Annual Report 2016

Making a sustainable future possible

CLEANAWAY WASTE MANAGEMENT LIMITED
ABN: 74 101 155 220

CLEANAWAY
Making a sustainable future possible

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Whether it's turning food waste into a nutrient rich soil enhancer; finding innovative and bespoke recycling solutions to help businesses achieve their sustainability goals; or the delivery of tried and true kerbside waste and recycling collection services – if there's anything that we can do to help, we'll be there.

CLEANAWAY

... making a sustainable future possible.

Meet the new Cleanaway

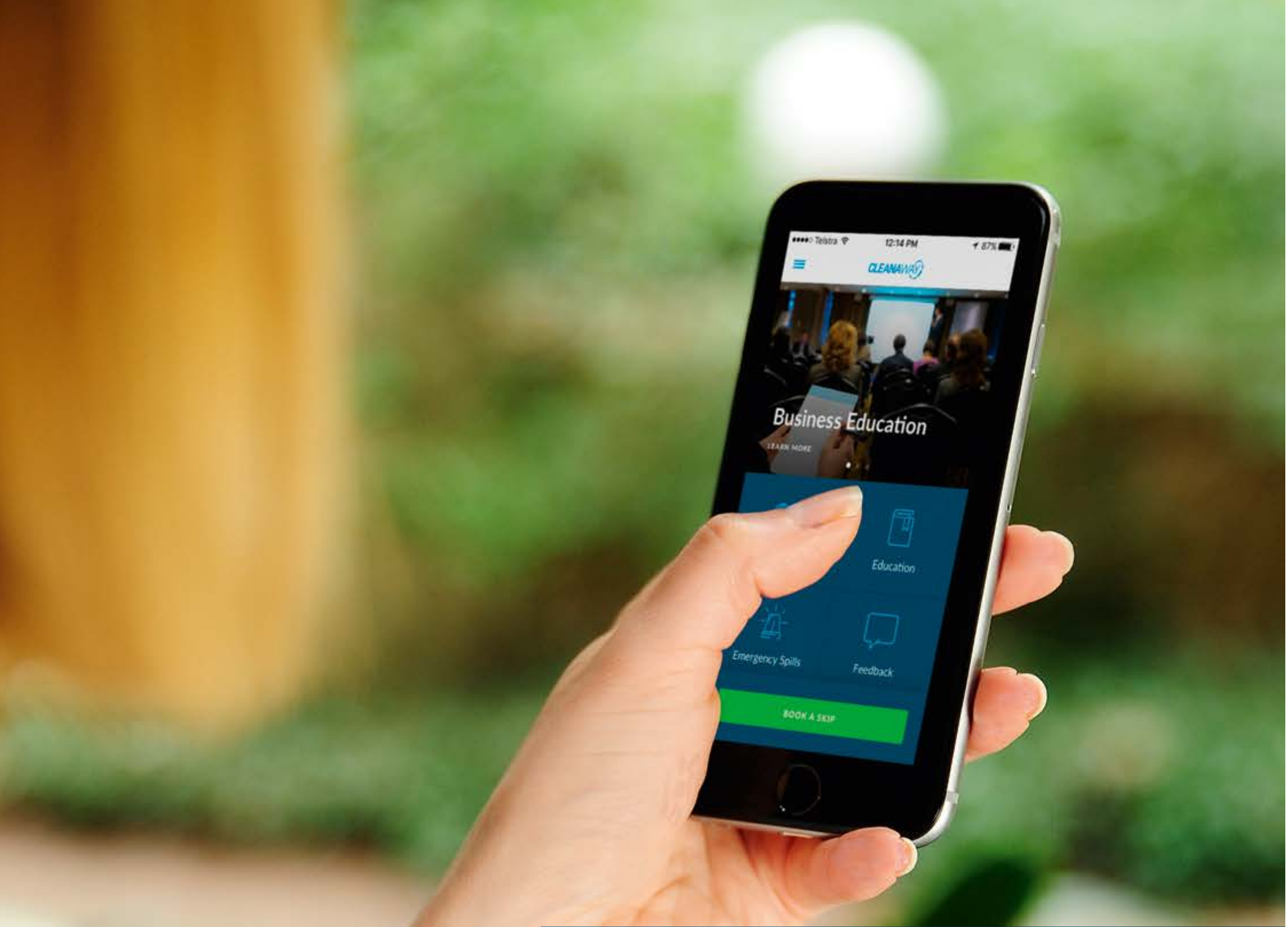
A new chapter for Australia's leader in waste and recycling.

On 1 February 2016, we launched our new, unifying brand. With this came a name change, to Cleanaway Waste Management Limited, and a single minded mission to make a sustainable future possible.

Our new brand signifies more than just a refreshed look. It represents a major evolution for our business, our customers and our shareholders. It has allowed us to provide a greater and more consistent range of total waste management, industrial and environmental services, supported by our market leading innovation and service. Importantly, it also reflects our strengthened commitment to make a sustainable future possible for all Australians.

We know Australians are increasingly focussed on living sustainably. As a result, we're constantly on the lookout for new ways to recycle and better manage our waste. With more than 50 years' experience and the largest operating footprint across Australia, we play a big part in helping hundreds of communities to more sustainably manage their waste.

You can now see our fresh new brand worn proudly by our team and displayed across hundreds of our physical assets, with more sites, vehicles and bins being rebranded each week. The full rollout of our brand across our entire network is on track for completion by 30 June 2018.



Cleanaway launches its first mobile app

Sustainability at your fingertips.

Making the decision to recycle should never be difficult. In August 2016, we launched our first mobile app, making it easier for residents to better manage their household recycling and waste, including information on how to minimise the waste they generate. The new app can be downloaded for free from the App Store on iTunes or the Google Play Store, and allows users to find information about their local waste collection services, including when their bins need to be put out, when their recycling and green waste is due for collection, and what can and can't be recycled.

The app's key features include:

- A direct link to local council websites, providing information on
  - General waste, recycling and green bin collections;
  - Hard waste collection arrangements;
  - Where to find local transfer and recycling stations; and
  - Local council contact details.
- The ability for users to book a skip directly from the app[1].
- Educational programs and information on sustainable waste management.
- Emergency spills information.
- A direct email link for users to provide feedback on our products and services.

1 Where services are locally available.

2016 snapshot

Cleanaway is Australia's leading total waste management, industrial and environmental services company with operations around the country.

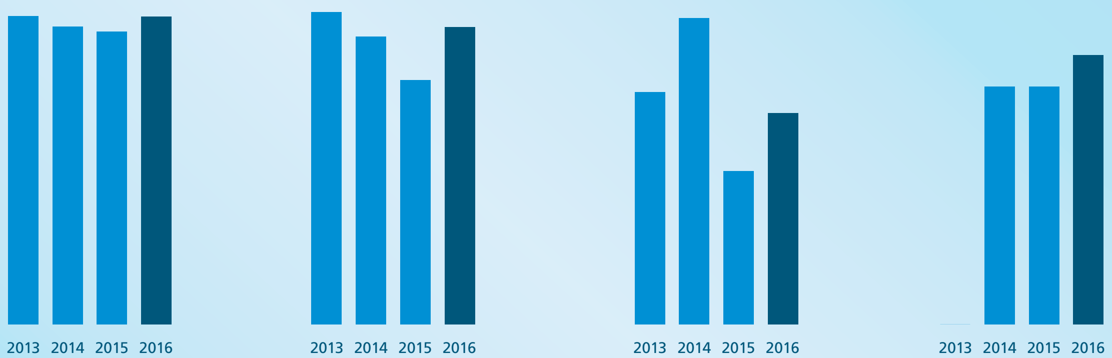
Financial highlights

Revenue ($ millions)
Continuing Operations
$1,455.1m

EBITDA[1] ($ millions)
Continuing Operations
$281.3m

EPS[1] (cents)
4.0¢

Dividend (cents)
1.7¢



Statutory results

$1,455.1 million revenue ↑ **5%**

$256.9 million EBITDA ↑ **96%**

$96.1 million EBIT ↑ **2564%**

$44.8 million NPAT[2] ↑ **290%**

1.7 ¢/share dividend ↑ **13%**

2.8 ¢/share eps ↑ **287%**

Underlying results

$281.3 million EBITDA ↑ **22%**

$122.6 million EBIT ↑ **26%**

$63.3 million NPAT[2] ↑ **39%**

4.0 ¢/share eps ↑ **38%**

1 Underlying financial results.
2 Attributable to ordinary equity holders.

Operations at a glance

4,224 employees

2,959 vehicles

179 sites

Australia-wide coverage

In the community

+66 community organisations supported

+$580,000 invested in Australian communities

+1,480 education programs held nationally

Waste to resource highlights

+145m kWh of renewable energy generated

+85,000t of organic liquid waste re-used as nutrient

+65,000t of biosolid waste re-used as nutrient

~130,000ML of oil collected for re-processing

~230,000t of paper and cardboard recycled

~11,000t of plastic packaging recycled

~22,000t of steel recycled

~120m m^3 of landfill gas captured

Chairman's Report

It is with great pride that I present to you what will be my final report on Cleanaway Waste Management Limited as Chairman of your Company.

As shareholders may be aware, we announced in February 2016 that I will be retiring as Chairman and as a Director of the Company before the 2016 Annual General Meeting.

During the past seven years as a Director and the last three as Chairman, I have seen the Company make significant progress towards its mission of making a sustainable future possible.

I am very proud of the accomplishments we have achieved over recent years. In the late 2000s the Company had little or no growth strategy and our debt levels were too high. It was imperative that the Board took action to not only establish a sound financial footing for the Company but also put in place strategies to grow the Company.

Shortly after my appointment as Chairman in 2013, the Board instigated a detailed business and operational review to achieve these objectives. The strategy formulated from this review acted as the catalyst for the numerous actions we have implemented over the past three years. It resulted in the sale or closure of a number of underperforming businesses and the sale of the Commercial Vehicles and New Zealand businesses, which dramatically reduced our debt levels and established the strong balance sheet that you see today.

We have also implemented a number of actions to secure the long term future of the Company and its operations, including a renewed focus on our health and safety environment, the acquisition of the Melbourne Regional Landfill, the overhaul of our fleet management system, restructuring our sales teams to improve their effectiveness and the review of our landfill remediation provisions. These initiatives have made your Company the market leader in the Australian waste management industry and well positioned for continued and sustained growth.

In all my time at the Company, the appointment of Vik Bansal as the Chief Executive Officer last year is a major highlight. His leadership skills are exemplary and the vision he has communicated to the Board to take your Company forward is both realistic and achievable. I and the Board have the utmost confidence in Vik's ability to grow Cleanaway. Vik is ably supported by an experienced management team that has the leadership credentials to execute the growth plan.

It is therefore pleasing that I report that our financial results for FY2016 are a considerable improvement over those achieved last year.

Total revenues increased 5.1% to $1,455.1 million, driven by increased revenues from our Solids Collections and Solids Post Collections businesses. However, our Liquids and Industrial Services businesses continued to face difficult trading conditions and reported revenues 8.7% below those achieved last year.

A statutory profit after tax attributable to ordinary shareholders of $44.8 million was achieved compared to a statutory loss of $23.6 million last year. This statutory profit after tax was impacted by a number of significant items totalling $18.5 million mainly attributable to restructuring costs and the costs of the rebranding of the Company.

"During the past seven years as a Director and the last three as Chairman, I have seen the Company make significant progress towards its mission of making a sustainable future possible."

MARTIN HUDSON
CHAIRMAN

Excluding these significant items, which in the Board's view should be excluded to more closely align the results with the operational performance of the Company, underlying net profit after tax attributable to ordinary equity holders was $63.3 million, an increase of 38.5% on last year.

Our balance sheet remains strong with all debt ratios well within banking covenant requirements, an average debt maturity at 30 June 2016 of 3.5 years and $251.3 million of headroom under our banking facilities.

Based upon the financial strength of the Company and our confidence in its future growth, the Board have declared a fully franked final dividend of 0.9 cents per share, payable on 7 October 2016. Combined with the 0.8 cents per share paid in April 2016, the total dividends declared in respect of FY2016 was 1.7 cents per share, a 13.3% increase on the dividends declared last year.

A key focus of the Board and management team over recent years has been improving the health and safety of our employees and contractors. Over the past three years our total recordable injury frequency rate has reduced by 29% and pleasingly, in the past year that momentum continued with a reduction of almost 12%. I cannot overstate the importance that we place across all the operations of the Company on the creation of a zero harm environment.

After I have stepped down as Chairman, Mark Chellew will take on the role. I am pleased to be able to pass the Chairmanship onto someone of Mark's experience and calibre following his more than 30 years' experience in industrial markets both in Australia and overseas. I am confident that he will work closely with the Board and management team to implement the strategies and plans we have in place to take Cleanaway from a good company to a great company.

I am leaving the Company in good hands and would like to sincerely thank all the Cleanaway employees, my fellow Board members and you, our shareholders, for the support you have given me over the past several years and I wish everyone continued success into the future.

Martin Hudson
CHAIRMAN

Chief Executive Officer's Report

I am pleased to report to shareholders that we have made encouraging progress in our good to great journey over the past year.

After commencing as Chief Executive Officer and Managing Director of Cleanaway in August 2015, I had the privilege of visiting many of our sites and meeting our people.

Their commitment and passion was inspiring, and it provided comfort that my focus is going to be on creating a clear path forward and ensuring the capability matches the strategy.

Cleanaway is the largest waste management company in Australia. We have a Company with a strong brand, good market share, extensive footprint of prized assets across the country and an integrated waste management offering supported by a team of very good people.

It was critical that we build a Company that was fit for purpose and well positioned for future growth.

Let me start my update with what I consider to be one of our most important responsibilities – the safety of all employees, contractors, customers and the communities we serve.

I am pleased to report that in FY2016 we reduced our long term injury frequency rate by almost 12%. Whilst this is commendable, our primary responsibility of aspiring to Goal Zero has not and will not ever diminish. We remain committed to Zero by Choice versus Zero by Chance.

One of my first actions as CEO was to understand our value chain, i.e. where and how we create value versus where we add value. Out of that came our Value Operating Model.

We then re-evaluated and refreshed our three year strategic plan to align with the value model and presented it to the Board in October 2015 which was subsequently approved. There are a clear set of actions now underway which flow from our revised strategic plan.

We also needed to align our people and the organisation on a common platform. The first and most publicly visible change was to bring the business together under a new name – Cleanaway Waste Management Limited, and a single reinvigorated brand – Cleanaway.

We defined our Mission Statement, or the reason why we exist: to make a sustainable future possible – for all our stakeholders.

We also articulated a clear vision of who we are aspiring to be, and reinforced the role of our values as something which guides our behaviour every day.

We developed our five strategic pillars, or our Five C's, and commenced the process of building capabilities and supporting actions behind each of them. Our Five C's are:

1. Customer for Growth
2. Continuous Improvement for Cost
3. Capital for Cash
4. Clarity for Alignment
5. Competitive Advantage for Excellence

We knew our cost structure was unsustainable; it was therefore important that we transitioned to a 'fit for purpose' organisational structure. It was important that our organisation structure matched with our Value Operating Model.

This work has led to increased clarity and accountability within the Company.

All of the above formed the foundation of our operating way – "Our Cleanaway Way", which links and aligns:

- Why we exist, reflecting our purpose and mission;
- How we can leverage our assets to drive value; and
- What we do to ensure discipline, consistency, efficiency and repeatability.

Along with our single brand, this is the glue which binds the Company together as one and is a critical component as we develop a truly sustainable business.

During this past year we have undertaken a number of initiatives that support and drive our journey from *good* to *great*:

- **CUSTOMER:** The acceleration of growth initiatives, including refined sales structures, and the addition of the Save Desk and Telesales functions. Additional investment in the marketing and pricing teams was needed to support the seven business units.
- **COST:** The establishment of a fit for purpose structure which saw our organisational structure aligned to support our strategy and 'go to market' model. This fit for purpose structure also contributed directly to a major cost out program. An ambitious target of $30 million annualised cost reduction was established and we are confident it will be in place by 30 June 2017.
- **CAPITAL:** Increased capital discipline as we control capital spending in line with depreciation and amortisation. In FY2015, capital expenditure was 130% of depreciation and amortisation, which is well above industry benchmarks. In FY2016 we saw a significant reduction to 95%. In addition, our rectification and remediation cash flows are carefully monitored and managed.
- **CLARITY:** The establishment of clear measures, operating rhythms and consistent standards have reinforced stability and accountability. This approach enables all leaders and their teams to perform optimally, and ensures they are held accountable for their respective financial, operational and customer service metrics.
- **COMPETITIVE ADVANTAGE:** As a large fleet owner and large operating asset owner, including landfills, it is paramount that we run them as efficiently as possible and that they are properly utilised. We formed national teams for each of the above to drive best in class performance, removing a fragmented and siloed approach. It is worthwhile remembering that both are highly capital intensive and we must run them in a single, optimised way.

It has been pleasing to see that during a year of a major RESET, our employee engagement survey showed significant improvement, both in participation and overall engagement, against the last survey in 2014.

Against a backdrop of muted economic activity in Australia, we have started to see the benefits of our actions manifest in an improved operational performance across all our businesses. Compared to the previous corresponding period:

- Solids – Collections reported increases in underlying revenue, EBITDA and EBIT of 3.0%, 8.4% and 5.8% respectively.
- Solids – Post Collections reported increases in underlying revenue, EBITDA and EBIT of 47.6%, 47.0% and 55.0% respectively.
- Liquids and Industrial Services reported a decrease in underlying revenues of 8.7%, however increased underlying EBITDA and EBIT by 3.0% and 14.2% respectively.
- The net costs of running our corporate functions at the EBIT level declined 20.4%.

Additional detail on the results of our performance for the 2016 financial year are covered in subsequent pages of the annual report.

Finally, I would like to thank our Chairman, Martin Hudson, and the Board for the support given to me since my appointment.

In closing, this has been a very busy year at Cleanaway and I would like to acknowledge the efforts of the more than 4,000 people who make Cleanaway the company that it is. Their commitment to ensuring that our customer is serviced and all waste material processed in an environmentally friendly manner is paramount to our success, making a sustainable future possible and continuing our journey from *good* to *great*.

Vik Bansal
CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

Solids – Collections Report

Cleanaway's scale and reach takes us into all corners of Australia. We are proud to have one of the largest Solid Waste Collections fleets on the road which services over 90 councils, more than 100,000 commercial and industrial customers, and hundreds of thousands of households all over Australia.

Over FY2016, we saw a 3% improvement in Solids Collections' revenue, with a pleasing 3.5% improvement in revenue for the second half of FY2016 when compared with the corresponding period in the previous year. We are also beginning to see volume growth across most collection categories compared to last year.

We are starting to see a number of our growth focussed initiatives converting into increased revenues:

- Our Telesales and Save Desk functions are now fully operational and there are early indications of improvements in our customer churn figures with new business gained now exceeding our churn rate.
- Our pricing analytics and discipline continues to improve, however further work and continued focus will be required into FY2017 and beyond.
- Sales productivity continues to remain an opportunity for Cleanaway nationally – and will also remain a focus into FY2017, along with operational improvements and a continued focus on customer service – all seen as the keys to our future growth.

Our profitability has also improved over the year with an 8.4% increase in EBITDA to $149.8 million and a pleasing improvement in our EBITDA margin to 19.3% compared to 18.3% last year. These improvements have been driven by the varied and numerous revenue and cost initiatives implemented over the past 12 months and will continue into the year ahead.

Resource Recovery not only supports the delivery of our mission to make a sustainable future possible but is also seen as an area of potential opportunity and growth. We have made significant infrastructure investments in this area over FY2016, and it will remain a focus for Cleanaway into the future.

		FY16	FY15	FY16 V FY15
Net external revenue	$ million	**778.1**	755.8	3.0%
EBITDA	$ million	**149.8**	138.2	8.4%
EBITDA margin	%	**19.3**	18.3	
EBIT	$ million	**85.7**	81.0	5.8%
EBIT margin	%	**11.0**	10.7	

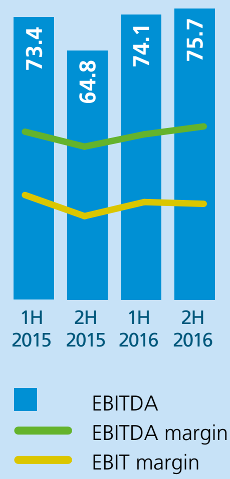
Represents underlying results.

Net external revenue ($ millions)

$778.1m

EBITDA ($ millions)

$149.8m



Investing in Resource Recovery and Recycling

More capacity and more recycling options in Hemmant, Queensland.

Our new Recycling and Resource Recovery Centre in Hemmant is an important way we're helping shape the region's recycling future. Replacing a 4,400m² facility, which has serviced the region since 1992, the new 6,000m² centre has the capacity to process 75,000 tonnes of recyclables per year – a 50% increase on the old facility.

But scale isn't the only improvement. The new, drive-through facility also supports the Cleanaway Harvest Service, making it easier for businesses to recycle packaging waste – such as plastic shrink wrap, cardboard and polystyrene – helping us achieve market competitive commodity rates for a wide range of recoverable products. Having this capability in close proximity to the Port of Brisbane provides easy access to export markets, and should mean big things for the future.

PROCESS HIGHLIGHTS:

RECYCLABLES | MATERIAL RECOVERY | RESOURCE RECOVERY | RECYCLABLE COMMODITIES | COMMODITIES TRADING

Solids – Post Collections Report

With one of Australia's strongest Post Collections asset bases, made up of a nationwide network of landfill assets and transfer stations, Cleanaway is a leader in the safe and sustainable management of waste.

Cleanaway owns and operates engineered landfill assets in every mainland state of Australia. Through our expanding gas collection infrastructure, we are now collecting around 120 million m^3 of landfill gas, which is converted into more than 145 million kWh of renewable energy; enough to power more than 36,000 homes. In 2017, the current biogas plant at our Melbourne Regional Landfill (MRL) will be expanded to allow us to double the amount of electricity we are generating from the site. This approach ensures that nothing goes to 'waste', and that even the residual waste, which can't be recycled or recovered, can still be used as a resource – another way we are working hard to make a sustainable future possible.

Our Post Collections' revenues and earnings have both shown strong growth over FY2016 with net external revenues and EBITDA growing 35.3% and 47.0% respectively. Whilst MRL has been a strong contributor, we have also seen increased volumes across most of our landfills.

As our older landfill assets in Clayton, Victoria approach closure during 2017, we anticipate an improved profit performance from our Post Collections business in FY2018. Volumes which would have previously gone to Clayton will be transferred to the much more efficient and highly engineered MRL site. Further plans are also in place to expand our transfer station facilities in Sydney and Melbourne.

		FY16	FY15	FY16 V FY15
Gross external revenue	$ million	**252.0**	170.7	47.6%
Less levies and carbon tax	$ million	**(134.4)**	(83.8)	(60.4)%
Net external revenue	$ million	**117.6**	86.9	35.3%
EBITDA	$ million	**87.9**	59.8	47.0%
EBITDA margin	%	**74.7**	68.8	
EBIT	$ million	**27.9**	18.0	55.0%
EBIT margin	%	**23.7**	20.7	

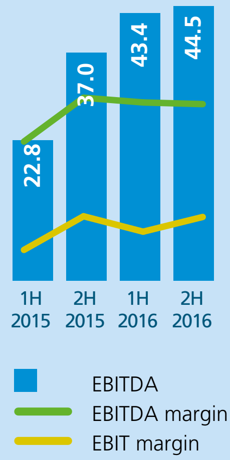
Represents underlying results.

Net external revenue ($ millions)

$117.6m

EBITDA ($ millions)

$87.9m



Sustainability in action

Turning residual waste into energy through innovation.

Each week we collect thousands of tonnes of residual waste from homes and businesses around Australia, and we're working hard to make sure we use it to its full potential.

In FY2016, we collected around 120 million cubic meters of landfill gas, enough to create more than 145 million kilowatt hours of renewable energy and power more than 36,000 homes for a year.

This is a significant step toward our mission of making a sustainable future possible, and something we're immensely proud of. Now, it's making a great business story too.

PROCESS HIGHLIGHTS:

Liquids and Industrial Services Report

Cleanaway is Australia's largest hydrocarbons recycling business and a leader in the overall liquids and industrial services market. We collect and recycle 130 million litres of used mineral oil each year offsetting Australia's annual requirements for oil by 900,000 barrels. We also process over 600 million litres of liquid waste each year, and provide a wide range of environmentally focussed industrial services around the country.

FY2016 saw external revenue in the Liquids and Industrial Services (LIS) business decrease by 8.7% however, EBITDA increased 3.0% when compared to the same period for the previous year.

A major restructuring was undertaken across LIS ahead of expected revenue challenges during the year, which included the merging of the Liquids businesses, rationalising sites across the country and the removal of management layers, reducing the cost base and increasing earnings.

Volatility in international oil prices continue to impact revenues, with the selling price of base and fuel oil down significantly when compared with the previous corresponding period.

Processing volumes of hazardous liquids have declined due to continued weakness in the manufacturing and industrial sectors. The processing volumes of non-hazardous liquids has increased, however due to competitive pressures in the sector, we have seen the average pricing levels down on previous years.

The Industrial Services market also faces difficult trading conditions, particularly in the mining, industrial and oil and gas sectors which remained subdued, however recent contract wins will see improved results in FY2017.

		FY16	FY15	FY16 V FY15
Net external revenue	$ million	**407.0**	445.9	(8.7)%
EBITDA	$ million	**57.5**	55.8	3.0%
EBITDA margin	%	**14.1**	12.5	
EBIT	$ million	**33.0**	28.9	14.2%
EBIT margin	%	**8.1**	6.5	

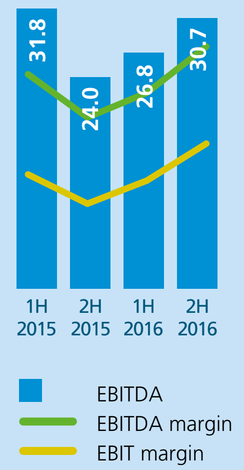
Represents underlying results.

Net external revenue ($ millions)

$407.0m

EBITDA ($ millions)

$57.5m



Paintback®

A world first initiative that does what it says on the tin.

In April 2016 we were proud to support the launch of a world first initiative. Created by the Australian paint manufacturing industry to reduce the volume of waste paint which ends up in landfill, Paintback® aims to collect more than 45,000 tonnes of waste paint over the next five years. Not only will Paintback® see waste paint diverted from landfill, but it will also maximise the value of the recyclable materials.

A growing network of Cleanaway and Council drop off points in every state and territory mean it's easier for professionals and DIY painters to do the right thing and responsibly dispose of waste paint. Using specialist machinery, we then extract the paint, allowing the containers to be recycled, as well as maximising beneficial reuse through best-practice processing of both water and oil based paints.

PROCESS HIGHLIGHTS:

LIQUID AND HAZARDOUS WASTE
TREATMENT
SOLVENTS
WATER
RECYCLABLE COMMODITIES

Our People

Great policies, plans and strategies mean little without great people to implement them.

In FY2016, we created a strong operating model, underpinned by our vision, values, strategic pillars and organisational fit for purpose structure. These elements, coming together as Our Cleanaway Way, create clarity of purpose and strong, measurable alignment and focus. Bringing our people along on the journey is critical to our ultimate success, and has been a focus over this past year. Our Cleanaway Way has brought rigour and discipline, as well as clarity across the business about why and how we do what we do each day.

Employee engagement

Our 2016 company-wide employee engagement survey has shown a 15% improvement on 2014's score. The results showed that our people are strongly engaged with our values, and have more clarity about the future direction of the business as well as the part they play in our success. This clarity has enabled improved alignment, evident in our employees feeling like they're on the same page as their managers, with high scores relating to senior leadership and engagement.

There are already a number of programs in place to build on this positive momentum into FY2017.

Diversity and inclusion

By daring to think and act differently, we're actively making a difference to inclusion and diversity in the workplace. Beyond gender, age, background and race, we believe it's just as important to have a diversity of thought and perspective within the business, if we are to become a truly representative workplace.

Through FY2017 and beyond we're driving inclusivity programs, including:

- Building our understanding of current diversity within our workforce;
- Education and training on cultural awareness;
- Creating a better understanding amongst employees of conscious and unconscious bias;
- Providing mentoring opportunities within our workforce to drive all aspects of our diversity measures; and
- The creation and launch of our first Reconciliation Action Plan.

Reconciliation Action Plan

We're currently drafting our first Reconciliation Action Plan. Its launch in late 2016 will be a positive step forward and a focus for coming years – both in our commitment to diversity and toward fostering reconciliation within the broader Australian community.

Not your average pioneer

It takes a great amount of courage to leave a steady job to pursue something more fulfilling, let alone when you're a mother of three teenage children. But that's precisely what Cass did after seeing an old, unhappy version of herself in a former colleague.

"I thought, I don't want to do this for the rest of my career. If I don't do something now, I'll never do it."

After tossing up a number of options in hospitality, it was Cass' husband, Noel, a side lift driver at Cleanaway, who provided the inspiration and suggested she apply for her Heavy Rigid driving licence.

"I giggled at first, but then I thought, I can do this."

Before she knew it, Cass had booked lessons, sat the test and passed.

Now, there are two Cleanaway side lift drivers in the Hughes household and Cass couldn't be happier. Cass is passionate about driving for Cleanaway, and the role that she plays with our customers, providing an essential service to our communities. She also has some advice for anyone else looking for a career change later in life.

"If you are not happy, at some point you have to take responsibility. It is up to you to make a change and think outside the box. It might be hard, you might think no one will give you a chance, but keep going. Fear of change is nowhere near as scary as putting up with a job you're not happy with."

Safety
Striving to GOAL ZERO

Total recordable injury frequency rate

8.9 TRIFR

↓ **11.9%** from 2015

The safety of our team and the community in which we operate comes first, last and everything in between.

Creating an injury free workplace is at the heart of every decision we make.

We track our progress towards an injury free workplace through improvement in our total recordable injury frequency rate (TRIFR), which has reduced by 66% over the last five years.

Our year on year TRIFR improved by 11.9% from 2015, which is encouraging as we continue to strive towards GOAL ZERO. This has been supported by a continued improvement across our suite of leading performance indicators.

At Cleanaway, our safety focusses on four key pillars:

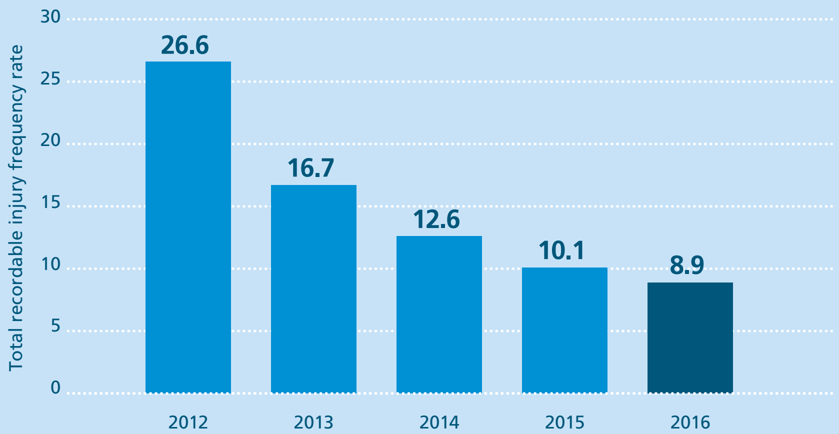
1. Safe behaviours;
2. Fit for purpose equipment;
3. Safe systems of work; and
4. A controlled work environment.

