

FURTHER ANALYSIS CONDUCTED BY THE DEPARTMENT

The following information was revealed during the Department's further analysis of information during the review of REDISA's performance and implementation of the Plan:

1. Management Company

REDISA has appointed Kusaga Taka Consulting (KTC) as the management company envisaged in the Plan. The contractual agreement for this appointment has still not been provided to the Department.

- a) According to the Companies and Intellectual Property Commission (CIPC), there are two profit companies that are registered with the name Kusaga Taka i.e.:
- i) Kusaga Taka **Consulting** (KTC) which was registered in 2010, prior to the approval of the REDISA Plan; and
 - ii) Kusaga Taka **International** (KTI) which was registered in 2014, after the approval of the REDISA Plan.
- b) The two companies were compared as follows:

	KT Consulting	KT International
DIRECTORS	WB Redcliffe	SC Robertson
	CN Crozier	CN Crozier
	RC Daniels	HE Erdmann
	LE Wallace	
	T Conceivous	
PHYSICAL ADDRESS	4TH FLOOR NORTH WING, SUNCLARE BUILDING 21 DREYER STREET CLAREMONT 7708	REDISA 4TH FLOOR SUNCLARE BUILDING 21 DREYER STREET CLAREMONT WESTERN CAPE 7708
SHAREHOLDERS	HE Erdmann	Unknown
	S Davidson	
	C Kirk	

- c) It is noteworthy that both private companies utilise the same office space as REDISA, despite there being a lease agreement that indicates that REDISA has leased the **entire** fourth floor of the Sunclare Building.
- d) There is therefore little distinction between the activities and business premises of REDISA and KTC or KTI.

2. Interconnections between REDISA and other companies

The interconnections between REDISA and other companies become more concerning when examined alongside each other (NB. These are not all of the companies that are operating out of the REDISA premises):

	KT Consulting	KT International	REDIS A	Imvelo Rubber Products	Product Testing Institute
DIRECTORS	WB Redcliffe	SC Robertson	C Kirk	S Davidson	CN Crozier
	CN Crozier	CN Crozier	S Davidson	RC Daniels	HE Erdmann
	RC Daniels	HE Erdmann	HE Erdmann	HE Erdmann	And others
	LE Wallace		And others		
	T Conceivious				
PHYSICAL ADDRESS	4TH FLOOR NORTH WING, SUNCLARE BUILDING 21 DREYER STREET CLAREMONT 7708	REDIS A 4TH FLOOR SUNCLARE BUILDING 21 DREYER STREET CLAREMONT WESTERN CAPE 7708	4TH FLOOR SOUTH WING, SUNCLARE BUILDING 21 DREYER STREET CLAREMONT 7708	4TH FLOOR NORTH WING, SUNCLARE BUILDING 21 DREYER STREET CLAREMONT 7708	4TH FLOOR NORTH WING, SUNCLARE BUILDING 21 DREYER STREET CLAREMONT 7708
SHAREHOLDERS	HE Erdmann	Unknown	Unknown	Unknown	Unknown
	S Davidson				
	C Kirk				

	Ordipoint	REDIS A SPV Holding Company	Nine Years Investment	REDIS A Academy	Westfalen
DIRECTORS	HE Erdmann	HE Erdmann	C Kirk	S Davidson	A Erdmann
	S Davidson	S Davidson	S Davidson	C Kirk	M Erdmann
	And another		HE Erdmann	HE Erdmann	
			SC Robertson		
			A Erdmann		
PHYSICAL ADDRESS	4TH FLOOR NORTH WING, SUNCLARE BUILDING 21 DREYER STREET CLAREMONT 7708	REDIS A 4TH FLOOR SUNCLARE BUILDING 21 DREYER STREET CLAREMONT WESTERN CAPE 7708	4TH FLOOR SOUTH WING, SUNCLARE BUILDING 21 DREYER STREET CLAREMONT 7708	4TH FLOOR NORTH WING, SUNCLARE BUILDING 21 DREYER STREET CLAREMONT 7708	4TH FLOOR NORTH WING, SUNCLARE BUILDING 21 DREYER STREET CLAREMONT 7708

