Appendix 4D

Results for announcement to the market for the half-year ended 31 December 2016

ASX Listing Rule 4.2A.3

Reporting Period

Reporting Period: 31 December 2016

Previous Corresponding Period: 31 December 2015

The Half-Year Consolidated Financial Report should be read in conjunction with the 2016 Annual Report.

Results for announcement to the market

	Half-year ended			
	31 December 2016 $'M	31 December 2015 $'M	Up / Down	Movement
Revenue from ordinary activities	**724.5**	746.8	Down	3.0%
Profit after income tax	**28.0**	22.6	Up	23.9%
Attributable to:				
Ordinary equity holders of the parent	**28.0**	23.0	Up	21.7%
Non-controlling interest	–	(0.4)	Up	100.0%
Profit after income tax	**28.0**	22.6	Up	23.9%

Dividends (distributions)

Dividend information	Amount per share (cents)	Tax rate for franking credit
Final 2016 fully franked dividend (paid 7 October 2016)	0.9	30%
Interim 2017 fully franked dividend (to be paid 6 April 2017)	1.0	30%
Interim dividend dates:		
Record date		16 March 2017
Payment date		6 April 2017

An interim dividend of 1.0 cents per share has been declared. The Dividend Reinvestment Plan (DRP), will be in operation for the interim dividend. The DRP election date is 17 March 2017. Under the DRP, Cleanaway shares will be issued at the average of the daily Volume Weighted Average Price (VWAP) of all shares sold on the ASX over the period from 20 March to 24 March 2017. No discount will be applied to shares issued or transferred under the DRP.

Cleanaway Waste Management Limited

ABN 74 101 155 220

Registered Office:
Level 4, 441 St Kilda Road,
Melbourne VIC 3004
Australia

P +61 03 8397 5100
F +61 03 8397 5180

cleanaway.com.au

Net Tangible Assets (NTA) per security

	31 December 2016 (cents)	30 June 2016 (cents)
NTA per security	14.9	15.0

Commentary on the results for the period

Refer to 31 December 2016 Half-Year Consolidated Financial Report, the Media Release and Investor Presentation.

Status of audit

The Consolidated Financial Report for the half-year ended 31 December 2016, which contains the independent auditor's report, is attached.

D J F Last
Company Secretary
22 February 2017

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Cleanaway Waste Management Limited

ABN 74 101 155 220

CONSOLIDATED FINANCIAL REPORT

For the half-year ended 31 December 2016

Contents

This interim Consolidated Financial Report does not include all notes of the type normally included in an Annual Financial Report. Accordingly, this Report is to be read in conjunction with the Annual Report for the year ended 30 June 2016 and any public announcements made by Cleanaway Waste Management Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

The Directors present their 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 half-year ended 31 December 2016.

Directors

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

M P Chellew	Non-Executive Director, Chairman (appointed as Chairman on 30 September 2016)
V Bansal	Executive Director, Managing Director and Chief Executive Officer
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
M M Hudson	Non-Executive Director (retired as Chairman on 30 September 2016 and as Non-Executive Director on 26 October 2016)

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

Review of results

The Group's statutory profit after income tax for the half-year ended 31 December 2016 was $28.0 million (2015: $22.6 million).

The Group's underlying profit after income tax (attributable to ordinary equity holders) for the half-year ended 31 December 2016 of $34.9 million has increased by 20.3% on the prior period (2015: $29.0 million).

Operating cash flows increased 28.3% to $99.8 million (2015: $77.8 million). The Group's net assets increased from $1,781.5 million at 30 June 2016 to $1,798.5 million at 31 December 2016.

At 31 December 2016 the Group had a net current asset deficiency of $78.6 million (30 June 2016: net current asset surplus of $10.1 million). The net current asset deficiency arises mainly due to the reclassification of the US Private Placement Notes (USPP Notes) as they mature in December 2017 and the reclassification of assets and liabilities held for sale as set out in Note 9 to the financial statements. As set out in Note 11 to the financial statements, the Group has unutilised debt facilities of $241.0 million at 31 December 2016, available to repay the USPP Notes and therefore the directors are satisfied that the Group can meet its financial obligations as and when they fall due.

Rounding of amounts

The Group is an entity to which ASIC Legislative Instrument 2016/191 applies. Accordingly, amounts in this report have been rounded to the nearest hundred thousand dollars unless specifically stated otherwise.