Underpinned by a consistently visible demonstration of our commitment to safety excellence, increasingly standardised ways of working, and a capable and engaged workforce, we firmly believe that we can achieve GOAL ZERO.

During FY2016 we implemented a number of new processes to ensure agile, enterprise learning from incidents and significant near misses. The renewed focus on understanding and embedding lessons learnt into the way we work will help us to not only manage risk but importantly avoid repeat incidents in the future.

We are committed to fostering a strong safety culture and improving safety leadership across the business – where our people keep their safety, and that of their workmates, front of mind always.

We will keep striving until we reach GOAL ZERO



Note – comparative periods have been adjusted to exclude divested businesses.
Numbers restated from those originally published to ensure comparability over time.

Our partnerships

Helping Australian businesses achieve their sustainability goals.

We believe that environmental sustainability and business have a beautiful future together. Cleanaway's waste audits deliver critical insight into the nature of waste generated by businesses, which helps us create tailored solutions to divert more waste from landfill and ensure we recover and recycle more valuable commodities. This, in turn, helps our customers meet their sustainability targets and is another way we're working hard to make a sustainable future possible.

Cleanaway's waste audit program helps our customers identify:

- Disposal errors which can lead to high contamination rates and low recycling rates.
- Valuable commodities which can be recovered, creating potential revenue streams.
- Opportunities for new resource recovery and recycling streams.
- Operational processes that cause stock loss and carry large opportunity costs.
- Poor stock management practices that cause product damage and unnecessary wastage.

Our waste audits not only help customers better understand their waste, providing them the knowledge to help improve their sustainability outcomes, they also produce unique insights which can lead to operational business improvements driving increased profit. A win for all.

Environment
Minimising our impact

Supporting a sustainable environment.

Renewable Energy Generated
(million kilowatt hours)

+145m kWh

Greenhouse Gas Emissions
(tonnes CO_2-e)

559,000t

Just as we help our customers manage their environmental impacts, we also carefully manage our own.

We recognise that the collection, transport, treatment and disposal of waste has the potential to cause environmental impact. We believe that we can make a sustainable future possible, and that's why we work hard to minimise our impact on the air, water, land and the communities in which we operate.

We are focussed on building on the knowledge gained and the successes achieved, as well as investing in new techniques, technologies and other innovations. So we're not just following best practice, but redefining it year on year.

Sustainable landfill management

Our modern, highly engineered landfills are the product of sophisticated design, and provide a safe and effective way to dispose of waste material. They help ensure we don't leave unacceptable legacy issues for future generations to manage. They are designed and operated to ensure that regulatory requirements are met or exceeded, and to minimise concern from our neighbours and the surrounding communities. Monitoring the ongoing safe operation of our landfills is a daily occurrence.

Over FY2016 we made significant investments in gas collection and monitoring infrastructure, as well as leachate management and stormwater retention. We installed more than 100 new landfill gas monitoring bores, and have plans for a further 70 to be installed this year.

The design of our modern landfills also maximises the potential for the capture of valuable energy resources in the form of landfill gas. Harnessing the naturally produced landfill gas, we generated over 145 million kWh of renewable energy in FY2016, which is enough to power more than 36,000 homes.

We will continue to invest in landfill-gas-to-energy projects. As an expert in the collection of landfill gas, we continue to look for new opportunities to harness and maximise the value of this natural resource.

Tackling greenhouse gas emissions

Greenhouse gas emissions remain an important issue for the community, as well as for our customers. We continue to work to proactively manage greenhouse gas emissions, through best in class management of landfill gas and by working with our customers and the wider community to create awareness in managing waste impacts.

Our Scope 1 and Scope 2 greenhouse gas emissions for FY2016 were approximately 559,000 tonnes CO_2-e, which represents an increase of 14% from the prior year. This increase is attributed to the full year effects of the acquisition of the Melbourne Regional Landfill. Excluding the effects of the Melbourne Regional Landfill, underlying greenhouse gas emissions reduced by 2%.

Ongoing management of these emissions is being targeted through continued investment in gas collection and monitoring infrastructure.

Albury Organics

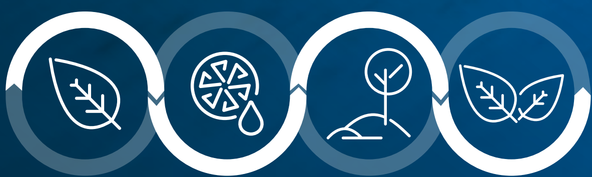
Positive reinforcement brings positive results.

Albury City Council and neighbouring shires recently shifted the focus of their kerbside collections from landfill to recovery, by reducing general waste pickups to a fortnightly service, and introducing a weekly organics collection. Since launching in April 2015, we have collected an impressive 22,000 tonnes of organic waste from homes and businesses throughout the region. Even more impressive are the recovery rates, which have seen 84% of organic waste and commingled recycling diverted from landfill, with organic contamination rates averaging 1.3%.

As well as collecting the waste, we are also responsible for converting the organic waste into compost. We have partnered with a local facility to date, but will this year lodge a development application for our own local composting facility. The new facility will incorporate Gore™ Cover composting technology, which simulates enclosed composting on an affordable, mass scale.

PROCESS HIGHLIGHTS:

ORGANIC AND GREEN WASTE | RESOURCE RECOVERY | COMPOST FERTILIZER AND SOIL | CROPS AND GARDENS



Part of the Community

Proud supporters of Australian communities.

Great neighbours help build great communities. That's why we're committed to building strong, trusted relationships with the communities in which we operate.

In FY2016, we held more than 60 Community Information Sessions at various locations around the country.

We believe in making a sustainable future possible – and we know that the next generation are the ones who will help us. That's why we are passionate about educating schools about better waste management and recycling practices.

During FY2016, we ran more than 1,480 school education sessions, engaging more than 38,100 students.

We have a proud history of supporting Australian communities – from small, regional sporting clubs and festivals, to national community organisations and charities.

During FY2016, we invested over $580,000 in Australian communities, supporting more than 66 community groups across Australia.

Camp Quality

Supporting those who support others.

Proving that laughter is indeed the best medicine, in 2016 our Melbourne head office took on the challenge of raising funds for Camp Quality.

Over the course of three weeks, and a number of different activities, the team worked together to raise funds to support Camp Quality's travelling puppet show for primary schools which answers all the difficult questions kids have about cancer, dispels common myths and teaches students how to be supportive and understanding of kids living with cancer – preventing bullying and exclusion.

This continues a proud tradition within Cleanaway of supporting those who work hard to support others – including Starlight Foundation; Beyond Blue; Movember; National Breast Cancer Foundation; and many other local charities and community organisations.

Community Information Sessions

+60

School Education Sessions

+1,480

Students Engaged

+38,100

Investment in Australian Communities

+$580,000

Community Organisations Supported

+66

Cleaning up Australia

A new partnership for a sustainable future.

After years of joining in with the rest of the nation on Clean Up Australia Day, we've made it official and signed a multi-year, national partnership with Clean Up Australia. As a year-round advocate for sustainability and conservation, we're thrilled to officially be a part of a program that has made such a massive contribution to the way Australians think about the environment. First launched in 1989 as an initiative to clean up Sydney Harbour, Clean Up Australia Day and year round events now attract close to one million active volunteers who remove the equivalent of 16,000 ute loads of rubbish from nearly 8,000 locations every year.

Clean Up Day

Board of Directors

Martin Hudson

CHAIRMAN OF THE BOARD

Independent Non-Executive Director since 14 September 2009 and appointed Chairman in March 2013. Non-Executive Director of CNPR Limited (appointed December 2011). Former Non-Executive Director of NM Superannuation Pty Ltd (the Trustee of Axa Asia Pacific Holdings Limited's public superannuation funds) and AMP Superannuation Ltd – the Trustee of AMP's public superannuation fund (April 2012 to June 2014). Significant board and commercial experience in risk management, executive leadership, governance and strategic direction derived from varying roles at Foster's Group Limited (Senior Vice President Commercial Affairs and Chief Legal Counsel), Southcorp Limited (Company Secretary and Chief General Counsel), Pacific Dunlop Group of Companies (as General Counsel) and for over 20 years, as a partner of national law firm Herbert Smith Freehills. Holds tertiary qualifications in Law. Member of the Australian Institute of Company Directors. Martin will retire as Chairman before the 2016 Annual General Meeting.

Mark Chellew

DEPUTY CHAIRMAN, CHAIRMAN OF THE HEALTH, SAFETY AND ENVIRONMENT COMMITTEE
MEMBER OF THE REMUNERATION AND NOMINATION COMMITTEE

Independent Non-Executive Director since 1 March 2013 and was appointed Deputy Chairman on 19 February 2016. Executive Chairman of Manufacturing Australia Limited (appointed March 2015). Former Managing Director and Chief Executive Officer of Adelaide Brighton Limited (retired May 2014). Mark has over 30 years of experience in the building materials and related industries, including roles such as Managing Director of Blue Circle Cement in the United Kingdom and senior management positions within the CSR group of companies in Australia and the United Kingdom. Holds a Bachelor of Science (Ceramic Engineering), Masters of Engineering (Mechanical Engineering) and Graduate Diploma in Management.

Vik Bansal

CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

Appointed to his current role on 3 August 2015 and made an Executive Director on 20 August 2015. Over 20 years' experience in a range of executive roles in Australia, Asia and the United States and a proven track record of leading organisations through business growth, transition and improvement. Previously, President and Chief Operating Officer for Valmont Industries Inc., a US$3.3 billion NYSE listed engineering and manufacturing company. Prior to that, he held senior roles with OneSteel Ltd and Eaton Corporation in Australia. Holds a Bachelor of Electrical Engineering with Honours and an MBA. Vik has completed the Advanced Management Program from INSEAD and is a Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Engineers Australia.

Ray Smith

CHAIRMAN OF THE AUDIT AND RISK COMMITTEE
MEMBER OF THE REMUNERATION AND NOMINATION COMMITTEE

Independent Non-Executive Director since 1 April 2011. Non-Executive Director of K&S Corporation Ltd (appointed February 2008). Former Non-Executive Director of Crowe Horwath Australasia Limited (resigned January 2015) and Warrnambool Cheese and Butter Factory Company Holdings Limited (resigned May 2014). Trustee of the Melbourne and Olympic Parks Trust (appointed 2008). Significant corporate and financial experience in the areas of strategy, acquisitions, treasury and capital raisings, and was Chief Financial Officer of Smorgon Steel Group for 11 years. Holds tertiary qualifications in Commerce. Fellow of CPA Australia and Fellow of the Australian Institute of Company Directors.

Emma Stein

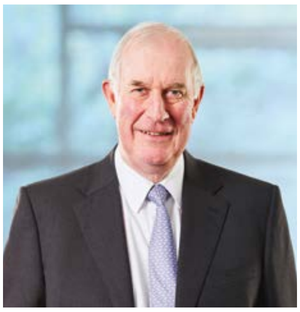
MEMBER OF THE AUDIT AND RISK COMMITTEE
MEMBER OF THE HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

Independent Non-Executive Director since 1 August 2011. Non-Executive Director of DUET Group (appointed June 2004), Programmed Maintenance Services Ltd (appointed June 2010) and Alumina Limited (appointed February 2011). Former Non-Executive Director of Clough Limited (resigned December 2013). Significant corporate experience within industrial markets and was the UK Managing Director for French utility Gaz de France's energy retailing operations. Holds tertiary qualifications in Science and a Masters of Business Administration (MBA). Honorary Fellow of the University of Western Sydney. Fellow of the Australian Institute of Company Directors.

Terry Sinclair

MEMBER OF THE AUDIT AND RISK COMMITTEE
MEMBER OF THE REMUNERATION AND NOMINATION COMMITTEE

Independent Non-Executive Director since 1 April 2012. Chairman of Marrakech Road Pty Limited and Director of irexchange/Netget Holdings Limited. Former Managing Director of Service Stream Limited (resigned May 2014), Chairman of AUX Investments (jointly owned by Qantas and Australia Post), Director of Sai Cheng Logistics (China), Director of Asia Pacific Alliance (HK), Head of Corporate Development at Australia Post. A member of various advisory boards for private equity ventures in e-commerce and technology/infrastructure. Terry has significant experience across Industrial, Resources and Consumer Services sectors including 20 years in senior management roles in BHP (Minerals, Steel and Transport/Logistics). Holds a Masters of Business Administration (MBA), a Graduate Diploma in Management and tertiary qualifications in Mining, including Surveying.



Mike Harding

CHAIRMAN OF THE REMUNERATION AND NOMINATION COMMITTEE
MEMBER OF THE HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

Independent Non-Executive Director since 1 March 2013. Chairman of Lynas Corporation Ltd (appointed January 2015) and Downer EDI Limited (appointed November 2010). Former Chairman of Roc Oil Company Limited (resigned December 2014) and Non-Executive Director of Santos Limited (resigned May 2014). Significant experience within industrial businesses, having previously held management positions around the world with British Petroleum (BP), including President and General Manager of BP Exploration Australia. Holds a Masters in Science, majoring in Mechanical Engineering.

Philippe Etienne

MEMBER OF THE AUDIT AND RISK COMMITTEE
MEMBER OF THE HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

Independent Non-Executive Director since 29 May 2014. Non-Executive Director of Lynas Corporation Limited (appointed January 2015). Former Managing Director and Chief Executive Officer of Innovia Security Pty Ltd (retired September 2014) and Non-Executive Director of Sedgman Limited (February 2015 to November 2015). Previously held a range of other senior executive positions with Orica in Australia, the USA and Germany including strategy and planning and responsibility for synergy delivery of large scale acquisitions. Holds a Bachelor of Science in Physiology and Pharmacology and a Master of Business Administration (MBA). Graduate of the Australian Institute of Company Directors and has completed post-graduate qualifications in marketing.

Senior Executive Team

Vik Bansal

CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

Appointed to his current role on 3 August 2015 and made an Executive Director on 20 August 2015.

Over 20 years' experience in a range of executive roles in Australia, Asia and the United States and a proven track record of leading organisations through business growth, transition and improvement. Previously, President and Chief Operating Officer for Valmont Industries Inc., a US$3.3 billion NYSE listed engineering and manufacturing company. Prior to that, he held senior roles with OneSteel Ltd and Eaton Corporation in Australia. Holds a Bachelor of Electrical Engineering with Honours and an MBA.

Vik has completed the Advanced Management Program from INSEAD and is a Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Engineers Australia.

Brendan Gill

CHIEF FINANCIAL OFFICER

Brendan joined Cleanaway in September 2014.

Brendan has more than 30 years of experience as a finance professional, mainly in the mining, steel and energy sectors.

His career included 26 years at BHP Billiton in finance, including as Vice President Finance Carbon Steel, CFO for both the Stainless Steel Materials and Nickel businesses and Global Lead Risk Management and Audit. Since leaving BHP Billiton, Brendan has held CFO roles, most recently as CFO for Inova Resources (previously named Ivanhoe Australia).

Brendan has a Bachelor of Business, and is a member of CPA Australia.

Dan Last

GENERAL COUNSEL AND COMPANY SECRETARY

Dan joined Cleanaway as General Counsel and Company Secretary in March 2014.

Dan is an experienced General Counsel and Company Secretary with over 15 years' experience in law firms and senior in-house legal roles.

Prior to joining Cleanaway, Dan was the General Counsel and Company Secretary of Foster's Group Limited. He has also worked in top tier law firms in Australia and overseas.

Dan has a Bachelor of Laws (Hons), a Bachelor of Commerce, is a Fellow of the Governance Institute of Australia, and a member of the Australian Institute of Company Directors.

Mark Crawford

EXECUTIVE GENERAL MANAGER, ENTERPRISE SERVICES

Mark joined Cleanaway as Executive General Manager, Enterprise Services in February 2014.

Mark has more than 10 years operational experience gained in senior and executive roles. He has worked across Australia and Asia Pacific to integrate complex business models and has extensive transformation experience across all business disciplines.

Prior to joining Cleanaway, Mark held a number of General Management roles at Australia Post, most recently as General Manager for the International business.

Mark holds qualifications in Information Technology.

David Aardsma

EXECUTIVE GENERAL MANAGER, SALES AND MARKETING

David joined Cleanaway as Executive General Manager, Sales and Marketing in January 2015.

David is a highly experienced sales and marketing executive with over 40 years' experience in the US waste management industry and a proven track record of building, transforming and motivating world-class sales and marketing teams.

Prior to joining Cleanaway he held the position of Chief Sales and Marketing Officer at Waste Management Inc., responsible for overseeing the company's sales, marketing, pricing and customer service efforts.

Johanna Birgersson

EXECUTIVE GENERAL MANAGER, HUMAN RESOURCES

Johanna joined Cleanaway in May 2014 and was appointed Executive General Manager, Human Resources in December 2015.

Johanna has more than 10 years human resources experience gained in senior and executive roles.

Prior to joining Cleanaway, Johanna was the Director People and Culture of TSC Group Holdings. She has also worked across a number of industry sectors including fire and electronic security, HVAC and refrigeration, and hospitality.

Johanna has a Bachelor of Arts and holds Post Graduate qualifications in Employee Relations and Human Resources Management from the University of Melbourne.

Corporate Governance

Cleanaway Waste Management Limited (Cleanaway or the Company) believes that high standards of corporate governance are critical to the achievement of business objectives and, in turn, the creation and protection of shareholders' interests, through effective oversight, risk management and transparency.

The Board of Cleanaway has adopted a range of charters and policies, which enshrine high standards of corporate governance across the Company's operations. Copies of Board and Committee charters and key policies and documents supporting Cleanaway's corporate governance practices are available online at http://www.cleanaway.com.au/for-investors/corporate-governance/.These documents are regularly reviewed by the Board in conjunction with Management to ensure that they continue to reflect any changes in governance practices and the law.

This Corporate Governance Statement was approved by the Board on 18 August 2016 and outlines Cleanaway's key corporate governance practices and related charters and policies as at 30 June 2016 and are consistent with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations – 3rd Edition*.

Principle 1: Lay solid foundations for management and oversight

The Cleanaway Board is responsible for the overall stewardship, strategic direction, governance and performance of the Company. The Board operates under a Charter, which sets out its role, powers and responsibilities.

The Board's objectives are to:

- oversee and monitor the strategic direction of Cleanaway and provide effective oversight of its management and business activities;
- optimise Cleanaway's performance so as to create and build sustainable value for shareholders within a framework of appropriate risk assessment and management; and
- seek to ensure Cleanaway acts in accordance with its legal and other obligations.

The key responsibilities of the Board in support of these objectives as set out in the Charter are as follows:

- oversight of Cleanaway, including its control and accountability systems, that seek to ensure the creation and protection of shareholder value;
- monitoring of Cleanaway's financial position and its ability to meet its debts and other obligations as they fall due;
- promulgating clear standards of ethical behaviour required of Directors, Senior Executives and employees, and encouraging observance of those standards;
- reviewing, ratifying and monitoring systems of risk management, internal compliance and control, codes of conduct and legal compliance;
- ensuring that an appropriate health, safety and environment framework is in place to support safe workplace practices and to comply with Cleanaway's environmental obligations;
- contributing to the development of, and final approval of, management's corporate strategy and performance objectives; and
- monitoring the implementation of the strategic plans and performance objectives of Cleanaway, and assessing Cleanaway's performance against these.

Key functions reserved to the Board as set out in the Charter are as follows:

- adopting an annual budget for the financial performance of Cleanaway and monitoring performance against it;
- approving material capital expenditures, acquisitions and divestments and other material transactions;
- approving the Chief Executive Officer's (CEO) terms of engagement, and where required, his termination benefits;
- reviewing the remuneration and incentive framework for senior management and all Cleanaway employees;
- approving Cleanaway's annual report and financial report upon recommendations from the Audit and Risk Committee, and in accordance with the Corporations Act, ASX Listing Rules and any other applicable regulations;
- approving capital management matters, including Cleanaway's dividend policy and authorising payment of dividends;
- ensuring proper and timely financial and governance reporting to shareholders and other stakeholders;
- reviewing on a continuing basis:
  - recruitment, retention and termination policies and procedures for senior management; and
  - executive succession planning (in particular the office of CEO);
- reviewing, at least annually, diversity and inclusion policy, diversity targets, initiatives and progress toward their achievement; and
- monitoring and overseeing the management of shareholder and stakeholder relations.

The Board has delegated the responsibility of day-to-day management and the performance of Cleanaway and the development and implementation of Board-endorsed strategy to the CEO and Management. This delegation is formally reflected in, and governed by, delegated authority limits, which are regularly reviewed and endorsed by the Board.

Appointment of Directors and Executive Committee members

Cleanaway carefully considers the character, experience, education and skill set, as well as interests and associations, of each potential candidate for appointment to the Board and conducts appropriate checks to verify the suitability of the candidate prior to their appointment as a Director.

Cleanaway has appropriate procedures in place to ensure that material information relevant to a decision to elect or re-elect a Director is disclosed in the notice of meeting provided to shareholders.

In addition to being set out in the Charter, the roles and responsibilities of Directors are formalised in the letter of appointment, which each Director is required to sign to confirm their appointment.

Each letter of appointment specifies the term of appointment, time commitment envisaged, expectations in relation to committee work or any other special duties attaching to the position, reporting lines, remuneration arrangements, disclosure obligations in relation to personal interests, confidentiality obligations, insurance and indemnity entitlements and details of the Company's key governance policies.

Each member of the Executive Committee enters into a service contract with the Company, which sets out the material terms of their employment, including a description of position and duties, reporting lines, remuneration arrangements and termination rights and entitlements.

Details of contractual entitlements of Executive Committee members who are Key Management Personnel are summarised in the Remuneration Report of the Annual Report.

Company Secretary

The Company Secretary is responsible for ensuring that Board policies and procedures are complied with and that governance matters are addressed. The Company Secretary is accountable to the Board, through the Chairperson, on all matters to do with the proper function of the Board.

Each Director is entitled to access the advice and services of the Company Secretary. The appointment and removal of a Company Secretary is a matter reserved for decision by the Board.

Diversity and Inclusion

Cleanaway has a workforce made up of people with diverse values, backgrounds, skills, experiences and needs. Diversity at Cleanaway encompasses differences in gender, ethnicity, language, age, sexual orientation, religious beliefs, political beliefs, socio-economic status, physical and mental ability, experience and education.

Cleanaway values this diversity, and recognises the benefits that it brings to our Company, customers and other key stakeholders. Cleanaway's Diversity and Inclusion Policy Statement, which can be found at http://www.cleanaway.com.au/for-investors/corporate-governance/ and the supporting processes are aimed at creating a culture where our employees understand that each individual is unique and that managing diversity makes us more flexible, productive, creative and competitive.

Under this Policy, the Board is responsible for establishing measurable objectives for achieving diversity within Cleanaway and assessing the progress in achieving these objectives. During the year, the Board has reviewed the Company's progress in achieving the objectives set for the financial year 30 June 2016.

Performance against these objectives for the period 1 July 2015 – 30 June 2016 is set out below:

TARGETS FOR 30 JUNE 2016	AS AT 30 JUNE 2016	AS AT 30 JUNE 2015
Increase overall female representation to 21%	19%	20%
Increase females in management roles to 22%	20%	20%
Increase females in operational roles to 4.5%	4.4%	4.0%

In addition:

- One of our seven Non-executive Directors is female (14% representation).
- One of our six senior executive members (comprising of the Executive Team) is female (17% representation).

The significant cost down and reduced recruitment activities during the 2016 financial year in comparison to previous year has provided fewer opportunities to impact on our diversity and inclusion performance.

Whilst gender has been the key target since 2012, Cleanaway recognises that the span of diversity and inclusion is far broader. Accordingly, in the current financial year there will be a range of diversity initiatives which target indigenous engagement and further focus on age and gender inclusion.

Further details about our diversity initiatives are set out on page 16 of this Annual Report.

Cleanaway has completed a workplace profile report as required by the Workplace Gender Equality Act 2012 (WGEA) for 2016. A copy of the Company's WGEA report for 2016 is available online at http://www.cleanaway.com.au/careers/

Performance Evaluation

The Board considers that reviewing its performance is essential to good governance. Under its Charter, the Board is responsible for undertaking regular reviews of its own performance and that of the Board Committees and individual Directors.

The review process is designed to help optimise performance by providing a mechanism to raise and resolve issues, and to provide recommendations to assist the Board, Board Committees and individual Directors to enhance their effectiveness.

The Board's performance is externally and internally evaluated from time to time. An internal evaluation of the performance of Board members and Committees was undertaken during the course of the year.

The Board is responsible for evaluating the performance of the CEO on an annual basis, assessed against Cleanaway's financial performance, business transformation, management development, and enhanced safety and sustainability performance. A performance review of the CEO was conducted in relation to his performance for the 2016 financial year. Evaluation details are set out in the Remuneration Report. The CEO conducts performance reviews of the Executive Committee member on an annual basis and reports on their performance to the Remuneration and Nomination Committee.

Cleanaway has a performance management system that includes a scorecard of individual performance measures and standards. The system includes processes for the setting of objectives and the annual assessment of performance against objectives. The performance of the Executive Committee members was reviewed by the CEO in accordance with the performance management system in June 2016.

Principle 2: Structure the Board to add value

Cleanaway's constitution calls for at least three but not more than 10 Directors. As at 30 June 2016, the Board comprised of seven independent Non-Executive Directors, and one Executive Director (the CEO). As announced in February 2016, Martin Hudson will retire as Chairman and as a Director of the Company before the 2016 Annual General Meeting and Mark Chellew will succeed Mr Hudson as Chairman. Profiles of current Directors outlining their appointment dates, qualifications, directorships of other listed companies (including those held at any time in the three years immediately before the end of the financial year), experience and expertise are set out on pages 24 to 25 of this Annual Report.

Director Independence

The Board comprises a majority of independent Non-Executive Directors. The Charter states that a Non-Executive Director is independent if he or she is not a member of management and is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of Cleanaway and its shareholders generally.

When determining the independent status of a Non-Executive Director, the Board will take into account the factors relevant to assessing the independence of a director as specified by the ASX Corporate Governance Council, including whether that Director:

- is a substantial shareholder of Cleanaway or an officer of, or otherwise associated directly with, a substantial shareholder of Cleanaway;
- is or has been employed in an executive capacity by the Cleanaway Group, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- is or has within the last three years been a Partner, Director or senior employee of a provider of material professional services to the Cleanaway Group;
- is or has been within the last three years in a material business relationship (for example, as a supplier or customer) with the Cleanaway Group, or an officer of, or otherwise associated with, someone with such a relationship;
- has a material contractual relationship with Cleanaway other than as a Director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a Director of Cleanaway for such a period that his or her independence may have been compromised.

Whether or not a material relationship exists is determined on a case-by-case basis, giving consideration to the nature of the relationship and the specific circumstances of the Director. Materiality is considered from the perspective of the Company, the Director, and the person or entity with which the Director has a relationship.

The Board reviews the independence of Directors before they are appointed, on an annual basis, and at any other time where the circumstances of a Director changes such as to require reassessment.

The Board has reviewed the independence of each of the Directors in office and has determined that all Non-Executive Directors are independent. Certain Non-Executive Directors hold directorships in companies with which Cleanaway has commercial relationships. Details of these other directorships are set out on pages 24 to 25 of this Annual Report.

The independent status of each Director standing for re-election is identified in the notice of Annual General Meeting. If the Board's assessment of a Director's independence changes, the change is disclosed to the market.

Conflicts of Interest

Directors are required to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of Cleanaway. A Director who has an actual or potential conflict of interest or a material personal interest in a matter is required to declare that potential or actual conflict of interest to the Board. If the Board determines that there is a material conflict of interest, the Board may require the relevant director to:

- not receive the relevant papers;
- not be present at the meeting while the matter is considered; and
- not participate in any decision on the matter.

The Board may resolve to permit a Director to have an involvement in a matter involving a potential or actual conflict of interest. In such instances, the Board will minute full details of the basis of the determination and the nature of the conflict, including a formal resolution concerning the matter.

Chair of the Board

The Board Charter requires an independent Non-Executive Director to hold the position of Chairperson, unless the Board otherwise resolves.

The Chairman, Martin Hudson, is an independent Non-Executive Director and will retire as Chairman and as a Director of the Company before the 2016 Annual General Meeting. Mark Chellew, currently an independent Non-Executive Director of the Company, will succeed Mr Hudson as Chairman.

The Chairman's responsibilities are set out in the Board Charter.

The roles of the Chairman and CEO are not exercised by the same person. The Chairman attends Board Committee meetings in an ex-officio capacity.

Board Committees

Under the Company's Constitution and as set out in the Charter, the Board may delegate any of its powers and responsibilities to a committee of the Board to assist it to effectively and efficiently discharge its responsibilities.

The Board has established the following Committees:

- Audit and Risk Committee;
- Remuneration and Nomination Committee; and
- Health, Safety and Environment Committee.

The Charter of each Committee sets out their respective duties and responsibilities and is available online at http://www.cleanaway.com.au/for-investors/corporate-governance/

Details of individual Director's memberships of Committees are provided in the Director biographies on pages 24 to 25 of this Annual Report.

All Directors are entitled to attend meetings of the Committees where there is no conflict of interest. Papers considered by the Committees, and minutes of each Committee meeting, are provided to all Directors. The proceedings of each Committee meeting are reported at the next Board meeting by the relevant Committee Chair.

Independent Advice

The Board, an individual Director, and each of the Committees has the authority to seek any information it requires from any employee or external party, including the Internal and External Auditors.

After consultation with the Chairman, a Director may take such independent legal, financial or other advice as they consider necessary to fulfil their duties, at the expense of the Company.

The Chairman may determine that any external advice received by an individual Director be circulated to the other Directors.

Induction

Cleanaway's Director Induction Program is designed to enable new Directors to gain an understanding of, among other things, the Company's culture and values and its financial, strategic, operational and risk management position.

New Directors are given an induction briefing by the Company Secretary and Chairman and an induction pack containing information about the Company, Board and Committee Charters and Company policies and procedures.

New Directors also meet with the Executive Committee to gain an insight into the Company's business operations and the corporate structure.

Non-Executive Directors are encouraged and given the opportunity to broaden their knowledge of the business by receiving regular briefings on Cleanaway's operations from Management and the Executive Committee, undertaking site visits in different locations and receiving presentations from external parties in a range of fields.

Directors' attendance at Board and Committee meetings

The number of Board and Committee meetings held and attendances by Directors at these meetings during the financial year are set out on page 46 of this Annual Report.