- a) It is concerning that all of these companies share the same address as REDISA, creating a network of companies that operate from the same premises, either directly or indirectly benefiting from the revenue generated by REDISA. The two main links between most of the companies are Mr H Erdmann (CEO: REDISA) and Ms S Davidson (Director: REDISA).
- b) It would appear that the leasing of the office space and refurbishment of the offices by REDISA would also benefit all of the companies owned by Mr H Erdmann, operating out of the same premises as REDISA. There is therefore no clear distinction between REDISA and any of the other numerous companies in which Mr Erdmann has interests.
- c) Ms T Conceivous is the CFO for both REDISA and KTC. A search of KTC Directors indicates that Ms Conceivous is also a Director of KTC. KTC is a major service provider to REDISA. The fact that the CFO of REDISA oversees payments to a company of which she is a Director and CFO, is highly problematic.
- d) In addition to the above ten companies, an additional fifteen (15) companies registered by Mr H Erdmann also operate from the REDISA office in Cape Town. In total, there are at least **twenty-five (25)** separate companies operating from offices paid for by REDISA, and by extension the public.

3. Imvelo Rubber Products

Imvelo Rubber Products (IRP) is a private profit company that was set up in 2014, after approval of the REDISA Plan. The company shares the same address as REDISA (**Annexure A**).

- a) The Directors of IRP are listed as Mr H Erdmann, Ms S Davidson and Mr RC Daniels.
- b) Mr Erdmann and Ms Davidson are Executive Directors of REDISA and shareholders of KTC.
- c) Mr Daniels is an Executive Director of KTC.
- d) IRP operates as a “*wholly owned subsidiary of REDISA*” that, in competition with the recycling industry, creates derived products from rubber crumb; the very same tyre crumb that REDISA indicated is not up to national or international standards and was the reason for exporting of tyres.

- e) There is no evidence that IRP is a subsidiary of REDISA as no Board Resolutions were provided that indicated a decision to obtain shares in or hold securities in IRP. The first indication of any linkage between REDISA and IRP was contained in the 2016 Annual Financial Statements, where REDISA disclosed “subsidiary” companies for the first time since inception.
- f) IRP is a separate entity, with a separate Board of Directors, albeit that some of these Directors are also Directors of REDISA.

4. **Disclosure of other companies**

An analysis of REDISA’s financial statements for 2014 and 2015 reflected no subsidiary companies or investments. In 2016, **during the performance review by iSolveit**, REDISA disclosed numerous investments in subsidiaries in its financial statements.

- a) REDISA disclosed the investment in the PTI indicating that *“as a result of the fact that all the directors of the Product Testing Institute NPC are either directors of REDISA NPC or of a related party to REDISA NPC, the Product Testing Institute is seen as being controlled by REDISA NPC.”*
 - i) The Directors of the PTI are listed as Mr H Erdmann (REDISA) and Mr C Crozier (KTC), amongst others. The “related party” referred to by REDISA can therefore only be KTC. This indicates that REDISA considers KTC to be part of REDISA, and not a separate management company.
 - ii) In addition, the remaining directors of the PTI are unrelated to REDISA and it can therefore not be said that REDISA controls the PTI.
- b) The 2016 financial statements also include a long list of “*dormant*” companies under the heading “Investment in subsidiaries”:
 - i) The extensive list of companies includes the following:
 - REDISA SPV Holding Company;
 - Imvelo Rubber Products;
 - Waste Beneficiation;
 - Borala Recycling and Innovations Plant;
 - Ordipoint; and
 - The REDISA Academy.

