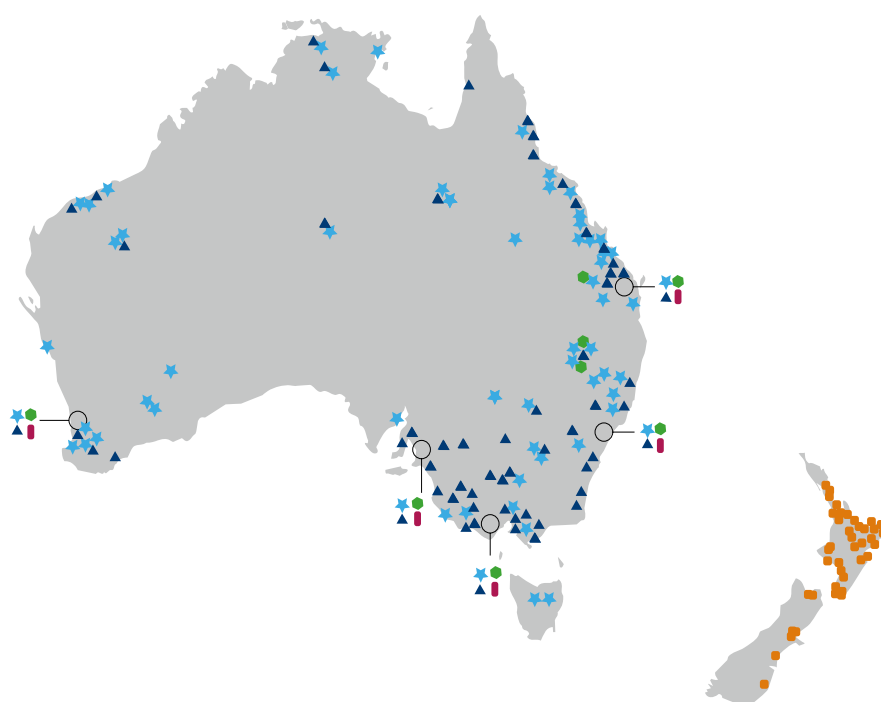


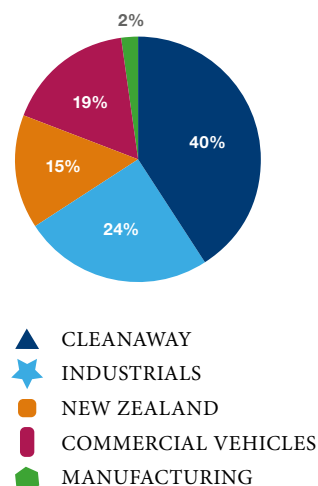


# 2012 HIGHLIGHTS

## GEOGRAPHIC SPREAD



## TOTAL REVENUE SECTOR BREAKDOWN (\$2.3B)



## UNDERLYING EBITDA (\$M)

**\$440.2M**

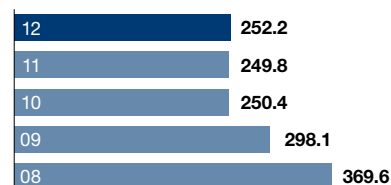
UP 3.7% FROM LAST YEAR



## UNDERLYING EBIT (\$M)

**\$252.2M**

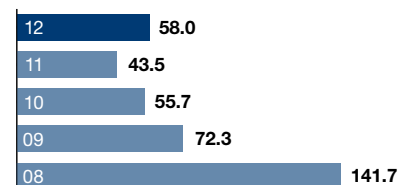
UP 1% FROM LAST YEAR



## UNDERLYING PROFIT AFTER TAX TO ORDINARY SHAREHOLDERS (\$M)

**\$58.0M**

UP 33.3% FROM LAST YEAR



## STATUTORY RESULTS

**FY12 PROFIT AFTER TAX TO ORDINARY SHAREHOLDERS WAS \$12.5 MILLION (COMPARED TO A LOSS OF \$296.5 MILLION FOR FY11)**

Included in the Statutory Results are certain items which, in the Directors' view, should be excluded in order to provide a result which is more closely aligned with ongoing operations. A reconciliation of Statutory to Underlying Results is set out on pages 30 and 31 of the Directors' Report.



*“The FY12 year has been one of continued transformation for Transpacific. We are firmly focussed on working as ‘one company’ in servicing customers and extracting efficiencies across the group, with an unwavering commitment to generating sustainable returns for our shareholders.”*

KEVIN CAMPBELL  
Chief Executive Officer

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## CHAIRMAN'S REVIEW



*Transpacific has made encouraging progress on its two key areas of focus: implementation of business improvement initiatives and reduction of debt to strengthen the balance sheet.*

Dear Shareholders,

I am pleased to report to shareholders that Transpacific has made encouraging progress on its two key areas of focus: implementation of business improvement initiatives and reduction of debt to strengthen the balance sheet.

Against a backdrop of softening economic conditions in both the Australian and New Zealand markets, Group revenues increased 4.8% to \$2.3 billion. The waste management businesses increased revenue by 2.2% while our Commercial Vehicles division grew revenue by a pleasing 21.0%. Revenue fell in the Manufacturing division as product lines were streamlined and non-profitable lines were discontinued.

A profit after tax (attributable to ordinary shareholders) of \$12.5 million was achieved compared to a loss of \$296.5 million last year.

Included in these results are certain items which, in the Directors' view, should be excluded in order to show a result which is more closely aligned with ongoing operations. Excluding the impact of these items, underlying profit after tax (attributable to ordinary shareholders) increased 33.3% to \$58.0 million.

In November 2011, Transpacific completed a major debt refinancing and equity raising package to strengthen the balance sheet. As a result of this action and stronger operating cash flow, gross debt has been reduced by \$378 million and our net cash interest expense has decreased by more than 16%, with further reductions projected this year.

The fundamentals of our business remain sound, with each division holding market leading positions for their respective areas of specialisation.

The Cleanaway division continued to grow and was successful in obtaining new contracts in both the municipal and commercial and industrial waste markets; the positive impact of these will commence this year.

Expansion of the Industrials division into the resources and oil & gas markets has continued. This has helped offset declines in the Australian manufacturing and industrial sectors, where the strength of the Australian dollar and soft economic conditions had a detrimental effect on activity levels.

The New Zealand business has achieved new contract wins in the Auckland market for both solid waste and industrial services, and is well positioned for increased work as the reconstruction of Christchurch gathers momentum.

The introduction of the Australian Government's Carbon Pricing Mechanism (CPM) from 1 July 2012 has had a major impact on our businesses. Despite some inconsistencies and changes within the legislation, Transpacific has successfully implemented a carbon pricing system across our Australian operations which is in line with our key objectives of achieving cost neutrality and regulatory compliance. In line with our *Recover Recycle Reuse* philosophy, we remain firmly focussed on continuing to work with our customers to reduce their carbon footprint and the associated costs of the CPM.