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 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 decreased by 1.9% to $531.5 million. Underlying EBITDA increased by 9.5% to $128.7 million. The Collections division reported increased revenues and earnings. Net revenue increased 2.7% and EBITDA 9.3% compared to the previous corresponding period. The Post Collections business reported both increased net revenues and earnings for the period. Net revenue increased 4.8% and EBITDA 9.9% compared to the previous corresponding period. The Erskine Park landfill, located in Sydney was effectively closed during the period, only accepting small volumes of waste. This reduced net revenues, earnings and landfill levies collected for the division when compared to the previous corresponding period.
Performance	**Collections** Overall volumes and margins have increased compared to the previous corresponding period. Market facing growth initiatives continue to be implemented across the division with volume increases being recorded across all major solid waste collection categories. Pricing, particularly in major metropolitan markets remains competitive. **Post Collections** The Post Collections business was impacted by the planned closure of the Erskine Park landfill, located in Sydney, during the period. Volumes across most other landfills, particularly in Queensland and Western Australia, were higher.

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 7.3% to \$208.0 million, as a result of continued weak market conditions and low oil prices. Underlying EBITDA increased by 7.5% from \$26.8 million to \$28.8 million.
Performance	Overall market conditions were challenging during the period. Selling prices of both base and fuel oil for the half were down compared to the previous corresponding period due to the continued volatility in global oil prices. Results for the half were also impacted by bringing forward a number of engineering improvements to the waste oil refineries in New South Wales and Queensland which resulted in these facilities being shut down for a short period during the first half. This did impact the results of the division for the half. These improvements will result in an enhanced product offering to the market allowing us to take advantage of any sustained increase which may be experienced in the oil price in the future. A number of initiatives will be undertaken over the remainder of the year to offset the subdued market conditions being experienced.

Directors' Report (continued)

Operating review *(continued)*

Group results for half-year ended 31 December 2016

	STATUTORY[1] $'M	UNDERLYING ADJUSTMENTS Restructuring costs[4] $'M	Rebranding costs[5] $'M	Acquisition costs[6] $'M	Remediation and rectification[7] $'M	Fair value changes related to USPP[8] $'M	UNDERLYING[1] $'M
Solids							128.7
Liquids and Industrial Services							28.8
Equity accounted investments							0.4
Waste Management							**157.9**
Corporate							(7.5)
EBITDA[2]	**150.0**	**0.9**	**1.4**	**1.7**	**(3.6)**	–	**150.4**
Depreciation and amortisation	(89.3)	1.9	–	–	4.0	–	(83.4)
EBIT[3]	**60.7**	**2.8**	**1.4**	**1.7**	**0.4**	–	**67.0**
Net finance costs	(17.5)	–	–	–	–	0.3	(17.2)
Profit/(loss) before income tax	**43.2**	**2.8**	**1.4**	**1.7**	**0.4**	**0.3**	**49.8**
Income tax (expense)/benefit	(15.2)	(0.8)	(0.4)	1.7	(0.1)	(0.1)	(14.9)
Profit/(loss) after income tax	**28.0**	**2.0**	**1.0**	**3.4**	**0.3**	**0.2**	**34.9**
Attributable to:							
Ordinary equity holders	**28.0**	**2.0**	**1.0**	**3.4**	**0.3**	**0.2**	**34.9**

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*. The exclusion of underlying adjustments provides a result which, in the Directors' view, more closely reflects the ongoing operations of the Group. The non-IFRS financial information has not been reviewed by the external auditors.

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

3 EBIT represents earnings before interest and income tax.

4 Relates to costs and accelerated depreciation associated with organisational restructure, ceased projects and site closures.

5 Relates to costs incurred during the period to rebrand the Group to 'Cleanaway' (effective 1 February 2016) and reflects part of the total costs to be incurred.

6 Acquisition costs include transaction costs and other costs associated with the acquisition of businesses during the period. Tax expense on acquisition costs relates to the tax consequences of acquiring the 50% non-controlling interest in Cleanaway Refiners of $2.0 million less deductions available on acquisition costs of $0.3 million.

7 Relates to a reduction in the remediation and rectification provision in relation to closed landfill sites and the accelerated depreciation of site infrastructure related to closing landfill sites.

8 Relates to the foreign exchange loss on the USPP borrowings of $1.6 million offset by fair value changes on the mark-to-market valuation of derivative financial instruments of $1.3 million.