- c) It is important to note that:
- i) These companies are not dormant as REDISA would have the Department believe. According to CIPC checks, all of these companies are active and in business, particularly Imvelo Rubber Products as indicated in paragraph 3 above.
 - ii) REDISA did not disclose any of these companies in its 2014 or 2015 financial statements, despite the companies already being in existence. The sudden disclosure of the supposed subsidiaries in the 2016 financial statements coincided with the iSolveit performance review.
 - iii) Despite REDISA terming these companies as subsidiaries, there is no proof that these are in fact subsidiary companies to REDISA. No Board Resolutions have been provided that approved the acquisition of securities and/or shares in these subsidiary companies nor their creation. The REDISA MOI also makes no mention of the various subsidiaries under REDISA.
 - iv) This disclosure was made in the Director's Report section of the 2016 financial statements. The Director's Report is specifically excluded from the assurance provided by the external auditor, KPMG, on the accuracy of the financial statements. There is therefore no validation of REDISA's claim that these various companies that are owned by Mr HE Erdmann and his associates are actually subsidiaries of REDISA.
 - v) The involvement of Mr Erdmann, Ms Davidson and Ms Kirk in companies within the industry (e.g. Imvelo Rubber Products) is in direct contravention of paragraph 11.6.2 and 11.6.3 of REDISA's MOI (read with 11.7 of the MOI) as well as paragraph 1.4.1 of the Letter of Approval which precludes REDISA directors from being involved in the tyre industry, or any other company unless the remaining Board members have condoned the precluding condition. No evidence has been provided to confirm that the required disclosures were made, or that the Board members voted on the condonation issue.
 - vi) Considering the number of private profit companies which are allegedly "subsidiaries" listed by REDISA, it is questionable whether REDISA still holds a non-profit organisation status in terms of the Income Tax Act.

5. Possible Abuse of REDISA Funds

The analysis of the REDISA Financial Statements also revealed expenditure by REDISA that, when viewed in conjunction with the findings of the performance review and other available information, could be considered an abuse of funds:

- a) REDISA has purchased properties in Gauteng for some R20.648 million. It is unclear what the purpose of this purchase is and how exactly it furthers the interests and objectives of the Plan. The property details are:
 - i) Erf 134 Kirkney Extension 5, which is held by REDISA under title deed T 43838/2016 and was purchased by REDISA on 9 March 2016 for the amount of R 3,648 million - what is even more concerning is that this Erf appears to be a residential property.
 - ii) Erf 1598 Morningside Extension 182, which is held by REDISA under title deed T 67369/2014 and was purchased by REDISA on 11 June 2014 for the amount of R 17 million.
- b) REDISA owns vehicles with a depreciated value of R4,14 million. It is unclear why REDISA requires these expensive vehicles, considering that all operational functions are outsourced to KTC.
- c) REDISA has expended over R6,4 million for office refurbishments. As outlined in paragraph 2.4.2 above, twenty-five (25) of Mr Erdmann's private profit companies share the same premises as REDISA. It is therefore clear that REDISA is not the sole beneficiary of these refurbishments, despite footing the bill.
- d) REDISA has contracted to pay for security services at the private residences of the Executive Directors.

6. Non-alignment of the REDISA Plan

- 6.1 Section 17(2) of the National Environmental Management: Waste Amendment Act 26 of 2014 obligates any person, a category of persons or industry that operates in terms of an approved industry waste management plan, at the time of the coming into operation thereof (which was 2 June 2014), to align the plan with the provisions of this Act 26 of 2014 and the Pricing Strategy referred to in section 13A of the National Environmental Management: Waste Act 59 of 2008 Waste Act, and this alignment must take place after the publication of the Pricing Strategy (which

was on 11 August 2016) and before the commencement of the Act of Parliament contemplated in section 13B of the Waste Act (which was 1 February 2017).

6.2 To date the REDISA Plan has not been aligned with this new funding model, which became operational on 1 February 2017, and from which date the function of collecting the Waste Tyre Levy is entrusted to SARS whilst REDISA is prohibited from doing so. The function of collecting certain payments directly has not been removed from the REDISA Plan nor has it been amended to make provision for a process and procedure to obtain funding by way of the annual budget under the public finance management system.