Our commitment to safety remains a key focus of the Board and the Management team. A number of initiatives have been implemented across the Company to endeavour to protect our staff, customers and the communities in which we operate. Page 10 of this Report highlights the progress we have made in this area. I would like to congratulate all work sites that have achieved record Lost Time Injury Free rates this past year, and particularly make mention of the

# ONE STRATEGIC FOCUS.

Narangba site in Queensland for achieving 4,000 days and our Rutherford Refinery in New South Wales with 2,000 days.

Transpacific strives to be an employer of choice with a motivated, successful and diversified workforce. A number of initiatives, such as succession and development planning, have been and are currently being developed to achieve this goal. One such initiative is the establishment of measurable objectives to achieve gender diversity. The Board recognises the importance and benefits that initiatives of this type brings to the Company, its customers and stakeholders generally. Presently, female representation across the whole of Transpacific and in management roles is considered too low and objectives have been established to increase that level over the next three years.

As a service business, Transpacific has a vital relationship with its customers. Their demands are clear – timely, efficient and safe disposal of their waste. The Company places great emphasis on engagement with its customers and communities through our education programs. Our team of 16 education personnel work with commercial customers as well as local councils, community groups and schools to spread the *Recover Recycle Reuse* philosophy and assist in delivering long term community benefits. In doing so, our Education and Resource Recovery Officers help ensure less waste ends up in landfill by reducing contamination of recyclable and garden organic collections, increasing resource recovery from general waste streams, and encouraging alternate reuse of waste. We are committed to working with our customers and the community to provide a cleaner, greener environment.

2012 has seen several changes to the Board of Directors.

I would like to acknowledge the efforts of Rajiv Ghatalia who left the Board during the year having joined when Warburg Pincus made its investment in Transpacific in September, 2009.

Terry Sinclair and Jeffrey Goldfaden both joined the Board in April, 2012. The Board brings a range of experience to the business directions and corporate governance of the company and I would like to thank my colleagues for their support and efforts throughout the year.

The Senior Management team has been significantly rebuilt over the past year under the guidance of our Chief Executive Officer, Kevin Campbell. Over 20 senior management changes have been made since Kevin's appointment in January 2011 and the Board is confident that Kevin and his team will drive and deliver improvements across Transpacific's operations for the benefit of our customers, employees, the community and shareholders.

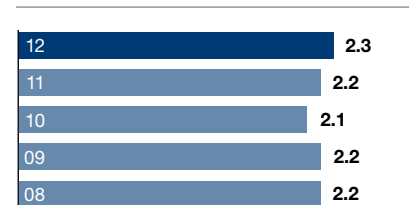
I would like to thank all Transpacific employees for the commitment and enthusiasm they have shown in serving our customers and improving the business.

Finally, I would like to thank you, our shareholders for your continued support during the year.

The Board looks forward to updating you on the continued progress of your Company.

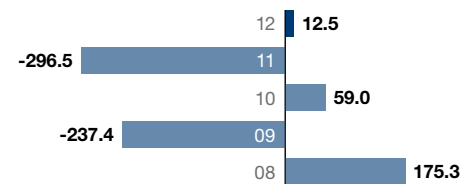
GENE TILBROOK  
**Chairman**

## REVENUE (\$B)

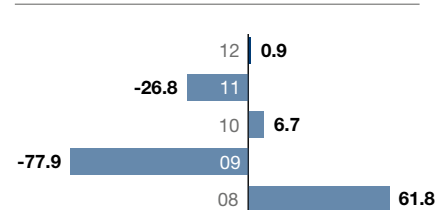


## PROFIT AFTER TAX (\$M)

ATTRIBUTABLE TO ORDINARY SHAREHOLDERS



## EARNINGS PER SHARE (CPS)





## CEO'S REVIEW



*I am pleased to report to shareholders that we have started delivering on the promises made 12 months ago, and have made solid progress in extracting synergies and efficiencies locked up in the business.*

While activity levels in FY12 varied greatly, overall EBITDA was up 3.7% to \$440.2 million. Transpacific's waste management businesses increased revenue by 2.2%, although EBITDA was flat on the prior year. The Commercial Vehicles division increased revenue by 21.0% and EBITDA by 49.0% and the Manufacturing division achieved good progress with its turnaround plan, reducing an EBITDA loss of \$8.4 million in FY11 to \$0.9 million in FY12.

In addition to successfully reducing our debt through a comprehensive refinance program, we have also increased our operating cash flow by 21% to \$308 million after excluding costs associated with shareholder actions.

Our tender win rate for the last 12 months increased from 44% to 46% and all our businesses and divisions have growth potential – be it through new contracts, new processes or new sites.

### Cleanaway

Cleanaway's revenue grew by 3.1% (after excluding the impact of landfill levies), and EBITDA was up 1.7%.

FY12 growth was relatively subdued as a result of challenging economic times in key regions; the ebbs and flows of contract wins and terminations (particularly in the Municipal business); lower commodity prices for paper and steel; as well as legislative uncertainty around the introduction and subsequent removal of the Queensland Waste Levy and the introduction of the Australian Government's Carbon Pricing Mechanism.

Pleasingly, Cleanaway had some notable new Municipal contract wins and re-wins in FY12 which will generate solid growth in FY13. These include new contracts for Moreton Bay Regional Council and Fraser Coast in Queensland (which between them account for 50 new Dennis Eagle trucks and in excess of 253,000 services per week);

Bega and Canterbury in NSW; Cardinia in Victoria and Coorong in South Australia. Two major tenders have also been re-won for commencement in late FY13 in Mornington Peninsula and Geelong in Victoria.

The Commercial and Industrial, and Post Collections businesses recorded overall growth, with lower market activity in Melbourne, Adelaide and Perth markets offset by the expansion of services into resources and the oil and gas sector.

Cleanaway successfully tendered for the Albury Wodonga area organics waste contract, which will see construction of our first Gore organic composting facility (Alternate Waste Technology) in Australia. Operations for this contract will commence in September 2013, and we are confident this technology will be an attractive option for other customers in the future.

Overall, opportunities for Cleanaway in FY13 remain buoyant yet challenging. In line with our ongoing commitment to continually improve our service offering to customers, Cleanaway will be working closely with the Industrials division in the coming year to establish bases in the resource centres and high growth areas of the Surat and Bowen Basin's in Queensland, and a new depot in Karratha, Western Australia.

### Industrials

Industrials FY12 revenue was in line with the prior year, mainly as a result of a decline in natural disaster and emergency response work (including the Queensland floods and the West Atlas oil rig project off Western Australia) which benefited FY11. Excluding the impact of these major projects, recurrent revenues grew by 2.2%.

The Technical Services business retained its market leader status, with increased revenues from resources, and oil and gas sectors partially offset by reduced volumes from the

# ONE COHESIVE BUSINESS.

manufacturing and industrial sectors. The waste mix continues to change, with volumes directly associated with population growth (such as food producers and the retail sector) showing steady growth. Our geographic coverage means we are well placed to service our portfolio of national contracts.

The business remains focused on developing and implementing recycling and value-add products from traditional waste streams, enabling unit cost processing to be reduced whilst delivering more sustainable outcomes.

The Industrial Services business was impacted by a decline in maintenance spending at large manufacturing sites, and the completion of 'one-off' emergency response activities in FY11.