The Non-Executive Directors meet without the presence of management during the course of regular Board meetings, and on other occasions as required outside regular Board meetings.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee assists the Board in its oversight of Cleanaway's:

- remuneration and incentive strategy and arrangements;
- recruitment, retention and succession planning for the Board;
- corporate culture and engagement; and
- diversity and inclusion strategy.

The Committee consisted of the following independent Non-Executive Directors:

R M Harding (Chairman)

R M Smith

T A Sinclair

M P Chellew

The Committee met four times during the financial year. Details of the number of meetings held and attendances are set out on page 46 of this Annual Report.

The Committee's key responsibilities and functions for nomination matters are as set out in the Remuneration and Nomination Committee Charter and include, among other things:

- determining the appropriate size and composition of the Board (including skills, knowledge, diversity and experience) and making recommendations to the Board with regard to any appropriate changes;
- setting a formal and transparent procedure for selecting new Non-Executive Directors for appointment to the Board;
- making recommendations to the Board on the appointment, re-election and removal of Directors and appointment and removal of key executives;
- developing and implementing Board and CEO succession plans;
- developing strategies to address Board diversity; and
- ensuring there is an appropriate induction program in place for new Non-Executive Directors, as well as ongoing training and education programs for the Board to ensure that all Directors are provided with adequate information regarding the operation of the business, the industry and their legal responsibilities and duties.

The Committee Charter is reviewed annually and a copy is available online at http://www.cleanaway.com.au/for-investors/corporate-governance/

Board Composition

When reviewing the composition of the Board and making recommendations to the Board regarding the appointment of Directors, the Remuneration and Nomination Committee aims to ensure that the Board continues to include Directors with an appropriate balance of skills, experience, expertise and diversity to efficiently and effectively discharge its responsibilities and govern the Company.

Collectively, the Board has a diverse range of skills and experience relevant and adequate for the efficient and effective management of the business. Board members, including some who are also directors of other ASX-listed companies, together have a combination of experience in the following areas:

- industrial services and logistics;
- corporate strategy;
- accounting;
- mergers and acquisitions;
- risk management;
- law, governance and regulation;
- health, safety and environment; and
- other board and management experience.

Biographies of current Directors, including details of their qualifications, tenure in office and independent status, are set out on pages 24 to 25 of this Annual Report.

The Board considers its current membership represents an appropriate mix of skills and experience to enable the Board to continue to effectively discharge its responsibilities and deliver the Company's strategy and corporate objectives.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

Cleanaway recognises that its reputation is an essential element to its continued success and that its reputation is directly attributable to the ethical behaviour of those who represent it. Cleanaway has developed a Corporate Code of Conduct (the Code) which sets out certain basic principles that all Directors, employees, contractors and consultants are expected to follow in all dealings related to Cleanaway, to ensure that Cleanaway's business is conducted in accordance with the laws and regulations of all areas in which it operates.

The Code is fully endorsed by the Board and is annually reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in Cleanaway's integrity.

Any breach of the Code is considered a serious matter which may result in disciplinary action, including termination of employment. A copy of the Code is available online at http://www.cleanaway.com.au/for-investors/corporate-governance/

Supporting the Corporate Code of Conduct are the Whistleblower Policy, Anti-Bribery and Corruption Policy, and Conflict of Interest Policy, which further sets out the Company's commitment to high standards of conduct and ethical behaviour in all areas of business activity.

Employees who are aware of any serious misconduct or unethical behaviour that contravenes the Corporate Code of Conduct, any Company policies or the law, are encouraged to report this to their Manager or make a report under the independent whistleblower service, FairCall. The Policy provides that all reports will be investigated in an appropriate manner and that feedback on the outcome of the investigation will be provided to the person making the report where appropriate.

The Anti-Bribery and Corruption Policy provides guidance to employees on how to recognise and deal with instances of potential or actual bribery and corruption. The Policy also sets out circumstances where it is not appropriate to exchange gifts or hospitality with business partners and the threshold for offering or accepting of gifts or hospitality. Proposed donations and sponsorships must be approved in accordance with the Company's Delegated Authority Limits Policy.

To ensure all business transactions are managed in a transparent manner that promotes confidence in the integrity, legitimacy, impartiality and fairness of decision-making processes within Cleanaway, all personnel employed by or acting on behalf of Cleanaway, are required to disclose their private interests in activities if their private interests have the potential of influencing the performance of their duties and responsibilities while they are still employed by the Company. The Company's Conflict of Interest Policy provides comprehensive guidance to help employees manage any potential conflicts of interest.

In addition, Cleanaway's Securities Trading Policy reinforces the *Corporations Act 2001* restrictions in relation to insider trading and prohibits Directors, Executives and other employees from dealing in Cleanaway securities at any time if that person is in possession of price sensitive information that has not been made publicly available. Directors, Executives and other employees are prohibited from engaging in short-term or speculative trading in Cleanaway securities and trading in derivatives in respect of Cleanaway securities, including performance rights issued under Cleanaway incentives schemes. This includes entering into any hedging arrangements or acquiring financial products (such as equity swaps, caps and collars or other hedging products) over unvested performance rights which have the effect of reducing or limiting exposure to risks associated with the market value of Cleanaway securities. The Policy also applies to parties related to the Directors, Executives and employees of the Company.

No Director, Executive or employee may directly or indirectly enter into any margin loan facility against Cleanaway securities unless prior written consent of the Chairman of the Board is obtained (in the case of employees, this applies only to the extent their margin loan is considered material).

In addition to sending annual reminders to employees regarding the above policies, these policies are also available on the Company's intranet and website.

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Committee

In relation to audit matters, the Audit and Risk Committee assists the Board to independently verify and safeguard the integrity of Cleanaway's financial reporting, review and evaluate all material capital management, financing and treasury risk management proposals and provide oversight of Cleanaway's risk management framework.

The Committee consists of all independent Non-Executive Directors as follows:

R M Smith (Chairman)

T A Sinclair

E R Stein

P G Etienne

The Committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which Cleanaway operates. Details of each Committee member's experience and qualifications are set out in pages 24 and 25 of the Annual Report.

The Committee met four times during the financial year. Details of the number of meetings held and attendances during the financial year are set out on page 46 of this Annual Report.

The Chairman of the Board is not permitted to Chair this Committee. The Committee's responsibilities and functions, as set out in the Audit and Risk Committee's Charter, include (among other things):

- review financial reports (including the annual report and related regulatory filings) to be issued by the Company prior to recommending them to the Board for approval and release to the market, to ensure their integrity and compliance with statutory and contractual requirements;
- assess the management processes supporting external reporting;
- review and approve the audit plan of the External Auditors, monitor their progress against that plan, and ensure that the annual statutory audit and half-year review are conducted in an effective manner;
- review and approve the internal audit plan, ensuring that an appropriate program of internal audit activity is undertaken each year, and monitor the progress of the Internal Auditor against that plan;
- on an annual basis, assess the performance and independence of the External and Internal Auditors;
- make recommendations for the appointment or removal of the External and the Internal Auditors;
- assess and monitor risk management and internal control systems (including the Group's risk management framework) to ensure that material risks are identified, monitored and appropriately managed at levels determined to be acceptable by the Board; and
- review and monitor the compliance with key Company policies (including Securities Trading Policy, Continuous Disclosure Policy, Delegated Authority Levels Policy, Anti-Bribery and Corruption Policy, and the Treasury Policy).

The Committee, or any individual member, has the authority to seek any information it requires from any employee or external party, including the Internal and External Auditors.

The Committee meets with the Internal and External Auditors without Management present on a regular basis.

The Committee Charter is reviewed annually and a copy is available online at http://www.cleanaway.com.au/for-investors/corporate-governance/

Assurance from CEO and CFO regarding financial statements

In accordance with sections 295A of the *Corporations Act 2001* (Cth), the CEO and Chief Financial Officer (CFO) have provided a written statement to the Board declaring that, in their opinion:

- the Company's financial statements and notes thereto comply with accounting standards, and present a true and fair view of the Company's and consolidated entity's financial position and performance;
- the Company's financial records for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

and also states that:

- the financial statements and notes thereto are in accordance with the *Corporations Act 2001*; and
- as at the date of the written statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The written assurance from the CEO and CFO confirms to the Board that the declarations and statements above regarding the integrity of the financial statements is founded on a sound system of risk management and internal control and that such system was operating effectively and efficiently in all material respects in relation to financial reporting risks.

External Auditor

Ernst & Young were appointed as the Company's External Auditors in November 2009.

The proposed rotation of the lead External Audit partner in respect to the 2016 financial year audit was completed in November 2015, following the conclusion of the Company's 2015 Annual General Meeting.

All non-audit services to be undertaken by the External Auditor require the prior approval of the Chairman of the Audit and Risk Committee. Ernst & Young's independence declaration to the Board for the financial year ended 30 June 2016 forms part of the Directors' Report and is set out on page 63 of this Annual Report.

The External Auditor attends the Company's Annual General meeting to answer questions which shareholders may have about the conduct of the external audit for the relevant financial year, the preparation and content of the Audit Report, the accounting policies adopted by the Company and the independence of the External Auditor in relation to the conduct of the External Audit. Shareholders attending the Annual General Meeting are made aware that they may ask such questions of the External Auditor and are provided an opportunity to submit written questions prior to the meeting.

Principle 5: Make timely and balanced disclosure

Cleanaway is committed to complying with its continuous disclosure obligations under the ASX Listing Rules.

Cleanaway has adopted a Continuous Disclosure Policy which sets out the procedures and requirements expected of Directors, executives and all employees of the Company, to ensure compliance with its continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001*.

A copy of the Continuous Disclosure Policy is available online at http://www.cleanaway.com.au/for-investors/corporate-governance/

Principle 6: Respect the rights of shareholders

The Company has established a Shareholder Communications Policy, which outlines how we engage and communicate with our investors and shareholders. A copy of the Policy is available online at http://www.cleanaway.com.au/for-investors/corporate-governance/

Shareholders attending the Annual General Meeting are made aware that they may ask questions and are provided an opportunity to submit written questions prior to the meeting.

Principle 7: Recognise and manage risk

The Board recognises that effective risk management processes are essential to the Company achieving its business objectives and to the Board meeting its corporate governance responsibilities.

Audit and Risk Committee

In relation to risk oversight, the function of the Audit and Risk Committee is, among other things, to assist the Board to:

- ensure Cleanaway's risk management framework is effective, and capable of identifying and assessing areas of potential material risk, as well as monitoring and managing identified material risks;
- monitor material changes to Cleanaway's risk profile; and
- assess and monitor risk management and internal control systems to ensure that material risks are reduced to or managed at levels determined to be acceptable by the Board.

Further details regarding the Audit and Risk Committee, its membership and the number of meetings held during the financial year are set out on pages 34 and 46 of this Annual Report.

Health, Safety and Environment Committee

Cleanaway recognises the importance of health, safety and environmental (HSE) issues and is committed to a Zero Harm philosophy. The Health, Safety and Environment Committee assists the Board in its oversight of Cleanaway's strategies, systems, policies and practices in respect of HSE matters, and compliance with its legal and regulatory obligations.

The Committee consisted of the following independent Non-Executive Directors:

M P Chellew (Chairman)

E R Stein

R M Harding

P G Etienne

The Committee met four times during the financial year. Details of the number of meetings held and attendances during the financial year are set out on page 46 of this Annual Report.

The Chairperson of the Committee must be an independent Non-Executive Director and must not be the same person as the Chairperson of the Board.

The Committee's key responsibilities and functions, as set out in the Health, Safety and Environment Committee Charter, include:

- understanding Cleanaway's operations and hazards and risks associates with those operations;
- overseeing Cleanaway's HSE framework;
- monitoring compliance with, reviewing and recommending to the Board changes to, Company HSE policies;
- considering the Cleanaway's HSE performance and issues, assessed by reference to agreed targets and measures, including the impact on employees, third parties and reputation of the Group;
- ensuring that appropriate actions are being taken in respect of health, safety and environment incidents, hazards and risks;
- reviewing Cleanaway's performance in relation to HSE matters as determined in internal audit reviews; and
- reviewing reports which are prepared and lodged by the Company in compliance with its statutory obligations concerning the environment.

The Committee Charter is reviewed annually and a copy is available online at http://www.cleanaway.com.au/for-investors/corporate-governance/

Approach to Risk Management

The Board has adopted a Risk Management, Compliance and Assurance Policy that sets out Cleanaway's commitment to proactive enterprise risk management and compliance. The policy is supplemented by an Enterprise Risk Management Framework that seeks to embed risk management processes into Cleanaway's business activities. Cleanaway also has detailed control procedures in place which cover management accounting, financial reporting, maintenance of financial records, project appraisal, environment, health and safety, IT security, compliance and other risk management issues.

In addition to maintaining appropriate insurance, numerous risk management controls are embedded in the Company's risk management and reporting systems. These include:

- risk management systems and internal controls seeking to ensure that financial reporting risks are appropriately managed;
- policies regarding the maintenance of written financial records in accordance with section 286 of the *Corporations Act 2001*;
- guidelines and limits for approval of all expenditure inclusive of capital expenditure and investments;
- policies and procedures for the management of financial risk and treasury operations, including hedging exposure to foreign currencies and interest rates;
- annual budgeting and monthly reporting systems for all divisions which enable monitoring of progress against performance targets, evaluation of trends and variances to be acted upon;
- preparation and ongoing review of five-year strategic plans for all divisions;
- health and safety programs and targets; and
- diligence procedures for acquisitions.

Management reports to the Audit and Risk Committee on a regular basis regarding Enterprise Risk Management compliance, the results of internal audit reviews, and the effectiveness of Cleanaway's management of its material business risks.

The Audit and Risk Committee also reviewed Cleanaway's Risk Management, Compliance and Assurance Policy and Enterprise Risk Management Framework during the financial year and concluded that the Company's risk management processes continue to be sound and that risks are identified, monitored and appropriately managed at levels determined to be acceptable by the Board.

A copy of the Risk Management, Compliance and Assurance Policy is available online at http://www.cleanaway.com.au/for-investors/corporate-governance/

Internal Audit

Cleanaway has a dedicated Risk and Assurance team responsible for evaluating, reporting on and refining risk management processes within Cleanaway and for managing the internal audit function across the Company's operations. Cleanaway has adopted a co-sourced approach to internal auditing with the Cleanaway Internal Audit team and KPMG jointly performing the internal audit function in accordance with the annual internal audit plan.

KPMG were appointed to assist in the performance of the internal audit function in 2010.

The internal audit function is independent of the External Auditor, and the Head of Audit and Risk reports to the Audit and Risk Committee. The Audit and Risk Committee approves the annual internal audit plan and regularly meets with KPMG without Management present.

Sustainability Risks

Cleanaway identifies and manages material exposures to economic, environmental and social sustainability risks in a manner consistent with its Risk Management, Compliance and Assurance Policy and Risk Management Framework.

Information about key sustainability risks which have the potential to materially impact Cleanaway's ability to execute and achieve its business strategies, and the broad approach Cleanaway takes to mitigate these risks is set out below. These risks are not listed in order of significance, nor should they be taken to be a complete or exhaustive list of the risks and uncertainties associated with Cleanaway.

Economic Conditions

Cleanaway provides its services and products to individuals, companies and government across a range of economic sectors in Australia including manufacturing, industrial, construction and resources sectors. Changes in the state of the economy and the sectors of the economy to which the Company is exposed may have an adverse impact on the demand and pricing for Cleanaway's services and products and the Company's operating and financial performance.

To the extent possible, the Company manages these risks by incorporating a consideration of economic conditions and future expectations into its corporate and financial plans and forecast.

Financial Risks

Cleanaway is exposed to a variety of financial risks, including credit risk and adverse movements in interest rates and foreign currency exchange rates. These risks may have an adverse effect on the Company's operating and financial performance.

Information on how Cleanaway manages these risks is included in the Notes to the Financial Statements which is on set out on pages 98 to 101 of this Annual Report.

Health and Safety

Cleanaway's operations involve risks to both property and personnel. A health and safety incident may lead to serious injury or death, which may result in reputational damage and adverse operating impacts with consequential effects to Cleanaway's financial performance and position.

Cleanaway manages these risks by developing and implementing appropriate strategies, systems, policies and procedures in respect of operational health and safety matters to ensure compliance with legal and regulatory obligations.

Regulatory Environment

Cleanaway's operations are subject to a variety of federal, state and local laws and regulations in Australia. These laws and regulations, and permits and licences granted by the relevant regulators, establish various standards about the types of operations that can be undertaken and the manner in which they are undertaken. Regulatory requirements which have impacted historical results include state-based waste levies, carbon tax, environmental regulation and planning regulations. Changes in regulatory requirements or failure to comply with conditions of permits and licences could adversely affect Cleanaway's ability to continue operations on a site and in turn the Company's financial performance.

Cleanaway manages these risks by developing and implementing appropriate systems, policies and procedures to ensure compliance with applicable regulatory requirements. Furthermore, to the extent possible, the Company incorporates consideration of changes in regulatory requirements into its corporate and financial plans and forecasts.

Attract and Retain Key Management

Cleanaway's operations are dependent upon the continued performance, efforts, abilities and expertise of its key management personnel. The loss of services of such personnel may have an adverse effect on the operations of Cleanaway as the Company may be unable to recruit suitable replacements within a short timeframe.

Cleanaway has in place human resource strategies and remuneration and employment policies to attract, retain and motivate key management personnel and align the interests of key personnel with those of shareholders.

Operational Risk

A prolonged and unplanned interruption to Cleanaway's operations could significantly impact the Company's financial performance. Cleanaway is exposed to a variety of operational risks, including risk of site loss or damage, environmental and climatic events, industrial disputes and systems security breaches.

Cleanaway has a range of controls and strategies in place to manage such risks, including site business continuity and crisis management plans, inspection and maintenance procedures, compliance programs, training, site and business interruption insurance and systems security testing and improvements.

Principle 8: Remunerate fairly and responsibly

Remuneration and Nomination Committee

In relation to remuneration and human resources matters, the Remuneration and Nomination Committee is responsible for assisting the Board to, among other things:

- provide oversight of Cleanaway's overall human resources strategy (including remuneration and compensation plans); and
- support management to achieve the Company's strategy and corporate objectives by developing the capability and engagement of Cleanaway's employees.

The Committee does this by ensuring Cleanaway has in place appropriate human resources strategies and remuneration and employment policies that are consistent with best practices and business requirements, and that Cleanaway adopts and complies with remuneration and employment policies that:

- attract, retain and motivate high calibre executives so as to ensure the sustainable success of Cleanaway for the benefit of all stakeholders;
- are consistent with the human resource needs of Cleanaway;
- motivate management to pursue the long-term growth and success of Cleanaway within an appropriate control framework; and
- demonstrate a clear relationship between Executive performance and remuneration.

The Committee also oversees Cleanaway's Diversity and Inclusion Policy, diversity practices, strategy and targets, including remuneration by gender.

The Committee Charter is reviewed annually and a copy is available online at http://www.cleanaway.com.au/for-investors/corporate-governance/

The Committee met four times during the financial year. Further details regarding its membership, and the number of meetings held and attendances during the financial year are set out on pages 32 and 46 of this Annual Report.

Remuneration Report

The Remuneration Report, which has been included in the Directors' Report, provides information on Cleanaway's remuneration policies and payment details for Non-Executive Directors and Key Management Personnel.

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Directors' Report

The Directors present their Report (including the Remuneration Report) together with the Consolidated Financial Statements of the Group, consisting of Cleanaway Waste Management Limited (the Company) and its controlled entities (Cleanaway *or* the Group), for the financial year ended 30 June 2016 and the Auditor's Report thereon.

On 1 February 2016, the Company changed its name from Transpacific Industries Group Ltd to Cleanaway Waste Management Limited, following shareholders' approval obtained at the Annual General Meeting held on 30 October 2015.

Directors

The names of Directors of the Company at any time during or since the end of the financial year are set out below. Directors were in office for this entire period unless otherwise stated.

M M Hudson	Non-Executive Director, Chairman
M P Chellew	Non-Executive Director, Deputy Chairman (Appointed as Deputy Chairman on 19 February 2016)
V Bansal	Executive Director and Chief Executive Officer (Appointed as Executive Director 20 August 2015)
R M Smith	Non-Executive Director
E R Stein	Non-Executive Director
T A Sinclair	Non-Executive Director
R M Harding	Non-Executive Director
P G Etienne	Non-Executive Director

The office of Company Secretary is held by D J F Last, LLB (Hons), B.Com, FGIA, GAICD.

Particulars of Directors' qualifications, experience and special responsibilities can be found on pages 24 to 25.

Principal activities

During the financial year the principal continuing activities of Cleanaway were:

- Commercial and industrial, municipal and residential collection services for all types of solid waste streams, including general waste, recyclables, construction and demolition waste and medical and washroom services;
- Ownership and management of waste transfer stations, resource recovery and recycling facilities, secure product destruction, quarantine treatment operations and landfills;
- Sale of recovered paper, cardboard, metals and plastics to the domestic and international marketplace;
- Collection, treatment, processing and recycling of liquid and hazardous waste, including industrial waste, grease trap waste, oily waters and used mineral and cooking oils in packaged and bulk forms;
- Industrial solutions including industrial cleaning, vacuum tanker loading, site remediation, sludge management, parts washing, concrete remediation, CCTV, corrosion protection and emergency response services;
- Refining and recycling of used mineral oils to produce fuel oils and base oils; and
- Generation and sale of electricity produced utilising landfill gas.

There were no significant changes in the nature of the Group's principal activities that occurred during the year.

Dividends and distributions

The Company declared a fully franked dividend on ordinary shares for the financial year ended 30 June 2016 of 1.7 cents per share, being an interim dividend of 0.8 cents per share and final dividend of 0.9 cents per share. The record date of the final dividend is 21 September 2016 with payment to be made 7 October 2016. The financial effect of the final dividend has not been brought to account in the Financial Statements for the year ended 30 June 2016 and will be recognised in a subsequent Financial Report.

Details of distributions in respect of the financial year are as follows:

RECOGNISED (PAID AMOUNTS)	2016 $'M	2015 $'M
Fully paid ordinary shares		
Final dividend for 2015: 0.8c per share (2014: 1.5c per share)	12.6	23.7
Interim dividend for 2016: 0.8c per share (2015: 0.7c per share)	12.7	11.1
Step-up preference securities		
Distribution for 2015: $3.05 per share (fully franked at 30% tax rate)	–	7.6
Total dividends and distribution paid	**25.3**	**42.4**

Review of results

Financial Results

The Group's statutory profit after income tax for the year ended 30 June 2016 was $43.1 million (2015: loss of $15.4 million).

The Group's underlying profit after income tax (attributable to ordinary equity holders) for the year ended 30 June 2016 of $63.3 million was up by 38.5% on the prior year (2015: $45.7 million). During the year the Group has implemented a wide number and variety of initiatives targeted at improving operating margins and overall profitability.

The streamlining and simplification of the organisational and operating structure which were designed to achieve a fit for purpose organisation as well as a restructure of the sales function were major contributors to the improved Group results.

Details of the operating segments and a summary of the segment and Group's results for the financial year are set out below.

Operating review

The Group comprises two operating segments being Solids and Liquids & Industrial Services. Unallocated balances include the Group's share of profits from equity accounted investments and corporate balances. A description of the operating segments and a summary of the associated segment results for the year are set out below:

Solids

Core business	**Collections** Commercial and industrial (C&I), municipal and residential collection services for all types of solid waste streams, including general waste, recyclables, construction and demolition waste and medical and washroom services as well as resource recovery and recycling facilities, commodities trading and secure product destruction and quarantine treatment operations. **Post Collections** Ownership and management of waste transfer stations and landfills, including the generation and sale of electricity produced utilising landfill gas.
Financial metrics	Total revenue for the Solids segment increased by 11.7% to $1,058.4 million. Underlying EBITDA increased by 20.0% to $237.7 million. The Collections business reported both increased external revenues and earnings for the period. External revenue increased by 3.0% and underlying EBITDA by 8.4% compared to the previous corresponding period. The Post Collections business reported both increased external revenues and earnings for the period. External revenue increased 47.6% and underlying EBITDA 47.0% compared to the previous corresponding period.
Performance	**Collections** Overall volumes and margins have increased compared to the previous corresponding period. The growth initiatives which are being implemented across the business contributed to increased revenues during the year. **Post Collections** The Post Collections business recorded strong revenue and EBITDA growth during the year. Landfill volumes increased compared to prior year. The Melbourne Regional Landfill was the major driver of the increased revenues and earnings for the business and continues to perform in line with expectations.
Market review and priorities	Market conditions for the Solids operating segment has remained consistent with the prior year. The market conditions for the 2017 financial year are not expected to vary materially from the 2016 financial year. Solids' main priorities in the 2017 financial year will revolve around continued focus on revenue growth, reducing customer churn and increasing market share through customer service and pricing, achieving operational improvements and deriving value from increased resource recovery, as well as the planned bio gas expansion at the Melbourne Regional Landfill.

Operating review (continued)

Liquids and Industrial Services

Core business	Liquids and Industrial Services is a leading operator in the areas of: • Liquids & Hazardous Waste – collection, treatment, processing, refining and recycling of liquid and hazardous waste, including hydrocarbons, for disposal or re-sale. • Industrial Services – services include plant and asset maintenance capabilities, high pressure cleaning, vacuum loading, hydro excavation/non-destructive digging, site remediation, sludge management, concrete remediation, CCTV, corrosion protection and emergency response services.
Financial metrics	Total revenue decreased by 8.3% to $436.6 million, as a result of continued weak market conditions and low oil prices. Underlying EBITDA increased by 3.0% from $55.8 million to $57.5 million.
Performance	Liquid volumes, particularly in the hazardous liquids area, declined and continue to reflect weakness in the industrial and manufacturing sectors of the Australian economy. Non-hazardous liquid volumes were higher however average prices were lower than prior year. Waste oil collections volumes declined during the period with selling prices of both base and fuel oil down significantly compared to the previous corresponding period due to continuing volatility in global oil prices. The Industrial Services segment was flat as activity in the mining and resource processing sectors remain soft on the back of lower commodity prices. The improvement in underlying earnings and margins is the result of significant restructuring activities and improvements in cost management.
Market review and priorities	Market conditions for Liquids and Industrial Services remained difficult over the 2016 financial year as the demand for services from the manufacturing and industrial sectors remained weak. The market conditions for the 2017 financial year are not expected to vary materially from the 2016 financial year. Liquids and Industrial Services' main priorities in the 2017 financial year will be to maintain tight cost control and key contracts.

Operating review (continued)

Group results

	STATUTORY [1]		UNDERLYING ADJUSTMENTS [2]		UNDERLYING [1]	
	2016 $'M	2015 $'M	2016 $'M	2015 $'M	2016 $'M	2015 $'M
Solids	226.2	187.1	11.5	10.9	237.7	198.0
Liquids and Industrial Services	50.9	(27.3)	6.6	83.1	57.5	55.8
Equity accounted investments	1.3	1.4	–	–	1.3	1.4
Waste management	**278.4**	**161.2**	**18.1**	**94.0**	**296.5**	**255.2**
Corporate	(21.5)	(30.3)	6.3	6.4	(15.2)	(23.9)
EBITDA [3]	**256.9**	**130.9**	**24.4**	**100.4**	**281.3**	**231.3**
Depreciation and amortisation	(160.8)	(134.8)	2.1	1.0	(158.7)	(133.8)
EBIT [4]	**96.1**	**(3.9)**	**26.5**	**101.4**	**122.6**	**97.5**
Net finance costs	(34.5)	(27.1)	–	(0.9)	(34.5)	(28.0)
Profit/(loss) before income tax	**61.6**	**(31.0)**	**26.5**	**100.5**	**88.1**	**69.5**
Income tax (expense)/benefit	(18.5)	7.4	(8.0)	(23.0)	(26.5)	(15.6)
Profit/(loss) from continuing operations	**43.1**	**(23.6)**	**18.5**	**77.5**	**61.6**	**53.9**
Profit for the period from discontinued operations	–	8.2	–	(8.2)	–	–
Profit/(loss) after income tax	**43.1**	**(15.4)**	**18.5**	**69.3**	**61.6**	**53.9**
Attributable to:						
Ordinary equity holders	44.8	(23.6)	18.5	69.3	63.3	45.7
Non-controlling interest	(1.7)	0.6	–	–	(1.7)	0.6
Step-up preference security holders	–	7.6	–	–	–	7.6
	43.1	**(15.4)**	**18.5**	**69.3**	**61.6**	**53.9**

1 The use of the term 'Statutory' refers to IFRS financial information and 'Underlying' refers to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – *Disclosing non-IFRS information*. Underlying adjustments have been considered in relation to their size and nature, and have been adjusted from the Statutory information, for disclosure purposes, to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments include transactions or costs that on their own or in combination with a number of similar transactions contribute more than five percent of profit/(loss) after tax. Underlying adjustments are assessed on a consistent basis year-on-year and include both favourable and unfavourable items. The exclusion of these items provides a result which, in the Directors' view, is more closely aligned with the ongoing operations of the Group. The non-IFRS financial information is unaudited.

2 Details of adjustments from Statutory to Underlying financial information are set out on page 44.

3 EBITDA represents earnings before interest, income tax, and depreciation and amortisation expense.

4 EBIT represents earnings before interest and income tax expense.

Operating review (continued)

The following table reconciles profit/(loss) from continuing and discontinued operations after income tax (attributable to ordinary equity holders) to underlying profit after income tax (attributable to ordinary equity holders):

	NOTES	2016 $'M	2015 $'M
Profit/(loss) from continuing and discontinued operations after income tax (attributable to ordinary equity holders)		**44.8**	**(23.6)**
Underlying adjustments to EBITDA:			
Costs associated with restructuring	1	21.1	–
Costs associated with rebranding	2	3.6	–
Costs associated with the fleet grounding	3	–	15.5
Impairment of assets	4	–	77.5
Net proceeds from disposal of investments and costs of acquisitions	5	–	5.8
Other costs		(0.3)	1.6
Total underlying adjustments to EBITDA		**24.4**	**100.4**
Underlying adjustments to EBIT:			
Depreciation and amortisation	6	2.1	1.0
Total underlying adjustments to EBIT		**2.1**	**1.0**
Underlying adjustments to net finance costs:			
Net change in derivative financial instrument and US denominated borrowing	7	–	(0.9)
Total underlying adjustments to net finance costs		–	**(0.9)**
Underlying adjustments to income tax:			
Tax impacts of underlying adjustments to EBITDA and finance costs		(8.0)	(23.0)
Total underlying adjustments to income tax		**(8.0)**	**(23.0)**
Gain on sale of NZ business after items transferred from reserves and income tax		–	(8.2)
Profit for the period from discontinued operations		–	**(8.2)**
Underlying profit after income tax (attributable to ordinary equity holders)		**63.3**	**45.7**

1 Relates to costs associated with organisational restructure (as announced by the CEO at the Annual General Meeting held on 30 October 2015) to achieve a fit for purpose organisation under a revised operating model. Organisational restructure costs include the costs of actual and planned redundancies which meet the requirements of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. In addition, restructuring costs include costs associated with ceased projects and site closures resulting from a comprehensive operational review as part of the organisational structure and operating model revision.

