 653 |
| – Green's Scrap Recycling Proprietary Limited | 120 | 100% | 358 753 | 1 237 302 |
| – Interwaste Industrial Cleaning Proprietary Limited* | 100 | 50% | 50 | – |
| – Extent Road Property Proprietary Limited | 100 | 100% | 100 | 9 380 |
| – Limpopo Platinum Waste Proprietary Limited | 100 | 70% | 70 | – |
| – Masakhane Interwaste Proprietary Limited | 100 | 65% | 650 | 118 067 |
| – Interwaste Enviromental Solutions (T) Limited (Tanzania)[1] | 101 441 | 99% | 86 549 | (1 173 528) |
| – Karee Investments Six Seven (Proprietary) Limited (Namibia)[1] | 100 | 100% | 100 | 628 880 |
| – Interwaste Enviromental Solutions Proprietary Limited (Zambia)[1] | 7 095 | 100% | 100 | – |
| – Earth 2 Earth Proprietary Limited[1] | 100 | 100% | 611 290 | – |
| **Cost of investments** | | | 1 495 388 | |
| Impairment recognised | | | (698 039) | |
| **Carrying value** | | | 797 349 | |

* Although the Group owns 50% or less than half of the shares, management has determined that the Group controls these entities by virtue of agreements with the other shareholders that give the Group the majority of the voting rights.

\+ The carrying value of the investment decreased in the current year due to the subsidiary declaring a dividend of R 1 904 189 relating to the pre-acquisition period.

[1] Impaired

There is no impairment against direct investments in subsidiaries in the current or prior year.

Interwaste Swaziland (Proprietary) Limited was deregistered in the current year whilst Enbitec Environmental Solutions Proprietary Limited was placed in voluntary liquidation resulting in the company losing effective control of the subsidiaries. Interwaste Environmental Solutions Limited (Tanzania) is factually insolvent at year-end and is in the process of winding down operations.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Company | Issued share capital | Percentage holding 2015 | Carrying value of investment 2015 | Share of net profit |
|---|---|---|---|---|
| | | | R | R |
| **2015** | | | | |
| **Direct** | | | | |
| – Inter-Waste Proprietary Limited | | | 75 375 128 | 38 633 188 |
| – Cost of investment | 900 | 100% | 75 375 128 | 38 633 188 |
| – Share-based payment allocation | – | – | 2 913 282 | – |
| – Envirowaste SA Proprietary Limited | 1 000 | 100% | 1 904 289 | 1 243 281 |
| – Interwaste Properties Proprietary Limited | 100 | 100% | 100 | – |
| | | | **80 192 799** | **39 876 469** |
| **Indirect** | | | | |
| – Interwaste Cleaning Proprietary Limited | 100 | 49% | 49 | (342 796) |
| – Platinum Waste Resources Proprietary Limited | 1 000 | 74% | 433 392 | 1 120 544 |
| – Moz Environmental Limitada (Mozambique) | 4 285 | 100% | 4 285 | (4 558 074) |
| – Green's Scrap Recycling Proprietary Limited | 120 | 100% | 358 753 | 1 589 373 |
| – Interwaste Industrial Cleaning Proprietary Limited | 100 | 50% | 50 | 121 208 |
| – Extent Road Property Proprietary Limited | 100 | 100% | 100 | 384 811 |
| – Interwaste Swaziland Proprietary Limited (Swaziland) | 100 | 100% | 100 | (194 647) |
| – Limpopo Platinum Waste Proprietary Limited | 100 | 70% | 70 | – |
| – Interwaste Enviromental Solutions (T) Limited (Tanzania) | 101 441 | 99% | 86 549 | (27 120) |
| – Karee Investments Six Seven (Proprietary) Limited (Namibia)[1] | 100 | 100% | 100 | – |
| – Interwaste Enviromental Solutions Proprietary Limited (Zambia)[1] | 7 095 | 100% | 100 | – |
| – Enbitec Environmental Solutions Proprietary Limited | 1 000 | 50% | 500 | 1 173 158 |
| – Earth 2 Earth Proprietary Limited[1] | 100 | 100% | 611 290 | – |
| **Cost of investments** | | | **1 495 338** | |
| Impairment recognised | | | (611 490) | |
| **Carrying value** | | | **883 848** | |

[1] Impaired

## 5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### Subsidiaries with non-controlling interests

The following table summarises the financial information relating to each of the Group's subsidiaries that have material non-controlling interests (NCI), before any intra-group eliminations.

| | Platinum Waste Resources Proprietary Limited | Interwaste Cleaning Proprietary Limited | Masakhane Interwaste Proprietary Limited | Enbitec Environmental Solutions Proprietary Limited | Other individually immaterial subsidiaries | Total |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | R |
| | 2016 | 2016 | 2016 | 2016 | 2016 | 2016 |
| **NCI Percentage** | **26%** | **51%** | **35%** | **50%** | | |
| Non-current assets | 210 135 | 344 850 | 10 691 | - | | |
| Current assets | 7 500 968 | 7 045 781 | 2 064 312 | - | | |
| Non-current liabilities | - | (270 717) | (1 654 782) | - | | |
| Current liabilities | (803 909) | (4 630 613) | (237 580) | - | | |
| **Net Assets (100%)** | **6 907 194** | **2 489 301** | **182 641** | - | | |
| **NCIs share of net assets** | **1 795 871** | **1 269 544** | **63 924** | - | **310 908** | **3 440 247** |
| **Revenue** | **24 270 830** | **68 695 271** | **5 114 457** | **13 903 973** | | |
| **Profit for the period** | **1 835 410** | **1 254 937** | **181 641** | **(8 232 034)** | | |
| **Total comprehensive income** | **1 835 410** | **1 254 937** | **181 641** | **(8 232 034)** | | |
| **NCIs share of total comprehensive income** | **477 207** | **640 018** | **63 574** | **(1 173 658)** | **7 201** | **14 342** |
| Cash flows from operating activities | 628 562 | 3 081 954 | 1 180 147 | (362 240) | | |
| Cash flows from investing activities | - | - | (1 000) | 475 551 | | |
| Cash flows from financing activities | 497 764 | (2 843 719) | (1 654 782) | (1 104 306) | | |
| - before dividends to NCI | 757 764 | (2 843 719) | (1 654 782) | (1 104 306) | | |
| - cash dividends to NCI | (260 000) | - | - | - | | |
| **Net increase/(decrease) in cash and cash equivalents** | **1 126 326** | **238 235** | **(475 635)** | **(990 995)** | | |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### Subsidiaries with non-controlling interests (continued)

The following table summarises the financial information relating to each of the Group's subsidiaries that have material non-controlling interests (NCI), before any intra-group eliminations.

| | Platinum Waste Resources Proprietary Limited | Interwaste Cleaning Proprietary Limited | Interwaste Industrial Cleaning Proprietary Limited | Enbitec Environmental Solutions Proprietary Limited | Other individually immaterial subsidiaries | Total |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | R |
| | 2015 | 2015 | 2015 | 2015 | 2015 | 2015 |
| **NCI Percentage** | **26%** | **51%** | **50%** | **50%** | | |
| Non-current assets | 200 129 | 513 187 | 5 934 912 | 1 371 154 | | |
| Current assets | 6 552 184 | 9 349 558 | 4 355 436 | 17 021 831 | | |
| Non-current liabilities | - | (3 114 436) | (224 673) | (10 152 191) | | |
| Current liabilities | (680 529) | (5 513 945) | (9 882 244) | (5 893 478) | | |
| **Net Assets (100%)** | **6 071 784** | **1 234 364** | **183 431** | **2 347 316** | | |
| **NCIs share of net assets** | **1 578 664** | **629 526** | **91 716** | **1 173 658** | **211 992** | **3 685 555** |
| **Revenue** | **23 314 693** | **63 821 737** | **32 294 881** | **59 519 211** | | |
| **Profit for the period** | **1 514 249** | **(699 583)** | **242 416** | **2 346 316** | | |
| **Total comprehensive income** | **1 514 249** | **(699 583)** | **242 416** | **2 346 316** | | |
| **NCIs share of total comprehensive income** | **393 705** | **(356 787)** | **121 208** | **1 173 158** | **-** | **1 331 284** |
| Cash flows from operating activities | 2 969 881 | (6 808 732) | 4 476 094 | (320 516) | | |
| Cash flows from investing activities | | 3 223 564 | (120 617) | (312 562) | | |
| Cash flows from financing activities | (2 841 723) | 3 114 436 | (4 340 990) | 1 889 532 | | |
| - before dividends to NCI | (2 841 723) | 3 652 996 | (4 340 990) | 1 889 532 | | |
| - cash dividends to NCI | - | (538 560) | - | - | | |
| **Net increase/(decrease) in cash and cash equivalents** | **128 158** | **(470 732)** | **14 487** | **1 256 454** | | |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 6. DEFERRED TAX LIABILITIES/(ASSETS)

| | 2016 | 2015 |
|---|---|---|
| **GROUP** | **R** | **R** |
| **Reconciliation of deferred tax (liabilities)/assets** | | |
| Net balance at 1 January | (45 619 827) | (36 425 800) |
| Exchange rate difference on foreign subsidiary | 225 340 | 74 151 |
| Current year temporary differences recognised in the statement of comprehensive income (note 20) | (9 109 052) | (9 268 178) |
| **Net balance at 31 December** | **(54 503 539)** | **(45 619 827)** |
| **Deferred tax (liabilities)/assets comprise:** | | |
| – capital allowances | (57 776 012) | (48 605 893) |
| – doubtful debt allowance | 1 341 754 | 1 410 824 |
| – leave pay accrual | 2 420 653 | 2 441 964 |
| – prepayments | (392 851) | (260 373) |
| – available tax losses | – | 155 217 |
| – unrealised foreign currency exchange rate differences | (97 083) | (761 566) |
| **Net balance at 31 December** | **(54 503 539)** | **(45 619 827)** |
| **Disclosed as follows in the statement of financial position:** | | |
| Deferred tax assets | 1 616 013 | 1 213 317 |
| Deferred tax liabilities | (56 119 552) | (46 833 144) |
| **Net balance at 31 December** | **(54 503 539)** | **(45 619 827)** |
| **COMPANY** | | |
| **Reconciliation of deferred tax asset** | | |
| Balance at 1 January | 218 713 | 252 346 |
| Current year temporary differences | 14 320 | (33 633) |
| **Balance at 31 December** | **233 033** | **218 713** |
| **Deferred tax asset comprises:** | | |
| – leave pay accrual | 233 033 | 218 713 |
| **Balance at 31 December** | **233 033** | **218 713** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 7. LOAN TO SUBSIDIARY COMPANY

| | 2016 | 2015 |
|---|---|---|
| **COMPANY** | **R** | **R** |
| **Inter-Waste Proprietary Limited** | **267 456 571** | **257 197 102** |

The loan is unsecured, bears interest at 4% below the prime bank lending rate per annum, and is repayable on demand, but has to be settled by no later than 31 December 2018. The loan was made during the 2007 financial year to fund operational activities. The loan is unsecured as it is to a wholly owned subsidiary of the company. The company has opted not to require settlement of the loan within the foreseeable future and therefore the loan has been classified as a non-current asset.

## 8. INVENTORIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **R** | **R** | **R** | **R** |
| Raw materials | 566 458 | 4 227 945 | – | – |
| Work in progress | – | 1 555 891 | – | – |
| Finished goods | – | 528 303 | – | – |
| Consumables | 4 318 041 | 1 565 215 | – | – |
| Fuel | 3 258 907 | 3 594 674 | – | – |
| | **8 143 406** | **11 472 028** | **–** | **–** |

There were no inventory write-downs to net realisable value for the current and prior year as the carrying amounts were higher than the net realisable values.