The business remains focused on increasing its presence in the expanding oil and gas markets. Recent investments in specialist personnel and equipment place the division in a very strong position to penetrate these growth markets.

The Hydrocarbons business remains the market leader in the provision of used oil collections, processing and refining. Similar to our other Industrials businesses, volumes collected in the more traditional and metropolitan regions have softened, and there has been strong growth in the central Queensland and Western Australia mining districts.

Domestic demand for fuel oils declined in FY12, with the trend toward natural gas as a primary industrial fuel source continuing. This resulted in increased volume of product sold into the international or industrial fuel oil market.

Encouragingly however, domestic demand for re-refined base oil from our hydrogenation facility in Rutherford, NSW increased in FY12, with demand for the product outpacing supply.

A Thin Film Evaporating facility at our Narangba, Queensland site is due to be commissioned in early 2013 and will provide quality feedstock into the Rutherford refinery which will increase the product available to meet this demand.

## New Zealand

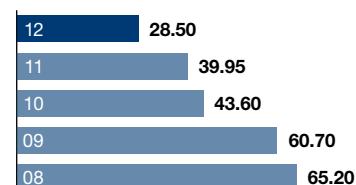
New Zealand's results were stable despite subdued economic conditions. A focus on business improvement projects, site consolidation and asset utilisation across the business has resulted in improved margins.

Softer commodity prices in the second half of 2012 impacted the profitability of local recycling operations, while other gains were achieved through a range of efficiency and sales growth initiatives.

Our Christchurch operations achieved a better than anticipated performance, as both the Solid Waste and Industrial businesses secured additional cleanup work following the earthquakes. This was in addition to a steady pick up in underlying activity levels across the region with economic conditions proving more robust than anticipated.

Our New Zealand division was also heavily involved in the development of the Burwood Resource Recovery Park (BRRP) in Christchurch. BRRP was established to receive and process a significant portion of the building demolition material caused by the earthquakes, with 330,000 tonnes of demolition waste now stockpiled for processing. BRRP was formally transferred to Transwaste Canterbury Limited – a joint venture between Transpacific and the councils of the region – in February 2012. Construction of a processing plant is underway and is expected to commence operation during FY13, to recover a range of recyclable materials for reuse in the reconstruction phase over the next few years.

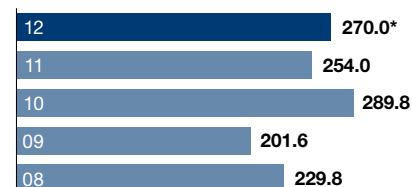
## TOTAL RECORDABLE INJURY FREQUENCY RATE (%)



## UNDERLYING EBITDA (\$M)



## OPERATING CASH FLOW (\$M)



\*Includes \$37.9 million of costs associated with shareholder actions.

Contract wins in Auckland for collections, disposal and stormwater maintenance will underpin ongoing growth through FY13, for what is anticipated to be another year of soft economic activity in the New Zealand market.

## Commercial Vehicles Group

Commercial Vehicles achieved increases in both revenue and EBITDA on the back of higher sales of heavy duty vehicles. The overall size of Australia's heavy duty truck market increased in FY12 by 22%, with the Commercial Vehicle's division core truck products of Western Star, MAN and Dennis Eagle increasing their market share from 11.7% to 12.2%.

A new long term import and distribution agreement has been negotiated with MAN, which will have significant positive outcomes particularly for the MAN truck business.

Over 100 Dennis Eagle Trucks were put into service during FY12 and this product continues to show significant promise for all refuse operators, with significant safety and operational benefits.

The Commercial Vehicle business in New Zealand showed a significant improvement from FY11 with a stronger performance in both trucks and buses. These volumes were underpinned by significant fleet contracts with premium NZ Trucking and Bus Operators.

The Commercial Vehicles division continues to work with three of its major suppliers to develop new models and further expand its product range, including the new Western Star 4700 model to be launched in late FY13.

## Manufacturing

Improvement plans instigated last year for the Manufacturing division reduced the losses recorded in FY11. Negotiations are underway with several prospective purchasers and we are targeting to complete divestment during the current financial year.

## Summary

Overall, the FY12 year has been one of continued transformation for Transpacific. A number of initiatives have commenced

which I am confident will see us build on our already solid foundations in the coming financial year.

Safety continues to be a top priority so I was pleased at the smooth restructure of the former OHSE department to the SEQ (Safety, Environment and Quality) department. Now a more decentralised structure, this move was made to place the responsibility and initiative with the businesses and our staff on the ground. To ensure continued reinforcement of the 'safety first' mantra to all staff, we have also introduced a 'Safety Moment' at the commencement of any meeting of four people or more, as well as the 'My Safety Toolkit', with more details of these initiatives provided on page 10.

It was pleasing to see the company achieve a 28.5% reduction in the total recordable injury frequency rate this year and we expect ongoing improvement in all aspects of health, safety and environmental standards to continue moving forward.

Transpacific continues to work closely with our customers to offer innovative and sustainable waste management solutions to help them reduce their carbon footprint, and the associated costs of the Carbon Pricing Mechanism in Australia, and the soon to be introduced Emission Trading Scheme in New Zealand. As a Company, we are also undertaking greenhouse gas emission reduction projects, while continuing to develop our landfill gas capture and destruction systems. This includes the use of leading edge technology at our Redvale Energy Park in Auckland New Zealand, where 90% of the landfill gas is captured and 12 megawatts of electricity produced and fed back to the local electricity grid each year.

Transpacific is committed to being a valued member of the communities in which we operate, and this year our education team continued their quest to teach younger generations about the benefits of resource recovery and effective waste management in the home. By using fun activities and hands-on learning experiences, including close encounters with compost worms and giant burrowing cockroaches, the team are also able to help children understand more

complex processes such as the value of organic waste and how nature can recycle it into fantastic compost and fertiliser.

To ensure we have the solid foundations required to deliver strong results for our shareholders, we have made over 20 changes at the Senior Management level.

After leading the Cleanaway division for the past three years, Mr Nick Badyk recently left Transpacific. I would like to take this opportunity to thank Nick for his contributions to the growth of the Company over the past 11 years, in a variety of roles in both the Industrials and Cleanaway divisions.

Mr Nick Clark has recently been appointed Managing Director of the Cleanaway division and joins new Executive General Manager, People and Culture Rolanda Ayling, as well as Executive General Manager, Legal and Commercial Chris Carroll, in the Senior Executive team.

In the coming financial year, the Board and I will be working closely with all members of the Senior Management team to extract synergies and realise efficiencies across the Group. All areas of the business will be engaged to determine how greater levels of cooperation can be achieved to enhance customer service, achieve better utilisation of our assets and technology, and improve our internal efficiencies.

I would like to thank all Transpacific employees for their hard work throughout FY12. While there is still more to be done, we remain firmly focused on working as 'One Company' with an unwavering commitment to generate sustainable returns for our shareholders.