2 Relates to costs incurred during the period to rebrand the Group to 'Cleanaway' (effective 1 February 2016) and reflect only part of a program of spend to be incurred through to 30 June 2018 when the rebranding project is anticipated to conclude.

3 Relates to costs associated with the grounding of the Group's fleet.

4 Relates to impairment of plant and equipment and intangible assets. Refer to note 21 in the Consolidated Financial Statements.

5 Relates to the net realised gain or loss on disposal of investments, sale of properties and assets and acquisition costs.

6 The current period amount relates to accelerated depreciation associated with the site closures referred to it note 1 above. The prior period amount relates to costs associated with the fleet grounding.

7 Relates to net changes in the mark-to-market valuation of derivative financial instruments and the re-measurement of the related US denominated borrowing to the spot rate at period end.

Operating review (continued)

Principal risks

The material business risks that could adversely impact the Group's financial prospects in future periods are economic growth and the regulatory environment.

Economic growth	The state of the economy and the sectors of the economy to which the Group is exposed materially impacts future prospects. Factors which have impacted results in recent periods include increases and decreases in GDP and CPI, increases and decreases in the manufacturing, industrials and construction industries and resource sector activity.
Regulatory environment	The regulatory environment materially impacts future prospects. Regulatory requirements which have impacted historical results include state-based waste levies, carbon tax, environmental regulations and planning regulations. Regulatory requirements, including environmental regulations impacting waste management activities, have increased over time and could potentially increase in the future.

The Group manages these risks in accordance with ASX *Principle 7: Recognise and manage risk* as set out in the Corporate Governance Statement.

Financial position review

Operating cash flow increased 8.2% (2015: decrease of 21.2%) to $190.7 million (2015: $176.2 million). The Group's net assets have increased from $1,754.7 million to $1,781.5 million.

At balance date the Group had total syndicated debt facilities of $600.0 million (2015: $600.0 million), US Private Placement Notes of US$48.0 million (2015: US$48.0 million) and an uncommitted bank guarantee facility of $60.0 million (2015: $40.0 million).

Significant changes in the state of affairs

Other than matters mentioned in this Report, no other significant changes in the state of affairs of the Group occurred during the financial year under review.

Events subsequent to reporting date

On 1 July 2016 the Group acquired the assets and business of Waste 2 Resources Group for $8.5 million. The Waste 2 Resources Group provides waste collection and recovery services in South East Queensland. The initial accounting for the business combination is incomplete at the time the Group's financial statements were authorised for issue, and accordingly details of the financial effect of the business combination have not been disclosed.

On 25 July 2016 the Group acquired the non-controlling interest in Cleanaway Refiners Pty Ltd (formerly Transpacific Refiners Pty Ltd) for $2.5 million. Prior to the acquisition the Group held a 50% controlling interest in this entity. Given that the Group already controlled this entity prior to this acquisition, the transaction does not represent a business combination and will be accounted for in equity as a transaction between equity holders.

Likely developments and expected results of operations

The Group will continue to pursue strategies aimed at improving the profitability, return on capital employed and market position of its principal activities during the next financial year.

Disclosures of information regarding the likely developments in the operations of the Group and the expected results of those operations in future financial years have been included in the Operating Review section of this Report.

Environmental regulation

The Group's operations are subject to significant environmental regulation and the Group holds environmental licences for its sites.

The Group is committed to achieving the highest standards of environmental performance. There were no material breaches of environmental statutory requirements and no material prosecutions during the year. Aggregate fines paid during the year to the date of signing this Annual Report were $47,102 (2015: $110,473).

The Group is registered under the *National Greenhouse and Energy Reporting Act 2007*, under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

Directors' meetings

The number of Directors' meetings and Committee meetings, and the number of meetings attended by each of the Directors who was a member of the Board and the relevant Committee, during the financial year were:

	BOARD MEETINGS		AUDIT AND RISK COMMITTEE		HEALTH, SAFETY AND ENVIRONMENT COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE	
	MEETINGS HELD WHILE A DIRECTOR	NUMBER ATTENDED	MEETINGS HELD WHILE A DIRECTOR	NUMBER ATTENDED	MEETINGS HELD WHILE A DIRECTOR	NUMBER ATTENDED	MEETINGS HELD WHILE A DIRECTOR	NUMBER ATTENDED
Directors								
M M Hudson [1]	8	8	–	–	–	–	–	–
M P Chellew [2]	8	7	–	–	4	4	4	4
V Bansal	8	8	–	–	–	–	–	–
R M Smith [3]	8	8	4	4	–	–	4	4
E R Stein	8	8	4	3	4	3	–	–
T A Sinclair	8	8	4	3	–	–	4	3
R M Harding [4]	8	8	–	–	4	3	4	3
P G Etienne	8	8	4	4	4	4	–	–

1 Chairman of the Board.
2 Deputy Chairman of the Board and Chairman of Health, Safety and Environment Committee.
3 Chairman of Audit and Risk Committee.
4 Chairman of Remuneration and Nomination Committee.

Directors' interests

The relevant interest of each Director in the shares and performance rights over such instruments issued by Cleanaway Waste Management Limited, as notified by the Directors to the Australian Securities Exchange in accordance with section 205G(1) of the *Corporations Act 2001*, as at 30 June 2016 is as follows:

	ORDINARY SHARES	PERFORMANCE RIGHTS
Directors		
M M Hudson	75,258	–
M P Chellew	25,000	–
V Bansal	–	3,167,167
R M Smith	65,715	–
E R Stein	66,549	–
T A Sinclair	38,789	–
R M Harding	12,644	–
P G Etienne	13,737	–

Shares under option

During the financial year ended 30 June 2016 and up to the date of this Report, no options were granted over unissued shares. As at the date of this Report there are no unissued ordinary shares of the Company under option.

Details of performance rights granted under the short term incentive and long term incentive offers in the 2016 and 2015 financial year are set out in the Remuneration Report. Total performance rights outstanding as at 30 June 2016 are 10,747,370 (2015: 14,015,315). Performance rights outstanding at the date of this report are 9,873,287.

Shares issued on the exercise of performance rights

During the financial year ended 30 June 2016 and up to the date of this report, the Company issued 1,245,350 shares as a result of the exercise of performance rights that vested during the year. During the financial year ended 30 June 2015 and up to the date of the 2015 report, the Company issued 696,239 ordinary shares as a result of the exercise of performance rights that vested on 30 June 2015.

Directors' and officers' insurance

During the financial year, the Company paid insurance premiums to insure the Directors and Officers of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as Directors and Officers of entities in the Group, and any other payments arising from liabilities incurred by the Directors and Officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the Directors and Officers or the improper use by the Directors and Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. Disclosure of the premium paid is not permitted under the terms of the insurance contract.

Non-audit services

The Company may decide to employ the auditors on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Company and/or the Group are important. No non-audit services were provided during the year ended 30 June 2016. During the year ended 30 June 2015, non-audit services included due diligence services and other advisory services.

Details of the amounts paid or payable to the auditor and its related practices for audit and non-audit services are set out below.

	2016 $	2015 $
Audit services	1,435,270	1,547,365
Audit related services	9,000	104,467
Non-audit services		
Due diligence services	–	197,142
Other advisory services	–	165,510
Total	**1,444,270**	**2,014,484**

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 63.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Legislative Instrument to the nearest hundred thousand dollars or, in certain cases, to the nearest dollar.

This Report, including the Remuneration Report set out on pages 48 to 62, is made in accordance with a resolution of the Board.

M M Hudson
Non-Executive Director and Chairman

V Bansal
Chief Executive Officer and Managing Director

Melbourne, 19 August 2016

Remuneration Report (Audited)

Introduction

The Directors of Cleanaway Waste Management Limited present the Company's Remuneration Report (Report) which forms part of the Directors' Report for the financial year ended 30 June 2016.

This Report outlines the remuneration arrangements for Key Management Personnel (KMP) of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. The information in this Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Contents

The Report contains the following sections:

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1. *Key management personnel*

For the purposes of this Report, KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

Consistent with last year's Report, this includes the Non-Executive Directors, Chief Executive Officer (CEO) & Managing Director, Chief Financial Officer (CFO) and Executive General Manager – Sales & Marketing. Key changes during the year were:

- The appointment of Mr Bansal as CEO & Managing Director;
- The departure of Mr Perko as the Managing Director of the Solids business; and
- The departure of Mr Roderick as the Managing Director of the Liquids and Industrial Services business.

The KMP disclosed in this Report for the year ended 30 June 2016 are detailed in the following table:

NAME	TITLE	PERIOD KMP (IF LESS THAN FULL YEAR)
NON-EXECUTIVE DIRECTORS		
M M Hudson	Chairman and Non-Executive Director	
M P Chellew	Deputy Chairman and Non-Executive Director	
R M Smith	Non-Executive Director	
E R Stein	Non-Executive Director	
T A Sinclair	Non-Executive Director	
R M Harding	Non-Executive Director	
P G Etienne	Non-Executive Director	
EXECUTIVES		
V Bansal	Chief Executive Officer (CEO) & Managing Director	From 3 August 2015
D A Aardsma	Executive General Manager – Sales & Marketing	
B J Gill	Chief Financial Officer (CFO) [1]	
FORMER EXECUTIVES		
J Perko	Managing Director Solids	Until 11 September 2015
A G Roderick	Managing Director Liquids and Industrial Services	Until 31 March 2016

1 Mr Gill was also acting CEO from 26 June 2015 to 3 August 2015.

2. Governance and role of the board

2A. Remuneration and nomination committee

The Remuneration and Nomination Committee (Committee) assists the Board in its oversight of the Group's: remuneration and incentives strategy and arrangements; recruitment, retention and succession plans for the Board and Executive management team; corporate culture and engagement; and diversity and inclusion strategy.

The Committee's charter is available online at: http://www.cleanaway.com.au/for-investors/corporate-governance/

The Committee is comprised entirely of independent Non-Executive Directors: Mike Harding (Chairman), Ray Smith, Terry Sinclair and Mark Chellew. Other Non-Executive Directors, who are not Committee members, are entitled to attend meetings as observers. The CEO and other Executives are invited to attend Committee meetings as required, however they do not participate in decisions concerning their own arrangements.

2B. Engagement of remuneration consultants

Under the Committee's charter, the Committee, or any individual member, has the authority, with the Chairperson's consent, to seek any information it requires from any employee or external party.

In accordance with the *Corporations Act 2001*, any engagement of a remuneration consultant to provide a remuneration recommendation in respect of KMP must be approved and received by the Committee. The remuneration recommendation must be accompanied by a declaration from the remuneration consultant that it was free from undue influence of KMP.

For the year ended 30 June 2016, the Committee did not receive any remuneration recommendation as defined in the *Corporations Act 2001* from remuneration consultants in relation to KMP.

Since 1 July 2016, the Committee has engaged 3 degrees consulting Pty Ltd to provide information and advice regarding the Company's short term and long term incentive plans, CEO remuneration and Non-Executive Director fees.

3. Non-Executive Directors' remuneration

3A. Current Non-Executive Director fees

The remuneration received by Non-Executive Directors for the years ended 30 June 2016 and 30 June 2015 is set out in the following table:

	FINANCIAL YEAR	SALARY AND FEES $	SUPERANNUATION BENEFITS [1] $	TOTAL $
NON-EXECUTIVE DIRECTORS				
M M Hudson	**2016**	**280,692**	**19,308**	**300,000**
	2015	251,712	23,913	275,625
M P Chellew	**2016**	**132,724**	**12,609**	**145,333**
	2015	132,722	12,609	145,331
R M Smith	**2016**	**141,878**	**13,478**	**155,356**
	2015	141,875	13,478	155,353
E R Stein	**2016**	**114,418**	**10,869**	**125,287**
	2015	114,415	10,869	125,284
T A Sinclair	**2016**	**114,418**	**10,869**	**125,287**
	2015	114,415	10,869	125,284
R M Harding	**2016**	**132,724**	**12,609**	**145,333**
	2015	132,722	12,609	145,331
P G Etienne	**2016**	**114,418**	**10,869**	**125,287**
	2015	114,415	10,869	125,284
Total	**2016**	**1,031,272**	**90,611**	**1,121,883**
	2015	1,002,276	95,216	1,097,492

1 For comparative purposes, 2015 amounts have been restated to exclude a quarterly superannuation contribution relating to 2014 which was previously incorrectly included.

3. Non-Executive Directors' remuneration (continued)

3B. Aggregate fee limit

The current aggregate amount of remuneration that can be paid to Non-Executive Directors of $1,200,000 was approved by shareholders at the Company's 2010 Annual General Meeting.

For the year ended 30 June 2016, the aggregate remuneration paid to all Non-Executive Directors was $1,121,883. This represents an increase of 2.2% compared with FY2015 and reflects the increase in the Chairman's fee to $300,000 effective 1 July 2015 which brought the Chairman's fee in line with peer companies and recognised the increased effort required of the role of Chairman.

3C. Fee structure

Aside from the 0.25% Superannuation Guarantee increases effective 1 July 2013 and 1 July 2014 respectively, the base Non-Executive Director fee and Committee Chairman fees have not increased since 2010.

The fee structure (inclusive of superannuation) for the year ended 30 June 2016 is detailed in the following table:

	BOARD $	AUDIT AND RISK COMMITTEE $	HEALTH, SAFETY AND ENVIRONMENT COMMITTEE $	REMUNERATION AND NOMINATION COMMITTEE $
Chairman	300,000	30,069	20,046	20,046
Non-Executive Director	125,287	–	–	–

As a result of a review of Non-Executive Director fees, the Board have approved, with effect from 1 July 2016, a 2.5% increase in the Non-Executive Director fee and the introduction of a Committee membership fee of $5,000 for each Committee membership. Note, the Chairman's fee and the fees for chairing a Board committee remain unchanged. In introducing this change, the Board took into consideration a number of factors including: the reduced size of the Board as a result of Mr Hudson's retirement, the intent that fees are in line with peer companies (having regard to market capitalisation, industry sector and key competitors) and to provide adequate recompense for the additional time commitment of Committee membership.

The fee structure (inclusive of superannuation) from 1 July 2016 is detailed in the following table:

	BOARD $	AUDIT AND RISK COMMITTEE $	HEALTH, SAFETY AND ENVIRONMENT COMMITTEE $	REMUNERATION AND NOMINATION COMMITTEE $
Chairman	300,000	30,069	20,046	20,046
Non-Executive Director	128,419	5,000	5,000	5,000

4. Executive reward strategy and framework

4A. Strategy and framework

The Group's remuneration strategy is designed to attract, retain and motivate high calibre Executives to ensure the sustainable success of the Group for the benefit of all stakeholders.

The Board ensures that executive remuneration satisfies the following key criteria for good remuneration governance practices:

- Aligned to the Group's business strategy;
- Competitive and reasonable as benchmarked against the external market;
- Performance linked to individual and financial performance; and
- Aligned to shareholder value.

The Board, upon the recommendation of the Remuneration and Nomination Committee, has developed and adopted a structure driven by these key criteria which comprises a mix of fixed and variable remuneration components.

In undertaking a review of the Company's short term incentive plan, it became apparent that when STI deferral was introduced, both the quantum and time period of deferral selected were in excess of market peers and accordingly the STI deferral structure was a de-motivator for Executives. As a result of the review, the Board determined that, while STI deferral would be retained, it would be appropriate to reduce both the deferral quantum and period for the CEO (from 50% and two years) and other Executive KMP (from 33% and one year) to 20% and one year for both.

The Board considers that this change will ensure that the Company's remuneration framework will remain market competitive for talent – in terms of both the motivation and reward of the current management team and attraction of future talent.

4B. Remuneration elements and mix

For the year ended 30 June 2016, the total remuneration packages for Executive KMP (with the exception of Mr Aardsma) consist of the following elements:

TOTAL FIXED REMUNERATION (TFR)	SHORT TERM INCENTIVE (STI)		LONG TERM INCENTIVE (LTI)	
Annual fixed remuneration, including superannuation and other non-monetary benefits	**CEO:** Target STI of 75% of TFR and a stretch of 150% of TFR.	**Other Executive KMP:** Target STI of 50% of TFR and a stretch of 100% of TFR.	**CEO:** Target LTI of 75% of TFR and a stretch of 150% of TFR.	**Other Executive KMP:** Target LTI of 25% of TFR and a stretch of 50% of TFR.
	80% payable as cash; and 20% allocated as performance rights with vesting deferred for 1 year.		Allocated as performance rights with vesting linked to relative TSR and ROIC over a 3 year performance period.	

See section 5 for further detail on each of the elements listed above.

4C. Shareholding guideline

From 1 July 2015, the CEO and Executive team are encouraged to build and maintain a shareholding in the Company equivalent to:

- CEO – 100% of annual total fixed remuneration (TFR); and
- Executive Team – 50% of annual TFR.

It is expected that this shareholding will be accumulated within five years from 1 July 2015, or the initial appointment date to an Executive role, whichever is later.

The number of performance rights and ordinary shares in the Company held by each Executive KMP is set out in Tables 7A, 7B and 8A.

5. Executive key management personnel – reward outcomes

5A. Remuneration received

The remuneration received or receivable by Executive KMP for the years ended 30 June 2016 and 30 June 2015 is set out in the following table:

	FINANCIAL YEAR	SALARY AND FEES $	OTHER CASH $	STI CASH $	NON-MONETARY BENEFITS $	SHARE-BASED PAYMENTS[1] $	POST EMPLOY-MENT BENEFITS $	TERMINATION PAY $	TOTAL $	PERFOR-MANCE RELATED
EXECUTIVE KEY MANAGEMENT PERSONNEL										
V Bansal[2]	**2016**	**1,082,300**	**–**	**956,150**	**60,090**	**668,895**	**17,699**	**–**	**2,785,134**	**58%**
D A Aardsma[3]	**2016**	**648,537**	**260,000**	**573,600**	**99,391**	**–**	**–**	**–**	**1,581,528**	**36%**
	2015	498,439	86,507	–	26,826	–	–	–	611,772	0%
B J Gill	**2016**	**607,066**	**–**	**214,800**	**–**	**165,162**	**19,308**	**–**	**1,006,336**	**38%**
	2015	438,148	–	–	1,034	49,194	14,300	–	502,676	10%
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL										
J Perko[4]	**2016**	**164,539**	**–**	**–**	**36,909**	**(191,812)**	**–**	**–**	**9,636**	**0%**
	2015	752,820	–	–	40,019	373,704	–	–	1,166,543	32%
A G Roderick[5]	**2016**	**486,882**	**–**	**–**	**4,544**	**(194,431)**	**14,481**	**668,861**	**980,337**	**0%**
	2015	707,561	–	–	4,443	453,641	18,783	–	1,184,428	38%
R C Boucher Jr[6]	**2016**	**–**	**–**	**–**	**10,287**	**–**	**–**	**–**	**10,287**	**0%**
	2015	1,506,068	500,000	–	32,800	–	–	30,315	2,069,183	24%
S G Cummins	2015	203,867	–	–	9,545	(234,272)	8,853	598,954	586,947	0%
Total	**2016**	**2,989,324**	**260,000**	**1,744,550**	**211,221**	**447,814**	**51,488**	**668,861**	**6,373,258**	
	2015	4,106,903	586,507	–	114,667	642,267	41,936	629,269	6,121,549	

1 Share-based payments consist of performance rights. The fair value of the performance rights is measured at the date of grant using Monte Carlo simulation and the Black Scholes model and is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the performance rights recognised as an expense in each reporting period, net of any reversals for forfeited performance rights or changes in the probability of performance rights vesting. Performance rights include the expense relating to the deferred share component of STI.

2 Non-monetary benefits comprise costs associated with Mr Bansal's accommodation in Melbourne and personal travel between Sydney and Melbourne. Share-based payments comprise the expense relating to the one-off allocation of 328,947 performance rights to the value of $250,000, as disclosed in the prior year, the FY2016 LTI allocation, and the deferred share component of FY2016 STI.

3 Other cash comprises Mr Aardsma's international service premium reflecting the expatriate nature of his assignment. Non-monetary benefits comprise costs associated with Mr Aardsma's relocation from the USA, personal travel between Australia and the USA, health insurance, tax preparation and car parking.

4 KMP until 11 September 2015. Non-monetary benefits comprises costs associated with Mr Perko's personal travel between Australia and the USA and health insurance. No termination pay provided.

5 KMP until 31 March 2016. Non-monetary benefits comprise costs associated with provision of a fuel card and e-tag. Termination pay represents payment in lieu of notice.

6 KMP until 26 June 2015. During the year ended 30 June 2016, the Company paid PwC $10,287 for the preparation of Mr Boucher's Australian and US tax returns.

An explanation of the key remuneration elements (TFR, STI and LTI) as well as FY2016 outcomes is provided in the following sections.

5. Executive key management personnel – reward outcomes (continued)

5B. Total fixed remuneration

TFR consists of base salary plus statutory superannuation contributions and other non-monetary benefits such as car parking. Executives receive a fixed remuneration package which is reviewed annually by the Committee and the Board taking into consideration the following factors:

- Company and individual performance;
- The responsibilities of the role;
- The qualifications and experience of the incumbent; and
- Benchmark market data including those companies with which the Company competes for talent.

There are no guaranteed base pay increases included in any Executive KMP contract.

FY2016 total fixed remuneration outcomes

As previously disclosed, Mr Bansal commenced with the Company on 3 August 2015 with a TFR of $1,200,000. For the year ended 30 June 2016, reflecting his appointment during the year, the fixed remuneration package of Mr Bansal has not increased.

Similarly, reflecting the fixed term nature of his contract, the fixed remuneration package of Mr Aardsma has not increased since his appointment on 15 January 2015.

For the year ended 30 June 2016, Mr Gill received a total increase in TFR of 3.6% from $600,000 to $621,688. The majority of this increase related to Mr Gill's annual salary review outcome of 2.5% effective 1 October 2015 and was consistent with the increases provided to other Executives and staff. The remainder of the increase related to adjustments to his TFR as part of the Company's superannuation arrangements and transition to employee paid parking.

As previously disclosed, for the period Mr Gill was in the role of Acting CEO, he received a monthly allowance of $8,000 in order to provide temporary and partial compensation for his additional responsibilities and duties. Reflecting his appointment in the Acting CEO role from 26 June 2015 to 3 August 2015, Mr Gill received a total payment of $9,477.

5C. FY2016 short term incentive

For the year ended 30 June 2016, the CEO, some but not all of the other Executive KMP, other senior executives and eligible employees participated in the Cleanaway Short Term Incentive (STI) Plan. Executive KMP who did not participate in the FY2016 STI were: Mr Perko – departure and Mr Roderick – redundancy. As outlined in section 4B:

- the CEO has a target STI opportunity of 75% of TFR and a maximum STI opportunity of 150% of TFR (being two times target); and
- other Executive KMP have a target STI opportunity of 50% of TFR and a maximum STI opportunity of 100% of TFR. Note, Mr Gill's opportunity remained unchanged for the period he was in the role of Acting CEO.

For the year ended 30 June 2016, in order to align their maximum STI opportunity as a percentage of target with that of the CEO (i.e. two times target), the maximum STI opportunity for other Executive KMP was increased from 93.75% to 100% of TFR.

Mr Aardsma, participated in the FY2016 STI on a pro-rata basis from 1 January 2016. Prior to that, for calendar year 2015, Mr Aardsma participated in an Annual Assignment Achievement Bonus plan with a target opportunity of $300,000 and a maximum opportunity of $600,000. Any payment under this plan was subject to Mr Aardsma's achievement of growth transformation milestones as agreed with the CEO and was payable entirely in cash. The transition to the FY2016 STI plan was made to better align Mr Aardsma's financial metrics and reward outcomes with the CEO and other Executive KMP. Any STI remains payable entirely in cash.

5. Executive key management personnel – reward outcomes (continued)

The FY2016 STI plan was revised in order to focus participants on the financial, health, safety and environment and, if applicable, employee engagement metrics that are key to the sustainable success of Cleanaway. The details of the FY2016 Plan are summarised in the following table.

Performance period	1 July 2015 – 30 June 2016
Gateway	• Payments under the FY2016 STI plan are subject to the achievement of Cleanaway's FY2016 Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) target. • The Board considers EBITDA to be an appropriate performance measure as it aligns with Cleanaway's focus on generating cash flow from the existing asset base and financial results that management can influence. Significant extraordinary events are included as a discretionary item for the Board to consider.
Key Performance Metrics upon which any FY2016 STI payment is based	• Financial metrics – 80% weighting • Health, Safety and Environment metrics – 20% weighting • Employee Engagement modifier – which has the potential to reduce the STI payment by 10%
Financial metrics	• The three financial metrics and their respective weightings are: – Group EBITDA – 30% weighting – Group Net Revenue – 20% weighting. Included as it reflects growth in our business. – Group Net Profit After Tax Return on Invested Capital (NPAT ROIC) – 30% weighting. Included as it is aligns with Cleanaway's focus on improving the returns from the net assets employed in our business. • Each financial metric has a threshold, target and stretch level of performance which is based on the Company's FY2016 budget and with STI outcomes as follows: – Below threshold – 0% – At threshold – 75% of on-target STI opportunity – At target – 100% of on-target STI opportunity – At stretch – 200% of on-target STI opportunity
Health, Safety & Environment metrics	• Payments under the Health, Safety & Environment (HSE) metrics are subject to gateway conditions that: – there are no work-related deaths (applicable to the Health & Safety metric); and – there are no significant rated environmental incidents (applicable to the Environmental metric). • The two HSE metrics and their respective weightings are: – Group Total Recordable Injury Frequency Rate (TRIFR) – 15% weighting. Included as it measures the outcome of our injury prevention strategies and programs. – Group Environmental Incidents – 5% weighting. Included as it measures the outcome effectiveness of our environmental risk management strategies and programs. • Each HSE metric has a threshold, target and stretch level of performance with STI outcomes as per the financial metrics schedule above.
Employee Engagement modifier	• A participant's final STI payment will be reduced by 10% if the Group's Employee Engagement is below target.

5. Executive key management personnel – reward outcomes (continued)

FY2016 short term incentive outcomes

The progress Cleanaway has achieved in its operational business performance for the year ended 30 June 2016 is reflected in its improved financial, TRIFR and environmental and employee engagement outcomes.

The STI payments received or receivable by Executive KMP for the year ended 30 June 2016 reflect these financial and non-financial results and are summarised in the following table:

		TOTAL STI $	CASH COMPONENT [1] $	DEFERRED SHARE COMPONENT [1] $	PERCENTAGE OF TARGET STI OPPORTUNITY [2]	PERCENTAGE OF MAXIMUM STI OPPORTUNITY [2]
EXECUTIVE KEY MANAGEMENT PERSONNEL						
V Bansal	**2016**	**1,195,200**	**956,150**	**239,050**	**146.0%**	**73.0%**
D A Aardsma [3]	**2016**	**573,600**	**573,600**	**–**	**127.5%**	**63.7%**
	2015	–	–	–	–	–
B J Gill	**2016**	**268,500**	**214,800**	**53,700**	**86.4%**	**43.2%**
	2015	–	–	–	–	–
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL [4]						
J Perko	**2016**	–	–	–	–	–
	2015	–	–	–	–	–
A G Roderick	**2016**	–	–	–	–	–
	2015	–	–	–	–	–
R C Boucher	**2016**	–	–	–	–	–
	2015	–	–	–	–	–
S G Cummins	2015	–	–	–	–	–

1 As summarised in section 4B, for the CEO and other Executive KMP (with the exception of Mr Aardsma) 80% of any STI is payable as cash and 20% is payable as performance rights with vesting deferred for one year; for Mr Aardsma 100% of any STI is payable as cash.
2 Calculated based on total STI as a percentage of the pro-rata target and maximum STI opportunities respectively.
3 Calculated including Mr Aardsma's CY2015 Annual Assignment Achievement Bonus and pro-rata participation in the FY2016 STI plan from 1 January 2016.
4 As a result of their departures during the year, Mr Perko and Mr Roderick forfeited their participation in the FY2016 STI. Mr Boucher was not a KMP during the year and did not participate in the FY2016 STI.

5D. Prior short term incentive awards

As a result of Mr Perko's departure, he forfeited the 66,275 performance rights allocated to him in relation to the FY2014 STI. Mr Perko did not receive an FY2015 STI payment or participate in the FY2016 STI.

As Mr Roderick's departure was due to his role being made redundant, the Board exercised its discretion to treat him as a 'good leaver' with respect to his deferred FY2014 STI payment. As a result, he retained the 43,736 performance rights allocated to him in relation to the FY2014 STI – these performance rights vested and became exercisable on 30 June 2016. Mr Roderick did not receive a FY2015 STI payment and was not eligible for a FY2016 STI payment.

5E. FY2016 long term incentive

Offers under the Cleanaway Long Term Incentive (LTI) Plan are made on an annual basis. For the year ended 30 June 2016, an LTI offer was made to Mr Bansal following shareholder approval at the Company's 2015 AGM as well as to other senior executives including Mr Gill. Other Executive KMP did not receive an FY2016 LTI offer for the following reasons: Mr Perko – departure; Mr Roderick – redundancy; and Mr Aardsma – does not participate given his fixed term contract.

The details of the FY2016 LTI offer are summarised in the table on the next page. The details of previous LTI offers that remain outstanding as at 30 June 2016 are summarised in section 5F.

For all LTI offers, the number of performance rights offered at target is calculated by dividing a participant's LTI opportunity by Cleanaway's volume weighted average share price. As outlined in section 4B:

- the CEO has a target LTI opportunity of 75% of TFR and a maximum LTI opportunity of 150% of TFR (being two times target); and
- other Executive KMP have a target LTI opportunity of 25% of TFR and a maximum LTI opportunity of 50% of TFR.

The number of performance rights granted to each Executive KMP for the year ended 30 June 2016 is outlined in section 7A. The number of performance rights each Executive KMP has on issue as at 30 June 2016 is outlined in section 7B.

5. Executive key management personnel – reward outcomes (continued)

For all LTI offers, where a participant ceases employment prior to the end of the performance period, the performance rights are forfeited unless the Board applies its discretion. The Board also has discretion to determine the extent of vesting in the event of a change of control, or where a participant dies, becomes permanently disabled, retires or is made redundant. During the year ended 30 June 2016, no such discretion was exercised.