No inventory has been pledged as security for liabilities of the group.

The decrease in raw materials, work in progress and finished goods carrying value is mainly due to the disposal of the compost manufacturing business. Refer to note 16.2 for additional details.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 9. TRADE AND OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |
| Trade receivables | 175 990 720 | 159 518 983 | – | – |
| Other receivables | 15 973 802 | 19 600 048 | – | – |
| **Financial assets** | **191 964 522** | **179 119 031** | **–** | **–** |
| Prepayments | 1 258 706 | 1 219 358 | – | – |
| | **193 223 228** | **180 338 389** | **–** | **–** |

Trade and other receivables were ceded as security for banking facilities provided to the group. Refer to note 10.

As of 31 December 2016, trade and other receivables are stated after an impairment adjustment of R6 522 381 (2015: R7 495 367).

## 10. CASH AND CASH EQUIVALENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |
| **Cash and cash equivalents consist of:** | | | | |
| – Cash on hand | 602 240 | 910 706 | – | – |
| – Bank balances | 30 248 652 | 52 243 194 | 12 198 | 12 713 |
| | **30 850 892** | **53 153 900** | **12 198** | **12 713** |

There is no material difference between the fair value of cash and cash equivalents and their carrying value as they are short-term in nature.

**The following facilities and guarantees have been provided to Inter-Waste Proprietary Limited by ABSA Bank Limited:**

- Primary lending facility of R30 000 000
- Credit card facility of R300 000
- Fleet card facility of R800 000
- Vehicle and Commercial Asset Finance of up to R120 000 000
- Financial guarantees in favour of various customers of R100 000
- Term loan of R46 000 000

**The ABSA Bank Limited facilities have been secured by the following:**

- Cession of book debts (Trade and other receivables) by Inter-Waste Proprietary Limited.
- First continuing covering bond over Portion 2 Erf 13 – South Germiston for an amount of R54 000 000.
- Cession of Fire and Sasria Insurance Policy in respect of Portion 2 Erf 13 – South Germiston.
- The assets financed in terms of the Credit Line Facility serve as collateral for the finance.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 10. CASH AND CASH EQUIVALENTS (CONTINUED)

**Unlimited cross guarantees between the following legal entities, supported by a cession of loan accounts:**

- Interwaste Holdings Limited;
- Envirowaste SA Proprietary Limited; and
- Inter-Waste Proprietary Limited;
- Moz Environmental Limitada.

If at any time the Guarantors contribute less than 80% of Interwaste Holdings Limited's revenue, EBITDA, total assets and cash flow from operating activities, measured on a consolidated basis, the bank may request additional guarantees.

**The following facilities and guarantees have been provided to the Interwaste group by Standard Bank Limited:**

- Vehicle Asset Finance Facility of R36 000 000
- The assets financed serve as collateral for borrowings
- Overdraft facility of R1 500 000

**The following facilities and guarantees have been provided to the Interwaste group by Mercedes-Benz Financial Services South Africa Proprietary Limited:**

– Revolving asset based finance facility of R320 000 000.

– The facility is secured by an unlimited guarantee from Interwaste Holdings Limited in favour of Inter-Waste Proprietary Limited.

**Other:**

– Inter-Waste has provided suretyship on behalf of Green's Scrap Recycling Proprietary Limited.

## 11. STATED CAPITAL

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |
| **Authorised** | | | | |
| 1 000 000 000 ordinary shares of no par value | | | | |
| **Issued** | | | | |
| At 1 January | 317 619 119 | 306 497 567 | 317 619 119 | 306 497 567 |
| Treasury shares acquired | (3 225 948) | – | – | – |
| Shares issued | 1 165 260 | 11 121 552 | 1 165 260 | 11 121 552 |
| **At 31 December** | **315 558 431** | **317 619 119** | **318 784 379** | **317 619 119** |

At year-end, 469 092 877 (2015: 467 627 877) ordinary shares of no par value were issued of which 3 610 219 were held in treasury.

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

Employees participating in the Group's share-based payment scheme exercised their share options resulting in an increase in issued shares of 1 465 000 (2015 - 1 535 000). Refer to note 12 for additional details. The company issued 7 750 000 shares through a specific issue in the prior year.

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.

| **Number of shares in issue** | | | | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| At 1 January | 467 627 877 | 458 342 877 | 467 627 877 | 458 342 877 |
| Share-based payment scheme issues | 1 465 000 | 1 535 000 | 1 465 000 | 1 535 000 |
| Specific issue | – | 7 750 000 | – | 7 750 000 |
| **At 31 December** | **469 092 877** | **467 627 877** | **469 092 877** | **467 627 877** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 12. SHARE-BASED PAYMENTS

### 12.1 Previous Share Option Scheme

The share-based payment expense included in the profit or loss for the year amounts to Rnil (2015 – R54 222) for the Group and company while the share-based payment reserve for this scheme amounted to R390 400 (2015: R576 640). The expense includes amounts relating to share options issued to a director. The options vest after 3 years, and are required to be exercised within 5 years of the date of grant, failing which they will lapse. All options under this scheme had vested by 1 June 2015. Disclosures relating to these share options are as follows:

| VESTING DATE FOR SHARE OPTIONS | | | | |
|---|---|---|---|---|
| 1 June 2015 | 1 600 000 | | | |
| | | | | |

| | NUMBER OF SHARE OPTIONS | | WEIGHTED EXERCISE PRICE | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | | | R | R |
| Outstanding at 1 January | 2 400 000 | 3 200 000 | 0,48 | 0,54 |
| Exercised during the year | (800 000) | (800 000) | 0,45 | 0,68 |
| **OUTSTANDING AT 31 DECEMBER** | **1 600 000** | **2 400 000** | **0,50** | **0,48** |

### 12.2 New Share Option Scheme

The share option scheme was approved by shareholders on 8 June 2012.

**Information on options granted – New scheme**

The objective of the new Share Option Scheme is to incentivise selected employees through an opportunity to participate in the entity's equity. Essentially the goal of the scheme is to align the interests of employees and shareholders and hence improve performance and promote long term shareholder wealth.

Options are allocated to eligible employees by the Remuneration Committee. Allocations are also motivated by executive management. The Remuneration Committee is under no obligation to allocate options annually, or to allocate options to all eligible employees or participants each time an allocation is made.

Options are allocated to eligible employees at the option strike price, and there is no re-pricing or back-dating of options. At the date of allocation, performance conditions may be attached to the options. These performance conditions have to be objective, relevant to the employee and capable of quantitative measurement.

The options have no voting, dividend or other rights attached to them. Upon payment of the strike price on vesting, the entity will issue one (1) share for each option.
The Black-Scholes-Merton Model was used to value the share options under both schemes.
The following key assumptions were used in valuing the various option grants:

| | 2016 | 2015 |
|---|---|---|
| | % | % |
| Expected volatility | 28,67% – 31,56% | 29,07% – 58,55% |
| Risk-free interest rate | 7,71% – 8,26% | 7,32% – 8,07% |

Local and international comparable companies were considered in determining the volatility of the Group. Volatility was calculated for 3, 4, 5, 6 and 7 years to match the life of the options. The expected life of the options was based on historical data and expected future trends, and was not necessarily indicative of exercise patterns that may occur.

The share-based payments expense in respect of the scheme included in the profit or loss for the year amounts to R1 500 190 (2015 – R1 219 097) for the group and R332 645 (2015 – R318 261) for the company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

**12. SHARE-BASED PAYMENTS (CONTINUED)**

**12.2 New Share Option Scheme (continued)**

*Information on options granted*

Disclosures and amounts relating to these share options are as follows:

| | NUMBER OF SHARE OPTIONS | | WEIGHTED EXERCISE PRICE | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | | | R | R |
| **At 1 January** | 18 095 000 | 16 265 000 | 0,87 | 0,76 |
| Allocations made | | | | |
| – June 2015 | – | 4 110 000 | – | 1,28 |
| – June 2016 | 4 210 000 | – | 0,85 | – |
| Exercised | | | | |
| – June 2016 | (665 000) | – | 0,80 | – |
| – June 2015 | – | (735 000) | – | 0,51 |
| Forfeited | (100 000) | (1 545 000) | 0,87 | 0,89 |
| **OUTSTANDING AT 31 DECEMBER** | **21 540 000** | **18 095 000** | **0,85** | **0,87** |

The weighted average share price at the date of exercise for the options was R0.80 (2015: R1.13).

| | NUMBER OF SHARE OPTIONS | |
|---|---|---|
| | 2016 | 2015 |
| **Vesting date for share options** | | |
| 15 June 2014 | – | 665 000 |
| 15 June 2015 | 2 307 500 | 2 307 500 |
| 15 June 2016 | 3 804 500 | 3 809 500 |
| 15 June 2017 | 4 814 500 | 4 834 500 |
| 15 June 2018 | 3 482 500 | 3 091 500 |
| 15 June 2019 | 3 387 000 | 2 154 000 |
| 15 June 2020 | 2 481 000 | 1 233 000 |
| 15 June 2021 | 1 263 000 | – |
| | **21 540 000** | **18 095 000** |

**12.3 Amounts recognised in respect of share based payments**

The total expense for both schemes is R1 500 190 (2015: R1 273 319) for the group and R332 645 (2015: R372 483) for the company. Movements in the company's share based payment reserve includes an amount of R1 167 545 (2015: R900 836) which relates to share options awarded to employees of its subsidiary, Inter-Waste Proprietary Limited.

Total number of share options exercised amounted to 1 465 000 (2015: 1 535 000), note 11, resulting in an increase in stated capital of R1 165 260 (2015: R1 267 009) and a decrease of R344 536 (2015: R322 383) in the share-based payment reserve.

The share-based payment reserve at year-end amounted to R5 401 378 (2015: R4 245 724).

### 13. INTEREST-BEARING BORROWINGS

| | 2016 | 2015 |
|---|---|---|
| **Group** | **R** | **R** |
| **Various institutions** | | |
| **Instalment sale agreements** | 276 697 822 | 277 671 113 |
| Instalment sale obligations capitalised at rates ranging between prime and 1% below the prime interest rate per annum and are repayable over a period of three to five years. The liabilities are secured by instalment sale agreements over property, plant and equipment as per note 3. | | |
| **ABSA Bank Limited** | | |
| **Term loan** | 12 266 666 | 18 666 667 |
| The term loan bears interest at a rate equal to the Johannesburg Interbank Agreed Rate (JIBAR) plus 2.86% and is repayable over a period of 5 years. The security for this liability is detailed in note 10. | | |
| **Total** | **288 964 488** | **296 337 780** |
| Less: Portion payable within one year included in current liabilities | (105 385 712) | (91 461 372) |
| **Portion included in non-current liabilities** | **183 578 776** | **204 876 408** |
| **Additional disclosure for interest-bearing borrowings:** | | |
| **Minimum future payments due** | | |
| – within one year | 129 471 852 | 116 516 939 |
| – in second to fifth year inclusive | 205 658 334 | 229 595 265 |
| **TOTAL** | **335 130 186** | **346 112 204** |
| Less: future finance charges | (46 165 698) | (49 774 424) |
| **Present value of minimum future payments** | **288 964 488** | **296 337 780** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 14. PROVISION FOR SITE REHABILITATION

**Group**

| 2016 | Balance at 1 January | Capitalised to property, plant and equipment | Interest expense (note 19) | Expensed to cost of sales in profit or loss | Balance at 31 December |
|---|---|---|---|---|---|
| FG Landfill Cell 1 | 14 178 639 | – | 907 910 | 998 438 | 16 084 987 |
| FG Landfill Cell 2 | 13 752 165 | 242 037 | 858 135 | – | 14 852 337 |
| Klinkerstene Landfill Cell 1 | – | 3 307 816 | 102 303 | – | 3 410 119 |
| | **27 930 804** | **3 549 853** | **1 868 348** | **998 438** | **34 347 443** |
| **2015** | | | | | |
| FG Landfill Cell 1 | 11 230 226 | – | – | 2 948 413 | 14 178 639 |
| FG Landfill Cell 2 | 12 733 486 | 1 018 679 | – | – | 13 752 165 |
| | **23 963 712** | **1 018 679** | **–** | **2 948 413** | **27 930 804** |

**Site rehabilitation provision**

A provision is made in respect of the Group's obligation to rehabilitate a leased and owned landfill site after decommissioning the facility in the future.