Directors' Report (continued)

Operating review *(continued)*

Group results for half-year ended 31 December 2015

		UNDERLYING ADJUSTMENTS			
	STATUTORY[1] $'M	Restructuring costs[4] $'M	Rebranding costs[5] $'M	Fair value changes related to USPP[6] $'M	UNDERLYING[1] $'M
Solids					117.5
Liquids and Industrial Services					26.8
Equity accounted investments					0.4
Waste Management					**144.7**
Corporate					(7.5)
EBITDA[2]	**128.4**	**7.8**	**1.0**	–	**137.2**
Depreciation and amortisation	(78.7)	–	–	–	(78.7)
EBIT[3]	**49.7**	**7.8**	**1.0**	–	**58.5**
Net finance costs	(17.4)	–	–	(0.2)	(17.6)
Profit/(loss) before income tax	**32.3**	**7.8**	**1.0**	**(0.2)**	**40.9**
Income tax (expense)/benefit	(9.7)	(2.4)	(0.3)	0.1	(12.3)
Profit/(loss) after income tax	**22.6**	**5.4**	**0.7**	**(0.1)**	**28.6**
Attributable to:					
Ordinary equity holders	23.0	5.4	0.7	(0.1)	29.0
Non-controlling interest	(0.4)	–	–	–	(0.4)
	22.6	**5.4**	**0.7**	**(0.1)**	**28.6**

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*. The exclusion of underlying adjustments provides a result which, in the Directors' view, more closely reflects the ongoing operations of the Group. The non-IFRS financial information has not been reviewed by the external auditors.

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

3 EBIT represents earnings before interest and income tax.

4 Relates to costs and accelerated depreciation associated with organisational restructure, ceased projects and site closures.

5 Relates to costs incurred during the period to rebrand the Group to 'Cleanaway' (effective 1 February 2016) and reflects part of the total costs to be incurred.

6 Relates to the fair value changes on the mark-to-market valuation of derivative financial instruments of $3.5 million offset by foreign exchange loss on the USPP borrowings of $3.3 million.

Directors' Report (continued)

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 since the commencement of the half-year under review.

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 half-year under review.

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.

Subsequent events

On 31 January 2017, the Group entered into contracts of sale for two closed landfill sites located in Brooklyn, Melbourne with the Pelligra Group. Under the terms of the sale, the Pelligra Group will assume responsibility for all remediation and ongoing monitoring works at both sites including undertaking all capping work in accordance with Victorian EPA requirements. Cleanaway retains certain rights in relation to the sites following the sale including a right to oversee conduct of the remediation work and some limited step in rights. Completion of the sale of the sites and transfer of the respective EPA licences is expected to occur on 2 March 2017.

These transactions are forecast to generate a pre-tax profit on sale of approximately $20.0 to $22.0 million. The forecast profit results from the proceeds of the sale plus the release of the rectification and remediation provisions less the book value of site assets which will transfer to the buyer on completion. This profit is expected to be disclosed as an underlying adjustment in the Group's FY17 results.

Other than the matter noted above, there have been no other matters or circumstances that have arisen since the half-year that have significantly affected the Group's operations.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Signed this 22nd day of February 2017 in accordance with a resolution of the Board of Directors.

M P Chellew
Non-Executive Director and Chairman

V Bansal
Chief Executive Officer and Managing Director

Melbourne, 22 February 2017

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Building a better working world

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

As lead auditor for the audit of Cleanaway Waste Management Limited for the half-year ended 31 December 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 review; and

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

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

Ernst & Young

Ernst & Young

Brett Croft
Partner
22 February 2017

Consolidated Income Statement

For the half-year ended 31 December 2016

	Notes	Half-year ended 31 Dec 2016 $'M	Half-year ended 31 Dec 2015 $'M
Revenue	3	724.5	746.8
Other income	4	0.3	0.3
Labour related expenses		(291.0)	(312.4)
Collection, recycling and waste disposal expenses		(176.3)	(186.9)
Fleet operating expenses		(69.3)	(75.8)
Property expenses		(17.9)	(18.4)
Other expenses		(20.7)	(25.6)
Share of profits from equity accounted investments		0.4	0.4
Profit from operations before depreciation and amortisation		**150.0**	**128.4**
Depreciation and amortisation		(89.3)	(78.7)
Profit from operations		**60.7**	**49.7**
Net finance costs	5	(17.5)	(17.4)
Profit before income tax		**43.2**	**32.3**
Income tax expense		(15.2)	(9.7)
Profit after income tax		**28.0**	**22.6**
Attributable to:			
Ordinary equity holders		28.0	23.0
Non-controlling interest		–	(0.4)
Profit after income tax		**28.0**	**22.6**

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

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2016

	Half-year ended	
	31 Dec 2016 $'M	31 Dec 2015 $'M
Profit after income tax	**28.0**	**22.6**
Other comprehensive income	–	–
Total comprehensive income for the period	**28.0**	**22.6**
Attributable to:		
Ordinary equity holders	28.0	23.0
Non-controlling interest	–	(0.4)
Total comprehensive income for the period	**28.0**	**22.6**
Earnings per share attributable to the ordinary equity holders of the Company:		
Basic earnings per share (cents)	1.8	1.5
Diluted earnings per share (cents)	1.8	1.5