KEVIN CAMPBELL  
**Chief Executive Officer**



# ONE UNITED TEAM.

## Kevin Campbell

CHIEF EXECUTIVE OFFICER

Kevin joined Transpacific in 2010 as Chief Financial Officer, and became Chief Executive Officer in January 2011. He holds qualifications in business, and has over 30 years of financial expertise, and extensive strategic and operational leadership skills from his experiences with leading global and national organisations in the resources, retail, recycling and manufacturing industries. Kevin was the former Global Director – Governance and Compliance and Chief Financial Officer for Visy Industries Pty Ltd. He is a member of the Australian Institute of Company Directors.

## Nick Clark

MANAGING DIRECTOR, CLEANAWAY

Nick will join Transpacific in October 2012 as Managing Director, Cleanaway. Prior to joining Transpacific, he was the Executive General Manager Clay & Concrete Products for Boral Ltd, and before that held general management positions with Mayne Group Ltd, Pacific Dunlop Limited and CRA Ltd. Nick holds qualifications in engineering and business administration (MBA), and has extensive knowledge of industrial businesses.

## Tony Roderick

MANAGING DIRECTOR, INDUSTRIALS

Tony joined Transpacific in 2005 from the position of General Manager Nuplex Environmental Australia and New Zealand. He was appointed Managing Director, Industrials in October 2009. Tony holds qualifications in civil engineering and environmental management, and has over 20 years' experience in the environment and waste management industry.

## Tom Nickels

MANAGING DIRECTOR, NEW ZEALAND

Tom joined Transpacific in 2008 as Managing Director, New Zealand. Prior to joining Transpacific, he was Managing Director of Chubb NZ, and before that Chief Executive of Carter Holt Harvey Wood Products. Tom holds qualifications in engineering and business administration (MBA). He is a member of the New Zealand Institute of Directors and has extensive experience in the areas of environment, health and safety, customer service and operational efficiency.

## Paul Glavac

MANAGING DIRECTOR, COMMERCIAL VEHICLES

Paul joined Transpacific in 2003 in the Industrials division. He was appointed Managing Director, Commercial Vehicles in 2004. Prior to joining Transpacific Paul worked with Ateco Holdings Limited and later held senior positions at Brambles Industrial Services. Paul holds qualifications in business and business administration (MBA). He is a member of CPA Australia, and has 25 years' experience in vehicle importation and distribution, together with the management and operation of large vehicle fleets.

## Stewart Cummins

CHIEF FINANCIAL OFFICER

Stewart joined Transpacific in 2011 as Chief Financial Officer. Prior to joining Transpacific he was the Finance Director at TNT Express in Australia, New Zealand and the Pacific Islands, and before that held senior financial roles with companies including Arthur Anderson, Caltex Australia, Dairy Farmers and Multiplex Group. Stewart has qualifications in economics and Management (Masters). He is a Fellow of the Institute of Chartered Accountants in Australia and a Graduate Member of the Australian Institute of Company Directors.

## Chris Carroll

EXECUTIVE GENERAL MANAGER,  
LEGAL AND COMMERCIAL

Chris joined Transpacific in June 2012 as Executive General Manager, Legal and Commercial. Prior to joining Transpacific, he held General Counsel roles at Lend Lease in Australia and Singapore; Macquarie Bank Group, and most recently at Valad Property Group in Australia and Europe. Chris holds qualifications in law. He is a member of the Australian Institute of Company Directors, and oversees Transpacific's legal, company secretarial, strategic marketing, procurement, risk and assurance and property functions.

## Rolanda Ayling

EXECUTIVE GENERAL MANAGER,  
PEOPLE AND CULTURE

Rolanda joined Transpacific in June 2012 as Executive General Manager People and Culture. Prior to joining Transpacific, she held a number of senior executive roles at Conrad Jupiters Casinos, Coca Cola Amatil, and most recently as the EGM People at RACQ Insurance. Rolanda holds qualifications in education. She is an Associate Fellow of the Australian Institute of Management and a Graduate Member of the Australian Institute of Company Directors.

## Kellie Smith

COMPANY SECRETARY

Kellie joined Transpacific in 2004 as Corporate Accountant and became Company Secretary in 2005. Prior to joining Transpacific, she was a Client Services Manager with a Chartered Accounting firm in Australia, and also spent time working for accounting firms in the USA. Kellie holds qualifications in commerce. She is a member of the Institute of Chartered Accountants in Australia.

## COMMUNITY

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Domremy College Year 10 student, Georgina Claxton, participates in Cleanaway's kNOw Waste Program.



## ONE ORGANISATION PUTTING THE COMMUNITY FIRST.

**Transpacific is committed to being a valued member of the community. By working with local schools and community groups, Transpacific's education team are proud to be equipping future generations with the capabilities to safeguard the environment and provide a healthy and sustainable planet for all to enjoy.**

This year, Transpacific's education team continued working hard on meeting this commitment and spreading the '*Recover Recycle Reuse*' philosophy.

In New South Wales, almost 18,000 children participated in the 'kNOw Waste' education program over the last 12 months – an increase of over 10,700 students since 2009. Eleven Sydney Councils now participate and in May this year, the team taught their 50,000th student since commencing the program in 2005.

In addition to presenting a number of sessions to local libraries during school holidays, the team also conducted and sponsored a Christmas card and Truck Art competition – where local students vied to have their recycling designs printed on a Christmas card or one of the local Cleanaway municipal trucks.

Queensland's education team achieved a significant goal this year as one of the local schools in the region became 'Litter Free'. With significant commitment from the Principal, teachers, school community and ably supported by Gympie Cleanaway's Education Officer, Gympie West State Primary School's 600 students were so pleased with an initial 'litter free lunch day', that they decided to make it an ongoing practice.

In Western Australia, students are benefitting from the introduction of Mimio technology as part of their education programs. More than 7,000 students across 13 Councils are now participating in the primary school recycling education program, with Mimio facilitating an active and sensorial learning experience that students and teachers alike are raving about. The technology enables information projected onto a conventional whiteboard to become interactive through the use of studio software uploaded onto a laptop, an interactive bar attached to the whiteboard, a stylus (a mouse shaped like a pencil) and a wireless tablet.

High school students in Clayton, Victoria this year had the opportunity to see first hand the process of receiving and processing various waste streams at Transpacific's Community

Information Centre. The education sessions were tailored to suit the school's curriculum needs and provided students with an interactive mix of learning to better understand how waste is managed in their community, the role of landfills, cell construction and the benefits of recycling.

In regional Victoria, education programs were delivered to groups ranging from TAFE students; to Probus and Toastmaster meetings; as well as at community events and school environmental days. In the past year, more than 2,000 students in six regional council areas have been involved in the program, with many also enjoying an opportunity to visit a Material Recycling Facility to better understand what happens to waste after it goes in the bin.

Northern Territory students have been actively involved in local education programs this year, with classes participating in waste sorting activities as part of the lesson. They are encouraged to identify where waste resources can be best utilised – by identifying items that can be recycled; others that can be reused (i.e. given to charity, or in art or construction projects at school); and finally how to ultimately reduce the items that have to go to landfill.