In accordance with the South African National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) and its associated schedules, the development and operation of a waste disposal facility is considered a listed "Waste Management Activity" and therefore requires a "Waste Licence" as per the requirements of the act. Furthermore, the act makes provision for such a license to specify conditions for decommissioning of the waste disposal facility or for the cessation of the waste management activity for which it grants permission. The waste licences issued to the Group with respect to its FG landfill site and Klinkerstene landfill site requires that the Group performs ongoing post-closure monitoring and remediate the site or any portion thereof in accordance with a closure report and rehabilitation plan which must be prepared and approved by government at least one year prior to the intended closure of the site, or any portion thereof. In accordance with the license, the Group will remain responsible for the sites, or any of its impacts on the environment after operations have ceased. In particular, the Group has assumed that the site will be restored using technology and materials that are currently available.

Experienced waste management engineers are used in the determination of the estimated site rehabilitation costs. The engineers have provided the Group with estimates of the total current costs of rehabilitation for the landfill cells the Group operates. These costs have been based on 2016 year end market prices for materials and labour that would be required to rehabilitate the landfill cells based on applicable laws and regulations. For the purposes of computing the provision to be recognised at year-end, these current costs were adjusted for by an average forecast inflation of 6 percent per annum over a period of 5 years, the expected life of the entire landfill, including cells still to be developed, as rehabilitation will only commence once the entire site has been utilised, to determine the expected future rehabilitation costs. The expected future rehabilitation costs were then discounted at a rate of 6 percent over a period of 5 years to calculate the present value of the obligation.

A risk free rate of 8%, adjusted down to 6%, to reflect the risks specific to the provision was used to discount the provision. Management believes that the future cash flows are highly likely and that the adjustment to the risk free rate appropriately reflects the risks associated with those cash flows. The use of a lower discount rate results in a higher liability; given that the landfill is operational and would have to be rehabilitated if closed at any time, the rate reflects the high degree of certainty of the rehabilitation costs. The remaining life of the cells in use is currently about 5 years and the rehabilitation for these cells can be estimated reasonably.

## 15. TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |
| Trade payables | 49 122 415 | 59 091 235 | 101 919 | 65 716 |
| Other payables | 43 140 133 | 52 160 702 | 4 668 211 | 4 919 910 |
| | **92 262 548** | **111 251 937** | **4 770 130** | **4 985 626** |

## 16. DISCONTINUED OPERATIONS

### 16.1 Enbitec Environmental Solutions proprietary Limited

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

Upon placing the legal entity in voluntary liquidation the group lost effective control of the subsidiary and subsequently de-recognised the assets and liabilities and accounted for the associated loss.

| **Results of discontinued operation** | **2016** | **2015** |
|---|---|---|
| | R | R |
| Revenue | 13 903 973 | 59 519 211 |
| Cost of sales | (11 084 200) | (43 326 332) |
| **Gross profit** | **2 819 773** | **16 192 879** |
| Operating expenses | (13 112 891) | (12 145 525) |
| **Results from operating activities** | **(10 293 118)** | **4 047 354** |
| **Net finance costs** | (472 324) | (770 908) |
| Finance costs | (511 895) | (770 908) |
| Finance income | 39 571 | – |
| **(Loss)/profit before taxation** | **(10 765 442)** | **3 276 446** |
| Taxation credit/(expense) | 2 533 408 | (930 130) |
| **(Loss)/profit from discontinued operations, net of tax** | **(8 232 034)** | **2 346 316** |
| **(Loss)/profit attributable to:** | | |
| Non-controlling interests | (1 173 658) | 1 173 158 |
| Owners of the Company | (7 058 376) | 1 173 158 |
| Basic earnings per share (cents) | (1,51) | 0,25 |
| Diluted earnings per share (cents) | (1,50) | 0,25 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 16. DISCONTINUED OPERATIONS (CONTINUED)

### 16.1 Enbitec Environmental Solutions Proprietary Limited (continued)

**Cash flows from/(used in) discontinued operation**

| | 2016 | 2015 |
|---|---|---|
| | R | R |
| Net cash outflow from operating activities | (362 240) | (8 225 711) |
| Net cash from inflow/(outflow) from investing activities | 475 551 | (829 006) |
| Net cash (outflow)/inflow from financing activities | (1 104 306) | 10 152 191 |
| **Net cash flow for the period** | **(990 995)** | **1 097 474** |

**Effect of liquidation on the financial position of the group**

| | 2016 |
|---|---|
| | R |
| Trade and other receivables | (2 622 426) |
| Receiver of revenue | (214 207) |
| Property, plant and equipment | (544 724) |
| Inventories | (601 234) |
| Cash and cash equivalents | (106 479) |
| Trade and other payables | 4 089 070 |
| **Net assets and liablities disposed** | **–** |
| Gain on liquidation of discontinued operation | – |
| **Total consideration** | **–** |
| Consideration received in cash | – |
| Cash and cash equivalents disposed of | (106 479) |
| **Net cash outflow** | **(106 479)** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 16. DISCONTINUED OPERATIONS (CONTINUED)

#### 16.2 Compost manufacturing and sales

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

| Results of discontinued operation | 2016 | 2015 |
|---|---|---|
| | R | R |
| Revenue | 25 643 955 | 46 096 429 |
| Cost of sales | (17 526 616) | (31 348 073) |
| **Gross profit** | **8 117 339** | **14 748 356** |
| Operating expenses | (4 637 152) | (9 424 583) |
| **Results from operating activities** | **3 480 187** | **5 323 773** |
| Net finance income /(costs) | 3 886 | (109 536) |
| Finance costs | – | (109 536) |
| Finance income | 3 886 | – |
| **Profit before taxation** | **3 484 073** | **5 214 237** |
| Taxation expense | (975 540) | (1 568 318) |
| **Results from operating activities, net of tax** | **2 508 533** | **3 645 919** |
| Gain on sale of discontinued operation | 2 448 211 | – |
| Income tax on gain of sale of discontinued operation | (685 499) | – |
| **Profit from discontinued operation, net of tax** | **4 271 245** | **3 645 919** |
| **Profit attributable to:** | | |
| Non-controlling interests | – | – |
| Owners of the Company | 4 271 245 | 3 645 919 |
| Basic earnings per share (cents) | 0,91 | 0,78 |
| Diluted earnings per share (cents) | 0,91 | 0,77 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 16. DISCONTINUED OPERATIONS (CONTINUED)

### 16.2 Compost manufacturing and sales (continued)

**Cash flows from/(used in) discontinued operation**

| *Figures in R'000* | 2016 | 2015 |
|---|---|---|
| | R | R |
| Net cash (outflow)/inflow from operating activities | (8 455 838) | 11 465 204 |
| Net cash inflow from investing activities | 8 560 000 | - |
| **Net cash flow for the period** | **104 162** | **11 465 204** |

**Effect of disposal on the financial position of the group**

| | 2016 |
|---|---|
| | R |
| Property, plant and equipment | (6 111 789) |
| **Net assets sold** | **(6 111 789)** |
| Gain on sale of discontinued operation | (2 448 211) |
| **Total consideration** | **(8 560 000)** |
| Consideration received, satisfied in cash | 8 560 000 |
| **Net cash inflow** | **8 560 000** |

## 17. REVENUE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 Restated | 2016 | 2015 |
| | R | R | R | R |
| Sale of goods | 49 901 229 | 48 107 951 | – | – |
| Rendering of services | 874 102 070 | 803 192 711 | – | – |
| Dividends received | – | – | 4 916 104 | – |
| | **924 003 299** | **851 300 662** | **4 916 104** | **–** |

A dividend of R6 820 293 was declared and paid to the company by its subsidiary, Envirowaste SA Proprietary Limited, and of this dividend, R1 904 189 related to the pre-acquisition period and has been deducted from the cost of investment in subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 18. RESULTS FROM OPERATING ACTIVITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 Restated | 2016 | 2015 |
| | R | R | R | R |
| **Results from operating activities have been stated after accounting for the following:** | | | | |
| Operating lease charges | 36 702 242 | 66 340 740 | – | – |
| – premises | 13 247 269 | 13 607 332 | – | – |
| – equipment | 8 563 439 | 24 842 673 | – | – |
| – vehicles | 14 891 534 | 27 890 735 | – | – |
| Audit fees – current year | 3 159 894 | 2 537 874 | – | 80 605 |
| Provision for bad debt | 2 453 628 | 4 783 824 | – | – |
| Depreciation from continuing operations | 106 636 080 | 93 716 350 | – | – |
| – depreciation from total operations (note 3) | 106 768 794 | 95 835 555 | – | – |
| – depreciation from discontinued operations | (132 714) | (2 119 205) | – | – |
| Employee costs | 276 926 187 | 224 144 136 | 72 451 273 | 73 827 671 |
| – normal | 262 874 954 | 211 931 839 | 58 380 040 | 60 779 541 |
| – directors' emoluments | 9 179 163 | 7 846 807 | 9 179 163 | 8 682 640 |
| – prescribed officers | 4 872 070 | 4 365 490 | 4 892 070 | 4 365 490 |
| Employee costs recovered from subsidiary (note 23) | – | – | (62 874 437) | (63 716 769) |
| Share-based payment expense | 1 500 190 | 1 273 319 | 332 645 | 372 483 |
| Loss/(profit) on disposal and scrapping of property, plant and equipment | 1 599 383 | (52 337) | – | – |
| Management fee paid to subsidiary | – | – | 720 000 | 660 000 |
| Foreign currency exchange gains | 7 092 832 | (397 611) | – | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 19. NET FINANCE (COSTS)/INCOME

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 Restated | 2016 | 2015 |
| | R | R | R | R |
| **Finance income** | | | | |
| Bank accounts interest | 2 151 177 | 1 965 673 | 30 322 | – |
| Loan to subsidiary company (note 23) | – | – | 16 475 954 | 13 629 854 |
| Other interest | 11 198 | 9 792 | – | – |
| | **2 162 375** | **1 975 465** | **16 506 276** | **13 629 854** |
| **Finance costs** | | | | |
| Interest bearing borrowings - Instalments sales agreement | (24 999 584) | (21 613 901) | – | – |
| Interest bearing borrowings - Term loan | (1 578 042) | (2 030 452) | – | – |
| Interest on provision for site rehabilitation (note 14) | (1 868 348) | – | – | – |
| Bank overdraft interest | (2 435 764) | (1 955 776) | (25 207) | – |
| | **(30 881 738)** | **(25 600 129)** | **(25 207)** | **–** |
| | **(28 719 363)** | **(23 624 664)** | **16 481 069** | **13 629 854** |

## 20. TAXATION EXPENSE ON CONTINUING OPERATIONS

| | GROUP 2016 | GROUP 2015 Restated | COMPANY 2016 | COMPANY 2015 |
|---|---|---|---|---|
| **Major components of the tax expense** | | | | |
| Current taxation | 12 890 146 | 6 398 734 | 1 162 904 | 339 272 |
| – current year | 12 918 146 | 6 036 936 | 1 162 904 | 339 272 |
| – prior year | (28 000) | 361 798 | – | – |
| Deferred taxation | | | | |
| – current year temporary differences (note 6) | 9 109 052 | 9 268 178 | (14 320) | 33 633 |
| | **21 999 198** | **15 666 912** | **1 148 584** | **372 905** |

Tax expense on continuing operations excludes the tax income from the discontinued operations of:

- Enbitec Environmental Solutions Proprietary Limited amounting to a tax credit of R2 533 408 (2015 – tax expense of R 930 130) which has been included in profit from discontinued operation, net of tax (see Note 16.1).
- Compost manufacturing and sales amounting to a tax expense of R975 540 (2015 – R1 568 318) and the tax expense on the gain on sale of the discontinued operation of R685 499 (2015 – Rnil); both of these have been included in profit from discontinued operation, net of tax (see Note 16.2).