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

Consolidated Balance Sheet
As at 31 December 2016

	Notes	As at 31 Dec 2016 $'M	As at 30 Jun 2016 $'M
Assets			
Current assets			
Cash and cash equivalents		44.5	48.3
Trade and other receivables		246.2	224.3
Inventories		15.7	16.7
Derivative financial instruments		12.2	10.9
Assets held for sale	9	15.3	8.8
Other assets		17.6	14.3
Total current assets		**351.5**	**323.3**
Non-current assets			
Property, plant and equipment		898.9	897.1
Intangible assets		1,560.9	1,544.0
Equity accounted investments		11.4	11.1
Net deferred tax assets		127.3	134.3
Total non-current assets		**2,598.5**	**2,586.5**
Total assets		**2,950.0**	**2,909.8**
Liabilities			
Current liabilities			
Trade and other payables		190.0	178.8
Income tax payable		20.6	10.7
Borrowings	11	66.6	0.8
Employee benefits		37.3	39.9
Provisions		60.2	59.8
Liabilities held for sale	9	27.9	–
Other liabilities		27.5	23.2
Total current liabilities		**430.1**	**313.2**
Non-current liabilities			
Borrowings	11	304.0	358.6
Employee benefits		8.4	8.4
Provisions		302.1	341.5
Other liabilities		106.9	106.6
Total non-current liabilities		**721.4**	**815.1**
Total liabilities		**1,151.5**	**1,128.3**
Net assets		**1,798.5**	**1,781.5**
Equity			
Issued capital	7	2,080.6	2,076.4
Reserves		44.9	43.3
Retained earnings		(327.0)	(344.8)
Parent entity interest		1,798.5	1,774.9
Non-controlling interest		–	6.6
Total equity		**1,798.5**	**1,781.5**

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2016

	Parent entity interest					
	Ordinary shares $'M	Reserves $'M	Retained earnings $'M	Total $'M	Non-controlling interest $'M	Total $'M
At 1 July 2016	**2,076.4**	**43.3**	**(344.8)**	**1,774.9**	**6.6**	**1,781.5**
Profit for period	–	–	28.0	**28.0**	–	**28.0**
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the half-year	–	–	28.0	**28.0**	–	**28.0**
Share-based payment expense	–	1.6	–	**1.6**	–	**1.6**
Dividend reinvested/paid	4.2	–	(14.3)	**(10.1)**	–	**(10.1)**
Acquisition of non-controlling interest	–	–	4.1	**4.1**	(6.6)	**(2.5)**
Balance at 31 December 2016	**2,080.6**	**44.9**	**(327.0)**	**1,798.5**	–	**1,798.5**
At 1 July 2015	**2,072.1**	**38.6**	**(364.3)**	**1,746.4**	**8.3**	**1,754.7**
Profit/(loss) for period	–	–	23.0	**23.0**	(0.4)	**22.6**
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the half-year	–	–	23.0	**23.0**	(0.4)	**22.6**
Share-based payment expense	–	1.2	–	**1.2**	–	**1.2**
Dividend reinvested/paid	1.9	–	(12.6)	**(10.7)**	–	**(10.7)**
Balance at 31 December 2015	**2,074.0**	**39.8**	**(353.9)**	**1,759.9**	**7.9**	**1,767.8**

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

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2016

	Half-year ended	
	31 Dec 2016 $'M	31 Dec 2015 $'M
Cash flows from operating activities		
Receipts from customers	772.8	741.6
Payments to suppliers and employees	(664.0)	(653.6)
Interest received	0.2	0.3
Interest paid	(9.2)	(10.3)
Income taxes paid	–	(0.2)
Net cash from operating activities	**99.8**	**77.8**
Cash flows from investing activities		
Payments for property, plant and equipment	(67.0)	(64.7)
Payments for intangible assets	(7.3)	(5.3)
Payments for purchase of businesses and non-controlling interest	(29.3)	(7.0)
Proceeds from disposal of property, plant and equipment	0.5	1.9
Dividends received from equity accounted investments	0.2	1.4
Net cash used in investing activities	**(102.9)**	**(73.7)**
Cash flows from financing activities		
Proceeds from borrowings	30.0	10.0
Repayment of borrowings	(20.0)	(5.0)
Payment of debt and equity raising costs	(0.1)	(0.1)
Payment of dividend to ordinary equity holders	(10.1)	(10.7)
Repayment of loans to related parties	(0.5)	–
Net cash used in financing activities	**(0.7)**	**(5.8)**
Net decrease in cash and cash equivalents	(3.8)	(1.7)
Cash and cash equivalents at 1 July	48.3	37.0
Cash and cash equivalents at 31 December	**44.5**	**35.3**

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

1. Summary of significant accounting policies

Statement of compliance

This half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include all notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report. It is also recommended that the half-year report be considered together with any public announcements made by the Group during the half-year ended 31 December 2016 in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*.