6.3 Since the beginning of 2014 various officials of the Department had several interactions with REDISA and/or representatives of REDISA to discuss the alignment of the REDISA Plan to the amended Waste Act, the Pricing Strategy and the Waste Tyre Regulations. These meetings were held on–

- i) 6 March 2014 at the offices of the Department in Pretoria;
- ii) 4 July 2014 at the office of REDISA in Cape Town;
- iii) 4 July 2014 at the office of REDISA in Cape Town;
- iv) 10 October 2014 at the office of REDISA in Cape Town;
- v) 5 February 2014 at the office of the Department in Cape Town;
- vi) 15 May 2015 at the office of the Department in Pretoria;
- vii) 3 June 2015 at the office of REDISA in Cape Town;
- viii) 10 June 2015 at the office of the Department in Pretoria;
- ix) 12 June 2015, during which REDISA made a presentation to the Department entitled “Finding a solution”;
- x) 15 July 2015 at the office of the Department in Pretoria;
- xi) 16 October 2015 in the office of the Director-General of the Department in Pretoria;
- xii) 21 October 2015 at a meeting of the Industry Waste Management Forum which was held at the offices of the Department in Pretoria;
- xiii) 3 February 2016 at the offices of the Department in Pretoria;
- xiv) 16 February 2016 at the meeting of the Industry Waste Forum which was held at the offices of the Department in Pretoria;
- xv) 16 March 2016 at the offices of REDISA in Cape Town;
- xvi) 29 June 2016 at the offices of the Department in Pretoria;

- xvii) 11 August 2016 at the meeting of the Industry Waste Forum which was held at the offices of the Department in Pretoria;
- xviii) 11 August 2016, in the office of the Director-General in Pretoria; and
- xix) 12 August 2016 in the boardroom of the Director-General at the offices of the Department in Pretoria.

6.4 Despite numerous opportunities for consultation, as well as the various undertakings by REDISA to align the REDISA Plan with the new legal and legislative requirements, the REDISA Plan is currently not so aligned and it is therefore inconsistent not only with the current regulatory dispensation but also with other legislative instruments. In addition and to date, no proper business plan or budget of expected expenditure and costs, substantiated by documentary proof thereof, have been submitted by REDISA, without which the Department cannot obtain a budgetary allocation for the funding of REDISA and/or the REDISA Plan (which in any event expires on 30 November 2017).

6.5 REDISA has had more than sufficient and proper opportunity to align the REDISA Plan with the Pricing Strategy and the amended Waste Tyre Regulations.