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 20. TAXATION EXPENSE (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Reconciliation of tax expense continued** | % | % | % | % |
| Reconciliation between statutory tax rate and average effective tax rate. | | | | |
| Statutory tax rate | 28,00% | 28,00% | 28,00% | 28,00% |
| Disallowed charges - donations | 0,17% | 0,05% | 0,08% | – |
| Share based payment expense | 0,60% | 0,43% | 1,07% | 10,87% |
| Dividends received | – | – | (15,89)% | |
| Disallowed charges - traffic fines | 0,21% | 0,22% | – | – |
| Disallowed charges - fringe benefits in foreign subsidiary | 0,26% | 0,31% | – | – |
| Effect of functional currency that differs from local currency for foreign subsidiary | 0,82% | – | – | – |
| Losses for which no deferred tax asset is recognised | 0,69% | 0,15% | – | – |
| Effect of tax rates in foreign jurisdictions | 0,83% | 0,32% | – | – |
| Prior year adjustment | (0,04)% | 0,70% | – | – |
| **EFFECTIVE TAX RATE** | **31,54%** | **30,18%** | **13,26%** | **38,87%** |

### 21. CASH FLOW NOTES

#### 21.1 Cash generated from/(utilised by) operations

| | R | R | R | R |
|---|---|---|---|---|
| Profit before taxation on continuing operations | 69 739 590 | 51 907 323 | 8 662 138 | 959 322 |
| (Loss)/Profit before taxation on discontinued operations | (4 833 158) | 8 490 683 | – | – |
| **Profit before taxation on total operations** | **64 906 432** | **60 398 006** | **8 662 138** | **959 322** |
| **Adjustments for:** | | | | |
| Depreciation and amortisation | 106 768 794 | 95 835 555 | – | – |
| Finance costs | 31 393 633 | 26 480 573 | 25 207 | – |
| Finance income | (2 205 832) | (1 975 465) | (16 506 276) | (13 629 854) |
| (Loss)/profit on disposal of property, plant and equipment | 1 599 383 | (52 337) | – | – |
| Profit of disposal of compost business | (2 448 211) | – | – | – |
| Landfill rehabilitation provision | – | 3 967 092 | – | – |
| Gain on bargain purchase | – | (1 000) | – | – |
| Share-based payment transactions | 1 155 654 | 950 936 | 276 901 | 50 100 |
| Foreign currency translation - differences | 3 904 188 | (2 687 827) | – | – |
| Exchange rate changes effect - deferred tax | – | (74 151) | – | – |
| Exchange rate changes effect - property, plant and equipment | – | 3 307 796 | – | – |
| Change in estimate – site rehabilitation cost | 998 438 | (1 018 679) | – | – |
| **Cash generated from/(utilised by) operations before changes in working capital** | **206 072 479** | **185 130 499** | **(7 542 030)** | **(12 620 432)** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

**21. CASH FLOW NOTES (CONTINUED)**

**21.1 Cash generated from/(utilised by) operations (continued)**

| | | | | |
|---|---|---|---|---|
| **Cash generated from/(utilised by) operations before changes in working capital** | **206 072 479** | **185 130 499** | **(7 542 030)** | **(12 620 432)** |
| **Changes in working capital:** | | | | |
| Increase in trade and other receivables | (12 884 839) | (3 583 368) | – | – |
| (Decrease)/increase in trade and other payables | (18 989 389) | (7 519 187) | (215 496) | 14 908 |
| Decrease in inventories | 3 328 622 | 5 994 146 | – | – |
| | **177 526 873** | **180 022 090** | **(7 757 526)** | **(12 605 524)** |

**21.2 Tax paid**

| | | | | |
|---|---|---|---|---|
| Balance receivable/(payable) at beginning of year | 4 453 296 | (2 916 142) | (176 425) | (156 065) |
| Tax recognised in the statement of comprehensive income | (12 017 767) | (8 897 182) | (1 162 904) | (339 272) |
| Balance (receivable)/payable at end of year | (1 905 955) | (4 453 296) | (194 709) | 176 425 |
| | **(9 470 426)** | **(16 266 620)** | **(1 534 038)** | **(318 912)** |

**21.3 Business combinations**

The group entered into an immaterial business combination during the year. Therefore, no further disclosures have been included in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 22. COMMITMENTS

### 22.1 Premises operating leases – as lessee

| | GROUP | |
|---|---|---|
| | **2016** | **2015** |
| | **R** | **R** |
| **Minimum lease payments due** | | |
| – within one year | 3 745 979 | 1 833 687 |
| – in second to fifth year inclusive | 2 415 874 | 2 059 277 |
| | **6 161 853** | **3 892 964** |

Operating lease payments represent rentals payable by the group for certain of its business premises. Leases are negotiated for an average term of two to five years and rentals escalate either at fixed or inflation rates annually. No contingent rent is payable.

### 22.2 Landfill operating leases – as lessee

| | | |
|---|---|---|
| **Expected lease payments due** | | |
| – within one year | 7 487 000 | 7 421 298 |
| – in second to fifth year inclusive | 38 884 171 | 38 958 393 |
| | **46 371 171** | **46 379 691** |

The lease commitment relates to land used for landfill waste disposal. The duration of the lease is the earlier of 31 December 2025 or the group disposing of 6,7 million tonnes of waste on the property. Lease payments are variable as they are based on volumes disposed of at an agreed rate. There are no significant contractual minimum lease payments. At current disposal rates, it is expected that there are 5 years remaining on the lease.

### 22.3 Motor vehicles operating leases – as lessee

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| – within one year | 5 835 811 | 21 091 908 |
| – in second to fifth year inclusive | – | 5 101 102 |
| | **5 835 811** | **26 193 010** |

The group leases certain of its motor vehicles under operating leases. Leases escalated in line with prime interest rates and typically run for periods of three to four years.

### 22.4 Capital commitments

| | | |
|---|---|---|
| – authorised and contracted | 1 597 381 | – |
| – authorised but not contracted | 11 393 851 | 21 341 000 |
| | **12 991 232** | **21 341 000** |

Capital commitments will be funded through a combination of borrowings and internal cash resources.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 23. RELATED PARTIES

**Identity of related party relationships**
Group companies as well as directors and significant shareholders are considered to be related parties and have been listed below.

| | |
|---|---|
| **Subsidiaries of the group** | Inter-Waste Proprietary Limited<br>Interwaste Cleaning Proprietary Limited<br>Limpopo Platinum Waste Proprietary Limited (Dormant)<br>Green's Scrap Recycling Proprietary Limited<br>Platinum Waste Resources Proprietary Limited<br>Extent Road Property Proprietary Limited (Dormant)<br>Moz Environmental Limitada<br>Interwaste Properties Proprietary Limited (Dormant)<br>Earth 2 Earth Proprietary Limited (Dormant)<br>Interwaste Industrial Cleaning Proprietary Limited (Dormant)<br>Karee Investments Six Seven Proprietary Limited<br>Interwaste Zambia Proprietary Limited (Dormant)<br>Interwaste Environmental Solutions (T) Proprietary Limited (Dormant)<br>Masakhane Interwaste Proprietary Limited<br>Envirowaste SA Proprietary Limited (Dormant) |
| **Trusts relating to directors** | Wilco Family Trust<br>N2 Property Trust |
| **Other related party** | Interwaste (Mauritius) Limited |
| **Directors** | D Rosevaar<br>BL Willcocks<br>C Boles<br>L Mahlangu<br>LC Grobbelaar<br>PF Majono<br>WAH Willcocks<br>R Lumb |
| **Significant shareholders** | The Wilco Family Trust<br>Refer also to shareholder analysis. |

**Related party balances**
Related party balances at year-end and the corresponding terms and conditions have been disclosed in the following notes:

| | |
|---|---|
| Investments in subsidiaries | Note 5 |
| Loan to subsidiary company | Note 7 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 23. RELATED PARTIES (CONTINUED)

| | 2016 | 2015 |
|---|---|---|
| | R | R |
| **RELATED PARTY TRANSACTIONS** | | |
| **Group** | | |
| N2 Property Trust – Property rentals paid | (842 538) | (973 373) |
| Dividends paid to non–controlling interests | (260 000) | (538 560) |
| **Company** | | |
| Inter-Waste Proprietary Limited – Interest received (note 19) | 16 475 954 | 13 629 854 |
| Inter-Waste Proprietary Limited – Employee costs paid on behalf of subsidiary recovered | 62 874 437 | 63 716 769 |
| Inter-Waste Proprietary Limited – Management fee paid | (720 000) | (660 000) |

Emoluments paid to directors and prescribed officers and key management have been disclosed in note 29. The share option scheme in which directors and executive management participate have been disclosed in note 12. The share option expense related to share options awarded to each director has been disclosed in note 29. Shareholding in the company by directors and prescribed officers is disclosed in note 28.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 24. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

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

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

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

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

**Credit risk**

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

**Trade and other receivables**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial assets exposed to credit risk at year end were as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |
| Loan to subsidiary company | – | – | 267 456 571 | 257 197 102 |
| Cash and cash equivalents | 30 850 892 | 53 153 900 | 12 198 | 12 713 |
| Trade receivables | 175 990 720 | 159 518 983 | | – |
| Other receivables | 15 973 802 | 19 600 048 | | |
| | **222 815 414** | **232 272 931** | **267 468 769** | **257 209 815** |
| The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was: | | | | |
| Domestic | 157 142 351 | 154 772 744 | – | – |
| Foreign – Mozambique | 18 848 369 | 4 345 912 | – | – |
| Foreign – Swaziland | – | 400 327 | – | – |
| | **175 990 720** | **159 518 983** | **–** | **–** |

The aging of trade receivables at reporting date was:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Gross | Impairment allowance | Gross | Impairment allowance |
| **Group** | R | R | R | R |
| Not past due | 87 748 360 | – | 77 798 610 | – |
| Past due 30 days | 57 142 657 | – | 46 099 061 | – |
| Past due 60 – 120 days | 37 622 084 | (6 522 381) | 43 116 679 | (7 495 367) |
| | **182 513 101** | **(6 522 381)** | **167 014 350** | **(7 495 367)** |

The company has no trade receivables at year end (2015; Rnil).