Basis of preparation

The consolidated financial statements have 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. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2016, except for the impact of new and revised standards noted below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

At 31 December 2016 the Group had a net current asset deficiency of $78.6 million (30 June 2016: net current asset surplus of $10.1 million). The net current asset deficiency arises mainly due to the reclassification of the US Private Placement Notes (USPP Notes) as they mature in December 2017 and the reclassification of assets and liabilities held for sale as set out in Note 9 to the financial statements. As set out in Note 11 to the financial statements, the Group has unutilised debt facilities of $241.0 million at 31 December 2016, available to repay the USPP Notes and therefore the directors are satisfied that the Group can meet its financial obligations as and when they fall due.

Comparative information

Prior year balances have been adjusted to reflect reclassifications within the consolidated income statement.

New and revised standards

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period.

New and revised Standards, amendments thereof and Interpretations which became effective during the current half-year and relevant to the Group include:

- AASB 2014-4 *Amendments to Australian Accounting standards – Accounting for Acquisitions of Interest in Joint Operations*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*

The adoption of new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior half-year.

The list of standards issued not yet effective includes two issued standards which are likely to have some impact on future financial reports – AASB 15 *Revenue from Contracts with Customers* (effective 1 July 2018) and AASB 16 *Leases* (effective 1 July 2019). Management has not yet completed a full assessment of the impact of these standards and are therefore unable to comment on the impact on future financial reports.

2. 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.

- **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, assets and liabilities 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.

2. Segment reporting *(continued)*

Half-year ended 31 December 2016	Operating Segments Solids $'M	 Liquids and Industrial Services $'M	Unallocated Equity accounted investments $'M	 Corporate $'M	 Eliminations $'M	Group $'M
Revenue						
Sales of goods and services	518.2	189.7	–	–	–	707.9
PSO benefits [1]	–	6.8	–	–	–	6.8
Other revenue	8.8	0.8	–	0.2	–	9.8
Inter-segment sales	4.5	10.7	–	–	(15.2)	–
Total revenue	**531.5**	**208.0**	–	**0.2**	**(15.2)**	**724.5**
Underlying EBITDA	**128.7**	**28.8**	**0.4**	**(7.5)**	–	**150.4**
Depreciation and amortisation	(63.9)	(13.7)	–	(5.8)	–	(83.4)
Underlying EBIT	**64.8**	**15.1**	**0.4**	**(13.3)**	–	**67.0**
Restructuring costs and accelerated depreciation						(2.8)
Rebranding costs						(1.4)
Acquisition costs						(1.7)
Remediation and rectification provision adjustments						(0.4)
Profit from operations (EBIT)						**60.7**
Net finance costs						(17.5)
Profit before income tax						**43.2**
Income tax expense						(15.2)
Profit after income tax						**28.0**
Capital expenditure:						
Property, plant and equipment	56.2	7.0	–	3.8	–	67.0
Intangible assets	1.7	–	–	5.6	–	7.3

1 Product Stewardship for Oil benefits

2. Segment reporting *(continued)*

Half-year ended 31 December 2015	Operating Segments		Unallocated			
	Solids $'M	Liquids and Industrial Services $'M	Equity accounted investments $'M	Corporate $'M	Eliminations $'M	Group $'M
Revenue						
Sales of goods and services	528.1	204.2	–	–	–	732.3
PSO benefits [1]	–	7.2	–	–	–	7.2
Other revenue	6.7	0.6	–	–	–	7.3
Inter-segment sales	6.8	12.5	–	–	(19.3)	–
Total revenue	**541.6**	**224.5**	–	–	**(19.3)**	**746.8**
Underlying EBITDA	**117.5**	**26.8**	**0.4**	**(7.5)**	–	**137.2**
Depreciation and amortisation	(62.0)	(12.1)	–	(4.6)	–	(78.7)
Underlying EBIT	**55.5**	**14.7**	**0.4**	**(12.1)**	–	**58.5**
Restructuring costs and accelerated depreciation						(7.8)
Rebranding costs						(1.0)
Profit from operations (EBIT)						**49.7**
Net finance costs						(17.4)
Profit before income tax						**32.3**
Income tax expense						(9.7)
Profit after income tax						**22.6**
Capital expenditure:						
Property, plant and equipment	51.0	11.5	–	2.2	–	64.7
Intangible assets	–	–	–	5.3	–	5.3

1 Product Stewardship for Oil benefits

3. Revenue

	Half-year ended	
	31 Dec 2016 $'M	**31 Dec 2015 $'M**
Sale of goods and services	707.9	732.3
Product Stewardship for Oil (PSO) benefits	6.8	7.2
Other revenue	9.8	7.3
	724.5	**746.8**