Companies and Intellectual Property Commission (CIPC): eServices

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Enterprise Enquiry

Enterprise Number

2014 * 181670 * 07 *

VALIDATE 

Enterprise Details

Enterprise Number 2014 / 181670 / 07

Enterprise Name IMVELO RUBBER PRODUCTS

Enterprise Type Private Company

Enterprise Status In Business

Compliance Status **COMPLIANT**

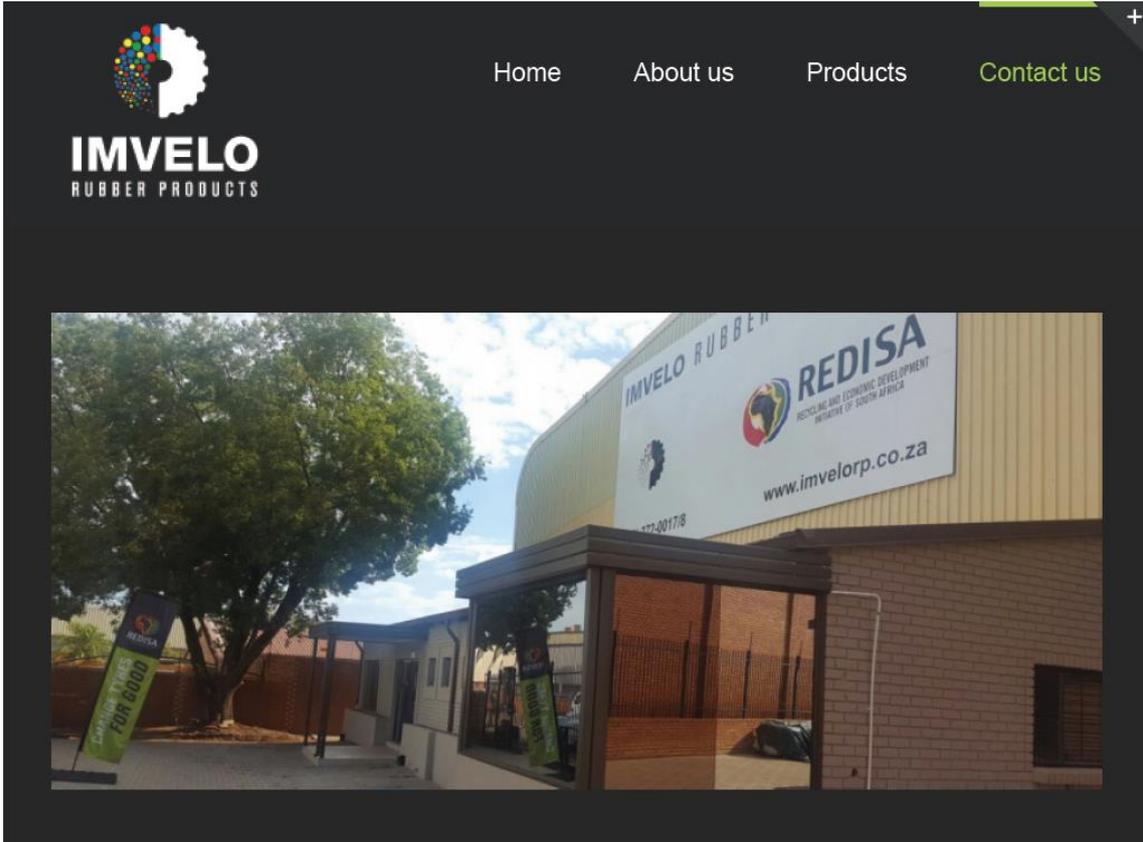
Registration Date 2014-09-16

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Registered Directors / Members

ID / Passport Number	Name(s)	Surname	Type	Status
570819 XXXX 08 X	HERMANN FELIX	ERDMANN	Director	Active
720114 XXXX 08 X	STACEY-INGÉR	DAVIDSON	Director	Active
741205 XXXX 08 X	REZA CHE	DANIELS	Director	Active



About Imvelo Rubber Products

Imvelo Rubber Products is a wholly-owned subsidiary of the **Recycling and Economic Development Initiative of South Africa (REDISA)**. REDISA is a non-profit company established in 2010. It developed a concept called Waste into Worth which resulted in an Integrated Industry Waste Management Plan (IIWMP) to drive a circular economy within the tyre industry.

Imvelo contributes to REDISA fulfilling some of its mandates set out in the IIWMP:

- Imvelo aids market growth for beneficiated waste tyre products (fulfilling section 6.3 of the IIWTMP, which deals with recycling)
- Imvelo is a black economic empowerment incubation project of REDISA and aims to build the capacity of black entrepreneurs in South Africa (fulfilling sections 19 and 20 of the IIWTMP, which deal with social responsibility and the integration of previously disadvantaged individuals)

Products

At Imvelo we combine rubber crumb with polyurethane and colour pigments to create moulded rubber products. These products are catalysed by heat, water and pressure to decrease the moulding time.

Our product range and applications include:

- Interlocking paving bricks: children's playgrounds, gymnasium flooring, substitute for clay/cement paving bricks in certain applications
- Chevron road signs: municipal applications, events, walkaways
- Sign post bases: municipal applications, event displays, campuses, carpets
- Rubber sheeting (from 1.5mm to 10mm thick): artificial turf for playing fields, industrial applications, insulation sheeting, noise reduction sheeting

<http://imvelorp.co.za/imvelo-home/products/>

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1/10/2017

Products - Imvelorp