The structure of the FY2016 LTI is summarised as follows:

Performance period	3 years: 1 July 2015 – 30 June 2018
Overview	Performance rights, vesting of which is subject to: • Relative Total Shareholder Return (50%): The Board considers relative TSR to be an appropriate performance measure for CEO and other Executive KMP reward as it focuses on the extent to which shareholder returns are generated relative to the performance of Industrial companies of similar size. Relative TSR is calculated as the total return (being income and capital gain) of the Company over the performance period compared with a peer group of companies (being the constituents of the S&P/ASX200 Industrial Sector Index). • Return On Invested Capital (50%): The Board considers ROIC to be an appropriate performance measure for CEO and other Executive KMP reward as it focuses on managing both the financial returns and the invested capital base used to generate those returns. ROIC is calculated for each year of the performance period, as underlying net profit after tax divided by invested capital.
Relative TSR performance standard (measured over 3 years: 1 July 2015 to 30 June 2018)	Relative Total Shareholder Return (TSR) Ranking against the constituents of the S&P/ASX200 Industrial Sector Index: • Below 50th percentile – 0% vesting • 50th percentile – 50% vesting • 50th to 75th percentile – straight line vesting between 50% and 100% • 75th percentile and above – 100% vesting
ROIC performance standard (measured over 3 years: 1 July 2015 to 30 June 2018)	Average Return On Invested Capital (ROIC) to be achieved: • Below 4.6% – 0% vesting • 4.6% – 20% vesting • 4.6% to 5.6% – straight line vesting between 20% and 50% • 5.6% to 7.6% – straight line vesting between 50% and 100% • 7.6% and above – 100% vesting
Vesting date	14 days after the release of the FY2018 results
Grant date fair value for accounting purposes	As a share-based payment, the performance rights were valued for accounting and reporting purposes using Monte Carlo simulation and the Black Scholes Model. Fair value of grant to CEO: • Relative TSR tranche: $0.32 • ROIC tranche: $0.63 Fair value of grant to other Executive KMP: • Relative TSR tranche: $0.42 • ROIC tranche: $0.72
Number of performance rights issued and number remaining on issue as at 30 June 2016	Issued: 5,646,390, all of which remain on issue as at 30 June 2016

5. Executive key management personnel – reward outcomes (continued)

5F. Prior long term incentive awards

The following table outlines the terms of the outstanding LTI offers made from FY2013 to FY2015:

	FY2013 LTI AWARD	FY2014 LTI AWARD	FY2015 LTI AWARD
Performance period	4 years: 1 July 2012 to 30 June 2016	4 years: 1 July 2013 to 30 June 2017	Up to 4 years: 1 July 2014 to 30 June 2018 [1]
Overview	Performance rights, vesting of which is subject to: • Relative TSR (50%) • Earnings Per Share (50%)		Performance rights, vesting of which is subject to: • Relative TSR (25%) • Return on Invested Capital (25%) • Strategic Initiatives (50%)
Relative TSR performance standards	TSR Ranking against the constituents of the S&P /ASX200 Industrial Sector Index: • Below 50th percentile – 0% vesting • 50th percentile – 50% vesting • 50th to 75th percentile – straight line vesting between 50% and 100% • 75th percentile and above – 100% vesting		
EPS / ROIC performance standards	EPS in final year of performance period: • Below 10 cents per share – 0% vesting • 10 cents per share – 50% vesting • 10 to 12.8 cents per share – straight line vesting between 50% and 75% • 12.8 to 14.0 cents per share – straight line vesting between 75% and 100% • 14.0 cents per share and above – 100% vesting		Average ROIC: • Below 4.29% – 0% vesting • 4.29% – 20% vesting • 4.29% to 5.29% – straight line vesting between 20% and 50% • 5.29% to 7.29% – straight line vesting between 50% and 100% • 7.29% and above – 100% vesting
Strategic Initiatives	Not applicable	Not applicable	The first Strategic Initiative applied to the former CEO only. As disclosed in last year's Report it was satisfied with the successful completion of the Melbourne Regional Landfill acquisition. The details of the remaining Strategic Initiatives have not been disclosed as they relate to significant strategic objectives, and disclosure would be prejudicial to the Company's interests. The nature of these targets will be disclosed following completion of the performance period.
Vesting date	14 days after the release of the FY2016 results	14 days after the release of the FY2017 results	14 days after the release of the FY2017 and FY2018 results
Grant date fair value for accounting purposes [2]	Relative TSR tranche: $0.49 EPS tranche: $0.75	Relative TSR tranche: $0.93 EPS tranche: $1.18	Relative TSR tranche: $0.17 ROIC & Strategic tranches: $0.68
Number of awards remaining on issue as at 30 June 2016	786,366	1,480,949	1,912,388

1 A three year performance period applies to the relative TSR and ROIC performance measures of the FY2015 LTI; the strategic initiatives are assessed over four years.

2 As a share-based payment, the portion of the performance rights relating to market based conditions were valued for accounting and reporting purposes using the Monte Carlo simulation method and the portion relating to EPS or ROIC using the Black Scholes Model.

5. Executive key management personnel – reward outcomes (continued)

Prior year long term incentive outcomes

Of the outstanding LTI awards, only the FY2013 award was formally tested during FY2016. Based on the Company's relative TSR and EPS performance over the performance period (from 1 July 2012 to 30 June 2016), the offer will vest partially – with the relative TSR tranche vesting at 53.4% and the EPS tranche lapsing in full.

Current Executive KMP

None of the current Executive KMP participated in the FY2013 LTI.

Former Executive KMP

As a result of Mr Perko's departure, he forfeited the 1,237,160 performance rights allocated to him in relation to the FY2014 and FY2015 LTI. Mr Perko did not participate in the FY2016 LTI given his departure prior to the grant.

As a result of Mr Roderick's departure, he forfeited the 1,520,011 performance rights allocated to him in relation to the FY2013, FY2014 and FY2015 LTIs. Mr Roderick did not participate in the FY2016 LTI given his departure prior to the grant.

6. Executive key management personnel – contract terms

6A. CEO and Executive KMP (with the exception of Mr Aardsma)

The CEO (Mr Bansal) and other Executive KMP (with the exception of Mr Aardsma) are employed on the basis of an Executive Service Agreement (Agreement). These Agreements contain a range of terms and conditions including remuneration and other benefits, notice periods and termination benefits. The key contract terms are as follows:

- Contract term: no fixed term.
- Notice period: 12 months (resignation or termination without cause).
- Redundancy: 12 months' notice.

Any payment in lieu of notice and/or redundancy is not to exceed average annual base salary as defined by the *Corporations Act 2001* over the previous three years.

The Company may terminate Agreements immediately for cause, in which case the Executive is not entitled to any payment in lieu of notice or contractual compensation.

The Agreements also provide for an Executive's participation in the STI and LTI plans subject to Board approval of their eligibility and in accordance with the terms and conditions of the respective plans.

In addition, Mr Bansal is entitled to relocation support, with the Company covering the costs associated with Mr Bansal relocating from Sydney to Melbourne including: flights to Melbourne; temporary accommodation until the end of CY2016; personal and household item removal cost and insurance; and a set-up allowance of $10,000 gross. The cost to the Group in providing this support to Mr Bansal for the year ended 30 June 2016 is summarised in section 5A.

6B. Other Executive KMP (Mr Aardsma)

Mr Aardsma is employed on the basis of a fixed term Agreement. Mr Aardsma's Agreement provides for:

- Contract term: two years, with the option for Cleanaway and Mr Aardsma to mutually agree to extend the Agreement for a further one year.
- International assignment assistance: support for Mr Aardsma and his family in moving from the United States to Australia. This support includes an international service premium and motor vehicle allowance, coverage of costs associated with moving personal and household items, health care coverage and tax advice for the duration of his appointment, and flights to and from the USA annually. The cost to the Group in providing this assistance to Mr Aardsma for the year ended 30 June 2016 is summarised in section 5A.
- Annual Bonus: opportunity to earn an Annual Assignment Achievement Bonus (Bonus) of $300,000 at target ($600,000 at maximum) in lieu of participation in the Company's STI and LTI plans. Note, as outlined in section 5C, for the year ended 30 June 2016, Mr Aardsma, participated in the FY2016 STI on a pro-rata basis from 1 January 2016. Prior to that, for calendar year 2015, Mr Aardsma participated in the Bonus plan. There is no Bonus plan for CY2016. The outcomes under both the CY2015 Bonus plan and pro-rata FY2016 STI are also detailed in section 5C.

6C. Additional remuneration

As a result of Mr Perko's departure, he forfeited the 1,184,210 performance rights allocated to him in relation to the retention arrangement entered into at the beginning of the year ended 30 June 2016 and disclosed in last year's Report. At the time of a new CEO coming on-board, the arrangement with Mr Perko was intended to secure his services during the transformation of the Company.

7. Executive key management personnel – additional remuneration tables

7A. Performance rights granted and movement during the year

The aggregate number of performance rights in the Company that were granted as compensation, exercised or lapsed in relation to each Executive KMP for the year ended 30 June 2016 is set out in the following table:

YEAR ENDED 30 JUNE 2016	BALANCE AT 1 JULY 2015 NUMBER	RIGHTS GRANTED DURING THE YEAR [1] NUMBER	VALUE OF RIGHTS GRANTED DURING THE YEAR [2] $	RIGHTS EXERCISED DURING THE YEAR NUMBER	VALUE OF RIGHTS EXERCISED DURING THE YEAR [3] $	LAPSED/ CANCELLED DURING THE YEAR NUMBER	BALANCE AT 30 JUNE 2016 NUMBER	MAXIMUM TOTAL YET TO VEST NUMBER
EXECUTIVE KEY MANAGEMENT PERSONNEL								
V Bansal	–	3,167,167	1,589,312	–	–	–	3,167,167	3,167,167
D A Aardsma	–	–	–	–	–	–	–	–
B J Gill	671,140	490,134	277,416	–	–	–	1,161,274	1,161,274
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL								
J Perko [4]	1,303,435	1,184,210	900,000	–	–	(2,487,645)	–	–
A G Roderick	1,974,273	–	–	(205,263)	(134,447)	(1,725,274)	43,736	–

1 Performance rights were granted to the CEO under the LTIP – 2016 Offer on 30 October 2015 and Deferred Equity Plan – Sign-on Award on 20 August 2015 and to other Executive KMP under the LTIP – 2016 Offer on 17 March 2016.

2 The fair value of performance rights granted to the CEO calculated using Monte Carlo simulation and the Black Scholes Model, is $0.32 to $0.63 per Performance Right under the LTIP – 2016 Offer and $0.72 per Performance Right under the Sign-on Award. The fair value of performance rights granted to other Executive KMP calculated using Monte Carlo simulation method and the Black Scholes Model, is $0.42 to $0.72 per Performance Right under the LTIP – 2016 Offer.

3 Calculated per Performance Right as the market value of Cleanaway shares on the date of exercise.

4 As a result of Mr Perko's departure, he forfeited the 1,184,210 performance rights allocated to him in relation to the retention arrangement entered into at the beginning of the year ended 30 June 2016 and disclosed in last year's Report.

7B. Performance rights as at 30 June 2016

The number of performance rights included in the balance at 30 June 2016 for the Executive KMP is set out in the following table:

ISSUED	2013 LTI	2014 STI	2014 LTI	2015 LTI	2016 OTHER	2016 LTI	BALANCE AT 30 JUNE 2016	VESTED & EXERCISABLE AT THE END OF THE YEAR
EXECUTIVE KEY MANAGEMENT PERSONNEL								
V Bansal [1]	–	–	–	–	328,947	2,838,220	3,167,167	–
D A Aardsma	–	–	–	–	–	–	–	–
B Gill	–	–	–	671,140	–	490,134	1,161,274	–
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL								
J Perko	–	–	–	–	–	–	–	–
A G Roderick	–	43,736	–	–	–	–	43,736	43,736

1 As disclosed in last year's Report, on joining Cleanaway, Mr Bansal received a one-off allocation of 328,947 performance rights with vesting subject to a two-year service condition.

No terms of performance rights transactions have been altered by the Company during the reporting period. The Board has not previously exercised its discretion to allow the early vesting of any performance rights under any of the incentive plans.

7. Executive key management personnel – additional remuneration tables (continued)

7C. Securities trading policy

The Company prohibits Executives from entering into any hedging arrangements or acquiring financial products (such as equity swaps, caps and collars or other hedging products) over unvested performance rights which have the effect of reducing or limiting exposure to risks associated with the market value of the Company's securities.

No Directors or Executive KMP may directly or indirectly enter into any margin loan facility against the Company's securities unless the prior written consent of the Chairman of the Board is obtained.

7D. Company performance

Over recent years, Cleanaway has been addressing a number of operational, transformational and strategic challenges. This is reflected in the financial performance summarised for key metrics below. Importantly, for remuneration purposes, the Board takes a more holistic view of performance than the metrics summarised below. These are described in more detail in section 5 of this Report.

	FY2012	FY2013	FY2014	FY2015	FY2016
Profit/(Loss) attributable to ordinary equity holders – $'M	12.5	(218.7) [1]	11.5 [2]	(23.6) [3]	44.8 [4]
EPS – cents	0.9	(13.9)	0.7	(1.5)	2.8
Underlying EPS – cents	4.3	4.4	5.8	2.9	4.0
Dividends per share – cents	–	–	1.5	1.5	1.7
Shares on issue – number	1,578,209,025	1,578,563,490	1,579,323,967	1,579,914,690	1,586,344,605
Share price at 30 June	$0.73	$0.80	$1.01	$0.77	$0.80
Change in share price	($0.09)	$0.07	$0.21	($0.24)	$0.03

1 Includes underlying adjustments of $286.6 million after tax.
2 Includes underlying adjustments of $80.5 million after tax.
3 Includes underlying adjustments of $69.3 million after tax.
4 Includes underlying adjustments of $18.5 million after tax.

8. Shareholdings and other related party transactions

8A. Shareholdings

The movement for the year ended 30 June 2016 in the number of ordinary shares in the Company held, directly or indirectly or beneficially, by each KMP, including their related parties, is detailed in the following table:

NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF RIGHTS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
NON-EXECUTIVE DIRECTOR				
M M Hudson	75,258	–	–	75,258
M P Chellew	25,000	–	–	25,000
R M Smith	65,715	–	–	65,715
E R Stein [1]	66,549	–	–	66,549
T A Sinclair	38,789	–	–	38,789
R M Harding	12,644	–	–	12,644
P G Etienne	13,737	–	–	13,737
EXECUTIVE KEY MANAGEMENT PERSONNEL				
V Bansal	–	–	–	–
D A Aardsma	–	–	280,000	280,000
B J Gill	–	–	–	–
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL				
J Perko [2]	128,755	–	–	128,755
A G Roderick [3]	–	205,263	–	205,263

1 The number of ordinary shares disclosed as the balance at the start of the year includes 12,976 shares held in a custodian account not previously disclosed.

2 Balance reflects holdings on date of departure being 11 September 2015.

3 Balance reflects holdings on date of departure being 31 March 2016.

8B. Loans to Executive key management personnel

There were no loans to Executive KMP made during the period and no outstanding balances at reporting date.

8C. Other transactions and balances with Executive key management personnel and their related parties

Some of the Directors hold, or have previously held, positions in companies with which Cleanaway has commercial relationships which are based on normal terms and conditions on an arm's length basis. Those positions and companies can be found on pages 24 to 25 and include Programmed Maintenance Services Limited, Downer EDI and K&S Corporation. Transactions with these entities are not considered related party transactions where the relationship is limited to common Non-Executive Directorship including any Chairperson roles. The Board has assessed all of the relationships between the Group and companies in which Directors hold or held positions and has concluded that in all cases the relationships do not interfere with the Directors' exercise of objective, unfettered or independent judgement or their ability to act in the best interest of the Group.

Transactions during the year that amounted to related party transaction are limited to transactions with NGT Marketing. Mr Martin Hudson, a Non-Executive Director and Chairman of the Group, holds a beneficial interest in NGT Marketing. During the year the Group provided waste collections services to NGT Marketing for which it earned revenues on normal commercial terms. The value of these services were not material at $2,466 only.

Auditor's Independence Declaration

EY
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Auditor's Independence Declaration to the Directors of Cleanaway Waste Management Limited

(Formerly Transpacific Industries Group Ltd)

As lead auditor for the audit of Cleanaway Waste Management Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cleanaway Waste Management Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Brett Croft
Partner
19 August 2016

Consolidated Income Statement

For the year ended 30 June 2016

	NOTES	2016 $'M	2015 $'M
Continuing operations			
Revenue	6	1,455.1	1,384.9
Other income	7	1.6	4.1
Share of profits from equity accounted investments		1.3	1.4
Raw materials and inventory		(67.5)	(70.8)
Waste disposal and collection		(311.2)	(269.3)
Employee expenses		(565.9)	(552.6)
Depreciation and amortisation		(160.8)	(134.8)
Repairs and maintenance		(85.5)	(95.1)
Fuel expenses		(37.6)	(46.8)
Leasing charges		(27.4)	(31.5)
Freight expenses		(16.5)	(17.9)
Impairment of assets		–	(77.5)
Change in fair value of land and buildings		(0.2)	(0.5)
Other expenses		(89.3)	(97.5)
Profit/(loss) from operations		**96.1**	**(3.9)**
Net finance costs	8	(34.5)	(27.1)
Profit/(loss) before income tax		**61.6**	**(31.0)**
Income tax (expense)/benefit	9	(18.5)	7.4
Profit/(loss) from continuing operations after income tax		**43.1**	**(23.6)**
Discontinued operations			
Profit for the year from discontinued operations		–	8.2
Profit/(loss) after income tax		**43.1**	**(15.4)**
Attributable to:			
Ordinary equity holders		44.8	(23.6)
Non-controlling interest		(1.7)	0.6
Step-up preference security holders		–	7.6
Profit/(loss) after income tax		**43.1**	**(15.4)**

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

	NOTES	2016 $'M	2015 $'M
Profit/(loss) after income tax		**43.1**	**(15.4)**
Other comprehensive income			
Revaluation of land and buildings		3.1	1.4
Net comprehensive income recognised directly in equity		**3.1**	**1.4**
Total comprehensive income/(loss) for the year		**46.2**	**(14.0)**
Attributable to:			
Ordinary equity holders		47.9	(22.2)
Non-controlling interest		(1.7)	0.6
Step-up preference security holders		–	7.6
Total comprehensive income/(loss) for the year		**46.2**	**(14.0)**
Earnings/(loss) per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	10	2.8	(1.5)
Diluted earnings per share (cents)	10	2.8	(1.5)
Earnings/(loss) per share attributable to the ordinary equity holders of the Company from continuing operations:			
Basic earnings per share (cents)		2.8	(2.0)
Diluted earnings per share (cents)		2.8	(2.0)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 30 June 2016

	NOTES	2016 $'M	2015 $'M
Assets			
Current assets			
Cash and cash equivalents	11	48.3	37.0
Trade and other receivables	12	224.3	227.1
Inventories	13	16.7	16.8
Income tax receivable		–	4.7
Derivative financial instruments	30	10.9	8.6
Assets held for sale		8.8	6.6
Other assets		14.3	10.7
Total current assets		**323.3**	**311.5**
Non-current assets			
Property, plant and equipment	20	897.1	860.4
Intangible assets	21	1,544.0	1,539.7
Equity accounted investments	22	11.1	12.2
Net deferred tax assets	9	134.3	145.9
Total non-current assets		**2,586.5**	**2,558.2**
Total assets		**2,909.8**	**2,869.7**
Liabilities			
Current liabilities			
Trade and other payables	14	178.8	178.8
Income tax payable		10.7	–
Borrowings	15	0.8	0.7
Employee benefits	23	39.9	43.2
Provisions	24	59.8	75.5
Other liabilities	25	23.2	30.4
Total current liabilities		**313.2**	**328.6**
Non-current liabilities			
Borrowings	15	358.6	351.0
Employee benefits	23	8.4	8.5
Provisions	24	341.5	336.1
Other liabilities	25	106.6	90.8
Total non-current liabilities		**815.1**	**786.4**
Total liabilities		**1,128.3**	**1,115.0**
Net assets		**1,781.5**	**1,754.7**
Equity			
Issued capital	16	2,076.4	2,072.1
Reserves	17	43.3	38.6
Retained earnings		(344.8)	(364.3)
Parent entity interest		1,774.9	1,746.4
Non-controlling interest		6.6	8.3
Total equity		**1,781.5**	**1,754.7**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	PARENT ENTITY INTEREST						
	ORDINARY SHARES $'M	RESERVES $'M	RETAINED EARNINGS $'M	TOTAL $'M	NON-CONTROLLING INTEREST $'M	STEP-UP PREFERENCE SECURITIES $'M	TOTAL EQUITY $'M
At 1 July 2015	**2,072.1**	**38.6**	**(364.3)**	**1,746.4**	**8.3**	**–**	**1,754.7**
Profit/(loss) for period	–	–	44.8	**44.8**	(1.7)	–	**43.1**
Other comprehensive income	–	3.1	–	**3.1**	–	–	**3.1**
Total comprehensive income for the year	–	3.1	44.8	**47.9**	(1.7)	–	**46.2**
Share-based payments	–	1.6	–	**1.6**	–	–	**1.6**
Dividends paid	4.3	–	(25.3)	**(21.0)**	–	–	**(21.0)**
Balance at 30 June 2016	**2,076.4**	**43.3**	**(344.8)**	**1,774.9**	**6.6**	**–**	**1,781.5**
At 1 July 2014	**2,071.8**	**33.9**	**(305.3)**	**1,800.4**	**8.5**	**249.8**	**2,058.7**
(Loss)/profit for period	–	–	(23.6)	**(23.6)**	0.6	7.6	**(15.4)**
Other comprehensive income	–	1.4	–	**1.4**	–	–	**1.4**
Total comprehensive income for the year	–	1.4	(23.6)	**(22.2)**	0.6	7.6	**(14.0)**
Share-based payments	0.3	2.7	–	**3.0**	–	–	**3.0**
Reduction in non-controlling interest	–	–	–	**–**	(0.8)	–	**(0.8)**
Dividends paid	–	–	(34.8)	**(34.8)**	–	–	**(34.8)**
Distribution to step-up preference security holders	–	–	–	**–**	–	(7.6)	**(7.6)**
Redemption of step-up preference securities	–	–	–	**–**	–	(249.8)	**(249.8)**
Transfer to retained earnings	–	0.6	(0.6)	**–**	–	–	**–**
Balance at 30 June 2015	**2,072.1**	**38.6**	**(364.3)**	**1,746.4**	**8.3**	**–**	**1,754.7**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	NOTES	2016 $'M	2015 $'M
Cash flows from operating activities			
Receipts from customers		1,602.2	1,518.6
Payments to suppliers and employees		(1,398.0)	(1,323.8)
Interest received		0.7	2.2
Interest paid		(21.6)	(11.9)
Income taxes refunded/(paid)		7.4	(8.9)
Net cash from operating activities	11	**190.7**	**176.2**
Cash flows from investing activities			
Payments for property, plant and equipment		(141.9)	(173.7)
Payments for intangible assets		(11.6)	(2.2)
Payments for purchase of businesses		(16.1)	(163.7)
Proceeds from disposal of investments		–	8.4
Proceeds from disposal of property, plant and equipment		4.2	7.2
Dividends received from equity accounted investments		2.6	1.4
Net cash used in investing activities		**(162.8)**	**(322.6)**
Cash flows from financing activities			
Proceeds from borrowings		21.0	320.0
Repayment of borrowings		(16.0)	(30.0)
Payment of debt and equity raising costs		(0.6)	(2.8)
Payment of dividends to ordinary equity holders		(21.0)	(34.8)
Repayment of loans to related parties		–	(1.5)
Distribution to step-up preference security holders		–	(7.6)
Redemption of step-up preference securities		–	(250.0)
Net cash used in financing activities		**(16.6)**	**(6.7)**
Net increase/(decrease) in cash and cash equivalents		**11.3**	**(153.1)**
Cash and cash equivalents at the beginning of the year		37.0	190.1
Cash and cash equivalents at the end of the year	11	**48.3**	**37.0**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

1. Corporate information

Cleanaway Waste Management Limited and its subsidiaries (the Group) is a group domiciled and incorporated in Australia. The Consolidated Financial Report of Cleanaway Waste Management Limited consists of the Consolidated Financial Statements of the Group and the Group's interest in associates and jointly controlled entities.

The Consolidated Financial Statements of the Group for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 19 August 2016.

2. Statement of compliance

The Consolidated Financial Report is a general purpose financial report which has been prepared on a going concern basis and in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The Financial Report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

3. Basis of preparation

The Financial Report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets (non-landfill land and buildings) and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The Financial Report is presented in Australian dollars and all values are rounded to the nearest hundred thousand dollar, except when otherwise indicated. This presentation is consistent with the requirements of Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements.

Comparative Information

The classification of certain balance sheet items has been modified to better reflect the underlying nature of the items. Comparative amounts have been restated accordingly for consistency. The comparative balance sheet has also been restated for the impact of the final adjustments to the purchase price allocation for Melbourne Regional Landfill. Refer to note 26 for further detail.

In order to present comparable segment information, the prior period segment note has been restated to reflect a revised inter-segment sales split. Refer to note 5 for further detail.

4. Critical accounting estimates and judgements

The preparation of the Financial Report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Actual results may vary from these estimates under different assumptions and conditions. Significant accounting estimates and judgements in the Consolidated Financial Report are:

(a) Recoverable amount of property, plant and equipment and intangible assets

Each asset or cash generating unit (CGU) is evaluated every reporting period to determine whether there are any indications of impairment or reversal of previously recognised impairment losses. If any such indication exists, a formal estimate of recoverable amount is performed and where the carrying amount exceeds the recoverable amount an impairment loss is recognised. Goodwill and other intangible assets with an indefinite life are tested for impairment on an annual basis, irrespective of whether there is an indication of impairment.

The recoverable amount of each CGU is determined based on value-in-use calculations which require the use of estimates and assumptions. The calculations use cash flow projections based on forecasts approved by management. The discounted cash flows of the CGUs, other than those associated with landfill assets, are determined using three year forecasted cash flows and a terminal value calculation. These cash flows include estimates and assumptions related to revenue growth, capital expenditure, terminal value growth rates, oil prices (in relation to oil recycling activities) and expense profile.

4. Critical accounting estimates and judgements (continued)

Cash flows from the landfill assets include estimates and assumptions in relation to: waste volumes over the life of the landfill, cell development capital expenditure, waste mix, revenue and growth, expense profile, and value and timing of land sales.

These estimates and assumptions are subject to risk and uncertainty; such that there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the assets may be impaired or a previous impairment charge reversed. Any potential impact arising from an impairment or reversal of an impairment would be recorded in the Consolidated Income Statement.

Further details on the Group's impairment assessment and policy are disclosed in note 21 and note 38(e).

(b) Landfill asset depreciation

Landfill assets comprise the acquisition of landfill land, airspace, cell development costs, site infrastructure and landfill site improvement costs, and remediation assets. Landfill airspace, cell development costs and remediation assets are depreciated on a usage basis. This depreciation method requires significant estimation of compaction rates, airspace and future costs. Therefore changes in these estimates will cause changes in depreciation rates. The depreciation rates are calculated based on the most up to date accounting estimates and applied prospectively.

Further details on the Group's landfill asset accounting policy are disclosed in note 38(k).

(c) Provision for landfill remediation and rectification

The Group's remediation and rectification provisions are calculated based on the present value of the future cash outflows expected to be incurred to remediate landfills which will include the costs of capping the landfill site, remediation and rectification costs and post-closure monitoring activities. The measurement of the provisions requires significant estimates and assumptions such as: discount rate, inflation rate, assessing the requirements of the Environment Protection Authority (EPA) or other government authorities, the timing, extent and costs of activity required and the area of the landfill to be remediated or rectified, which is determined by volumetric aerial surveys. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provisions for remediation and rectification for each landfill site are periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for remediating open sites, still accepting waste, are recognised in the balance sheet by adjusting both the remediation asset and provision. For closed sites, changes to the estimated costs are recognised in the income statement. Changes to estimated costs related to rectification provisions are recognised in the Consolidated Income Statement.

Further details on the Group's landfill remediation accounting policy are disclosed in note 38(o).

(d) Taxation

Deferred tax assets, including those arising from tax losses not recouped, capital losses and temporary differences, are recognised in the Consolidated Balance Sheet, only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future profits.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Consolidated Balance Sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Consolidated Income Statement.

Further details on the Group's taxation accounting policy are disclosed in note 38(d).

5. Segment reporting

The Group has identified its operating segments on the basis of how the Chief Operating Decision Maker reviews internal reports about components of the Group in order to assess the performance and allocation of resources to a particular segment. Information reported to the Group's Chief Executive Officer (Chief Operating Decision Maker) for the purpose of performance assessment and resource allocation is specifically focused on the following segments:

- **Solids**

  Comprises the collection, treatment, recycle and disposal of all types of solid waste streams, including general waste, recyclables, construction and demolition waste and medical and washroom services. Solids owns and manages waste transfer stations, resource recovery and recycling facilities, secure product destruction, quarantine treatment operations and landfills and participates in commodities trading of recovered paper, cardboard, metals and plastics to the domestic and international marketplace. Solids also generate and sell electricity produced utilising landfill gas.

- **Liquids and Industrial Services**

  Comprises the collection, treatment, processing and recycling of liquid and hazardous waste, including industrial waste, grease trap waste, oily waters and used mineral and cooking oils in packaged and bulk forms for resale, disposal and to produce fuel oils and base oils, as well as services including industrial cleaning, vacuum tanker loading, site remediation, sludge management, parts washing, concrete remediation, CCTV, corrosion protection and emergency response services.

Unallocated balances include the Group's share of profits from equity accounted investments and corporate balances. Corporate balances relate to shared services functions that are not directly attributable to an identifiable segment. These functions include management, finance, legal, information technology, marketing, and human resources that provide support to the other segments identified above.

No operating segments have been aggregated to form the reportable segments.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The Group has the following allocation policies:

- Sales between segments are on normal commercial terms; and
- Corporate charges are allocated where possible based on estimated usage of Corporate resources.

Segment assets and liabilities have not been disclosed as these are not provided to the Chief Operating Decision Maker. This information is provided at a Group level only.

Finance income and expenses and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis. Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Inter-segment revenues are eliminated on consolidation.