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Movement in impairment allowance** | R | R | R | R |
| Balance at 1 January | (7 495 367) | (6 182 951) | – | – |
| Bad debts written off in current year | 3 426 614 | 3 471 408 | – | – |
| Impairment allowance created | (2 453 628) | (4 783 824) | – | – |
| **BALANCE AT 31 DECEMBER** | **(6 522 381)** | **(7 495 367)** | **–** | **–** |

Based on past experience and the high credit quality, the group believes that no impairment allowance is necessary in respect of financial assets not past due, nor impaired.

The loan to subsidiary company is not impaired based on the sound financial position and past and expected results of the group company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk

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

The following are the contractual maturities of financial liabilities:

| Group | Carrying amount | Contractual cash flows | Less than 1 year | Between 2 and 5 years | No fixed maturity |
|---|---|---|---|---|---|
| | R | R | R | R | R |
| **At 31 December 2016** | | | | | |
| **Non-derivative liabilities** | | | | | |
| Interest-bearing borrowings | 288 964 488 | 335 130 186 | 129 471 852 | 205 658 334 | – |
| Trade and other payables | 92 262 548 | 92 262 548 | 92 262 548 | – | – |
| | **381 227 036** | **427 392 734** | **221 734 400** | **205 658 334** | – |
| **At 31 December 2015** | | | | | |
| **Non-derivative liabilities** | | | | | |
| Interest-bearing borrowings | 296 337 780 | 346 112 204 | 116 516 939 | 229 595 265 | – |
| Trade and other payables | 111 251 937 | 111 251 937 | 111 251 937 | – | – |
| | **407 589 717** | **457 364 141** | **227 768 876** | **229 595 265** | |

| Company | Carrying amount | Contractual cash flows | Less than 1 year | Between 2 and 5 years | No fixed maturity |
|---|---|---|---|---|---|
| | R | R | R | R | R |
| **At 31 December 2016** | | | | | |
| **Non-derivative liabilities** | | | | | |
| Trade and other payables | **4 770 130** | **4 770 130** | **4 770 130** | – | – |
| **At 31 December 2015** | | | | | |
| **Non-derivative liabilities** | | | | | |
| **Trade and other payables** | **4 985 626** | **4 985 626** | **4 985 626** | **–** | **–** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Interest rate risk**

Interest rate risk arises due to the fact that the interest rates on liabilities fluctuate.

The interest rate risk profile of the interest bearing financial instruments was:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | | Interest rate | | Interest rate |
| **Group** | **R** | **%** | **R** | **%** |
| **Variable rate instruments** | | | | |
| Cash and cash equivalents | 30 850 892 | 0,57% – 6,40% | 53 153 900 | 0,57% – 5,80% |
| Interest bearing borrowings | (288 964 488) | 9,25% – 10,29% | (296 337 780) | 9,25% – 10,25% |
| **Company** | | | | |
| **Variable rate instruments** | | | | |
| Loan to subsidiary company | 267 456 571 | 6,50% | 257 197 102 | 5,75% |
| Cash and cash equivalents | 12 198 | – | 12 713 | – |

**Sensitivity analyses**

A change of 100 basis points in interest rates at the reporting date would have increased or decreased group and company profit or loss and equity by 2 581 136 (2015 – R2 431 839) and 2 674 688 (2015 – R2 572 098) respectively, on the basis that all other variables remain constant.

**Currency risk**

The group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the company which is the South African Rand. The currency in which these transactions are primarily denominated is US Dollar (USD) and Mozambican Metical (MT) as a result of the group's operations in Mozambique.

**Group**

The exposure to currency risk was as follows based on the carrying amounts of financial instruments:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | USD | MT | USD | MT |
| | R | R | R | R |
| Trade and other receivables | 13 504 801 | 6 671 152 | 779 830 | 6 580 804 |
| Cash and cash equivalents | 7 612 357 | 6 274 455 | – | 15 295 588 |
| Trade and other payables | (532 709) | (2 507 645) | – | (1 102 280) |
| **Statement of financial position exposure** | **20 584 449** | **10 437 962** | **779 830** | **20 774 112** |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following significant exchange rates applied during the year:

| | AVERAGE RATE | | REPORTING DATE SPOT RATE | |
|---|---|---|---|---|
| South African Rand | 2016 | 2015 | 2016 | 2015 |
| Mozambican Metical 1 | 0.22 | 0.32 | 0.19 | 0.32 |
| United States Dollar 1 | 14.71 | 13.64 | 13.62 | 15.70 |

**Sensitivity analysis**

A 10 percent weakening of the Rand against Mozambican Metical and United States Dollar at 31 December would have increased equity and profit or loss for the group by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | | | GROUP | |
|---|---|---|---|---|
| | | | 2016 | 2015 |
| **31 December** | | | R | R |
| Mozambican Metical 1 | | | 709 781 | 1 412 640 |
| United States Dollar 1 | | | 1 399 743 | 53 028 |

A 10 percent strengthening of the Rand against foreign currencies at 31 December would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

**FAIR VALUE ANALYSIS**

| | 2016 | | 2015 | |
|---|---|---|---|---|
| Group | Carrying value | Fair value | Carrying value | Fair value |
| | R | R | R | R |
| **Assets** | | | | |
| Trade and other receivables | 191 964 522 | 191 964 522 | 179 119 031 | 179 119 031 |
| Cash and cash equivalents | 30 850 892 | 30 850 892 | 53 153 900 | 53 153 900 |
| **Liabilities** | | | | |
| Interest-bearing borrowings | 288 964 488 | 288 964 488 | 296 337 780 | 296 337 780 |
| Trade and other payables | 92 262 548 | 92 262 548 | 111 251 937 | 111 251 937 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

| | 2016 | | 2015 | |
|---|---|---|---|---|
| **Company** | **Carrying value** | **Fair value** | **Carrying value** | **Fair value** |
| | **R** | **R** | **R** | **R** |
| **Assets** | | | | |
| Loan to subsidiary company | 267 456 571 | 267 456 571 | 257 197 102 | 257 197 102 |
| Cash and cash equivalents | 12 198 | 12 198 | 12 713 | 12 713 |
| | | | | |
| **Liabilities** | | | | |
| Trade and other payables | 4 770 130 | 4 770 130 | 4 985 626 | 4 985 626 |

Fair values versus carrying amounts

**Estimation of fair values**

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

**Interest-bearing borrowings**

Fair value is calculated by discounting the expected future principal and interest cash flows at a market related rate.

**Trade and other receivables/payables**

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

**Loan to subsidiary company**

The loan does not have fixed repayment terms and is payable on demand. The company has opted not to require settlement of the loan within the foreseeable future therefore the loan has been classified as non-current. The carrying amount of the loan approximates its fair value as it bears interest at the rate that is comparable to market rates for cash investments.

**Non-derivative financial assets and liabilities**

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

**Fair value hierarchy**

The group did not have financial instruments or other assets measured at fair value or where the fair value for disclosure purposes differs significantly from the carrying value, as such no fair value hierarchy disclosure has been provided.

**Capital management**

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

The group's debt to capital ratio at the end of the year was as follows:

| | GROUP | |
|---|---|---|
| | 2016 | 2015 |
| | R | R |
| Total liabilities | 475 853 902 | 482 644 912 |
| Less: positive cash balances | (30 850 892) | (53 153 900) |
| | 445 003 010 | 429 491 012 |
| Total equity | 541 343 538 | 504 162 872 |
| Debt to capital ratio at 31 December | 0.82 | 0.85 |

There were no changes to the group's approach to capital management during the year. The group is not subject to externally imposed capital requirements, other than facilities in regard to the guarantees disclosed in note 10.

### 25. BASIC EARNINGS AND FULLY DILUTED EARNINGS PER SHARE

**Continuing and discontinued operations**

The calculation of basic earnings per ordinary share of 9.36 cents (2015: 8.77 cents) is based on a profit of R43 765 261 (2015: profit of R40 901 362) and a weighted average number of shares in issue of 467 818 670 (2015: 466 374 466).

The calculation of diluted earnings per ordinary share of 9.29 cents (2015: 8.65 cents) is based on a profit of R43 765 261 (2015: profit of R40 901 362) and a weighted average number of shares in issue of 471 135 689 (2015: 472 937 529).

**Continuing operations**

The calculation of basic earnings per ordinary share of 9.95 cents (2015: 7.74 cents) is based on a profit of R46 552 392 (2015: profit of R36 082 285) and a weighted average number of shares in issue of 467 818 670 (2015: 466 374 466).

The calculation of diluted earnings per ordinary share of 9.88 cents (2015: 7.63 cents) is based on a profit of R46 552 392 (2015: profit of R36 082 285) and a weighted average number of shares in issue of 471 135 689 (2015: 472 937 529).

**Weighted average number of shares**

| Group | 2016 | 2015 |
|---|---|---|
| **Number of shares in issue at 31 December** | **469 092 877** | **467 627 877** |
| **Weighted average number of shares (basic)** | | |
| Issued ordinary shares at 1 January | 467 627 877 | 458 342 877 |
| Effect of shares issued in January 2015 | – | 7 155 479 |
| Effect of share options exercised | 778 658 | 876 110 |
| Effect of share buy-back (treasury shares) | (587 865) | – |
| | **467 818 670** | **466 374 466** |
| **Diluted weighted average number of shares** | | |
| Weighted average number of shares | 467 818 670 | 466 374 466 |
| Dilutive portion of share options | 3 317 019 | 6 563 063 |
| **Diluted weighted average number of shares** | **471 135 689** | **472 937 529** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 26. HEADLINE EARNINGS AND FULLY DILUTED HEADLINE EARNINGS PER SHARE

**Total operations**

The headline earnings per ordinary share of 9.22 cents (2015: earnings of 8.76 cents) is based on a profit of R43 154 105 (2015: profit of R40 835 533) and a weighted average number of shares in issue of 467 818 670 (2015: 466 374 466).

The diluted headline earnings per ordinary share of 9.16 cents (2015: earnings of 8.63 cents) is based on profit of R43 154 105 (2015: profit of R40 835 533) and a weighted average number of shares in issue of 471 135 689 (2015: 472 937 529).

**Continuing operations**

The headline earnings per ordinary share of 9.94 cents (2015: earnings of 7.72 cents) is based on a profit of R46 481 980 (2015: profit of R36 017 240) and a weighted average number of shares in issue of 467 818 670 (2015: 466 374 466).

The diluted headline earnings per ordinary share of 9.87 cents (2015: earnings of 7.62 cents) is based on profit of R46 481 980 (2015: profit of R36 017 240) and a weighted average number of shares in issue of 471 135 689 (2015: 472 937 529).

| | TOTAL OPERATIONS | | CONTINUING OPERATIONS | |
|---|---|---|---|---|
| **Group** | **2016** | **2015** | **2016** | **2015** |
| | **R** | **R** | **R** | **R** |
| **Reconciliation of headline earnings:** | | | | |
| Attributable profit per the statement of comprehensive income | 43 765 261 | 40 901 362 | 45 330 424 | 36 083 069 |
| Adjustment for : | | | | |
| – gain on sale of discontinued operation | (2 448 211) | – | – | – |
| – tax effect on gain on sale of discontinued operation | 685 499 | – | – | – |
| – loss/(profit) on disposal of property, plant and equipment | 1 599 383 | (52 337) | 1 599 383 | (52 337) |
| – tax effect of loss/(profit) on disposal of property, plant and equipment | (447 827) | 14 654 | (447 827) | 14 654 |
| – non-controlling interest effect of adjustments | – | (28 146) | – | (28 146) |
| | **43 154 105** | **40 835 533** | **46 481 980** | **36 017 240** |
| Headline earnings per share (cents) | 9.22 | 8.76 | 9.94 | 7.72 |
| Diluted headline earnings (cents) | 9.16 | 8.63 | 9.87 | 7.62 |

The net asset value per share is 115 cents (2015: 107 cents) and is based on a net asset value of R537 903 291 (2015: R500 477 317) and shares in issue of 469 092 877 (2015: 467 627 877). The tangible net asset value per share is 101 cents (2015: 94 cents) and is based on a net tangible asset value of R473 894 804 (2015: R439 395 525) and shares in issue of 469 092 877 (2015: 467 627 877).