# **ONE WORKFORCE COMMITTED TO SAFETY.**

### **The very nature of Transpacific's businesses means that staff are often working with heavy equipment and hazardous materials in high risk environments.**

As such, safety is an absolute priority for the Transpacific Board, the CEO and Senior Executives, who remain committed to ensuring a safety-first culture is instilled across the workforce.

This year, a number of Safety, Environment and Quality initiatives have been implemented across the business that strive to better protect the welfare of staff, as well as customers and the community.

All Transpacific meetings (of four people or more) are now opened with a mandatory 'Safety Moment'. These moments can come from either work or personal experiences and provide an opportunity for Transpacific staff to share their experiences and observations, ensuring others can learn from them and hopefully avoid a similar experience.

The introduction of the 'My Safety Toolkit' complements the 'Safety Moment' and acts as a useful prompt for staff to encourage safer work practices. The pocket-sized toolkit guides staff to effectively identify hazards, SLAM risks (Stop, Look, Assess and Manage) and report incidents in order to help achieve Transpacific's ultimate goal of 'Zero Harm'.

All Transpacific workers, labour hire, owner drivers and regular contractors received a copy of the toolkit and attended a compulsory toolbox talk to properly understand its purpose and correct use.

Despite the often inherently dangerous work, Transpacific sites across the country have continued to achieve significant safety milestones, which can be seen in the table to the right.

A number of clients have also recognised Transpacific's commitment to safety.

Transpacific received top honours in the BP's Contractor's Awards for Service Excellence in HSSE (Health, Safety, Security and Environment) in the large contractor's category, acknowledging the impressive 100 per cent result achieved in the annual HSSE audit at Transpacific's Revesby site.

OneSteel Whyalla Excellence awards also recognised Transpacific's safety work, with top honours in the Safety Contractor Group and Environmental Contractor Initiative award categories; and individual runner up (Shayne Anderson – Transpacific Maintenance Supervisor) and highly commended (Ian Cameron – Transpacific High Pressure Jet Operator) awards in the Safety Contractor Employee Category.

The implementation of safety initiatives, in addition to recognition for individuals

and teams who deliver superior safety performance, serve as both reminders and incentives for everyone at Transpacific to continue to be active participants in making the workplace safer.

### **Lost Time Injury (LTI) free day milestones across the business:**

4,000 days – Narangba site (QLD)  
3,000 days – Bundaberg (QLD)  
3,000 days – Gympie (QLD)  
2,500 days – Maryborough (QLD)  
2,000 days – Rutherford Refinery (NSW)  
2,000 days – Whangarei (NZ)  
2,000 days – Wingfield site (SA)  
2,000 days – Revesby site (NSW)  
2,000 days – Homebush (NSW)  
2,000 days – Glendenning (NSW)  
1,500 days – Superior Pak Seaford (VIC)  
1,500 days – Moorebank site (NSW)  
1,500 days – Wellington (NZ)  
1,000 days – Whyalla site (SA)  
1,000 days – Newman (WA)  
1,000 days – Dandenong (VIC)  
1,000 days – Hamilton (NZ)



Transpacific Shift Technician, Ernie Gallagher and NSW Regional Manager Technical Services, Susie McBurney, perform a safety interaction with the My Safety Toolkit.



## ENVIRONMENT



Transpacific Environmental Specialist, Luke Slechta, inspects a gas recovery system installed at the Erskine Park site.





## ONE ADVOCATE FOR A CLEANER, GREENER ENVIRONMENT.

**With the environment an ever increasing focus for governments, business and the community alike, Transpacific is striving to be a more sustainable and 'green' organisation.**

Transpacific New Zealand continues to be recognised as an industry leader in sustainability initiatives and has received a number of awards this year.

In particular, Redvale Energy Park's innovative landfill gas management and utilisation system was acknowledged in both the Green Ribbon Awards for outstanding contributions in protecting and enhancing New Zealand's environment, as well as the Energy Efficiency and Conservation Authority Awards.

Each day, the Redvale site captures over 90 per cent of landfill gas through leading edge technology, which in turn produces 12MW of electricity to power the local grid.

The site has also developed a waste collection truck that runs on biogas. The collaborative project provides up to 80 per cent of the truck's total fuel needs, and allows the truck to be switched back to diesel if it

runs out. Potentially this can substitute up to 12,000 litres of diesel per year, reducing carbon dioxide emissions by an impressive 29 tonnes a year.

Research firm New River also ranked Transpacific New Zealand highly in their 'Green 50' listing. Acknowledging companies that achieve more than 50 per cent of their earnings from environmentally beneficial products, services or technology, Transpacific New Zealand placed 16th out of 150 companies considered from all sectors of the economy.

Transpacific New Zealand was the highest ranked recycling and waste company on the list and met 'The Green 50's' criteria through its broad range of residential, commercial and industrial recycling and recovery services, turning every day waste into useable products.

Of course a considerable focus this year in Australia has been preparing for the introduction of the Federal Government's Carbon Pricing Mechanism (CPM).

Introduced on 1 July, 2012 Transpacific was one of the companies identified by the

Australian Government as a key generator of greenhouse gas emissions.

As both a result of this, and the company's ongoing commitment to creating a sustainable environment for the future, considerable work has been undertaken to reduce Transpacific's greenhouse gas emissions and carbon footprint.

Key activities in this area to date include:

- The installation of new and the expansion of existing landfill gas collection systems;
- The identification of energy efficiency opportunities within the business;
- Investigation into alternative fuel use for fleet and heavy equipment;
- Improving our resource recovery and recycling rates; and
- Investigating and evaluating innovative recycling, composting and alternate waste technology initiatives.

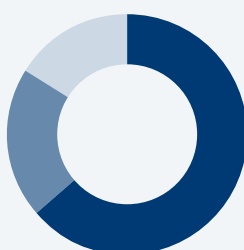
# DIVISIONAL SUMMARY

*Average revenue growth (excluding landfill levies) for Transpacific's Total Waste Management businesses has been 3.7% over the last three years, with a disproportionate increase in FY11 due to several large emergency response and natural disaster related activities.*

## CLEANAWAY

The leading operator in the solid waste sector in Australia. Services provided include Municipal and Commercial & Industrial collections, recycling, landfill construction and operation, and alternate waste treatment plants.

### REVENUE (\$ million)



\* Before intercompany eliminations

### YEAR IN BRIEF

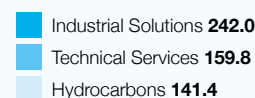
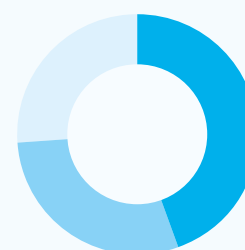
- Cleanaway delivered revenue growth of 3.1% (excluding the impact of landfill levies)
- Volumes up across key collection systems with recycling services outperforming

## INDUSTRIALS

The leading operator in the:

- Collection, treatment, recycling and disposal of liquid and hazardous waste;
- Industrial services, including cleaning, facilities maintenance services, emergency response and site remediation; and
- Used mineral oil collection and refining operations.