5. Segment reporting (continued)

2016	OPERATING SEGMENTS SOLIDS $'M	OPERATING SEGMENTS LIQUIDS AND INDUSTRIAL SERVICES $'M	UNALLOCATED EQUITY ACCOUNTED INVESTMENTS $'M	UNALLOCATED CORPORATE $'M	UNALLOCATED ELIMINATIONS $'M	GROUP $'M
Revenue						
Sales of goods and services	1,030.1	392.9	–	–	–	1,423.0
PSO benefits [1]	–	14.1	–	–	–	14.1
Other revenue	15.8	1.8	–	0.4	–	18.0
Inter-segment sales	12.5	27.8	–	–	(40.3)	–
Total revenue	**1,058.4**	**436.6**	**–**	**0.4**	**(40.3)**	**1,455.1**
Underlying EBITDA	**237.7**	**57.5**	**1.3**	**(15.2)**	–	**281.3**
Costs associated with restructuring	(11.8)	(5.7)	–	(3.6)	–	(21.1)
Costs associated with rebranding	–	(0.9)	–	(2.7)	–	(3.6)
Other underlying adjustments	0.3	–	–	–	–	0.3
Depreciation in underlying adjustments	(2.1)	–	–	–	–	(2.1)
Depreciation and amortisation	(124.1)	(24.5)	–	(10.1)	–	(158.7)
EBIT	**100.0**	**26.4**	**1.3**	**(31.6)**	–	**96.1**
Net finance costs						(34.5)
Profit before income tax						**61.6**
Income tax expense						(18.5)
Profit after income tax						**43.1**
Capital expenditure:						
Property, plant and equipment	100.6	34.4	–	6.9	–	141.9
Intangible assets	–	–	–	11.6	–	11.6

1 Product Stewardship for Oil benefits.

5. Segment reporting (continued)

2015	OPERATING SEGMENTS SOLIDS $'M	OPERATING SEGMENTS LIQUIDS AND INDUSTRIAL SERVICES $'M	UNALLOCATED EQUITY ACCOUNTED INVESTMENTS $'M	UNALLOCATED CORPORATE $'M	UNALLOCATED ELIMINATIONS $'M	GROUP $'M
Revenue						
Sales of goods and services	926.5	430.6	–	1.0	–	1,358.1
PSO benefits	–	15.3	–	–	–	15.3
Other revenue	8.1	1.5	–	1.9	–	11.5
Inter-segment sales [1]	12.6	28.5	–	–	(41.1)	–
Total revenue	**947.2**	**475.9**	**–**	**2.9**	**(41.1)**	**1,384.9**
Underlying EBITDA	**198.0**	**55.8**	**1.4**	**(23.9)**	**–**	**231.3**
Costs associated with fleet grounding	(6.6)	(5.6)	–	(3.3)	–	(15.5)
Impairment of assets	–	(77.5)	–	–	–	(77.5)
Net loss on disposal of investments, site closures and acquisition costs	(4.3)	–	–	(1.5)	–	(5.8)
Other underlying adjustments	–	–	–	(1.6)	–	(1.6)
Depreciation in underlying adjustments	(0.6)	(0.4)	–	–	–	(1.0)
Depreciation and amortisation	(99.0)	(26.9)	–	(7.9)	–	(133.8)
EBIT	**87.5**	**(54.6)**	**1.4**	**(38.2)**	**–**	**(3.9)**
Net finance costs						(27.1)
Loss before income tax						**(31.0)**
Income tax benefit						7.4
Loss from continuing operations after income tax						**(23.6)**
Net profit from discontinued operations after income tax						8.2
Loss from continuing and discontinued operations after income tax						**(15.4)**
Capital expenditure:						
Property, plant and equipment	111.5	41.9	–	20.3	–	173.7
Intangible assets	–	–	–	2.2	–	2.2

1 Inter-segment sales have been restated from $79.4 million to $12.6 million for Solids and from $90.5 million to $28.5 million for Liquids and Industrial Services. The corresponding elimination to present Group revenue decreased from $169.9 million to $41.1 million. This restatement is due to the elimination of 'intra-segment' sales of $128.8 million where sales occur within the respective segments and is consistent with the current period presentation.

6. Revenue

	2016 $'M	2015 $'M
Sale of goods and services	1,423.0	1,358.1
Product Stewardship for Oil (PSO) benefits	14.1	15.3
Other revenue	18.0	11.5
	1,455.1	**1,384.9**

Refer to note 38(a) for the Group's accounting policy on revenue.

7. Other income

	2016 $'M	2015 $'M
Gain on disposal of property, plant and equipment	1.4	1.0
Gain on disposal of investments	0.3	3.0
Net foreign currency exchange (losses)/gains	(0.1)	0.1
	1.6	**4.1**

8. Net finance costs

	2016 $'M	2015 $'M
Finance costs		
Interest on borrowings	(19.9)	(15.3)
Amortisation of capitalised transaction costs	(1.3)	(1.1)
Unwind of discount on provisions and other liabilities	(14.0)	(13.8)
Foreign currency exchange loss on USPP borrowings	(2.3)	(11.6)
Change in fair value of derivative instruments related to USPP borrowings	2.3	12.5
	(35.2)	**(29.3)**
Finance income		
Interest revenue	0.7	2.2
	0.7	**2.2**
Net finance costs	**(34.5)**	**(27.1)**

Refer to note 38(c) for the Group's accounting policy on finance costs.

9. Income tax

(a) Amounts recognised in the Consolidated Income Statement

	2016 $'M	2015 $'M
Current tax expense/(benefit)		
Current year	10.2	3.0
Adjustments in respect of prior years	(2.7)	(1.4)
	7.5	1.6
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	8.0	(6.4)
Adjustments in respect of prior years	3.0	(2.6)
	11.0	(9.0)
Income tax expense/(benefit)	**18.5**	**(7.4)**

(b) Amounts recognised directly in equity

Deferred income tax expense on items charged directly to equity for the year totalled $1.1 million (2015: $0.3 million), which relate to the tax effect of items recognised in the asset revaluation reserve of $1.4 million expense (2015: $0.3 million) and the employee equity benefits reserve of $0.3 million benefit (2015: $Nil).

(c) Reconciliation between tax expense and pre-tax net profit at the statutory rate

	2016 $'M	2015 $'M
Profit/(loss) before tax		
From continuing operations	61.6	(31.0)
From discontinued operations	–	8.2
	61.6	(22.8)
Income tax using the corporation tax rate of 30% (2015: 30%)	18.5	(6.8)
Increase/(decrease) in income tax expense due to:		
Share of profits from equity accounted investments	(0.4)	(0.4)
Non-deductible expenses	0.4	0.4
Impairment write downs of assets	–	10.2
Adjustments in respect of prior years	0.3	(4.0)
Research and development tax credits	(2.0)	(2.0)
Employee share plan expenses	1.4	(1.2)
Gain on sale of New Zealand business	–	(3.5)
Utilisation of previously unrecognised capital tax losses	–	(0.9)
Other	0.3	0.8
Income tax expense/(benefit)	**18.5**	**(7.4)**
Comprises:		
Income tax expense/(benefit) from continuing operations	18.5	(7.4)
Income tax expense/(benefit) from discontinued operations	–	–
Income tax expense/(benefit)	**18.5**	**(7.4)**

9. Income tax (continued)

(d) Deferred tax

Deferred tax in the Consolidated Balance Sheet relates to the following:

2016	OPENING BALANCE $'M	RECOGNISED IN PROFIT OR LOSS $'M	RECOGNISED IN OTHER COMPREHENSIVE INCOME $'M	RECOGNISED DIRECTLY IN EQUITY $'M	ACQUIRED IN BUSINESS COMBINATION $'M	OTHER $'M	CLOSING BALANCE $'M
Deferred tax assets							
PP&E	61.2	(9.2)	(1.4)	–	–	–	50.6
Employee benefits	15.2	1.9	–	–	–	–	17.1
Provisions	128.1	(5.0)	–	–	–	–	123.1
Other	8.2	(2.2)	–	0.3	–	0.5	6.8
Deferred tax liabilities							
Intangible assets	(47.3)	3.4	–	–	–	–	(43.9)
Other	(19.5)	0.1	–	–	–	–	(19.4)
Net deferred tax assets	**145.9**	**(11.0)**	**(1.4)**	**0.3**	**–**	**0.5**	**134.3**

2015	OPENING BALANCE $'M	RECOGNISED IN PROFIT OR LOSS $'M	RECOGNISED IN OTHER COMPREHENSIVE INCOME $'M	RECOGNISED DIRECTLY IN EQUITY $'M	ACQUIRED IN BUSINESS COMBINATION $'M	OTHER $'M	CLOSING BALANCE $'M
Deferred tax assets							
PP&E	42.1	19.4	(0.3)	–	–	–	61.2
Employee benefits	14.8	0.4	–	–	–	–	15.2
Provisions	115.3	3.0	–	–	9.8	–	128.1
Tax losses	16.1	(16.1)	–	–	–	–	–
Other	4.9	3.3	–	–	–	–	8.2
Deferred tax liabilities							
Intangible assets	–	0.2	–	–	(47.5)	–	(47.3)
Other	(18.3)	(1.2)	–	–	–	–	(19.5)
Net deferred tax assets	**174.9**	**9.0**	**(0.3)**	**–**	**(37.7)**	**–**	**145.9**

10. Earnings per share

	2016	2015
From continuing and discontinuing operations		
Basic earnings per share (cents)	2.8	(1.5)
Diluted earnings per share (cents)	2.8	(1.5)
From discontinued operations		
Basic earnings per share (cents)	–	0.5
Diluted earnings per share (cents)	–	0.5

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit after income tax attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the financial year.

Reconciliation of earnings used as the numerator in calculating basic earnings per share:

	2016 $'M	2015 $'M
Profit/(loss) from continuing operations	43.1	(23.6)
Profit from discontinued operations	–	8.2
Net loss/(profit) attributable to non-controlling interests	1.7	(0.6)
Distribution to step-up preference security holders	–	(7.6)
Profit/(loss) from continuing and discontinued operations after tax attributable to ordinary equity holders	**44.8**	**(23.6)**

Reconciliation of weighted average number of ordinary shares:

	2016	2015
Issued ordinary shares at 1 July	1,579,914,690	1,579,323,967
Effect of shares issued under dividend reinvestment plan	2,777,898	–
Effect of shares issued under employee incentive plans	546,917	330,220
Effect of shares issued under employee contract	–	68,388
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	**1,583,239,505**	**1,579,722,575**

(ii) Diluted earnings per share

Diluted earnings per share adjusts basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Dilutive potential ordinary shares are limited to performance rights issued under the Group's long term and short term incentive plans. Refer note 34 for details. The dilutive effect of the performance rights on basic earnings per share reported above is not material.

11. Cash and cash equivalents

(a) Composition of cash and cash equivalents

	2016 $'M	2015 $'M
Cash at bank and on hand	48.3	36.9
Short-term deposits	–	0.1
	48.3	**37.0**

Refer to note 38(g) for the Group's accounting policy on cash and cash equivalents.

(b) Reconciliation of profit after income tax to net cash flows from operating activities

	2016 $'M	2015 $'M
Profit/(loss) from continuing and discontinuing operations after income tax	43.1	(15.4)
Adjustments for:		
Income tax expense/(benefit)	18.5	(7.4)
Net finance costs	34.5	27.1
Share of profits from equity accounted investments	(1.3)	(1.4)
Depreciation and amortisation expense	160.8	134.8
Share-based payments expense	1.3	2.7
Impairment of assets	–	77.5
Change in fair value of non-landfill land and buildings	0.2	0.5
Change in fair value of derivatives and underlying US denominated borrowings	–	(0.9)
Net gain on disposal of property, plant and equipment	(1.7)	(1.0)
Net gain on sale of business	–	(12.8)
Other non-cash items	1.6	1.6
Net cash flow from operating activities before changes in assets and liabilities	**257.0**	**205.3**
Changes in assets and liabilities adjusted for effects of purchase of controlled entities during the financial period:		
(Increase)/decrease in receivables	2.8	7.9
(Increase)/decrease in other assets	(3.7)	4.3
(Increase)/decrease in inventories	(0.6)	(0.6)
Increase/(decrease) in payables	1.5	(12.3)
Increase/(decrease) in employee benefits	(3.8)	5.9
Increase/(decrease) in other liabilities	(3.3)	(0.6)
Increase/(decrease) in other provisions	(45.7)	(15.1)
Cash generated from operating activities	**204.2**	**194.8**
Net interest paid	(20.9)	(9.7)
Income taxes refunded/(paid)	7.4	(8.9)
Net cash from operating activities	**190.7**	**176.2**

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12. Trade and other receivables

	2016 $'M	2015 $'M
Trade receivables	225.7	225.9
Provision for doubtful debts	(7.8)	(6.5)
	217.9	219.4
Other receivables	6.4	7.7
	224.3	**227.1**

Refer to note 38(h) for the Group's accounting policy on trade and other receivables.

The ageing of the Group's trade receivables at the reporting date was:

	2016 $'M	2015 $'M
Not past due	157.5	131.9
Past due 0-30 days	42.0	61.5
Past due 31-120 days	15.3	25.4
Past due 121 days or more	10.9	7.1
	225.7	**225.9**

The movement in the provision for doubtful debts during the year was as follows:

	2016 $'M	2015 $'M
Opening balance	6.5	2.8
Impairment recognised	4.4	4.9
Utilisation of provision	(3.1)	(1.2)
Closing balance	**7.8**	**6.5**

No single customer's annual revenue is greater than 2.6% (2015: 3.1%) of the Group's total revenue. Trade and other receivables that are neither past due or impaired are considered to be of a high credit quality.

13. Inventories

	2016 $'M	2015 $'M
Raw materials and consumables – at cost [1]	10.5	10.4
Work in progress – at cost	–	0.4
Finished goods – at cost	6.2	6.0
	16.7	**16.8**

1 Prior year balance has been restated to correct the purchase price allocation of the MRL acquisition. Refer to note 26 for details of the adjustment.

Refer to note 38(i) for the Group's accounting policy on inventories.

14. Trade and other payables

	2016 $'M	2015 $'M
Trade payables	85.5	81.3
Other payables and accruals	93.3	97.5
	178.8	**178.8**

Refer to note 38(m) for the Group's accounting policy on trade and other payables.

15. Borrowings

	2016 $'M	2015 $'M
Unsecured		
Loans from related parties	0.5	0.5
Other	0.3	0.2
Total current	**0.8**	**0.7**
Unsecured		
Bank loans	293.9	288.2
US Private Placement Notes	64.7	62.5
Other	–	0.3
Total non-current	**358.6**	**351.0**
Total borrowings	**359.4**	**351.7**

Bank loans are net of capitalised transaction costs of $1.1 million (2015: $1.8 million). Refer to note 38(n) for the Group's accounting policy on borrowings.

Financing facilities

The facility limits and maturity profile of the Group's main financing facilities are as follows:

FACILITY			AMOUNT	MATURITY
Syndicated Facility Agreement	Facility A	working capital tranche	$135 million	1 July 2017
	Facility B	4 year revolver	$130 million	1 July 2019
	Facility C	5 year revolver	$335 million	1 July 2020
US Private Placement Notes (USPP)		10 year tenure	US$48 million	17 December 2017
Uncommitted bank guarantee facility			$60 million	31 December 2016

The USPP Notes have been swapped to AUD fixed rate debt to mitigate the foreign currency risk arising from these borrowings. Refer to note 30 for information on the derivative financial instrument. The USPP facility was fully drawn down at reporting date.

The headroom available in the Group's facilities at 30 June 2016 is summarised below:

		AVAILABLE $'M	UTILISED $'M	NOT UTILISED $'M
Syndicated Facility Agreement	Facility A [1]	135.0	(58.0)	77.0
	Facility B [2]	130.0	(130.0)	–
	Facility C [2]	335.0	(165.0)	170.0
US Private Placement Notes (USPP)		64.7	(64.7)	–
Bank guarantee facilities [1]		61.6	(57.3)	4.3
		726.3	**(475.0)**	**251.3**

1 These facilities include $115.3 million (2015: $114.4 million) in guarantees and letters of credit which are not included in the Consolidated Balance Sheet.

2 These facilities represent the amount drawn down as 'bank loans' excluding the capitalised transaction costs of $1.1 million (2015: $1.8 million).

The headroom available in the Group's facilities at 30 June 2015 is summarised below:

		AVAILABLE $'M	UTILISED $'M	NOT UTILISED $'M
Syndicated Facility Agreement	Facility A	135.0	(81.0)	54.0
	Facility B	130.0	(125.0)	5.0
	Facility C	335.0	(165.0)	170.0
US Private Placement Notes (USPP)		62.5	(62.5)	–
Bank guarantee facilities		40.0	(35.5)	4.5
		702.5	**(469.0)**	**233.5**

16. Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs incurred by the Company arising on the issue of capital are recognised directly in equity as a reduction of the share capital received.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Ordinary shares have no par value.

	2016		2015	
	NUMBER OF SHARES	$'M	NUMBER OF SHARES	$'M
Opening balance	**1,579,914,690**	**2,072.1**	**1,579,323,967**	**2,071.8**
Issue of shares under dividend reinvestment plan	5,776,895	4.3	–	–
Issue of shares under employee incentive plan	653,020	–	375,538	–
Issue of shares under employment contract	–	–	215,185	0.3
Closing balance	**1,586,344,605**	**2,076.4**	**1,579,914,690**	**2,072.1**

17. Reserves

	2016 $'M	2015 $'M
Asset revaluation reserve	34.9	31.8
Employee equity benefits reserve	8.4	6.8
	43.3	**38.6**

(a) Asset revaluation reserve

The asset revaluation reserve is used to record revaluations of non-landfill land and buildings. Refer to note 38(k) for further details on the Group's non-landfill land and buildings valuation policy.

	2016 $'M	2015 $'M
Opening balance	31.8	29.8
Revaluation of land and buildings (net of tax)	3.1	1.4
Transferred to retained earnings	–	0.6
Closing balance	**34.9**	**31.8**

(b) Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of equity benefits provided to employees as part of their remuneration. Refer to note 34 for further details on these share-based payment plans.

	2016 $'M	2015 $'M
Opening balance	6.8	4.1
Share-based payment expense (net of tax)	1.6	2.7
Closing balance	**8.4**	**6.8**

18. Dividends and distributions

The Company declared a fully franked dividend on ordinary shares for the financial year ended 30 June 2016 of 1.7 cents per share, being an interim dividend of 0.8 cents per share and final dividend of 0.9 cents per share. The record date of the final dividend is 21 September 2016 with payment to be made on 7 October 2016.

Details of distributions in respect of the financial year are as follows:

	2016 $'M	2015 $'M
Dividends paid/payable during the period		
Final dividend relating to prior period	12.6	23.7
Interim dividend relating to current period	12.7	11.1
Step-up preference securities		
Distribution for 2015 (fully franked at 30% tax rate)	–	7.6
	25.3	**42.4**
Dividends determined in respect of the period		
Interim dividend relating to current period	12.7	11.1
Final dividend relating to current period	14.3	12.6
	27.0	**23.7**

	2016 CENTS PER SHARE	2015 CENTS PER SHARE
Dividends paid/payable during the period		
Final dividend relating to prior period	0.8	1.5
Interim dividend relating to current period	0.8	0.7
Step-up preference securities		
Distribution for 2015 (fully franked at 30% tax rate)	–	305.0
	1.6	**307.2**
Dividends determined in respect of the period		
Interim dividend relating to current period	0.8	0.7
Final dividend relating to current period	0.9	0.8
	1.7	**1.5**

Franking credit balance

The available amounts are based on the balance of the franking account at year end, adjusted for:

(a) Franking credits that will arise from the payment of current tax liabilities;

(b) Franking debits that will arise from the payment of franked or partially franked dividends recognised as a liability at the year end; and

(c) Franking credits that will arise from the receipt of dividends recognised as receivables by the Tax Consolidated Group at the year end.

	2016 $'M	2015 $M
30% franking credits available for subsequent financial years [1]	12.8	19.9

1 The payment of the final 2016 dividend determined after 30 June 2016 will reduce the franking account by $6.1 million.

19. Capital management

When managing capital, management's objective is to ensure that the Group uses a mix of funding options, with the objectives of optimising returns to equity holders and prudent risk management. The facility limits and maturity profile of the Group's main financing facilities are contained in note 15.

The capital structure of the Group comprises debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, such equity comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Balance Sheet. The Group is subject to and complies with externally imposed capital requirements.

The gearing ratio of the Group at reporting date was as follows:

	2016 $'M	2015 $'M
Current borrowings	0.8	0.7
Non-current borrowings	358.6	351.0
Less cash and cash equivalents	(48.3)	(37.0)
Net debt	**311.1**	**314.7**
Total equity	**1,781.5**	**1,754.7**
Gearing ratio [1]	**14.9%**	**15.2%**

1 The gearing ratio is calculated as Net debt divided by Net debt plus Total equity.

20. Property, plant and equipment

2016	NON-LANDFILL LAND AND BUILDINGS $'M	LANDFILL ASSETS $'M	LEASEHOLD IMPROVEMENTS $'M	PLANT AND EQUIPMENT $'M	CAPITAL WORK IN PROGRESS $'M	TOTAL $'M
Opening net book value	153.9	142.6	32.8	441.8	89.3	860.4
Additions	–	–	–	–	164.1	164.1
Acquisitions of businesses	–	–	–	–	0.2	0.2
Net movement in landfill assets	–	28.9	–	–	–	28.9
Disposals	(0.5)	–	–	(2.0)	–	(2.5)
Transfer of assets	4.7	70.8	3.2	106.4	(187.7)	(2.6)
Transfer to assets held for sale	–	–	–	–	(2.2)	(2.2)
Revaluations	4.5	–	–	–	–	4.5
Project and site closures	(0.4)	–	–	–	(4.6)	(5.0)
Depreciation	(2.0)	(43.7)	(4.0)	(99.0)	–	(148.7)
Closing net book value	**160.2**	**198.6**	**32.0**	**447.2**	**59.1**	**897.1**
Cost or fair value	164.7	476.5	38.4	1,362.8	59.1	2,101.5
Accumulated depreciation	(4.5)	(277.9)	(6.4)	(915.6)	–	(1,204.4)
Net book value	**160.2**	**198.6**	**32.0**	**447.2**	**59.1**	**897.1**

2015	NON-LANDFILL LAND AND BUILDINGS $'M	LANDFILL ASSETS $'M	LEASEHOLD IMPROVEMENTS $'M	PLANT AND EQUIPMENT $'M	CAPITAL WORK IN PROGRESS [1] $'M	TOTAL $'M
Opening net book value	148.6	127.6	6.7	428.8	110.3	822.0
Additions [2]	–	–	–	–	183.7	183.7
Acquisitions of businesses	–	13.1	–	14.2	–	27.3
Net movement in landfill asset	–	24.7	–	–	–	24.7
Disposals	–	–	(0.1)	(5.0)	–	(5.1)
Transfer of assets [2]	7.7	11.2	27.7	140.1	(204.7)	(18.0)
Revaluations	0.7	–	–	–	–	0.7
Impairment of assets	–	–	–	(43.4)	–	(43.4)
Depreciation	(3.1)	(34.0)	(1.5)	(92.9)	–	(131.5)
Closing net book value	**153.9**	**142.6**	**32.8**	**441.8**	**89.3**	**860.4**
Cost or fair value	159.1	376.3	35.4	1,343.5	89.3	2,003.6
Accumulated depreciation	(5.2)	(233.7)	(2.6)	(901.7)	–	(1,143.2)
Net book value	**153.9**	**142.6**	**32.8**	**441.8**	**89.3**	**860.4**

1 The 2015 capital work in progress balance has been adjusted to reflect $2.2 million of additions which have been transferred to intangibles.

2 The additions and transfer of assets rows have been restated to reflect that all additions are initially recognised as capital work in progress and then transferred to the appropriate property, plant and equipment category once the asset is ready for use.

20. Property, plant and equipment (continued)

Accounting for landfill assets

The Group is responsible for a total of 17 landfills (2015: 17 landfills). Of the 17 landfills, nine are closed. Those that are open are expected to close between 2017 and 2070. The Group's remediation provisions are based on an average 30 year post-closure period.

It is the Group's policy at time of development or acquisition of a landfill and at each reporting date to:

(a) Capitalise the cost of cell development to landfill assets;

(b) Capitalise the cost of purchased landfill assets;

(c) Depreciate the capitalised landfill assets over the useful life of the landfill asset or site; and

(d) Recognise income generated from the landfill assets in the reporting period earned.

Refer to note 38(k) for further details on the Group's accounting policy on landfill assets.

Valuations of non-landfill land and buildings

Non-landfill land and buildings are shown at fair value in the Consolidated Balance Sheet, based on periodic valuations by external independent valuers, less subsequent depreciation of buildings. The current valuation selection process ensures that each property is valued at least every three years. Land and buildings are combined for the purposes of determining fair value as this is how management view its property and associated value. The fair values are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different to their fair values.

Any revaluation increment (net of tax) is credited to the asset revaluation reserve included in the equity section of the Consolidated Balance Sheet. Any revaluation decrement directly offsetting a previous increment in the same asset is directly offset against the surplus in the asset revaluation reserve, otherwise it is charged to the Consolidated Income Statement.

The following table shows an analysis of the fair values of land and buildings recognised in the Consolidated Balance Sheet by level of the fair value hierarchy:

2016	LEVEL 1 $'M	LEVEL 2 $'M	LEVEL 3 $'M	TOTAL [1] $'M	AMOUNT EXPENSED $'M
Residential	–	1.7	–	1.7	–
Regional industrial	–	–	44.2	44.2	(0.2)
Metropolitan industrial	–	–	112.5	112.5	–
Total	**–**	**1.7**	**156.7**	**158.4**	**(0.2)**

2015	LEVEL 1 $'M	LEVEL 2 $'M	LEVEL 3 $'M	TOTAL [1] $'M	AMOUNT EXPENSED $'M
Residential	–	1.7	–	1.7	–
Regional industrial	–	–	40.0	40.0	(0.5)
Metropolitan industrial	–	–	108.9	108.9	–
Total	**–**	**1.7**	**148.9**	**150.6**	**(0.5)**

1 The amounts in this table are based on the most recent valuation for each property and does not take into account subsequent accumulated depreciation recognised.

Amounts taken to the Consolidated Income Statement are shown in change in fair value of land and buildings.

There were no transfers between levels during the year.

Level 2 valuations are based on a direct comparison approach whereby a property's fair value is estimated based on comparable transactions and are then adjusted to take into account any differences in the assets. The unit of comparison applied by the Group is the price per square metre (sqm).

20. Property, plant and equipment (continued)

The following table presents the details of the valuation approaches used under Level 3:

	VALUATION TECHNIQUE	KEY UNOBSERVABLE INPUTS	RANGE 2016	RANGE 2015
Regional industrial	**Summation**	Price per square metre	$5-250	$60-250
		Depreciation replacement cost	$207-1019	$0-1500
	Capitalisation	Capitalisation rate	9.75%	9.25%
		Leased income per square metre	$125	$75-130
	Direct comparison	Price per square metre	$60-1401	$70-525
Metropolitan industrial	**Summation**	Price per square metre	$15-360	$15-285
		Depreciation replacement cost	$35-671	$0-1500
	Capitalisation	Capitalisation rate	7%-10%	7.25%-10%
		Leased income per square metre	$40-94	$95-225
	Direct comparison	Price per square metre	$70-1831	$300-1725

Under the summation method a property's fair value is estimated based on comparable transactions for the land on a price per square metre basis together with an estimate of the cost to replace any buildings or structures on site less depreciation. Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating lease income generated by the property, which is divided by the capitalisation rate (discounted by a rate of return). Significant increases/(decreases) in any of the significant unobservable inputs, in isolation, under the direct comparison, summation or capitalisation methods would result in a significantly higher/(lower) fair value measurement.

If non-landfill land and buildings were measured using the cost model, the carrying amounts would be as follows:

	2016 $'M	2015 $'M
Land		
Cost	82.2	82.3
Buildings		
Cost	71.1	68.5
Accumulated depreciation	(21.4)	(20.0)
Closing net book value	**49.7**	**48.5**

21. Intangible assets

	GOODWILL		OTHER INTANGIBLES		TOTAL	
	2016 $'M	2015 $'M	2016 $'M	2015 $'M	2016 $'M	2015 $'M
Opening net book value	1,195.5	1,190.6	344.2	81.4	1,539.7	1,272.0
Additions [1]	–	–	15.9	4.9	15.9	4.9
Acquisitions of businesses [2]	0.4	39.0	0.2	261.2	0.6	300.2
Disposals	–	–	(1.7)	–	(1.7)	–
Transfers from PPE	–	–	1.6	–	1.6	–
Impairment of intangible assets	–	(34.1)	–	–	–	(34.1)
Amortisation	–	–	(12.1)	(3.3)	(12.1)	(3.3)
Net book value	**1,195.9**	**1,195.5**	**348.1**	**344.2**	**1,544.0**	**1,539.7**
Cost	1,195.9	1,195.5	407.8	391.8	1,603.7	1,587.3
Accumulated amortisation	–	–	(59.7)	(47.6)	(59.7)	(47.6)
Net book value	**1,195.9**	**1,195.5**	**348.1**	**344.2**	**1,544.0**	**1,539.7**

1 The 2015 additions for other intangibles have been adjusted to reflect $2.2 million of additions which have been transferred from property, plant and equipment and $0.5 million of carbon credit unit additions which have been transferred from other assets.

2 Finalisation of the purchase price allocation of the MRL acquisition resulted in a consequential reduction in goodwill.

21. Intangible assets (continued)

Intangible assets are monitored at an operating segment level for the Solids business (formerly Cleanaway) and at a cash-generating unit (CGU) level for the Liquids and Industrial Services business. CGUs for the Liquids and Industrial Services business consists of:

- Liquids & Hazardous Waste, excluding Hydrocarbons (formerly Technical Services);
- Hydrocarbons; and
- Industrial Services (formerly EMR).

The carrying amount of goodwill and intangible assets allocated to the operating segment or CGUs is as follows:

2016	SOLIDS $'M	LIQUIDS & HAZARDOUS WASTE $'M	INDUSTRIAL SERVICES $'M	CORPORATE $'M	TOTAL $'M
Goodwill [1]	1,089.6	58.4	47.9	–	1,195.9
Brand names	78.6	–	–	–	78.6
Other intangible assets	258.4	1.0	–	10.1	269.5
Total	**1,426.6**	**59.4**	**47.9**	**10.1**	**1,544.0**
2015					
Goodwill	1,089.2	70.0	36.3	–	1,195.5
Brand names	78.6	–	–	–	78.6
Other intangible assets	263.2	0.2	–	2.2	265.6
Total	**1,431.0**	**70.2**	**36.3**	**2.2**	**1,539.7**

1 The goodwill allocation across the Liquids and Industrial Services business has been revised in 2016 to reflect the impact of organisational restructures.

At 30 June 2016, other intangible assets include the Melbourne Regional Landfill asset of $242.2 million (2015: $245.8 million) and customer contracts of $5.2 million (2015: $11.8 million).

The increase in goodwill and other intangibles in 2015 was due to the acquisition of the Melbourne Regional Landfill, Dimeo Waste Services and Riverland businesses during the 2015 financial year. Refer to note 26.

Annual impairment testing

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill and brand names are not amortised but are subject to impairment testing. In accordance with the Group's accounting policies, the Group performs its impairment testing annually at 30 June. Goodwill and non-current assets are however reviewed at each reporting period to determine whether there is an indicator of impairment. Where an indicator of impairment exists, a formal review is undertaken to estimate the recoverable amount of related assets.

Results of impairment testing

Based on impairment testing performed, the recoverable amounts of each CGU exceed the carrying amounts at 30 June 2016. The results of the impairment testing are summarised in the table below:

	HYDROCARBONS		TOTAL	
	2016 $'M	2015 $'M	2016 $'M	2015 $'M
Intangible assets	–	34.1	–	34.1
Property, plant and equipment	–	43.4	–	43.4
Total impairment	**–**	**77.5**	**–**	**77.5**

Impairment in the prior period related to the Hydrocarbons CGU. The Hydrocarbons CGU refines and recycles used mineral oils to produce fuel oils and base oils. In the prior period the CGU was experiencing increased collection costs and low sales price indices for fuel and base oils, which led to a significant decline in results for the Hydrocarbon business. Despite continued price weakness and volatility during the financial year ended 30 June 2016, there is no need for further impairment at 30 June 2016, particularly given the benefits of the Cost Reduction Program and associated capital spend management referred to later in this note. Whilst there are a range of possible outcomes, the current modelling shows headroom of $52.5 million. Until a sustainable level of earnings exists to demonstrate the modelled cash flows will be achieved, the Directors believe that it is too early to reverse the impairment.