## 27. SEGMENT REPORT

| | GROUP | |
|---|---|---|
| | **2016** | **2015** |
| | **R** | **R** |
| **Gross revenue[1]** | | |
| Logistics+ | 803 886 708 | 700 864 360 |
| Facilities* | 120 116 591 | 150 436 302 |
| | **924 003 299** | **851 300 662** |
| **Results from operating activities[1]** | | |
| Logistics+ | 64 618 220 | 31 037 519 |
| Facilities* | 33 840 733 | 44 494 468 |
| | **98 458 953** | **75 531 987** |

+ Previously Waste management

* Previously Landfill management

[1] Restated due to separate disclosure of discontinued operations.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 27. SEGMENT REPORT (CONTINUED)

| | GROUP | |
|---|---|---|
| | **2016** | **2015** |
| | **R** | **R** |
| **Depreciation**[1] | | |
| Logistics+ | 84 578 154 | 75 480 703 |
| Facilities* | 22 057 926 | 18 235 647 |
| | **106 636 080** | **93 716 350** |
| **Net finance costs**[1] | | |
| Logistics+ | (27 743 288) | (23 473 720) |
| Facilities* | (976 075) | (150 944) |
| | **(28 719 363)** | **(23 624 664)** |
| **Taxation**[1] | | |
| Logistics+ | (11 632 115) | (2 283 264) |
| Facilities* | (10 367 083) | (13 383 648) |
| | **(21 999 198)** | **(15 666 912)** |
| **Segment assets** | | |
| Logistics+ | 865 654 641 | 846 361 892 |
| Compost manufacturing and sales | – | 22 160 464 |
| Facilities* | 151 542 799 | 118 285 428 |
| | **1 017 197 440** | **986 807 784** |
| **Segment liabilities** | | |
| Logistics+ | 431 358 240 | 430 481 654 |
| Compost manufacturing and sales | – | 6 402 914 |
| Facilities* | 44 495 662 | 45 760 344 |
| | **475 853 902** | **482 644 912** |
| **Capital expenditure** | | |
| Logistics+ | 111 694 861 | 159 852 385 |
| Compost manufacturing and sales | – | – |
| Facilities* | 45 844 020 | 16 700 341 |
| | **157 538 881** | **176 552 726** |

**Basis for segmentation for operating segments**

For management purposes the group is organised into three major operating divisions which are Logistics, Facilities and Compost manufacturing and sales. The Compost manufacturing and sales division was disposed in the current year (note 16). These segments offer different products and services and represent the basis on which the group reports its primary segment information and manages risk. The group's chief executive officer reviews the internal management reports of each segment on a monthly basis.

+ Previously Waste management

* Previously Landfill management

[1] Restated due to separate disclosure of discontinued operations.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 27. SEGMENT REPORT (CONTINUED)

**Geographic information**

The geographic information analyses the Group's revenue and non-current assets by the company's country of domicile and other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of assets.

| | GROUP | |
|---|---|---|
| | 2016 | 2015 |
| | R | R |
| **Revenue [1]** | | |
| Republic of South Africa | 847 688 052 | 804 495 326 |
| Other South African Development Community countries | 76 315 247 | 46 811 336 |
| | **924 003 299** | **851 306 662** |
| | | |
| **Non-current assets** | | |
| Republic of South Africa | 742 703 329 | 700 916 068 |
| Other South African Development Community countries | 34 594 746 | 34 969 539 |
| | **777 298 075** | **735 885 607** |

[1]Restated due to seperate disclosure of discontinued operations.
Non-current assets exclude financial instruments, deferred tax assets and employee benefit assets.

**Major customers**
The group does not have significant revenue concentration in a single customer. Revenues from the top three customers of the group's Logistics and Facilities segments represented R140,770,420 (2015: R105,083,178 of the group's total revenues

### 28. DIRECTORS' AND PRESCRIBED OFFICERS' SHAREHOLDING

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Beneficial direct | Beneficial indirect | Total | Beneficial Direct | Beneficial Indirect | Total |
| **Executive Directors** | | | | | | |
| Alan Willcocks | 100 000 | 74 432 911 | 74 532 911 | 100 000 | 74 432 911 | 74 532 911 |
| Leon Grobbelaar | – | 2 190 007 | 2 190 007 | – | 2 490 007 | 2 490 007 |
| André Broodryk | 3 700 000 | – | 3 700 000 | 2 800 000 | – | 2 800 000 |
| | | | | | | |
| **Non-executive Directors** | | | | | | |
| Gavin Tipper | 14 006 751 | – | 14 006 751 | 14 006 751 | – | 14 006 751 |
| Bronwyn Willcocks | – | 74 432 911 | 74 432 911 | – | 74 432 911 | 74 432 911 |
| | **17 806 751** | **151 055 829** | **168 862 580** | **16 906 751** | **151 355 829** | **168 262 580** |
| **Prescribed officers** | | | | | | |
| Dan Nkomo | 50 000 | – | 50 000 | 50 000 | – | 50 000 |
| Jason McNeil | 279 548 | – | 279 548 | 279 548 | – | 279 548 |
| | **329 548** | **–** | **329 548** | **329 548** | **–** | **329 548** |

No official has any non-beneficial interest in the ordinary shares of the company. No changes in directors' and prescribed officers shareholding have taken place between the end of the financial year and the date of approval of this Integrated Annual Report.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 29. DIRECTORS', PRESCRIBED OFFICERS' AND KEY MANAGEMENT'S EMOLUMENTS

### 29.1 Directors' emoluments

| | Salary | Fees | Motor vehicle allowance | Bonus and gratuity | Sub total | Share option expense | Total |
|---|---|---|---|---|---|---|---|
| | R | R | R | R | R | R | R |
| **Group and Company** | | | | | | | |
| **2016** | | | | | | | |
| **Executive** | | | | | | | |
| Alan Willcocks | 2 838 486 | – | – | 85 155 | 2 923 641 | – | 2 923 641 |
| Leon Grobbelaar | 1 942 833 | – | 145 124 | 61 885 | 2 149 842 | 126 657 | 2 276 499 |
| André Broodryk | 2 460 000 | – | 120 000 | 77 400 | 2 657 400 | 138 868 | 2 796 268 |
| | 7 241 319 | – | 265 124 | 224 440 | 7 730 883 | 265 525 | 7 996 408 |
| **Non-executive – fees** | | | | | | | |
| Gavin Tipper | – | 79 500 | – | – | 79 500 | – | 79 500 |
| Andisiwe Kawa | – | 64 500 | – | – | 64 500 | – | 64 500 |
| Funani Mojono | – | 89 800 | – | – | 89 800 | – | 89 800 |
| Bronwyn Willcocks | – | 67 500 | – | – | 67 500 | – | 67 500 |
| Landiwe Mahlangu | – | 79 500 | – | – | 79 500 | – | 79 500 |
| | – | 380 800 | – | – | 380 800 | – | 380 800 |
| **Other consulting** | | | | | | | |
| Gavin Tipper | – | 1 067 480 | – | – | 1 067 480 | – | 1 067 480 |
| | 7 241 319 | 1 448 280 | 265 124 | 224 440 | 9 179 163 | 265 525 | 9 444 688 |

Non-executive directors are remunerated in line with market related rates taking into account their responsibilities on the board and on any of the sub committees on which they serve. For services that fall outside their ordinary duties as directors they are remunerated by way of a market related fee.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

**29. DIRECTORS', PRESCRIBED OFFICERS' AND KEY MANAGEMENT'S EMOLUMENTS (CONTINUED)**

29.1 Directors' emoluments (continued)

| | Salary | Fees | Motor vehicle allowance | Bonus and gratuity | Sub total | Share option expense | Total |
|---|---|---|---|---|---|---|---|
| | R | R | R | R | R | R | R |
| **Group and Company** | | | | | | | |
| **2015** | | | | | | | |
| **Executive** | | | | | | | |
| Alan Willcocks | 2 640 452 | – | – | 133 719 | 2 774 171 | – | 2 774 171 |
| Leon Grobbelaar | 1 798 914 | – | 158 790 | 159 910 | 2 117 614 | 126 657 | 2 244 271 |
| André Broodryk | 1 921 560 | – | 120 000 | 255 195 | 2 296 755 | 190 750 | 2 487 505 |
| | | | | | | | |
| **Non-executive – fees** | | | | | | | |
| Gavin Tipper | – | 100 000 | – | – | 100 000 | – | 100 000 |
| Andisiwe Kawa | – | 100 000 | – | – | 100 000 | – | 100 000 |
| Funani Mojono | – | 105 000 | – | – | 105 000 | – | 105 000 |
| Bronwyn Willcocks | – | 100 000 | – | – | 100 000 | – | 100 000 |
| Landiwe Mahlangu | – | 88 000 | – | – | 88 000 | – | 88 000 |
| | **6 360 926** | **493 000** | **278 790** | **548 824** | **7 681 540** | **317 407** | **7 998 947** |
| **Other consulting** | | | | | | | |
| Gavin Tipper | – | 1 001 100 | – | – | 1 001 100 | – | 1 001 100 |
| | **6 360 926** | **1 494 100** | **278 790** | **548 824** | **8 682 640** | **317 407** | **9 000 047** |

Non-executive directors are remunerated in line with market related rates taking into account their responsibilities on the board and on any of the sub committees on which they serve. For services that fall outside their ordinary duties as directors they are remunerated by way of a market related fee.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 29. DIRECTORS', PRESCRIBED OFFICERS' AND KEY MANAGEMENT'S EMOLUMENTS (CONTINUED)

### 29.2 Other prescribed officers' and key management's emoluments

The prescribed officers of the Group and Company, as defined in the Companies Act of 2008, and the key management personnel of the Group and Company, as defined in IAS24, are the executive directors of the Company and the executive directors of the Company's major subsidiary, Interwaste Proprietary Limited. The remuneration paid to the executive directors of the Company is disclosed above under note 29.1. The remuneration paid to the other prescribed officers and key management personnel is set out below.

| Group and Company | Salary | Bonus and gratuity | Motor vehicle allowance | Other | Sub total | Share option expense | Total |
|---|---|---|---|---|---|---|---|
| | R | R | R | R | R | R | R |
| **2016** | | | | | | | |
| Dan Nkomo | **1 056 510** | **–** | **127 323** | **18 060** | **1 201 893** | **–** | **1 201 893** |
| Jason McNeil | **1 882 860** | **59 365** | **113 952** | **–** | **2 056 177** | **137 624** | **2 193 801** |
| Rajas Pillay | **1 492 500** | **45 000** | **76 500** | **–** | **1 614 000** | **78 609** | **1 692 609** |
| | **4 431 870** | **104 365** | **317 775** | **18 060** | **4 872 070** | **216 233** | **5 088 303** |
| **2015** | | | | | | | |
| Dan Nkomo | 982 800 | 81 900 | 91 013 | – | 1 155 713 | – | 1 155 713 |
| Jason McNeil | 1 519 800 | 153 400 | 126 723 | – | 1 799 923 | 136 528 | 1 936 451 |
| Rajas Pillay | 1 194 000 | 107 600 | 108 254 | – | 1 409 854 | 68 704 | 1 478 558 |
| | **3 696 600** | **342 900** | **325 990** | **–** | **4 365 490** | **205 232** | **4 570 722** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 30. 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 profit or loss, was R3 687 924 (2015: R2 640 986).