### REVENUE (\$ million)



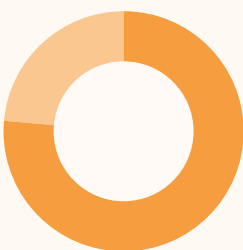
### YEAR IN BRIEF

- Industrials grew recurring revenue moderately but emergency response work did not achieve the levels of FY11
- Reducing revenues in the manufacturing and industrials sectors were offset by growth in mining related services

## NEW ZEALAND

The leading provider of solid waste services in New Zealand, including collection, recycling, landfill construction and operation. Industrials services include the operation of specialist facilities, liquid and hazardous waste collections and treatment and emergency response services.

### REVENUE (NZ\$ million)



Transpacific Waste Management **332.2**  
NZ Industrials **101.5**

### YEAR IN BRIEF

- New Zealand economy remains subdued
- Initiatives implemented across all operations have resulted in improved margins
- Christchurch cleanup continues and "Rena" grounded ship remediation offset weakness in manufacturing and heavy industry

## COMMERCIAL VEHICLES

Exclusive importer and distributor of Western Star trucks, MAN trucks and buses, and Dennis Eagle trucks, together with associated parts for Australia and New Zealand.

### REVENUE (\$ million)



Commercial Vehicles **427.3**

### YEAR IN BRIEF

- Heavy duty truck market grew 22% to over 10,200 vehicles nationally
- Combined Western Star, MAN and Dennis Eagle market share grew from 11.7% to 12.2%

## MANUFACTURING

Manufacture and servicing of waste vehicle bodies, parts washer machines, plastic and steel waste bins and waste compaction units.

### REVENUE (\$ million)



Manufacturing **53.8**

### YEAR IN BRIEF

- Operating performance held back by poor performance at 3 sites (now closed) in NSW, SA and WA
- Significant progress made on 5 point turnaround plan



## CFO'S REVIEW



### *Transpacific's finance strategy is threefold:*

- 1. To deliver improved business performance over time;*
- 2. To ensure a strong focus on cash and returns on investment; and*
- 3. To maintain a prudent capital structure.*

*Sound progress was made on all three fronts in FY12.*

### Results Overview

Transpacific achieved a statutory net profit after tax attributable to ordinary equity holders of \$12.5 million in FY12 compared to a loss of \$296.5 million in the prior corresponding period. Revenues increased by 4.8% to \$2.3 billion. This was achieved despite challenging conditions across most markets in Australia and New Zealand.

Included in these results are certain items which should be excluded in order to provide a result which is more closely aligned with ongoing operations. Excluding the impact of these adjustments, which have been reviewed by the auditors, underlying profit after income tax was \$58.0 million, an increase of 33.3% over the prior corresponding period.

These underlying adjustments reflect the outcomes of numerous activities that have been undertaken over the past year, such as the successful refinancing in late 2011, settlement of the proposed IMF class action, costs associated with restructuring and amendments to prior year tax positions.

### Operating Cash Flow

Operating cash flow increased 21.2% to \$307.9 million after excluding costs associated with shareholder actions. The cash conversion ratio (excluding one-off items) was 98.8%, up from 94.1% in the prior corresponding period.

The increase in operating cash flow was assisted by a \$22.9 million reduction in cash interest expense and \$12.0 million of cash tax refunds.

Capital investment levels were maintained at circa 100% of depreciation expense. It is expected that in FY13 capital investment will slightly exceed this level, mainly related to fleet replacement.

### Balance Sheet

Transpacific's balance sheet further strengthened during the year as a result of the \$1.8 billion total refinancing package completed in late 2011. This encompassed a new \$1,429.0 million bank facility and the raising of \$308.8 million in new equity.

As a result of these actions, Transpacific has achieved a cheaper and simpler debt structure with a longer maturity profile.

Transpacific's net debt has reduced to \$1,050.6 million from \$1,402.0 million in the prior corresponding period, with gross debt having been reduced by \$377.8 million. The underlying net interest expense has also reduced by \$24.8 million when compared to last year and Transpacific is confident that cash interest expense will further reduce by approximately \$25 million in FY13. Debt reduction remains a key priority.

Net working capital fell as receivables management improved slightly in spite of soft economic conditions. Growth in creditors and inventories is primarily associated with higher Commercial Vehicles division purchases to support the increase in the heavy duty vehicle market.

The proportion of growth capex in FY12 increased. This related to \$31.0 million of assets acquired to support new municipal contracts for Cleanaway and infrastructure in the Hydrocarbons business.

### Debt Management

Transpacific seeks to further improve its credit metrics. Two key benefits from the refinancing are that no material refinancing will be required for the next two years and the average debt maturity has now increased to 3.5 years compared to 2.4 years at 30 June 2011.

# ONE CLEAR FOCUS.

Gross debt reduced \$377.8 million through FY12 to \$1,128.5 million. As at 30 June 2012, Transpacific had \$340.5 million of unused bank debt facilities, \$166.6 million of which is reserved for the 5 year USPP and remaining convertible note maturities in December 2012, leaving \$173.9 million of headroom. Over the next 12 to 24 months Transpacific will look to increase tenor and diversify funding sources as it works to a more sustainable capital structure.

## Divestment Program

During the year Transpacific identified a number of assets that were considered surplus and a divestment program has been commenced. The sale of listed investments realised \$12.2 million with a further \$5.5 million of proceeds on sale of properties in FY12.

## Improved Financial Management

Legacy issues have continued to be resolved during FY12 including getting Transpacific's tax affairs up to date and settlement of the proposed IMF class action.

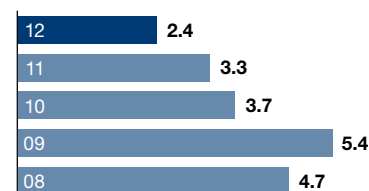
The IT systems implementation approach has been revised and is delivering better quality and more timely information for management of the business.

The business restructuring program continued with three manufacturing sites closed and a \$2.4 million provision taken on surplus leased space. Redundancy, restructuring and associated costs amounted to \$9.1 million during the financial year that will provide ongoing cost savings.

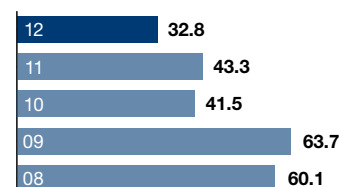
Going forward, the three foundations of Transpacific's finance strategy – stronger business performance, focus on cash and returns, and a prudent capital structure – will underpin improved returns for shareholders.