4. Other income

	Half-year ended	
	31 Dec 2016 $'M	**31 Dec 2015 $'M**
Gain on disposal of property, plant and equipment	0.2	0.4
Net foreign currency exchange gains/(losses)	0.1	(0.1)
	0.3	**0.3**

5. Net finance costs

	Half-year ended	
	31 Dec 2016 $'M	**31 Dec 2015 $'M**
Finance costs		
Interest on borrowings	(9.6)	(10.2)
Amortisation of capitalised transaction costs	(0.2)	(0.6)
Unwind of discount on provisions and other liabilities	(7.6)	(7.1)
Foreign currency exchange loss on USPP borrowings	(1.6)	(3.3)
Change in fair value of derivative instruments related to USPP borrowings	1.3	3.5
	(17.7)	**(17.7)**
Finance income		
Interest revenue	0.2	0.3
	0.2	**0.3**
Net finance costs	**(17.5)**	**(17.4)**

6. Impairment of assets

Impairment review and testing

Goodwill and other non-current assets are reviewed at each reporting period to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal review is undertaken to estimate the recoverable amount of related assets.

During the half-year ended 31 December 2016 the overall market conditions for the Liquids and Industrial Services cash-generating units (CGUs) have been challenging. Consequently these CGUs have not met targets set in the 2017 budget which formed the basis of impairment testing at 30 June 2016. As a result, formal impairment testing for these CGUs was completed and the results presented below.

Results of testing

Based on the impairment testing performed, the recoverable amount of each of the Liquids and Industrial CGU's exceeded their carrying amount at 31 December 2016.

Key assumptions used for impairment testing

The recoverable amounts of the CGUs have been based on value-in-use calculations using the forecasted cashflows through to June 2020. The terminal growth and discount rate assumptions used in 30 June 2016 impairment testing were reviewed and have been determined to remain valid for 31 December 2016 testing. The terminal 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 30 June 2016 impairment testing have been adjusted for known and anticipated future operational changes and additional potential risks identified since 30 June 2016. These changes are reflected in the summary of key assumptions table and discussed in more detail below. Following these adjustments to key assumptions the recoverable amount of each CGU continues to exceed the carrying amounts at 31 December 2016.

The table below provides a summary for the key assumptions used in the impairment testing at 31 December 2016 and the corresponding percentages for 30 June 2016 for the CGUs subject to impairment testing at 31 December 2016:

	Liquids & Hazardous Waste		Hydrocarbons		Industrial Services	
	Dec 2016	**June 2016**	**Dec 2016**	**June 2016**	**Dec 2016**	**June 2016**
Revenue growth [1]	1.8%	2.6%	1.3%	1.3%	3.0%	3.8%
EBITDA growth [1]	6.5%	5.8%	1.2%	6.4%	4.6%	18.0%
Capital spend rate [2]	6.5%	5.2%	7.9%	6.8%	4.7%	4.3%
Terminal value growth rate	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%
Pre-tax discount rate	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%

[1] Growth rates have been calculated with forecast revenue and underlying EBITDA for the year ending 30 June 2017 as a base year (June 2016 growth rates were calculated using actual revenue and underlying EBITDA for the year ended 30 June 2016 as the base year).

[2] Reflects capital spend as a percentage of revenue, calculated as the four year average of forecast spend.

Revenue growth assumptions

Liquids & Hazardous Waste, Hydrocarbons and Industrial Services forecast revenue growth consider GDP and CPI, adjusted for management's best estimate of growth achievable in the current economic and competitive environment.

6. Impairment of assets *(continued)*

EBITDA growth assumptions

The Hydrocarbons CGU reflects a reduction in EBITDA growth due to the growth already achieved in the half-year ended 31 December 2016 and expected to continue for the remainder of the year ending 30 June 2017, due to cost reductions. Similarly the Industrial Services CGU reflects a decrease in EBITDA growth in future periods as the prior period factored in higher profits due to major contract wins and cost reduction initiatives which have been partially realised in the base EBITDA.

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.