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

### 31. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising, since the end of the financial year and up to the date of approving the financial statements, which require disclosure in or adjustment to the financial statements.

### 32. DIVIDENDS PAID

No dividends were declared or paid to shareholders during the year ended 31 December 2016 (2015: Rnil).

Platinum Waste Resources Proprietary Limited, a group subsidiary, paid dividends of R260 000 (2015: Rnil) to non-controlling shareholders.

Interwaste Cleaning Proprietary Limited, a subsidiary, paid dividends of R538 560 to non-controlling shareholders in the prior year.

### 33. GOING CONCERN

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

# SHAREHOLDER ANALYSIS

FOR THE YEAR ENDED 31 DECEMBER 2016

| SHAREHOLDER SPREAD | No. of shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 – 1,000 shares | 282 | 21,71% | 113 080 | 0,02% |
| 1,001 – 10,000 shares | 362 | 27,87% | 1 777 820 | 0,38% |
| 10,001 – 100,000 shares | 523 | 40,26% | 19 425 462 | 4,14% |
| 100,001 – 1,000,000 shares | 95 | 7,31% | 26 324 756 | 5,61% |
| 1,000,001 shares and over | 37 | 2,85% | 421 451 759 | 89,85% |
| **TOTAL** | **1 299** | **100,00%** | **469 092 877** | **100,00%** |

| DISTRIBUTION OF SHAREHOLDERS | No. of shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| Banks | 3 | 0,23% | 573 040 | 0,12% |
| Brokers | 4 | 0,31% | 540 273 | 0,12% |
| Close Corporations | 16 | 1,23% | 1 098 200 | 0,23% |
| Empowerment | 1 | 0,08% | 12 500 000 | 2,66% |
| Endowment Funds | 2 | 0,15% | 100 213 | 0,02% |
| Individuals | 1 017 | 78,29% | 69 743 618 | 14,87% |
| Insurance Companies | 1 | 0,08% | 100 000 | 0,02% |
| Investment Companies | 3 | 0,23% | 72 024 466 | 15,35% |
| Mutual Funds | 17 | 1,31% | 111 373 512 | 23,74% |
| Nominees and Trusts | 135 | 10,39% | 180 847 836 | 38,56% |
| Other Corporations | 12 | 0,92% | 734 011 | 0,16% |
| Own Holdings | 1 | 0,08% | 3 610 219 | 0,77% |
| Pension Funds | 33 | 2,54% | 1 814 365 | 0,39% |
| Private Companies | 51 | 3,93% | 13 733 524 | 2,93% |
| Public companies | 3 | 0,23% | 299 600 | 0,06% |
| **TOTAL** | **1 299** | **100,00%** | **469 092 877** | **100,00%** |

| PUBLIC/NON-PUBLIC SHAREHOLDERS | No. of shareholdings | % | No. of Shares | % |
|---|---|---|---|---|
| **Non-Public Shareholders** | **18** | **1,39%** | **250 942 852** | **53,50%** |
| Directors and associates of the company | 16 | 1,23% | 175 406 167 | 37,39% |
| Own holdings (Treasury shares) | 1 | 0,08% | 3 610 219 | 0,78% |
| Strategic holder (more than 10%) | 1 | 0,08% | 71 926 466 | 15,33% |
| **Public Shareholders** | **1 281** | **98,61%** | **218 150 025** | **46,50%** |
| **TOTAL** | **1 299** | **100,00%** | **469 092 877** | **100,00%** |

| Beneficial shareholders holding 5% or more | | | No. of Shares | % |
|---|---|---|---|---|
| Wilco Family Trust | | | **148 865 822** | **31,73%** |
| Coronation Capital Limited – Private Equity | | | **71 926 466** | **15,33%** |
| **Empowerment** | | | | |
| National Empowerment Fund | | | **12 500 000** | **2,66%** |

> SECTION 4

# NOTICE TO SHAREHOLDERS

# SHAREHOLDERS' DIARY

## SALIENT DATES

- FINANCIAL YEAR-END . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 31 DECEMBER
- ANNUAL GENERAL MEETING . . . . . . . . . . . . . . . . . . . . . . . . . . 28 JUNE 2017

## REPORTS

- INTERIM RESULTS FOR HALF YEAR TO JUNE 2017 . . . . . . . . . . . AUGUST 2017
- ANNUAL RESULTS FOR 2017 . . . . . . . . . . . . . . . . . . . . . . . . . 31 MARCH 2018

**INTERWASTE HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)
(Registration number: 2006/037223/06)
(JSE share code: IWE)
(ISN: ZAE000097903)
("Interwaste" or "the Company" or "the Group")

Interwaste Holdings Limited

## NOTICE TO SHAREHOLDERS OF ANNUAL GENERAL MEETING

Incorporating a form of proxy for the use of holders of certificated ordinary shares and dematerialised ordinary shares with "own name" registration only.

Notice is hereby given that the annual general meeting of the Company's shareholders will be held in the boardroom of the Company, 2 Brammer Road, Germiston South, Gauteng, South Africa on Wednesday, 28 June 2017 at 14h00 to conduct the business as listed below.

(The record date for receipt of the notice of Annual General Meeting is Friday, 19 May 2017. The record date in terms of section 59 of the Companies Act, 2008, ("the Companies Act") for shareholders to be recorded in the Register in order to be able to attend, participate and vote at the annual general meeting is Friday, 23 June 2017).

To consider and, if deemed fit, to pass with or without modification, the ordinary resolutions 1 to 10 below. In terms of the Companies Act, for an ordinary resolution to be adopted, it must be supported by more than 50 percent of the total number of votes which the shareholders present or represented by proxy at the meeting are entitled to cast.

1. To receive and adopt the annual financial statements for the year ended 31 December 2016, together with the reports of the directors, the audit committee and the external auditors.

2. To re-elect PF Mojono as a non-executive director of the Company. In terms of the Company's Memorandum of Incorporation he retires by rotation but being eligible, offers himself for re-election.*

3. To re-elect LJ Mahlangu as a non-executive director of the Company. In terms of the Company's Memorandum of Incorporation he retires by rotation but being eligible, offers himself for re-election.*

4. To ratify the appointment of David Keith Rosevear who was appointed as a non-executive director with effect from 31 March 2017.

5. To ratify the appointment of Robert Lumb who was appointed as a financial director with effect from 1 May 2017.

6. To ratify the appointment of Charles Alexander Boles who was appointed as a non-executive director with effect from 1 April 2017

7. To re-appoint KPMG as the independent external auditors of the Company and to appoint Mr G Parker as the registered auditor who will undertake the audit of the Company for the ensuing year

8. To elect, as separate resolutions, the members of the Audit Committee. The proposed members of the committee are:
   8.1 LJ Mahlangu (Chairman);
   8.2 CA Boles; and
   8.3 DK Rosevear

   The Board has satisfied itself that these directors are suitable for appointment to the Audit and Risk committee as contemplated in the Companies Act.

   *(*Brief CVs of the directors appear on pages 15 to 17 of the the integrated annual report.)*

9. To endorse, by way of a non-binding, advisory ordinary resolution, the Company's remuneration policy as set out in the Remuneration Report.

10 That pursuant to the Memorandum of Incorporation of the Company, and subject to the Companies Act and the Listings Requirements of the JSE Limited ("Listings Requirements"), the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue ordinary shares for cash as and when suitable opportunities arise, subject to the following conditions:

10.1 that the shares be of a class already in issue or where this is not the case, be limited to such shares or rights that are convertible into a class already in issue;

10.2 that the shares only be issued or sold, as the case may be, to public shareholders as defined in the Listings Requirements, and not to related parties;

10.3 that the shares to be issued or sold do not exceed 15 percent, i.e 70,363,931 shares, 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 and the Companies Act;

10.4 that the maximum discount at which such shares be issued or sold, is 10 percent of the weighted average traded price of such shares on the JSE over the 30 business days preceding the date of determination of the issue or selling price;

10.5 that such authorisation is valid only until the next annual general meeting or for 15 months from the date of this resolution, whichever is the earlier date;

10.6 that an announcement giving full details of any issue, including the number of securities issued and the average discount to the weighted average traded price over the prior 30 business days, be published at the time of any issue or sale representing, on a cumulative basis within a financial year, 5 percent or more of the number of securities in issue prior to the issue.

## VOTING

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

To consider and if deemed fit, to pass with or without modification, special resolutions 11 to 13 below. In terms of the Companies Act for a special resolution to be adopted, it must be supported by at least 75 percent of the total number of votes which the shareholders present or represented by proxy at the meeting are entitled to cast.

11 That with effect from 1 July 2017 the fees payable to the non-executive directors of the Company be R 17 000 per board, R 11 000 per audit committee, R 9 000 per general meeting and R 5 700 per social and ethics committee and remuneration/nomination committee meeting attended.

(The increase in non-executive directors' fees proposed in terms of this resolution is based on the results of a review and comparison of non-executive directors' fees to market related benchmarks.)

12 That, as a general authority contemplated in the Act, the repurchase 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 decide, subject to the provisions of the Companies Act and the Listings Requirements, be approved. It being recorded that in terms of the Listings Requirements, general repurchases of the Company's shares can only be made subject to the following terms and conditions:

12.1 that the Company and its subsidiaries are authorised by their Memoranda of Incorporation to repurchase such shares;

12.2 that the repurchase of shares be effected through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the Company and the counterparty;

12.3 that the general authority be valid only until the next annual general meeting or for 15 months from the date of the approval of this special resolution, whichever is the earlier date;

12.4 that an announcement be published giving such details as may be required in terms of the Listings Requirements 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;

12.5 that at any one time the Company may only appoint one agent to effect any repurchase on the Company's behalf;

12.6 that the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 20 percent of the Company's issued share capital as at the date of passing this resolution, or 10 percent of the Company's issued share capital in the case of an acquisition of shares in the Company by the subsidiaries of the Company;

12.7 that the repurchase of shares may not be made at a price greater than 10 percent above the weighted average traded price of the shares as determined over the five business days immediately preceding the date on which the transaction is effected;

12.8 that the repurchase of shares may not be made by the Company and/or its subsidiaries during a prohibited period as defined by the Listings Requirements of the JSE unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period;

12.9 that the board of directors passes a resolution authorising the repurchase and that the Company passes the solvency and liquidity tests set out in section 4 of the Companies Act and that since the tests were done there have been no material changes to the financial position of the group;

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

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

In terms of the Listings Requirements, the following disclosures are required with reference to the repurchase of the Company's shares as set out in the resolution number 11 above:

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

- the Company and the Group will be able, in the ordinary course of business, to pay their debts;
- the assets of the Company and the Group will be in excess of their liabilities, 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.