STEWART CUMMINS  
Chief Financial Officer

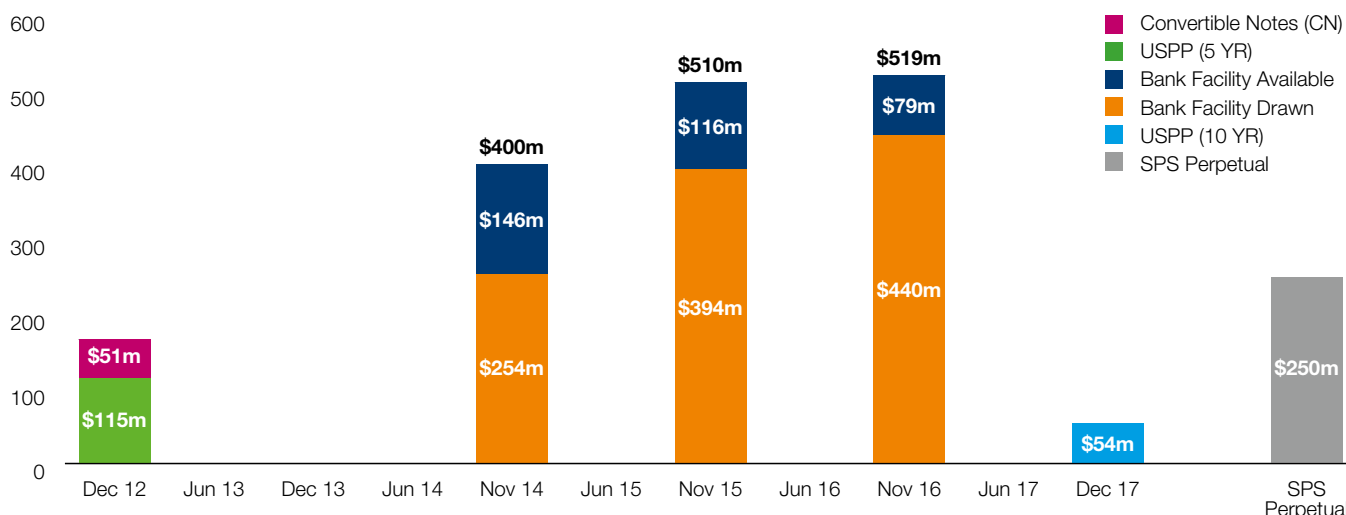
## NET DEBT/ UNDERLYING EBITDA (X)



## NET DEBT/ NET DEBT + EQUITY (%)



## Funding Facility Maturity Profile (A\$m)



# BOARD OF DIRECTORS



## Gene Tilbrook

- Independent Non-Executive Chairman
- Member of the Audit Committee
- Acting Chairman of the Human Resources Committee

Gene joined the Transpacific Board in September 2009. He was appointed Chairman in June 2010. Gene has significant management experience in corporate strategy, finance, investments and capital management. He was Finance Director at Wesfarmers Limited until his retirement in May 2009. He is a Non-Executive Director of Fletcher Building Ltd (appointed September 2009), GPT Group Ltd (appointed May 2010), and QR National Limited (appointed April 2010). He is a former Non-Executive Director of NBN Co Ltd (resigned August 2012). Gene holds tertiary qualifications in science, computing science and business administration (MBA) and has completed the Advanced Management Program at the Harvard Business School. He is a fellow of the Australian Institute of Company Directors.

## Kevin Campbell

- Chief Executive Officer
- Executive Director

Kevin joined Transpacific as Chief Financial Officer on 1 September 2010, and was appointed Chief Executive Officer and Executive Director on 27 January 2011. Kevin has over 30 years of financial expertise and extensive strategic and operational leadership skills from his experiences with leading global and national organisations in the resources, retail, recycling and manufacturing industries. Kevin was the former Global Director-Governance and Compliance, and Chief Financial Officer for Visy Industries Pty Ltd. Kevin holds tertiary qualifications in business. He is a member of the Australian Institute of Company Directors.

## Bruce Brown

- Independent Non-Executive Director
- Member of the Audit Committee

Bruce joined the Transpacific Board in March 2005. He has significant experience with global business operations and financial expertise, and was Chief Executive Officer of ALS Limited (formerly Campbell Brothers Limited) until his retirement in 2005, having held finance and senior management positions with that company since 1976. He is currently a Non-Executive Director of ALS Limited (appointed October 2005) and Red Flow Ltd (appointed March 2012). Bruce holds a tertiary qualification in commerce. He is a fellow of the Australian Institute of Company Directors.

## Jeffrey Goldfaden

- Non-Executive Director
- Member of the Human Resource Committee

Jeffrey Goldfaden joined the Transpacific Board on 23 April 2012. Jeffrey is a Managing Director of Warburg Pincus Asia LLC, and is actively focused on the firm's investments in the Asia-Pacific region. Prior to joining Warburg Pincus' New York office in 2004, Jeffrey was a private equity investment professional at UBS Capital Americas and Hudson River Capital, and an investment banker at Chase Securities. He has previously been a director of companies involved in the manufacturing and consumer industries. Jeffrey holds tertiary qualifications from Dartmouth College, and an MBA from Stanford University Graduate School of Business.



Board of Directors (l-r)  
 Jeffrey Goldfaden  
 Martin Hudson  
 Kevin Campbell (CEO)  
 Terry Sinclair  
 Ray Smith  
 Gene Tilbrook (Chairman)  
 Bruce Brown  
 Emma Stein

#### Martin Hudson

- Independent Non-Executive Director
- Chairman of the Risk and Compliance Committee
- Member of the Audit Committee

Martin joined the Transpacific Board in September 2009. He has significant board and commercial experience in risk management, executive leadership, regulatory matters and strategic direction derived from his varying roles at Fosters, Southcorp, Pacific Dunlop and Freehills. Martin is a Non-Executive Director of NM Superannuation Pty Ltd (the Trustee of Axa Asia Pacific Holdings Limited's public superannuation funds), AMP Superannuation Ltd (the trustee of AMP's public superannuation fund) (appointed April 2012) and CNPR Limited (appointed December 2011). Martin holds tertiary qualifications in law. He is a member of the Australian Institute of Company Directors.

#### Terry Sinclair

- Independent Non-Executive Director
- Member of the Risk and Compliance Committee

Terry joined the Transpacific Board on 1 April 2012. Terry is a corporate advisor to a number of private and ASX listed firms on matters including post acquisition integration, business model development and digital communications. He was previously Chairman of AUX Investments (jointly owned by Qantas and Australia Post), which is the parent company for Star Track Express and Australian Air Express; and Head of Corporate Development at Australia Post. Terry's career includes senior leadership roles across the resources, industrials, logistics and communications sectors with BHP and Australia Post. Terry holds a Master of Business Administration (MBA), a Graduate Diploma in Management and tertiary qualifications in mining surveying. He is a member of the Australian Institute of Company Directors.

#### Ray Smith

- Independent Non-Executive Director
- Chairman of the Audit Committee
- Member of the Risk and Compliance Committee

Ray joined the Transpacific Board on 1 April 2011. He has significant corporate and financial experience in the areas of strategy, acquisitions, treasury and capital raisings. Ray was Chief Financial Officer of Smorgon Steel Group for 11 years (1996 – 2007). He is a Non-Executive Director of WHK Group Limited (appointed May 2009), and K&S Corporation Ltd (appointed February 2008). He is a former Non-Executive Director of Willmott Forests Limited (resigned March 2011). Ray holds tertiary qualifications in commerce. He is a fellow of CPA Australia and a fellow of the Australian Institute of Company Directors.