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 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 result in the following approximate impairment on each of the CGUs tested for impairment at 31 December 2016:

	Reasonably possible change	Liquids & Hazardous Waste $'M	Hydrocarbons $'M	Industrial Services $'M
Decrease in CAGR% - Revenue	1% to 2%	Nil – (19.4)	Nil	Nil
Decrease in CAGR% - EBITDA	2% to 3%	Nil	Nil – (3.1)	Nil
Increase in capital spend rate	0.5% to 1%	Nil	Nil – (12.0)	Nil – (5.3)
Decrease in terminal value growth rate	1%	Nil	Nil	Nil
Increase in post-tax discount rate	0.3% to 1%	Nil	Nil	Nil

Whilst the table above outlines management's best estimates of the key assumptions and reasonably possible changes in these assumptions, 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 above identifies 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:

	Liquids & Hazardous Waste	Hydrocarbons	Industrial Services
Headroom $'M	**56.4**	**18.4**	**34.4**
Decrease in CAGR% - Revenue[1]	1.5%	3.5%	2.0%
Decrease in CAGR% - EBITDA[1]	6.8%	2.6%	4.6%
Increase in capital spend rate[1]	1.5%	0.6%	0.9%
Decrease in terminal value growth rate[1,2]	3.2%	1.5%	1.7%
Increase in post-tax discount rate[1]	2.7%	1.3%	1.5%

[1] Percentage changes presented above represents the absolute change in the assumption value (for example post-tax discount rate increasing by 2.7% from 7.7% to 10.4%).

[2] Terminal value for Liquids & Hazardous Waste would reflect a negative value as it is currently modelled at 2%.

7. Issued capital

	31 Dec 2016		30 Jun 2016	
	Number of shares	$'M	Number of shares	$'M
Balance at 1 July	1,586,344,605	2,076.4	1,579,914,690	2,072.1
Issue of shares under dividend reinvestment plan	3,801,412	4.2	5,776,895	4.3
Issue of shares under employee incentive plan	783,928	–	653,020	–
Balance at 31 December	**1,590,929,945**	**2,080.6**	**1,586,344,605**	**2,076.4**

8. Dividends and distributions

	Half-year ended			
	31 Dec 2016		31 Dec 2015	
	Cents per share	Total $'M	Cents per share	Total $'M
Dividends paid during the period				
Final dividend relating to prior period	0.9	14.3	0.8	12.6
Dividends determined in respect of the period				
Interim dividend relating to current period [1]	1.0	15.9	0.8	12.7

[1] On 22 February 2017, the Company declared a fully franked dividend on ordinary shares for the half-year ended 31 December 2016 of 1.0 cents per share.

9. Assets and liabilities held for sale

The increase in assets and liabilities held for sale since 30 June 2016 relates to properties at Old Geelong Road and Market Road located in Brooklyn, Victoria. On 30 November 2016 the Group entered into an agreement to sell these properties to the Pelligra Group, a property development company. The sale was subject to certain conditions which were not satisfied as at 31 December 2016 and accordingly the sale was not recognised in the half year ended 31 December 2016. As the sale was considered highly probable at balance date, the carrying value of buildings and site improvements totalling $6.5 million have been classified as assets held for sale. Remediation and rectification provisions of $27.9 million, which will transfer to the buyer on completion have been classified as liabilities held for sale at 31 December 2016. On 31 January 2017, the Group entered into contracts of sale for the two properties. Refer to subsequent event disclosures at Note 14 for further details on this transaction.

10. Acquisition of businesses and non-controlling interests

Half-year ended 31 December 2016

Business combinations

During the half-year ended 31 December 2016, the Group completed four business combinations. Details of these business combinations are provided below:

Business acquired	Date of acquisition	Description of the business
Waste 2 Resources	1 July 2016	Collections business based in Brisbane, Queensland which operates in three sectors: Construction and demolition collections; Commercial and Industrial collections; and Resource recovery centres.
Young Ezy Bins	1 August 2016	General Waste collections business based in the Young Shire in Central New South Wales.
Matera Waste	8 September 2016	Construction and demolition collections business operating in Perth, Western Australia.
Warren Blackwood	30 September 2016	Leading waste collection and transfer station business in SouthWest Western Australia, servicing commercial and industrial customers and 13 municipal council contracts.

The aggregated provisional fair value of the identifiable assets and liabilities of the four business combinations at their dates of acquisition were:

Provisional fair values recognised on acquisition	**At 31 Dec 2016 $'M**
Assets	
Property, plant and equipment	9.2
Intangible assets	8.3
	17.5
Liabilities	
Employee entitlements	0.7
Deferred tax liability	2.3
	3.0
Total identifiable net assets at fair value	**14.5**
Goodwill arising on acquisition	9.5
Purchase consideration	**24.0**

The intangible assets identified as part of the acquisitions included customer contract and customer relationship intangibles. These intangible assets were valued based on the expected cash flows from the customers of the acquired businesses, applying the existing contracted terms for the customer contracts and an expected attrition rate of the customer base for the customer relationship intangible. Goodwill acquired comprises the value of expected synergies arising from integration of the acquired businesses.