## VOTING

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

13. That the Company be authorised, in terms of section 45(2) of the Companies Act, to provide direct or indirect financial assistance to:

- a director or prescribed officer of the Company or of a related or inter-related company for the purchase of the Company's shares; or
- a related or inter-related company,

subject to:

13.1 such authorisation being valid only until the next annual general meeting or for 15 months from the date of this resolution, whichever is the earlier date;

13.2 the board of the Company being satisfied immediately after providing the financial assistance, that the Company would satisfy the solvency and liquidity test; and

13.3 the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

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

## DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 15 to 18 of this integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above ordinary and special resolutions, 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 ordinary and special resolutions contain all information required by law and the Listings Requirements.

## MATERIAL CHANGES

Other than as reported on in this integrated annual report and arising in the ordinary course of business, there were no material changes in the affairs, financial or trading position of the Group between the financial year end and the signature date of this report.

The following further disclosures required in terms of the Listings Requirements are set out in the integrated annual report of which this notice forms part:

Major shareholders of the Company (Refer to page 117)

Share capital (Refer to page 87)

## VOTING AND ATTENDANCE

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

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

A form of proxy is attached for the convenience of certificated shareholders and own-name dematerialised shareholders who are unable to attend the annual general meeting, but who wish to be represented thereat. In order to ensure validity, duly completed forms of proxy must be returned to the transfer secretaries, so as to reach them by no later than 48 hours before the time of the annual general meeting or they may be handed to the chairperson of the annual general meeting at any time prior to the commencement of voting on the ordinary and special resolutions tabled at the annual general meeting.

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

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

## ELECTRONIC PARTICIPATION

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

**Physical address:**

Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001

**Postal address:**

PO Box 61051, Marshalltown, 2107

**Fax Number:**

+27 11 688 5238

by no later than 14h00 on Thursday, 15 June 2017 advising that they wish to participate via electronic communication in the annual general meeting (the "Electronic Notice"). In order for the Electronic Notice to be valid it must contain the following information:

a) if the shareholder is an individual, a certified copy of his identity document and/or passport;

b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution. The relevant resolution must set out who from the relevant entity is authorised to represent the relevant entity at the general meeting via electronic communication;

c) a valid e-mail address and/or facsimile number (the "Contact Address/Number"); and

d) if the Shareholder wishes to vote via electronic communication, set out that the shareholder wishes to vote via electronic communication.

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

## SALIENT DATES

| | |
|---|---|
| Record date to receive notice this notice of annual general meeting | 29 May 2017 |
| Last day to trade to be eligible to vote at the annual general meeting | 20 June 2017 |
| Record date for determining those shareholders entitled to vote at the annual general meeting | 23 June 2017 |

## BY ORDER OF THE BOARD

Allen Stuart De Villiers (BA) LLB
Company Secretary
26 May 2017

# DIRECTORATE AND ADMINISTRATION

| | |
|---|---|
| **DIRECTORS** | **Executive Directors**<br>WAH Willcocks – Chief Executive Officer<br>LG Grobbelaar – Facilities Management Director<br>R Lumb – Financial Director |
| | **Independent Non-executive Chairperson**<br>PF Majono |
| | **Independent Non-executive Directors**<br>LJ Mahlangu<br>DK Rosevear<br>CA Boles |
| | **Non-executive Director**<br>BL Willcocks |
| **COMPANY SECRETARY** | AS de Villiers<br>2 Brammer Road, Industries East, Germiston South<br>Telephone: 011-323 7300 |
| **REGISTERED OFFICE** | 2 Brammer Road, Industries East, Germiston South<br>PO Box 382, Germiston, 1400 |
| **COMPANY REGISTRATION NUMBER** | 2006/037223/06 |
| **AUDITORS** | KPMG Inc.<br>KPMG Crescent, 85 Empire Road, Parktown, 2193<br>Private Bag 9, Parkview, 2122 |
| **TRANSFER SECRETARIES** | Computershare Investor Services (Pty) Limited<br>70 Marshall Street, Johannesburg, South Africa, 2001<br>PO Box 24, Newtown, 2113 |
| **BANKERS** | ABSA Bank Limited<br>Pallazo Towers West, Monte Casino Boulevard<br>Fourways, 2055<br>PO Box 782991, Sandton, 2146 |
| **ATTORNEYS** | Fluxmans Inc.<br>11 Bierman Avenue, Rosebank, 2196<br>Private Bag X41, Saxonwold, 2196 |
| **DESIGNATED ADVISOR** | Grindrod Bank, 4th Floor, Grindrod Tower<br>8A Protea Place, Sandton, 2196<br>PO Box 78011, Sandton, 2196 |

# 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")

## FORM OF PROXY

**FOR USE BY CERTIFICATED SHAREHOLDERS AND SHAREHOLDERS WHO HAVE DEMATERIALISED THEIR SHARE CERTIFICATES AND HAVE ELECTED "OWN NAME" REGISTRATION THROUGH A CENTRAL SECURITIES DEPOSITORY PARTICIPANT ("CSDP") OR BROKER, AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT 14H00 ON WEDNESDAY, 28 JUNE 2017.**

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 full in block letters)

of (Address in block letters)

With the following telephone numbers: Work Telephone Number:

Home Telephone number:

Cellular Telephone Number:

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, 2 Brammer Road, Germiston South, Gauteng, South Africa on Thursday, 30 June 2016 at 14H00 and at any adjournment thereof, as follows:

| | Number of Interwaste Shares | | |
|---|---|---|---|
| | **In favour** | **Against** | **Abstain** |
| 1. Adoption of financial statements | | | |
| 2. Re-election of Mr PF Mojono | | | |
| 3. Re-election of Mr LJ Mahlangu | | | |
| 4. Ratify appointment of DK Rosevear | | | |
| 5. Ratify appointment of R Lumb | | | |
| 6. Ratify appointment of CA Boles | | | |
| 7. Re-appointment of KPMG Inc. as the Company's independent auditors and G Parker as the registered auditor | | | |
| 8.1 Appointment of Mr LJ Mahlangu to the audit and risk committee | | | |
| 8.2 Appointment of CA Boles to the audit and risk committee | | | |
| 8.3 Appointment of DK Rosevear to the audit and risk committee | | | |
| 9. Approval of the remuneration philosophy of the Company | | | |
| 10. General authority to allot and issue shares for cash | | | |
| 11. Special Resolution - Approval of non-executive director's fees for the ensuing year | | | |
| 12. Special Resolution - General authority to repurchase shares | | | |
| 13. Special Resolution – Authorisation to provide financial assistance | | | |

Signed at on 2017

Member

**Please read the instructions on the following page of this form of proxy.**

### Form of proxy – Instructions

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 ("Computershare"), 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107 Fax +27 11 688 5238), to reach Computershare by no later than 14H00 on Friday, 23 June 2017 or they may be handed to the chairperson of the annual general meeting at any time prior to the commencement of voting on the ordinary and special resolutions tabled at the annual general meeting.
3. The form of proxy must be delivered as per paragraph 2 above, before the proxy exercises any rights of the shareholder at the general meeting.
4. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting the words "the chairman of the annual general 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.
5. Any alterations or corrections to this form of proxy have to be initialled by the relevant signatory(ies).
6. Each shareholder is entitled, at any time, to appoint one or more proxies (who need not be a shareholder(s) of the Company) to attend, speak and vote (either on a poll or by show of hands) in place of that shareholder at the annual general meeting.
7. Voting instructions for each of the resolutions must be completed by filling in the number of votes (one per ordinary share) under the "In Favour", "Against" or "Abstain" headings on the form of proxy. If no instructions are filled in on the form of proxy, the chairman of the annual general meeting, if the chairman is the authorised proxy, or any other proxy shall be authorised to vote in favour of, against or abstain from voting as he/she deems fit.
8. A shareholder or his/her proxy is entitled but not obliged to vote in respect of all the ordinary shares held by the shareholder. The total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of shares held by the shareholder.
9. The appointment of a proxy is suspended at any time, to the extent that the shareholder concerned chooses to act directly and in person in the exercise of any rights as a shareholder. The appointment is revocable by the shareholder cancelling it in writing, or making a later inconsistent appointment, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument or the date on which the revocation instrument is delivered to the proxy and the Company.
10. Documentary evidence establishing the authority of a person signing this form must be attached to this form of proxy unless previously recorded by the transfer secretaries of the Company or waived by the chairman of the annual general meeting.
11. This form of proxy is to be completed only by those shareholders who either still hold shares in a certificated form, or whose shares are recorded in their "own name" in electronic form in the sub-register.
12. Shareholders whose dematerialised shares are held in the name of a nominee and wish to attend the annual general meeting must contact their Central Securities Depository Participant ("CSDP") or broker who will furnish them with the necessary letter of representation 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.
13. Shareholders who wish to attend and vote at the meeting must ensure that their letters of representation from their CSDP or broker reach the transfer secretaries not later than 14H00 on friday, 23 June 2017.
14. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.
15. If the instrument appointing a proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that must be delivered by the Company to the shareholder must be delivered to the shareholder or the proxy/proxies (if the shareholder has directed the Company to do so in writing and has paid any reasonable fee charged by the Company for doing so).
16. The chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.
17. Subject to revocation by the shareholder, the proxy appointment remains valid only until the end of the meeting at which it is intended to be used.

**Transfer secretaries' office**
Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

## SUMMARY OF THE RIGHTS ESTABLISHED IN TERMS OF SECTION 58 OF THE ACT AS REQUIRED BY SECTION 58(8)(B)

For purposes of this summary, "shareholder" shall have the meaning ascribed thereto in the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy, to participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder, or give or withhold written consent on behalf of such shareholder in relation to a decision contemplated in section 60 of the Act.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder, and such proxy appointment remains valid for one year after the date upon which the proxy was signed, or any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in section 58(4)(c) of the Companies Act or expires earlier as contemplated in section 58(8)(d) of the Companies Act.
3. Except to the extent that the Memorandum of Incorporation of a company provides otherwise:
    3.1. a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;
    3.2. a proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
    3.3. a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders meeting.
4. Irrespective of the form of instrument used to appoint a proxy, the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company.
5. Unless the proxy appointment expressly states otherwise, the appointment of a proxy is revocable. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the company.
6. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date: (a) stated in the revocation instrument, if any; or (b) upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Act.
7. If the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Act or the relevant company's Memorandum of Incorporation to be delivered by such company to the shareholder, must be delivered by such company to the shareholder, or to the proxy or proxies, if the shareholder has directed the relevant company to do so in writing and paid any reasonable fee charged by the company for doing so.
8. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy provides otherwise.
9. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
    9.1. such invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
    9.2. the invitation, or form of instrument supplied by the relevant company, must: (a) bear a reasonably prominent summary of the rights established in section 58 of the Act; (b) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by such shareholder; and (c) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour or against the applicable resolution/s to be put at the relevant meeting, or is to abstain from voting;
    9.3. the company must not require that the proxy appointment be made irrevocable; and
    9.4. the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Act.

# CORPORATE INFORMATION

**Non-executive directors:** PF Mojono (Chairperson), LJ Mahlangu, BL Willcocks, C Boles, D Rosevear
**Executive directors:** WAH Willcocks (Chief Executive Officer), LC Grobbelaar, R Lumb (Financial Director)
**Registration number:** 2006/037223/06
**Registered address:** P O Box 382, Germiston, 1400
**Company secretary:** Allen de Villiers
**Telephone:** (011) 323 7300
**Facsimile:** 086 576 8152
**Transfer secretaries:** Computershare Investor Services (Pty) Limited
**Sponsor:** Grindrod Bank Limited

www.**interwaste**.co.za

Interwaste Holdings Limited