21. Intangible assets (continued)

Key assumptions used for annual impairment testing

The recoverable amounts of the operating segment or CGUs have been based on value-in-use calculations using three year forecasted cash flows. These calculations use cash flow projections based on actual operating results, the 2017 budget approved by the Board and the latest three year strategic plan adjusted for known developments and changes in information since the plan was formulated.

The terminal growth and discount rate assumptions used in the 30 June 2015 impairment testing were reviewed and have been determined to remain valid for the 30 June 2016 testing. The terminal value growth rate has been based on published long-term growth rates. The discount rate has been based on an industry Weighted Average Cost of Capital (WACC) with cash flow projections being adjusted for CGU specific risks.

Forecast revenue, EBITDA and capital spend assumptions used in the 30 June 2015 impairment testing have been adjusted for known and anticipated future operational changes and additional potential risk identified since 30 June 2015. These changes are reflected in the summary of key assumptions table below. Based on these key assumptions the recoverable amount of each CGU continues to exceed the carrying amounts at 30 June 2016.

The table below provides a summary of the key assumptions used in the impairment testing at 30 June 2016 and the corresponding percentages for 30 June 2015:

	SOLIDS		LIQUIDS & HAZARDOUS WASTE		HYDROCARBONS		INDUSTRIAL SERVICES	
ASSUMPTIONS	JUNE 2016	JUNE 2015	JUNE 2016	JUNE 2015	JUNE 2016	JUNE 2015	JUNE 2016	JUNE 2015
Revenue growth [1,2]	3.7%	6.3%	2.6%	4.0%	1.3%	2.8%	3.8%	0.2%
EBITDA growth [1,2]	5.7%	8.5%	5.8%	24.3%	6.4%	4.7%	18.0%	11.4%
Capital spend rate [3]	10.1%	10.5%	5.2%	7.8%	6.8%	8.5%	4.3%	5.7%
Terminal value growth rate	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Post-tax discount rate	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
Pre-tax discount rate	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%

1 The Melbourne Regional Landfill (MRL), acquired on 28 February 2015, has now been fully transitioned into the existing business and is therefore not separately identified.
2 Growth rates have been calculated with 30 June 2016 revenue and underlying normalised EBITDA as a base.
3 Reflects capital spend as a percentage of revenue, calculated as the three year average of forecast spend.

Revenue growth assumptions

Solids' forecast revenue growth is based on expected volume and price growth considering business as usual with the growth transformation program, implemented across major markets in order to increase sales revenue, now fully embedded in the business. Growth rates have been determined with reference to external sources including the Reserve Bank of Australia GDP growth and CPI forecast, industry reports and industry specific forecasts that are closely linked to waste generation. The forecast revenue growth as at 30 June 2016 has been adjusted given a reduction in actual and forecast CPI and significant organisational changes since August 2015. Organisational changes include a comprehensive Cost Reduction Program which has impacted all activities of the Group and has been a high priority of management accompanied by a new operating model for the business.

Liquid & Hazardous Waste, Hydrocarbons and Industrial Services forecast revenue growth considers GDP and CPI, adjusted for management's best estimate of growth achievable in the current economic and competitive environment. Industrial Services' forecast revenue growth includes the benefit of recent major contract wins.

EBITDA growth assumptions

EBITDA growth is primarily the result of changes in the revenue growth assumptions outlined above, together with the continued benefits of the Cost Reduction Program implemented partway through the 2016 financial year. Controls are in place to ensure that costs remain at the lower levels currently achieved.

The Liquid & Hazardous Waste CGU reflects a decrease in the EBITDA growth from 30 June 2015 as a significant portion of the cost reductions have been achieved in the 2016 financial year resulting in a lower forward-looking EBITDA growth rate.

The Industrial Services CGU reflects an increase in the EBITDA growth from 30 June 2015 due to major contract wins, benefits from the removal of divisional overhead structures as part of the cost reduction initiatives and the coinciding review of overhead allocations.

21. Intangible assets (continued)

Capital spend assumptions

Capital spend incorporates consideration of industry benchmarks but also reflects the continued focus on managing capital spend as part of the overall Cost Reduction and Capital Efficiency Program. The Solids segment is the most capital intensive part of the business and Industrial Services CGU is the least as its primary source of revenue is technical labour services.

Impact of possible changes in key assumptions

Any variation in the key assumptions used to determine recoverable amount would result in a change to the estimated recoverable amount. If variations in assumptions had a negative impact on recoverable amount it could indicate a requirement for some impairment of non-current assets. If variations in assumptions had a positive impact on recoverable amount it could indicate a requirement for a reversal of previously impaired non-current assets, with the exception of goodwill.

Estimated reasonably possible changes (absolute numbers) in the key assumptions would have the following approximate impact on impairment of each CGU as at 30 June 2016:

	REASONABLY POSSIBLE CHANGE	SOLIDS $'M	LIQUIDS & HAZARDOUS WASTE $'M	HYDROCARBONS $'M	INDUSTRIAL SERVICES $'M
Decrease in CAGR% – Revenue	1% to 2%	Nil – (201.9)	Nil – (9.2)	Nil	Nil
Decrease in CAGR% – EBITDA	2% to 3%	Nil	Nil	Nil	Nil
Increase in capital spend rate	0.5% to 1%	Nil – (6.3)	Nil	Nil	Nil
Decrease in terminal value growth rate	1%	Nil	Nil	Nil	Nil
Increase in post-tax discount rate	0.3% to 1%	Nil – (62.9)	Nil	Nil	Nil

Whilst the table above outlines management's best estimates of key assumptions and reasonably possible changes in these, changes in the level of business activity may also materially impact the determination of recoverable amount. Should the macroeconomic factors that are specific to the Australian domestic market change, this could impact the level of activity in the market as well as competition and thereby affect the Group's revenue and cost initiatives. If conditions change unfavourably, changes in recoverable amount estimates may arise.

Each of the sensitivities above assumes that the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions may accompany a change in another assumption. Action is also usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.

Modelling incorporating the assumptions identified in the key assumptions table provides that the recoverable amount exceeds the carrying amount (headroom) as outlined below. The recoverable amount of the operating segment or CGUs would equal its carrying amount if the key assumptions were to change as follows:

	SOLIDS $'M	LIQUIDS & HAZARDOUS WASTE $'M	HYDROCARBONS $'M	INDUSTRIAL SERVICES $'M
Headroom $'M	**317.7**	**66.3**	**52.5**	**52.6**
Decrease in CAGR% – Revenue [1]	1.2%	1.7%	8.0%	3.1%
Decrease in CAGR% – EBITDA [1]	3.1%	8.0%	7.6%	8.0%
Increase in capital spend rate [1]	1.0%	1.6%	1.4%	1.1%
Decrease in terminal value growth rate [1,2]	1.3%	3.5%	4.6%	2.7%
Increase in post-tax discount rate [1]	0.8%	3.1%	3.9%	2.4%

1 Percentage changes presented above represents the absolute change in the assumption value (for example post-tax discount rate increasing by 0.8% from 7.7% to 8.5%).

2 Liquids & Hazardous Waste, Hydrocarbons and Industrial Services terminal value would reflect negative value as it is currently modelled at 2%.

Refer to note 38(l) for further details on the Group's intangible assets accounting policy.

22. Equity accounted investments

The Group holds a 50% interest in the following equity accounted investments but does not have control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group does not have power over these entities either through management control or voting rights.

			OWNERSHIP INTEREST		CARRYING VALUE OF INVESTMENT	
NAME OF ENTITY	COUNTRY	REPORTING DATE	2016 %	2015 %	2016 $'M	2015 $'M
Solids:						
Wonthaggi Recyclers Pty Ltd	Australia	30 June	50	50	0.5	0.5
Earthpower Technologies Sydney Pty Ltd	Australia	30 June	50	50	–	0.4
Liquids and Industrial Services:						
Total Waste Management Pty Ltd	Australia	31 December	50	50	4.6	4.5
Western Resource Recovery Pty Ltd	Australia	31 December	50	50	6.0	6.8
					11.1	**12.2**

Share of equity accounted investments' balance sheet

	2016 $'M	2015 $'M
Total assets	29.0	30.5
Total liabilities	(6.8)	(6.1)
Net assets as reported by equity accounted investments	22.2	24.4
Share of net assets equity accounted	11.1	12.2

Share of equity accounted investments' revenue and profit

	2016 $'M	2015 $'M
Revenues (100%)	40.9	43.6
Expenses	(37.6)	(39.7)
Profit before income tax (100%)	**3.3**	**3.9**
Share of profit before income tax	1.7	1.9
Share of income tax expense	(0.4)	(0.5)
Share of net profit recognised	1.3	1.4

Impairment losses and commitments

During the year the equity accounted investments were tested for impairment and no adjustments were made as a result (2015: $Nil). As at the reporting date the Group had no contractual obligation to provide funding for capital commitments of equity accounted investments (2015: $Nil).

23. Employee benefit liabilities

	2016 $'M	2015 $'M
Current		
Annual leave	22.6	22.6
Long service leave	11.8	16.6
Other	5.5	4.0
Total current employee benefit liabilities	**39.9**	**43.2**
Non-current		
Long service leave	8.4	8.5
Total non-current employee benefit liabilities	**8.4**	**8.5**

Refer to note 38(q) for the Group's accounting policy on employee benefits.

24. Provisions

	2016 $'M	2015 $'M
Current		
Rectification provisions	14.7	27.6
Remediation provisions	31.5	31.0
Other	13.6	16.9
Total current provisions	**59.8**	**75.5**
Non-current		
Rectification provisions	39.8	42.8
Remediation provisions	288.1	284.1
Other	13.6	9.2
Total non-current provisions	**341.5**	**336.1**

Included in other provisions is an amount of $12.8 million (2015: $12.8 million) in relation to workers compensation self-insurance of the Group under the Comcare scheme. The workers compensation self-insurance provision is reassessed annually based on actuarial advice.

The table below provides a roll forward of the rectification and remediation provisions:

	RECTIFICATION		REMEDIATION		OTHER		TOTAL	
	2016 $'M	2015 $'M	2016 $'M	2015 $'M	2016 $'M	2015 $'M	2016 $'M	2015 $'M
Opening balance	**70.4**	**69.2**	**315.1**	**278.5**	**26.1**	**26.2**	**411.6**	**373.9**
Provisions made	–	3.0	20.3	–	10.1	7.8	30.4	10.8
Provisions used or reversed	–	–	–	–	(9.0)	(7.9)	(9.0)	(7.9)
Provisions acquired	–	–	–	32.6	–	–	–	32.6
Unwinding of discount	1.3	2.6	6.9	11.2	–	–	8.2	13.8
Change in discount rate	–	1.3	–	23.6	–	–	–	24.9
Change in assumptions [1]	–	1.0	8.2	(22.6)	–	–	8.2	(21.6)
Rectification and remediation work	(17.2)	(6.7)	(30.9)	(8.2)	–	–	(48.1)	(14.9)
Closing balance	**54.5**	**70.4**	**319.6**	**315.1**	**27.2**	**26.1**	**401.3**	**411.6**

1 The change in assumptions represents changes in environmental guidelines and cost estimates.

The provision for remediation has been estimated using current expected costs and techniques applicable to the operation of each landfill and the disturbed area. These costs have been adjusted for the future value of the expected costs at the time of works being required. These costs have then been discounted to estimate the required provision at a rate of 2.81% (2015: 2.81%).

Refer to note 38(o) for a summary of the accounting policy for provisions for landfill remediation and rectification.

25. Other liabilities

	2016 $'M	2015 $'M
Current		
Deferred settlement liabilities resulting from business combinations	4.9	13.2
Landfill creation liability	12.1	15.9
Deferred revenue	1.6	1.3
Other liabilities	4.6	–
Total current other liabilities	**23.2**	**30.4**
Non-current		
Deferred settlement liabilities resulting from business combinations	75.0	76.3
Landfill creation liability	28.4	3.3
Other liabilities	3.2	11.2
Total non-current other liabilities	**106.6**	**90.8**

26. Business combinations

Year ended 30 June 2016

There were no significant business combinations during the year ended 30 June 2016.

Year ended 30 June 2015

Melbourne Regional Landfill (MRL)

As reported in the 30 June 2015 Annual Report, the Group acquired the MRL business, including existing licences and permits, from Boral Ltd on 28 February 2015. The MRL site is the largest in the Melbourne area and is a key infrastructure asset for the Cleanaway business providing operating efficiencies, volume growth and synergies through internalisation.

At 30 June 2015 provisionally determined fair values were reported. Subsequent to 30 June 2015, final fair values for the business combination were determined. Comparative amounts for 30 June 2015 have been restated in this financial report for final determined fair values and a misstatement relating to inventory.

26. Business combinations (continued)

The restated aggregated fair value of the identifiable assets and liabilities at the date of acquisition were:

FAIR VALUE RECOGNISED ON ACQUISITION	PROVISIONAL FAIR VALUE REPORTED AT 30 JUNE 2015 $'M	ADJUSTMENTS TO PROVISIONAL FAIR VALUE AND MISSTATEMENT $'M	FINAL FAIR VALUE $'M
Assets			
Trade receivables	9.4	–	9.4
Inventory [1]	8.2	(2.7)	5.5
Property, plant and equipment	26.7	–	26.7
Intangible assets [1]	255.0	2.7	257.7
	299.3	–	299.3
Liabilities			
Trade payables	(20.0)	–	(20.0)
Employee entitlements	(0.1)	–	(0.1)
Deferred tax liability [2]	(66.7)	30.0	(36.7)
Remediation provision	(32.6)	–	(32.6)
	(119.4)	30.0	(89.4)
Total identifiable net assets at fair value	**179.9**	**30.0**	**209.9**
Goodwill arising on acquisition [2]	66.7	(30.0)	36.7
Purchase consideration transferred	**246.6**	**–**	**246.6**

1 Half year reporting at 31 December 2015 identified that final fair values had been determined. Subsequent to release of the half year financial report it was identified that inventory fair values included inventory owned by the acquiree which contractually did not form part of the acquisition. This has been corrected by restating each of the affected financial statement line items and, as a result, the 30 June 2015 comparative balance sheet.

2 A comprehensive review of the tax implications of the transaction resulted in a change in the provisional tax position adopted. As a result, the deferred tax liability has decreased by $30.0 million with a consequential reduction in goodwill within the provisional accounting period.

From the date of acquisition to 30 June 2015, the MRL business contributed $31.5 million of revenue and $3.9 million to profit before tax from continuing operations of the Group. If the business combination had taken place at the beginning of the year, revenue from continuing operations would have been $89.8 million and profit before tax from continuing operations for the Group would have been $20.5 million for the year ended 30 June 2015.

The intangible assets identified as part of the acquisition included customer contracts and landfill assets, including leasehold land, licences and agreements, airspace and support. Landfill assets have a finite useful life as they relate to the available land, licences and airspace acquired which is separately identifiable from goodwill. Customer contracts have been fair valued at $8.7 million based on the expected cash flows under the existing contracted term discounted back to present value. The remaining intangible landfill asset has been fair valued based on the expected cash flows over the life of the landfill discounted back to present value. Each of these intangibles will be amortised over the life of the asset.

The deferred tax liability of $36.7 million mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets. Entries to account for this deferred tax liability are taken to goodwill. Goodwill is allocated entirely to the Solids segment.

A deferred consideration liability of $89.9 million was recognised at the acquisition date resulting from transaction payments for site preparation and operation under the agreement to be paid to Boral over the life of the landfill. These transactions have been estimated using a discounted cash flow method at a long term borrowing rate of 7%.

PURCHASE CONSIDERATION	$'M
Cash paid	156.7
Deferred settlement	89.9
Total consideration	**246.6**

Analysis of cash flows on acquisition:	
Cash paid	156.7
Transaction costs of the acquisition (included in cash flows from operating activities)	8.7
Net cash flow on acquisition	**165.4**

Transaction costs of the acquisition are included in other expenses in the Consolidated Income Statement.

26. Business combinations (continued)

Dimeo Waste Services

On 1 May 2015, the Group acquired the Dimeo Waste Services business, a leading C&I waste collection business in the Sydney CBD and surrounding areas. From the date of acquisition to 30 June 2015, the Dimeo business contributed $0.5 million of revenue and $0.1 million to profit before tax from continuing operations of the Group. If the business combination had taken place at the beginning of the year, revenue from continuing operations would have been $6.5 million and profit before tax from continuing operations for the Group would have been $0.8 million for the year ended 30 June 2015.

The aggregated fair value of the identifiable assets and liabilities as at the date of acquisition were:

FAIR VALUE RECOGNISED ON ACQUISITION	$'M
Assets	
Property, plant and equipment	1.1
Intangibles	3.7
	4.8
Liabilities	
Deferred tax liability	(1.1)
	(1.1)
Total identifiable net assets at fair value	**3.7**
Goodwill arising on acquisition	2.0
Purchase consideration transferred	**5.7**

The intangible assets identified as part of the acquisition included customer contracts and goodwill. Customer contracts have been fair valued at $3.7 million based on the expected cash flows under the existing contracted term discounted back to present value. Customer contracts will be amortised over the life of the asset.

The deferred tax liability of $1.1 million mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets. Entries to account for this deferred tax liability are taken to goodwill. Goodwill is allocated entirely to the Solids segment.

PURCHASE CONSIDERATION	$'M
Cash paid	4.5
Deferred settlement	1.2
Total consideration	**5.7**

Analysis of cash flows on acquisition:	
Cash paid	4.5
Transaction costs of the acquisition (included in cash flows from operating activities)	–
Net cash flow on acquisition	**4.5**

Transaction costs of the acquisition are included in other expenses in the Consolidated Income Statement.

27. Subsidiaries

The Group's principal subsidiaries at 30 June 2016 are set out below.

	EFFECTIVE INTEREST [3]	
	2016 %	2015 %
Cleanaway Waste Management Limited – Parent *(formerly Transpacific Industries Group Ltd)*	100	100
Transpacific Co Pty Ltd [2]	100	100
Transpacific Resources Pty Ltd [2]	100	100
Environmental Recovery Services Pty Ltd [2]	100	100
ERS Australia Pty Ltd [2]	100	100
Cleanaway Operations Pty Ltd [2] *(formerly Transpacific Industries Pty Ltd)*	100	100
Cleanaway Organics Pty Ltd [2] *(formerly Transpacific Organics Pty Ltd)*	100	100
Mann Waste Management Pty Ltd [2]	100	100
Nationwide Oil Pty Ltd [2]	100	100
NQ Resource Recovery Pty Ltd [2]	100	100
Olmway Pty Ltd [1]	50	50
Transpacific Biofuels Pty Ltd [1]	50	50
Transpacific Environmental Services Pty Ltd [2]	100	100
Cleanaway Refiners Pty Ltd [1] *(formerly Transpacific Refiners Pty Ltd)*	50	50
Cleanaway Superior Pak Pty Ltd [2] *(formerly Transpacific Superior Pak Pty Ltd)*	100	100
Transwaste Technologies (1) Pty Ltd	100	100
Transwaste Technologies Pty Ltd [2]	100	100
Transpacific Baxter Pty Ltd [2]	100	100
Baxter Business Pty Ltd [2]	100	100
Cleanaway Pty Ltd [2] *(formerly Transpacific Cleanaway Pty Ltd)*	100	100
Enviroguard Pty Ltd [2]	100	100
Cleanaway Hygiene Pty Ltd [2] *(formerly Transpacific Cleanaway Hygiene Pty Ltd)*	100	100
Cleanaway Recycling Pty Ltd *(formerly Transpacific Recycling Pty Ltd)*	100	100
Cleanaway Landfill Holdings Pty Ltd [2] *(formerly Transpacific Landfill Holdings Pty Ltd)*	100	100
Landfill Land Holdings Pty Ltd [2]	100	100
Landfill Operations Pty Ltd [2]	100	100
Western Landfill Pty Ltd [2]	100	100
Cleanaway Industrial Solutions Pty Ltd [2] *(formerly Transpacific Industrial Solutions Pty Ltd)*	100	100
Cleanaway Solid Waste Pty Ltd [2] *(formerly Transpacific Waste Management Pty Ltd)*	100	100
Rubus Holdings Pty Ltd [2]	100	100
Rubus Intermediate One Pty Ltd [2]	100	100
Rubus Intermediate Two Pty Ltd [2]	100	100
Transpacific Cleanaway Holdings Pty Ltd [2]	100	100
Cleanaway Resource Recycling Pty Ltd [2] *(formerly Transpacific Resource Recycling Pty Ltd)*	100	100
Waste Management Pacific (SA) Pty Ltd [2]	100	100
Waste Management Pacific Pty Ltd [2]	100	100

1 Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As subsidiaries, the Group has power over the investees through management control and the casting vote of Cleanaway Refiners Pty Ltd, Olmway Pty Ltd and Transpacific Biofuels Pty Ltd. The Group has the capacity to dominate decision making in relation to the relevant activities so as to enable those entities to operate as part of the Group in pursuing its objectives. The Group acquired the non-controlling interest of Cleanaway Refiners Pty Ltd post 30 June 2016. Refer to note 36 for details.

2 These subsidiaries have entered into a deed of cross guarantee with Cleanaway Waste Management Limited on 29 June 2007 pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited Financial Report. Refer to note 28 for Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Balance Sheet of the entities who are a party to the Deed of Cross Guarantee.

3 All entities were incorporated in Australia.

28. Deed of cross guarantee

The Consolidated Statement of Profit or Loss and Other Comprehensive Income and the Consolidated Balance Sheet of the entities who are a party to the Deed of Cross Guarantee are:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2016 $'M	2015 $'M
Continuing operations		
Revenue	1,432.6	1,353.0
Other income	2.2	1.2
Share of profits from equity accounted investments	1.3	1.2
Raw materials and inventory	(50.0)	(52.0)
Waste disposal and collection	(311.2)	(268.0)
Employee expenses	(565.5)	(548.4)
Depreciation and amortisation	(156.8)	(132.8)
Repairs and maintenance	(85.0)	(93.7)
Fuel expenses	(37.1)	(46.0)
Leasing charges	(26.8)	(30.8)
Freight expenses	(15.3)	(16.4)
Impairment of assets	–	(75.7)
Change in fair value of land and buildings	(0.2)	(0.5)
Other expenses	(87.9)	(94.7)
Profit/(loss) from operations	**100.3**	**(3.6)**
Net finance costs	(34.4)	(35.0)
Profit/(loss) before income tax	**65.9**	**(38.6)**
Income tax (expense)/benefit	(18.8)	7.2
Profit/(loss) from continuing operations after income tax	**47.1**	**(31.4)**
Discontinued operations		
Profit for the year from discontinued operations	–	8.2
Profit/(loss) after income tax	**47.1**	**(23.2)**
Other comprehensive income		
Revaluation of land and buildings	3.1	–
Net comprehensive income recognised directly in equity	**3.1**	**–**
Total comprehensive income/(loss) for the year	**50.2**	**(23.2)**

Refer to note 27 for details of subsidiaries who are a party to the Deed of Cross Guarantee.

28. Deed of cross guarantee (continued)

BALANCE SHEET	2016 $'M	2015 $'M
Assets		
Cash and cash equivalents	47.6	35.2
Trade and other receivables	223.9	222.5
Inventories	14.4	17.8
Income tax receivable	–	4.4
Other assets	33.6	19.3
Total current assets	**319.5**	**299.2**
Other financial assets	89.6	252.1
Property, plant and equipment	866.5	836.1
Intangible assets	1,539.7	1,558.0
Equity accounted investments	10.6	11.6
Deferred tax assets	133.3	111.6
Total non-current assets	**2,639.7**	**2,769.4**
Total assets	**2,959.2**	**3,068.6**
Liabilities		
Trade and other payables	173.2	215.2
Income tax payable	10.7	–
Borrowings	0.3	0.2
Employee benefits	39.6	42.9
Provisions	59.8	72.2
Other	22.9	0.8
Total current liabilities	**306.5**	**331.3**
Borrowings	358.6	351.0
Employee benefits	8.3	8.5
Provisions	341.5	336.1
Other	109.4	262.5
Total non-current liabilities	**817.8**	**958.1**
Total liabilities	**1,124.3**	**1,289.4**
Net assets	**1,834.9**	**1,779.2**
Equity		
Issued capital	2,076.4	2,071.8
Reserves	41.7	37.7
Retained earnings	(283.2)	(330.3)
Total equity	**1,834.9**	**1,779.2**

The effect of the deed is that all subsidiaries that are parties to the deed have guaranteed to pay any deficiency in the event of winding up of any subsidiary or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

29. Parent entity

	2016 $'M	2015 $'M
Current assets	14.2	21.7
Total assets	2,620.9	2,625.3
Current liabilities	12.9	16.0
Total liabilities	465.2	443.5
Issued capital	2,076.4	2,072.1
Retained earnings	70.9	102.9
Reserves	8.4	6.8
Total	**2,155.7**	**2,181.8**
Loss for the period	(6.7)	(61.7)
Total comprehensive loss for the period	(6.7)	(61.6)

The parent entity guarantees the contractual commitments of its subsidiaries as requested.

30. Derivative financial instruments

	2016 $'M	2015 $'M
Derivatives – at fair value	10.9	8.6
	10.9	**8.6**

The derivative balance relates to a foreign currency swap held by the Group to hedge against foreign currency movements in the USPP Notes. Refer to note 38(j) for the Group's accounting policy on derivative financial instruments.

31. Financial risk management

The Group is exposed to market risk, credit risk and liquidity risk and its senior management oversees the management of these risks. The Group has in place a Treasury Policy that focuses on managing these risks. The policy is reviewed by the Audit and Risk Committee and approved by the Board. The treasury activities are reported to the Audit and Risk Committee and Board on a regular basis with the ultimate responsibility being borne by the Chief Financial Officer (CFO).

The Group's overall financial risk management focuses on mitigating the potential financial effects to the Group's financial performance. The Group also enters into derivative transactions to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is the Group's policy that no speculative trading in financial instruments shall be undertaken.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes foreign currency risk and interest rate risk.

Foreign currency risk

Foreign currency risk arises as a result of having assets denominated in a currency that is not the Group's functional currency (balance sheet risk) or from transactions or cash flows denominated in a foreign currency (cash flow risk). Foreign currency risk is not material to the Group.

The US Private Placement (USPP) Notes currency risk has been economically hedged by a foreign currency swap for the currency exposure which has been in place since inception and converts to AUD fixed rate debt. Although the Group's related foreign currency risk has been economically hedged, hedge accounting has not been applied. The foreign currency risk associated with the USPP Notes is fully hedged by the related foreign currency swap arrangement.

31. Financial risk management (continued)

The value of the USPP Notes at 30 June 2016 and 30 June 2015 is shown in the table below:

US PRIVATE PLACEMENT NOTES	USD $'M	AUD $'M
30 June 2016	48.0	64.7
30 June 2015	48.0	62.5

Interest rate risk

Interest rate risk is the risk that the fair value of the financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Group's exposure primarily relates to its exposure to variable interest rates on borrowings.

At 30 June 2016, there were no interest rate swaps in place.

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	30 JUNE 2016		30 JUNE 2015	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'M	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'M
Fixed rate instruments				
USPP borrowings (USD)	10.8	(64.7)	10.8	(62.5)
Other	8.0	(0.8)	8.0	(1.0)
		(65.5)		**(63.5)**
Variable rate instruments				
Borrowings	3.6	(293.9)	3.8	(288.2)
		(293.9)		**(288.2)**

The Group's fixed rate borrowings are carried at amortised cost and therefore not subject to interest rate risk since neither the carrying amount nor the future cash flows will fluctuate due to a change in market interest rates.

An analysis of the interest rates over the 12 month period was performed to determine a reasonable possible change in interest rates on the variable rate borrowings. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by $3.0 million (2015: $2.9 million).

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet contractual obligations, with the maximum exposure being equal to the carrying amount of these instruments. Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. For certain export sales the Group requires the vendor to provide a letter of credit.

The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers. In addition, receivable balances are monitored on an ongoing basis with the intention that the Group's exposure to bad debts is minimised.

Credit risk on foreign exchange contracts is minimal as counterparties are large Australian and international banks with acceptable credit ratings determined by a recognised ratings agency. Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's Treasury policy where the Group only deals with large reputable financial institutions.

31. Financial risk management (continued)

The Group's maximum exposure to credit risk at the reporting date was:

CARRYING AMOUNT	NOTES	2016 $'M	2015 $'M
Cash and cash equivalents (excluding bank overdrafts)	11	48.3	37.0
Trade and other receivables	12	224.3	227.1
Derivative financial instruments	30	10.9	8.6
		283.5	**272.7**

Refer to note 12 for an analysis of credit risk and impairment associated with the Group's trade receivables balance.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objective is that the Group has access to sufficient cash resources to meet its financial obligations as they fall due, including taxes and dividends, and to provide funds for capital expenditure and investment opportunities as they arise.

The Group regularly reviews existing funding arrangements and assesses future funding requirements based upon known and forecast information. The Group's liquidity position is reported to the Board on a monthly basis.

The headroom in the Group's syndicated facilities at 30 June 2016 is $251.3 million (2015: $233.5 million). The current portion of the Group's borrowings at 30 June 2016 is $0.8 million (2015: $0.7 million). The Group considers liquidity risk to be low due to the level of headroom available and the maturity profile of existing facilities.

The following table discloses the contractual maturities of financial liabilities, including estimated interest payment and excluding the impact of netting agreements:

2016	< 1 YEAR $'M	1 – 2 YEARS $'M	2 – 5 YEARS $'M	> 5 YEARS $'M	CONTRACTUAL CASH FLOWS $'M	CARRYING AMOUNT $'M
US Private Placement Notes	7.0	68.2	–	–	75.2	64.7
Loans from related parties	0.5	–	–	–	0.5	0.5
Unsecured bank loans	10.6	10.6	311.5	–	332.7	293.9
Trade and other payables	178.8	–	–	–	178.8	178.8
Other liabilities	21.6	22.4	30.0	209.6	283.6	128.2
Total	**218.5**	**101.2**	**341.5**	**209.6**	**870.8**	**666.1**

2015	< 1 YEAR $'M	1 – 2 YEARS $'M	2 – 5 YEARS $'M	> 5 YEARS $'M	CONTRACTUAL CASH FLOWS $'M	CARRYING AMOUNT $'M
US Private Placement Notes	6.8	6.8	65.2	–	78.8	62.5
Loans from related parties	0.5	–	–	–	0.5	0.5
Unsecured bank loans	10.1	10.1	305.9	–	326.1	288.2
Trade and other payables	178.8	–	–	–	178.8	178.8
Other liabilities	29.1	8.2	26.6	214.9	278.8	119.9
Total	**225.3**	**25.1**	**397.7**	**214.9**	**863.0**	**649.9**

The Group has bank guarantees and insurance bonds in place in respect of its contractual performance related obligations. These guarantees and indemnities only give rise to a liability where the Group fails to perform its contractual obligations. In the event that the Group does not meet its contractual obligations, these instruments are immediately callable and have a maximum exposure of $128.7 million (2015: $128.0 million) in relation to these bank guarantees and insurance bonds. Refer to note 33(c) for details of the Group's guarantees.