Purchase consideration comprises:	
Cash	23.5
Contingent consideration	0.5
Total purchase consideration	**24.0**

Analysis of cash flows on acquisition:	
Transaction costs of the acquisitions (included in cash flows from operating activities)	1.3
Cash consideration paid (included in cash flows from investing activities)	23.5
Net cash flow on acquisition	**24.8**

10. Acquisition of businesses and non-controlling interests *(continued)*

Half-year ended 31 December 2016

Business combinations (continued)

From the dates of acquisition to 31 December 2016, the businesses contributed $9.2 million of revenue and $0.9 million to profit before tax to the Group, after amortisation of customer intangibles of $0.4 million. If the businesses had all been acquired at the beginning of the reporting period, revenue of $12.6 million and profit before tax of $1.1 million, after amortisation of customer intangibles of $0.6 million would have been contributed to the Group.

Acquisition of additional interest in Cleanaway Refiners Pty Ltd

On 25 July 2016 the Group acquired the non-controlling interest in Cleanaway Refiners Pty Ltd for $2.5 million. Prior to the acquisition the Group held a 50% controlling interest in this entity.

	$'M
Cash consideration paid to non-controlling shareholders	2.5
Carrying value of the additional interest in Cleanaway Refiners Pty Ltd	(6.6)
Gain recognised in retained earnings	**(4.1)**

11. Borrowings

	31 Dec 2016 $'M	30 Jun 2016 $'M
US Private Placement Notes	66.3	–
Other	0.3	0.8
Total current borrowings	**66.6**	**0.8**
Bank loans	304.0	293.9
US Private Placement Notes	–	64.7
Total non-current borrowings	**304.0**	**358.6**
Total borrowings	**370.6**	**359.4**

The US Private Placement Notes (USPP) have been reclassified from non-current to current as they mature in December 2017. The headroom available in the Group's facilities at 31 December 2016 is summarised below:

		Available $'M	Utilised $'M	Not utilised $'M
Syndicated Facility Agreement	Facility A [1]	135.0	58.3	76.7
	Facility B [2]	130.0	130.0	–
	Facility C [2]	335.0	175.0	160.0
US Private Placement Notes		66.3	66.3	–
Bank guarantee facilities [1]		62.9	58.6	4.3
		729.2	**488.2**	**241.0**

[1] These facilities include $116.9 million (30 Jun 2016: $115.3 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 $1.0 million (30 Jun 2016: $1.1 million).

12. Financial assets and liabilities measured at fair value

All financial assets and liabilities for which fair value is measured or disclosed in the financial statements are classed within the fair value hierarchy on the basis of nature, characteristics and risks and described as follows and 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.

There were no transfers between levels during the year.

Derivative financial instruments

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:

	Level 1 $'M	Level 2 $'M	Level 3 $'M	Total $'M
31 Dec 2016				
Assets				
Derivative financial instruments – USD foreign currency swap	–	12.2	–	12.2
30 Jun 2016				
Assets				
Derivative financial instruments – USD foreign currency swap	–	10.9	–	10.9

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

13. Contingent assets and liabilities

There have been no material changes to the contingent assets and liabilities which were disclosed in the 30 June 2016 Annual Report.

14. Subsequent events

On 31 January 2017, the Group entered into contracts of sale for two closed landfill sites located in Brooklyn, Melbourne with the Pelligra Group. Under the terms of the sale, the Pelligra Group will assume responsibility for all remediation and ongoing monitoring works at both sites including undertaking all capping work in accordance with Victorian EPA requirements. Cleanaway retains certain rights in relation to the sites following the sale including a right to oversee conduct of the remediation work and some limited step in rights. Completion of the sale of the sites and transfer of the respective EPA licences is expected to occur on 2 March 2017.

These transactions are forecast to generate a pre-tax profit on sale of approximately $20.0 to $22.0 million. The forecast profit results from the proceeds of sale plus the release of the rectification and remediation provisions less the book value of site assets which will transfer to the buyer on completion. This profit is expected to be disclosed as an underlying adjustment in the Group's FY17 results.

Other than the matter noted above, there have been no other matters or circumstances that have arisen since the half-year that have significantly affected the Group's operations.

Directors' Declaration

In the Directors' opinion:

(a) the Consolidated Financial Statements and Notes of the Group for the half-year ended 31 December 2016 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

   (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

M P Chellew
Non-Executive Director and Chairman

V Bansal
Chief Executive Officer and Managing Director

Melbourne, 22 February 2017

8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67
Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

To the members of Cleanaway Waste Management Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cleanaway Waste Management Limited, which comprises the consolidated balance sheet as at 31 December 2016, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cleanaway Waste Management Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cleanaway Waste Management Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Ernst & Young

Ernst & Young

Brett Croft
Partner
Melbourne

22 February 2017