(d) Financial assets and liabilities measured at fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy on the basis of nature, characteristics and risks and described as follows based on the lower level of input that is significant to the fair value measurement as a whole.

Level 1 – the fair value is calculated using prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset of liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

31. Financial risk management (continued)

There were no transfers between levels during the year.

The Group enters into currency rate swaps with financial institutions with investment grade credit ratings. These derivatives are valued using techniques with market observable inputs. The valuation techniques include forward pricing and swap models, using present value calculations.

The following table provides the fair value measurement hierarchy of the Group's derivative financial instruments:

2016	LEVEL 1 $'M	LEVEL 2 $'M	LEVEL 3 $'M	TOTAL $'M
Assets				
Derivative financial instruments – USD foreign currency swap	–	10.9	–	10.9

2015				
Assets				
Derivative financial instruments – USD foreign currency swap	–	8.6	–	8.6

The carrying value of all financial assets and liabilities other than derivative financial instruments approximate fair value.

32. Contingent liabilities

Taxation authority reviews

The New Zealand Taxation Authority is currently reviewing particular aspects of the Group's tax position which have arisen during the period of the Group's ownership of the New Zealand business. While assessments have been issued in respect of some aspects of this review, no amounts of tax are currently payable by the Group, as discussions with Inland Revenue in relation to these matters are still continuing and the tax audit process has not yet concluded. At this time, it is too early to identify the outcomes and related adjustments that may arise, if any. The timing, in respect of the resolution of these matters, will depend on the outcome of the continuing discussions with Inland Revenue, the completion of the tax audit process and the initiation and conclusion of any court proceedings, if deemed necessary.

Other claims

Certain companies within the Group are party to various legal actions or commercial disputes or negotiations that have arisen in the normal course of business. It is expected that any liabilities or assets arising from these legal actions would not have a material effect on the Group.

33. Commitments

(a) Operating lease commitments

The Group leases property, plant and equipment under operating leases expiring over terms generally not exceeding ten years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Future minimum rentals payable under non-cancellable operating lease rentals are payable as follows:

	2016 $'M	2015 $'M
Within one year	23.3	15.9
Between one and five years	64.2	41.2
More than five years	48.5	12.2
	136.0	**69.3**

33. Commitments (continued)

(b) Capital expenditure and other commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2016 $'M	2015 $'M
Property, plant and equipment	48.0	29.1
Intangible assets	3.4	–
	51.4	**29.1**

(c) Guarantees

The Group is, in the normal course of business, required to provide guarantees and letters of credit on behalf of subsidiaries and associates in respect of their contractual performance related obligations. These guarantees and indemnities only give rise to a liability where the entity concerned fails to perform its contractual obligations.

	2016 $'M	2015 $'M
Bank guarantees outstanding at balance date in respect of financing facilities	–	0.7
Bank guarantees outstanding at balance date in respect of contractual performance	115.3	113.7
Insurance bonds outstanding at balance date in respect of contractual performance	13.4	13.6
	128.7	**128.0**

34. Share-based payments

Total share-based payment expense included in the Consolidated Income Statement is set out in note 17(b).

Performance rights outstanding at the reporting date consist of the following grants:

OFFER	GRANT DATE	END OF PERFORMANCE OR SERVICE PERIOD	PERFORMANCE RIGHTS AT 30 JUNE 2015	GRANTED DURING THE PERIOD	VESTED DURING THE PERIOD	FORFEITED/ EXPIRED DURING THE PERIOD	PERFORMANCE RIGHTS AT 30 JUNE 2016
LONG TERM INCENTIVE PLAN							
2012 LTI	28 Sep 2011	30 Jun 2015	1,095,005	–	(547,504)	(547,501)	–
2013 LTI	19 Jun 2013	30 Jun 2016	1,704,400	–	–	(918,034)	786,366
2014 LTI	24 Mar 2014	30 Jun 2017	3,273,436	–	–	(1,792,487)	1,480,949
2015 LTI	10 Mar 2015	30 Jun 2017	4,210,624	–	–	(2,298,236)	1,912,388
2016 LTI (A)	30 Oct 2015	30 Jun 2018	–	2,838,220	–	–	2,838,220
2016 LTI (B)	16 Mar 2016	30 Jun 2018	–	2,808,170	–	–	2,808,170
SHORT TERM INCENTIVE PLAN							
2013 STI	13 Sep 2013	30 Jun 2015	105,516	–	(105,516)	–	–
2014 STI	1 & 29 Oct 2014	30 Jun 2016	920,850	–	–	(328,520)	592,330
OTHER GRANTS							
EEA	1 Jun 2010	30 Jun 2015	2,705,484	–	–	(2,705,484)	–
One-off A	20 Aug 2015	3 Aug 2017	–	328,947	–	–	328,947
One-off B	1 Jul 2015	23 Jun 2016	–	1,184,210	–	(1,184,210)	–
Total			**14,015,315**	**7,159,547**	**(653,020)**	**(9,774,472)**	**10,747,370**
Vested and exercisable at 30 June 2016							592,330

The vesting date for LTI offers is on or after the date which is 14 days after the date on which the annual financial results of the Group for the financial year associated with the end of the performance period is released to the ASX. Other offers vest on or after the end of the relevant performance or service period.

34. Share-based payments (continued)

(a) Long term incentive (LTI) plan

The Cleanaway LTI plan is designed to provide long-term incentives for senior executives to deliver long-term shareholder returns. Under the plan, participants are granted performance rights which only vest if certain performance standards are met.

Offers made in previous reporting periods

The following table outlines the terms of the outstanding LTI offers made in previous reporting periods which remain on issue:

PERFORMANCE PERIOD	2013 LTI AWARD 4 YEARS: 1 JULY 2012 TO 30 JUNE 2016	2014 LTI AWARD 4 YEARS: 1 JULY 2013 TO 30 JUNE 2017	2015 LTI AWARD UP TO 4 YEARS: 1 JULY 2014 TO 30 JUNE 2018
Overview	Performance rights, of which: • Up to 50% vest if a certain relative TSR ranking is achieved against the constituents of the S&P/ASX 200 Industrial Sector Index • Up to 50% vest if a certain earnings per share target is achieved		Performance rights, of which: *Measured over 3 years to 30 June 2017* • Up to 25% vest if a certain relative TSR ranking is achieved against constituents of the S&P/ASX 200 Industrial Sector Index • Up to 25% vest if a certain Return on Invested Capital target is achieved *Measured over 4 years to 30 June 2018* • Up to 50% vest if certain strategic initiatives are achieved

Offer made in current reporting period – 2016 LTI award

During the period, the Group issued performance rights attached to the Group's LTI plan to the CEO (grant A) and other senior executives (grant B). The performance rights will vest in two equal tranches if the following performance hurdles, tested independently, are met:

- Tranche 1 – Up to 50% of the performance rights vest if a certain relative TSR ranking is achieved against constituents of the S&P/ASX 200 Industrial Sector Index.
- Tranche 2 – Up to 50% of performance rights vest if a certain Return on Invested Capital (ROIC) target is achieved.

Performance rights granted during the period were fair valued by an external party using the Monte Carlo Simulation and Black Scholes model.

The following table sets out the assumptions made in determining the fair value of these performance rights:

SCHEME	2016 LTI – GRANT A	2016 LTI – GRANT B
Number of rights	2,838,220	2,808,170
Grant date	30 October 2015	16 March 2016
Performance period	1 July 2015 – 30 June 2018	1 July 2015 – 30 June 2018
Risk free interest rate (%)	1.82%	2.04%
Volatility [1] (%)	32.5%	32.5%
Fair value – Relative TSR tranche	$0.32	$0.42
Fair value – ROIC tranche	$0.63	$0.72

1 Expected volatility is based on the historic volatility of Cleanaway shares over a range of periods.

34. Share-based payments (continued)

The performance targets of the 2016 LTI award are set out in the table below.

Relative TSR tranche (measured over 3 years: 1 July 2015 to 30 June 2018)	TSR Ranking against the constituents of the S&P/ASX200 Industrial Sector Index: • Below 50th percentile – 0% vesting • 50th percentile – 50% vesting • 50th to 75th percentile – straight line vesting between 50% and 100% • 75th percentile and above – 100% vesting
ROIC tranche (measured over 3 years: 1 July 2015 to 30 June 2018)	Average ROIC to be achieved: • Below 4.6% – 0% vesting • 4.6% – 20% vesting • 4.6% to 5.6% – straight line vesting between 20% and 50% • 5.6% to 7.6% – straight line vesting between 50% and 100% • 7.6% and above – 100% vesting

(b) Short term incentive (STI) plan

The Cleanaway STI plan is an annual plan that is used to motivate and reward senior executives across a range of performance measures over the financial year. Under the plan, participants are granted a combination of cash and rights to deferred shares if certain performance standards are met. The Group uses EBITDA targets as the main performance standard for the STI plan. Vesting of the performance rights granted is deferred for one year.

(c) Other grants

Executive Engagement Award (EEA)

On 1 June 2010, the Group issued performance rights attached to an Executive Engagement Award. These performance rights lapsed on 30 June 2015 as the required hurdles were not met.

One-off grant A

On joining Cleanaway, the CEO was entitled to a one-off allocation of 328,947 performance rights to the value of $250,000 with vesting subject to a two-year service condition.

One-off grant B

A one-off allocation of 1,184,210 performance rights was made to a former senior Executive under a retention arrangement. These performance rights were forfeited upon departure.

35. Auditor's remuneration

Details of the amounts paid or payable to the auditor and its related practices for audit and non-audit services are set out below.

	2016 $	2015 $
Ernst & Young:		
Audit services	1,435,270	1,547,365
Audit related services	9,000	104,467
Non-audit services		
Due diligence services	–	197,142
Other advisory services	–	165,510
	1,444,270	**2,014,484**

36. Events occurring after the reporting date

On 1 July 2016 the Group acquired the assets and business of Waste 2 Resources Group for $8.5 million. The Waste 2 Resources Group provides waste collection and recovery services in South East Queensland. The initial accounting for the business combination is incomplete at the time the Group's financial statements were authorised for issue, and accordingly details of the financial effect of the business combination have not been disclosed.

On 25 July 2016 the Group acquired the non-controlling interest in Cleanaway Refiners Pty Ltd (formerly Transpacific Refiners Pty Ltd) for $2.5 million. Prior to the acquisition the Group held a 50% controlling interest in this entity. Given that the Group already controlled this entity prior to this acquisition, the transaction does not represent a business combination and will be accounted for in equity as a transaction between equity holders.

37. Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel (KMP) are set out in the Remuneration Report on pages 48 to 62.

The KMP compensation included in employee expenses are as follows:

	2016 $	2015 $
Short-term employee benefits	6,236,367	5,810,353
Post-employment benefits	142,099	137,152
Termination benefits	668,861	629,269
Equity compensation benefits	447,814	642,267
	7,495,141	**7,219,041**

Transactions with Director-related entities do not represent related party transactions where the relationship is limited to a Non-Executive Directorship including any Chairperson roles. Transactions during the year that amounted to related party transaction are limited to transactions with NGT Marketing. Mr Martin Hudson, a Non-Executive Director and Chairman of the Group, holds a beneficial interest in NGT Marketing. During the year the Group provided waste collections services to NGT Marketing for which it earned revenues on normal commercial terms. The value of these services were not material at $2,466 only.

(b) Wholly-owned Group transactions

The wholly-owned Group consists of Cleanaway Waste Management Limited and its wholly-owned entities listed at note 27. Transactions between Cleanaway Waste Management Limited and other entities in the wholly-owned Group during the years ended 30 June 2016 and 30 June 2015 consisted of:

(i) Loans advanced by Cleanaway Waste Management Limited and other wholly-owned entities;

(ii) Loans repaid to Cleanaway Waste Management Limited and other wholly-owned entities;

(iii) The payment of interest on the above loans;

(iv) The payment of dividends to Cleanaway Waste Management Limited and other wholly-owned entities;

(v) Management fees charged to wholly-owned entities; and

(vi) Sales between wholly-owned entities.

The above transactions are all eliminated on consolidation.

(c) Other related parties

There were no material transactions with, or amounts receivable from or payable to, other related parties during the year ended 30 June 2016 and 30 June 2015.

38. Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the Consolidated Financial Report. These policies have been consistently applied to all years presented unless otherwise stated.

(a) Revenue

Amounts disclosed as revenue represent the fair value of consideration received or receivable, including environmental levies but excluding goods and services taxes paid. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of goods to customers. Revenue from the rendering of services is recognised upon completion of performing the services. Revenue is recognised for the major business activities as follows:

Solids

Revenue from collection and disposal of waste is recognised when the service has been performed. In some circumstances, revenue may be earned from the collection of the waste, however costs related to the treatment and disposal of that waste is yet to be incurred. Unprocessed waste may give rise to deferred revenue, where invoices to customers are raised in advance of performance obligations being completed, or require an accrual for the costs of disposing of residual waste to be created once the Group has an obligation for disposal. These amounts are reflected as deferred revenue or accruals in the financial statements as appropriate.

Liquids and Industrial Services

- Revenue from collection and treatment of liquid waste is recognised when the waste has been collected and treated.
- Contract revenue is measured by reference to labour hours incurred to date and actual costs incurred.
- Revenue from sale of oil and by-products is recognised on shipment or passing of control of the goods.

Interest

Interest revenue is recognised on an accruals basis, taking into account the interest rates applicable to the financial assets.

Dividends

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates or joint venture entities are accounted for in accordance with the equity method of accounting.

(b) Repairs and maintenance

Plant and equipment of the Group is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The cost of this maintenance is recognised as an expense as incurred, except where it relates to the replacement of a component of an asset, or where it extends the useful life of the asset, in which case the costs are capitalised and depreciated in accordance with the Group's policy. Other routine operating maintenance, repair and minor renewal costs are also recognised as expenses as incurred.

(c) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred.

Finance costs include foreign exchange movements of the US Private Placement (USPP) borrowings which are offset by a corresponding foreign currency swap agreement. This foreign currency swap has not been formally designated as a hedge and therefore does not qualify for hedge accounting. The derivative financial instrument is carried at fair value on the Consolidated Balance Sheet with any changes in fair value being recognised in finance costs in the Consolidated Income Statement.

38. Significant accounting policies (continued)

(d) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred income asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same taxation 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company and all its wholly-owned Australian resident entities are part of a Tax-Consolidated Group under Australian taxation law. Cleanaway Waste Management Limited is the Head Entity in the Tax-Consolidated Group. The Tax-Consolidated Group has entered into a tax sharing and a tax funding agreement.

(e) Impairment of assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. Impairment losses on financial assets are directly written off to the Consolidated Income Statement. Impairment of loans and receivables is recognised when it is probable that the carrying amount will not be recovered in full due to significant financial difficulty or other loss event of the debtor.

Goodwill and intangible assets that have an indefinite useful life are not amortised but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that previously suffered an impairment loss are reviewed for possible reversal of the impairment loss at each subsequent reporting date.

(f) Foreign currency

Foreign currency transactions are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Income Statement and are reported on a net basis. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

38. Significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, short-term deposits and petty cash balances. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are at call, and earn interest at the respective short-term deposit rates.

(h) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known as uncollectable are written off when identified. A provision for impairment is raised when collection of an amount is no longer probable.

The Group's exposure to credit risk related to trade and other receivables is disclosed in note 31(b).

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the method most appropriate to each particular class of inventory and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in 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.

(j) Derivative financial instruments

The Group has a derivative financial instrument in place to manage its exposure to foreign exchange movements in the value of the USPP borrowings which are denominated in USD.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. As noted in note 31(a), this derivative is not designated as a hedge and therefore all fair value movements are recorded in finance costs in the Consolidated Income Statement.

(k) Property, plant and equipment

Landfill assets

The Group owns landfill assets. A landfill site may be either developed or purchased by the Group.

Landfill assets comprise the acquisition of landfill land, cell development costs, site infrastructure and landfill site improvement costs and the asset related to future landfill site restoration and aftercare costs (landfill remediation asset).

Landfill land will be recognised separately from other landfill related assets when it is considered to have value at the end of the landfill site's useful life for housing or commercial development. This land is not depreciated; it is carried at its original cost and tested for impairment.

Cell development costs include excavation costs, cell lining costs and leachate collection costs. Cell development costs are capitalised as incurred. Closed cells are capped and may return a future revenue stream to the Group, such as from the sale of landfill gas.

The landfill remediation assets comprises capping costs and costs to remediate and monitor the site over the life of the landfill including post closure. Capping costs together with cost of aftercare (see Provision for landfill remediation in note 38(o)) are recognised upon commencement of cell development. The depreciation, for cell development costs and the remediation asset, is calculated by the tonnes of airspace consumed during the reporting period divided into the total airspace available at the beginning of the reporting period, such that all costs are fully depreciated upon receiving last waste into the landfill. A landfill is deemed full when its permitted airspace is consumed and it cannot legally accept any more waste. Alternatively, a landfill may be deemed full earlier should other factors exist, for example, if it is not economically viable to continue accepting waste.

Site infrastructure and landfill site improvement costs include capital works such as site access roads and other capital costs relating to multiple cells on the landfill site. These costs are capitalised as incurred and depreciated using the useful life of the asset or the life of the landfill up until receiving last waste.

38. Significant accounting policies (continued)

Landfill sales

A landfill may be disposed of as an operating landfill or it may be retained until post-closure and then sold. The Group's policy on landfill sales is as follows:

- If the landfill is sold as an operating landfill, recognise the profit on sale of an asset; or
- If the completed landfill is intended to be sold and meet the relevant requirements, transfer the landfill balance to non-current assets held for sale.

Non-landfill land and buildings

Non-landfill land and buildings are shown at fair value, based on periodic valuations (at least every three years) by external independent valuers, less subsequent depreciation of buildings. The fair values are recognised in the Consolidated Financial Statements of the Group, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different to their fair values.

Movements in market prices and the level of transactions impact the ability of the Group to estimate fair value.

Any revaluation increase arising on the revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the Consolidated Income Statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in the Consolidated Income Statement to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to the Consolidated Income Statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Plant and equipment

Plant and equipment, and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for its intended use. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within "other income" in the Consolidated Income Statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation of assets, with the exception of landfill remediation and cell development assets, is calculated on a straight-line basis so as to write off the net cost or revalued amount of each asset over its expected useful life to the Group. Leasehold improvements are depreciated over the period of the lease or estimated useful lives, whichever is the shorter, using the straight-line method. Landfill remediation and cell development assets are depreciated on a usage basis over the individual landfill expected life.

Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

Buildings and site improvements	15 to 40 years
Plant and equipment	2.5 to 20 years
Leasehold improvements	5 to 10 years
Landfill assets	1 to 50 years

38. Significant accounting policies (continued)

(l) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business, subsidiary or associate at the date of acquisition. Goodwill on the acquisition of businesses or subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is not amortised. Instead goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the Consolidated Income Statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the costs of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are also capitalised. Other development expenditure is recognised in the Consolidated Income Statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Other intangible assets

Other intangible assets include customer contracts recognised on business combinations and licences. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite (e.g. brand names). Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives of customer contracts are 3 to 10 years.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Other payables and accruals includes tipping and disposal costs accruals as well as general accruals.

(n) Borrowings

Borrowings are initially recognised at fair value of the consideration received net of issue costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis. Foreign exchange gains and losses arising on borrowings are reflected in finance costs in the Consolidated Income Statement.

Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

38. Significant accounting policies (continued)

(o) Provision for landfill remediation and rectification

Landfill sites are constructed to receive waste in accordance with a licence. These licences generally require that once a landfill is full, it is left in a condition as specified by the Environmental Protection Authority (EPA) or other government authorities, and monitored for a defined period of time (usually 30 years).

Therefore remediation occurs on an ongoing basis, as the landfill is operating, at the time the landfill closes and through post-closure. Remediation comprises:

- the costs associated with capping landfills (covering the waste within the landfill); and
- costs associated with remediating and monitoring the landfill in accordance with the licence or environmental requirements.

The constructive obligation to remediate the landfill sites is triggered upon commencement of cell development. Accordingly landfill remediation costs are provided for when development commences and at the same time a landfill remediation asset is recognised.

The provision is stated at the present value of the future cash outflows expected to be incurred, which increases each period due to the passage of time and is recognised in current and non-current provisions in the Consolidated Balance Sheet. The annual change in the net present value of the provision due to the passage of time is recognised in the Consolidated Income Statement as a time value adjustment in finance costs.

Due to the long term nature of remediation obligations, changes in estimates occur over time. Any change in the provision for future landfill site restoration and aftercare costs arising from a change in estimate of those costs, and related to landfill sites which are still accepting waste, is recognised as an addition or reduction to the remediation asset in the Consolidated Balance Sheet. Changes to the remediation provision once last customer waste is received, are expensed to the Consolidated Income Statement.

Rectification provisions differ to remediation. Rectification costs must be provided for at a reporting period end when there is an obligation to bring an asset back to the normal operating standard required under the licence and EPA or council requirements. Rectification provisions are calculated based on the net present value of all costs expected to rectify the site. All rectification costs are expensed to the Consolidated Income Statement.

(p) Provisions

A provision is recognised in the Consolidated Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are 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.

(q) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vesting sick leave expected to be settled within 12 months of the reporting date are recognised in other payables and employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities when the employee benefits to which they relate are recognised as liabilities.

38. Significant accounting policies (continued)

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in employee benefits and is measured in accordance with the other employee benefits described above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on the corporate bond rate with terms to maturity and currency that match, as closely as possible, the timing of estimated future cash outflows.

Short term incentive (STI) compensation plans

A liability for employee benefits in the form of STI's is recognised when it is probable that STI criteria has been achieved and an amount is payable in accordance with the terms of the STI plan. Liabilities for STI's are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Share-based payment transactions

Share-based payments are provided to Executives and employees via the Cleanaway Waste Management Limited Annual Incentive Plan and the Long Term Incentive Plan.

Share-based compensation payments are measured at fair value at the date of grant and expensed to employee benefit expense with a corresponding increase in the employee benefits reserve over the period in which the service and, where applicable, performance conditions are fulfilled. Fair value is measured by using the Monte Carlo simulation or the Black-Scholes option pricing model, the term of the Performance Right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the Performance Right.

(r) Fair value measurement

The Group measures financial instruments, such as derivatives and non-financial assets such as land and buildings, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principle market for the asset or liability, or
- In the absence of a principle market, in the most advantageous market for the asset or liability.

The principle or the most advantageous market must be accessible by the Group.

The fair value of an asset or liability is measured using the assumptions that the market participants act in their economic best interest.

A fair value measurement of non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

The Group uses the following valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

38. Significant accounting policies (continued)

(s) Basis of consolidation

(i) Subsidiaries

The Consolidated Financial Report comprises the financial statements of the Group and its subsidiaries as at 30 June 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from the contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Income Statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the Consolidated Income Statement and within equity in the Consolidated Balance Sheet, separately from parent shareholders' equity.

If the Group loses control over a subsidiary it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the Consolidated Income Statement. Any investment retained is recognised at fair value.

(ii) Equity accounted investments

Equity accounted investments are those entities over which the Group has either significant influence (associate entities) or joint control and has rights to the net assets of the entity (joint venture entities). The Group does not have power over these entities either through management control or voting rights. Investments in associates and joint ventures are accounted for using the equity method of accounting and are collectively referred to as "equity accounted investments" in this report.

Under the equity method of accounting, the investments in associates and joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate or joint venture in the Consolidated Income Statement. Dividends received from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(t) Business combinations

Business combinations are accounted for using the acquisition method, whereby the identifiable assets, liabilities and contingent liabilities (identifiable net assets) are measured using their fair values at the date of acquisition. Goodwill arises in a business combination when the consideration transferred to the acquiree is greater than the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Acquisition related costs, incurred in a business combination transaction, are expensed as incurred.

39. New standards adopted

The following new and revised Standards and Interpretations have been adopted in the current year and have had no material impact on the amounts reported in these Consolidated Financial Statements:

AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

40. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

New standards

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 9 *Financial Instruments*, and the relevant amending standards AASB 9 replaces AASB 139. This standard includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.	1 January 2018	30 June 2019
AASB 15 *Revenue from Contracts with Customers*, and the relevant amending standards AASB 15 replaces the existing revenue recognition standards AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations. AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards).The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations (e) Step 5: Recognise revenue when (or as) a performance obligation is satisfied	1 January 2018	30 June 2019
AASB 16 *Leases*, and the relevant amending standards AASB 16 supersedes AASB 117 *Leases*. The key features of AASB 16 from a lessee perspective are as follows: • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.	1 January 2019	30 June 2020

Conclusions relating to the likely impact on the Group of adopting the new standards identified above are pending completion of detailed impact assessments.

40. New standards and interpretations not yet adopted (continued)

Amendments from improvement projects

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* This amendment amends AASB 11 *Joint Arrangements* to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.	1 January 2016	30 June 2017
AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.	1 January 2016	30 June 2017
AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* This amendment amends AASB 127 *Separate Financial Statements*, and consequentially amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 128 *Investments in Associates and Joint Ventures*, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 January 2016	30 June 2017
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* The amendments require: (a) A full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and (b) A partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	1 January 2016	30 June 2017
AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in the financial statements.	1 January 2016	30 June 2017

The amendments from improvement projects identified above are not expected to have a material impact on the Group.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes together with the additional disclosures included in the Directors' Report designated as audited, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2;

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section s295A of the *Corporations Act 2001* for the financial year ended 30 June 2016; and

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the closed Consolidated Group identified in note 27 will be able to meet any obligation or liabilities to which they are or may become subject to, by virtue of the deed of cross guarantee.

This declaration is made in accordance with a resolution of the Directors.

M M Hudson
Non-Executive Director and Chairman

V Bansal
Chief Executive Officer and Managing Director

Melbourne, 19 August 2016

Independent Auditor's Report

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Independent auditor's report to the members of Cleanaway Waste Management Limited

(Formerly Transpacific Industries Group Ltd)

Report on the financial report

We have audited the accompanying financial report of Cleanaway Waste Management Limited, which comprises the consolidated balance sheet as at 30 June 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Opinion

In our opinion:

a. the financial report of Cleanaway Waste Management Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 48 to 62 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Cleanaway Waste Management Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Brett Croft
Partner
Melbourne
19 August 2016

Other Information

Top 20 Shareholders as at 19 August 2016

RANK	NAME	UNITS	% OF UNITS
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	410,200,691	25.85
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	394,383,956	24.85
3	NATIONAL NOMINEES LIMITED	191,249,348	12.05
4	CITICORP NOMINEES PTY LIMITED	187,830,977	11.84
5	BNP PARIBAS NOMS PTY LTD <DRP>	59,966,648	3.78
6	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	30,526,978	1.92
7	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	26,555,272	1.67
8	UBS NOMINEES PTY LTD	20,051,993	1.26
9	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	15,446,000	0.97
10	PETER & LYNDY WHITE FOUNDATION PTY LTD <P & L WHITE FOUNDATION A/C>	13,478,814	0.85
11	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	12,214,021	0.77
12	BOND STREET CUSTODIANS LIMITED <MACQ HIGH CONV FUND A/C>	9,105,218	0.57
13	JJ RICHARDS & SONS PTY LTD	8,891,724	0.56
14	WESTREET INVESTMENTS PTY LTD	8,454,000	0.53
15	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	8,320,000	0.52
16	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	7,814,037	0.49
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	7,435,190	0.47
18	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	6,603,425	0.42
19	CAMROCK (AUSTRALIA) PTY LIMITED	6,592,171	0.42
20	RBC INVESTOR SERVICES AUSTRALIA PTY LIMITED <VFA A/C>	6,160,792	0.39
Top 20 holders of FULLY PAID ORDINARY SHARES		**1,431,281,255**	**90.19**
Total Remaining Holders Balance		**155,655,680**	**9.81**
Total Fully Paid Ordinary Shares on Issue		**1,586,936,935**	**100.00**

Substantial Shareholders

The number of shares held by substantial shareholders as disclosed in the shareholding notices given to the Company as at 19 August 2016 were:

Cooper Investors Pty Limited	140,380,864	8.85%
Schroder Investment Management Australia Limited	133,535,666	8.41%
FIL Limited	103,132,914	6.50%
Marathon Asset Management LLP	95,153,793	6.00%
Dimensional Fund Advisors	94,987,449	5.99%
Perpetual Limited and subsidiaries	79,677,844	5.02%
Commonwealth Bank of Australia	79,572,069	5.01%

An entity has a substantial shareholding if the total votes attaching to shares in which the entity and their associates have a relevant interest is 5% or more. The list of the 20 largest shareholders is based on the number of shares held in the name of each shareholder on the register of members, even if the shareholder holds the share as a nominee (i.e. no beneficial or relevant interest in the shares). The list of the 20 largest shareholders of the Company and the list of substantial shareholders of the Company differ for this reason.

Statement of Quoted Securities

The Company's total number of shares on issue as at 19 August 2016 was 1,586,936,935 ordinary fully paid shares.

At 19 August 2016 the total number of shareholders owing these shares was 8,319 on the register of members maintained by Computershare Investor Services Pty Ltd.

90.19% of total issued capital is held by or on behalf of the 20 largest shareholders.

Other Information

Voting Rights

Under the Company's Constitution, every member is entitled to vote who is present at a general meeting of the Company in person or by proxy or by attorney or, in the case of a corporation, by representative, shall, upon a show of hands, have one vote only.

Proxies – Where a member is entitled to cast two or more votes it may appoint not more than two proxies or attorneys. Where a member appoints two proxies, neither proxy is entitle to a vote on a show of hands.

Poll – On a poll, every member entitled to vote shall, whether present in person or by proxy or attorney or, in the case of a corporation, by representative, have one vote for every share held by the member.

At 19 August 2016, there were 9,873,287 performance rights on issue to 16 executives under the Company’s incentive schemes. Voting rights will be attached to the unissued ordinary shares when the performance rights have been exercised.

Distribution Schedule of Shareholders

NO. OF SHARES	1-1,000	1,001-5,000	5,001-10,000	10,001-100,000	100,001 AND OVER	TOTAL
	2,132	2,628	1,240	2,103	216	8,319

The number of shareholders each holding less than a marketable parcel of the Company's ordinary shares ($500 in value) at 19 August 2016 was 1,156.

Securities Exchange Listing

The shares of the Company are listed on the Australian Securities Exchange under the code CWY. CWY was delisted from the New Zealand Exchange on 23 June 2016.

Company Secretary

Dan Last

Registered Office and Principal Office

Level 4, 441 St Kilda Road, Melbourne, VIC 3004. Telephone: +61 3 8397 5100

Share Registry

Computershare Investor Services Pty Limited, 117 Victoria Street, West End, QLD 4101. Telephone: 1300 850 505 (within Australia) and +61 3 9415 4000 (outside Australia)

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