#### Emma Stein

- Independent Non-Executive Director
- Member of the Human Resources Committee

Emma joined the Transpacific Board on 1 August 2011. She has significant corporate experience within industrial markets, and was the UK Managing Director for French utility Gaz de France's energy retailing operations. Emma currently serves as a Non-Executive Director of DUET Group (appointed June 2004), Programmed Maintenance Services Ltd (appointed June 2010), Clough Limited (appointed July 2008) and Alumina Limited (appointed February 2011). She is a former Non-Executive Director of Transfield Services Infrastructure Fund (resigned July 2011). Emma holds tertiary qualifications in science and business administration (MBA). She is a fellow of the Australian Institute of Company Directors.



# CORPORATE GOVERNANCE

*Transpacific Industries Group Ltd (Transpacific or the Company) and its Board of Directors are committed to fulfilling their corporate governance obligations and responsibilities in the best interests of the Company and its stakeholders, and fully support the Australian Securities Exchange's (ASX) Corporate Governance Principles and Recommendations (ASX guidelines).*

This Statement sets out Transpacific's key governance principles and practices, together with details of how they are reviewed regularly and revised as appropriate to reflect changes in law and developments in corporate governance. Transpacific considers that throughout the 2012 financial year it has met all ASX guidelines in effect for that financial year, other than Recommendation 2.4 to the extent that the Board is currently acting as the Nomination Committee as set out under Principle 2 below.

Copies of the charters, codes and policies in respect of Transpacific's corporate governance practices referred to in this Statement are available on the corporate governance section of the Transpacific website – [www.transpacific.com.au/corporate-governance](http://www.transpacific.com.au/corporate-governance).

## **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

The Transpacific Board operates under a Charter which sets out the role, powers and responsibilities of the Board. The Board is responsible for the overall stewardship, strategic direction, governance and performance of the Company. Its objectives are:

- ▶ To provide strategic guidance for Transpacific and effective oversight of its management and its business activities;
- ▶ To optimise Transpacific's performance so as to create and build sustainable value for shareholders within a framework of appropriate risk assessment and management; and
- ▶ To ensure Transpacific's legal and other obligations to all legitimate stakeholders are being achieved.

The key responsibilities and functions of the Board towards achievement of these objectives are also set out in the Charter as follows:

- ▶ Oversight of Transpacific, including its control and accountability systems, to ensure the creation and protection of shareholder value;
- ▶ Protecting Transpacific'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 minimize the impact of Transpacific's activities on the environment;
- ▶ Contributing to the development of, and final approval of, management's corporate strategy and performance objectives;
- ▶ Monitoring the implementation of the strategic plans and performance objectives of Transpacific, and assessing Transpacific's performance against these;
- ▶ Adopting an annual budget for the financial performance of Transpacific and monitoring performance against it;
- ▶ Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestments;
- ▶ Approving the Chief Executive Officer's terms of engagement, and where required, his termination benefits;
- ▶ Reviewing the remuneration and incentive framework for Senior Management and all Transpacific employees;
- ▶ Ensuring Transpacific's financial report complies with relevant accounting standards and presents a true and fair view;
- ▶ Ensuring proper and timely financial and governance reporting to shareholders and other stakeholders;
- ▶ Ensuring appropriate resources are available for Transpacific in the pursuit of its objectives;
- ▶ Reviewing on a continuing basis:
  - Recruitment, retention and termination policies and procedures for senior management;
  - Executive succession planning (in particular the office of Chief Executive Officer); and
  - Executive development activities;

- ▶ Reviewing, at least annually, diversity initiatives and progress; and
- ▶ Monitoring and overseeing the management of shareholder and community relations.

The Board Charter is regularly reviewed to ensure it remains consistent with the Board's objectives and responsibilities.

The Chief Executive Officer is responsible to the Board for the day-to-day management and performance of Transpacific and for the development and implementation of strategy as endorsed by the Board. The Board has approved delegated authority limits to the Chief Executive Officer and management in this context. These delegations are reviewed regularly by the Board.

### Evaluating the performance of Executive Management

Transpacific has a performance management system that includes a scorecard of individual measurements and performance standards.

The Board is responsible for evaluating the performance of the Chief Executive Officer on an annual basis. The Chief Executive Officer's performance is assessed against Transpacific's financial performance, business transformation, management development and enhanced safety and sustainability performance.

The Chief Executive Officer conducts performance reviews of the Senior Executives on an annual basis and reports on their performance to the Human Resources Committee.

The process for evaluating the performance of Senior Executive's is further described in the Remuneration Report.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Transpacific's Constitution calls for at least three but not more than 10 Directors. The Board is currently comprised of seven Non-Executive Directors (six of whom are independent), and one Executive Director (the Chief Executive Officer). Profiles of each Director, 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 18 to 19 of the Annual Report.

### Director Independence

As required under the Board Charter and recommended by the ASX guidelines, the Board comprises a majority of independent Non-Executive Directors.

The Charter states that Transpacific will regard a Non-Executive Director as independent if he or she is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

When determining the independent status of a Non-Executive Director, the Board will take into account whether that Director:

- ▶ Is a substantial shareholder of Transpacific or an officer of, or otherwise associated directly with, a substantial shareholder of Transpacific;
- ▶ Is employed, or has previously been employed in an executive capacity by the Transpacific group, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- ▶ Has within the last three years been:
  - A principal of a material professional advisor to the Transpacific group;
  - A material consultant to the Transpacific group; or
  - An employee materially associated with the service provided by such adviser or consultant to the Transpacific group.
- ▶ Is a material supplier or customer of the Transpacific group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- ▶ Has a material contractual relationship with the Transpacific group other than as a Director of Transpacific.

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 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 at the date of this report and has determined that all Directors are independent, with the exception of:

- ▶ Mr Kevin Campbell – Executive Director and Chief Executive Officer;
- ▶ Mr Jeffrey Goldfaden – Non-Executive Director and Managing Director of Warburg Pincus Asia LLC, an entity related to a substantial shareholder of Transpacific.

Certain Non-Executive Directors hold directorships in companies with which Transpacific has commercial relationships. Details of these other directorships are set out on pages 18 to 19.

The independent status of Directors standing for election or 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.

The Board actively seeks to ensure that the Board continues to have the right balance of skills, knowledge, diversity, experience and expertise considered of benefit to the company, and necessary to adequately discharge its responsibilities and duties.

## Chair of the Board

The Board Charter requires an independent Non-Executive Director to hold the position of Chairman of the Board, unless the Board otherwise resolves. The Chairman of the Board, Mr Gene Tilbrook, is an independent Non-Executive Director.

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

The roles of the Chairman and Chief Executive Officer are not exercised by the same person.

## 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 Transpacific. 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:

- a) not receive the relevant papers;
- b) not be present at the meeting while the matter is considered; and
- c) 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.

## Board committees

The Board has the ability under the Company's constitution to delegate its powers and responsibilities to committees of the Board. This enables the Board to spend additional and more focused time on specific issues. The Board has established the following standing committees to assist in the discharge of its responsibilities:

- ▶ Audit Committee;
- ▶ Risk and Compliance Committee;
- ▶ Nomination Committee; and
- ▶ Human Resources Committee.

In March 2011, the Board resolved that until further notice it would act as the Nomination Committee to enable the Board renewal process to be completed in the most effective and efficient manner.

The Charter of each Board Committee sets out the respective duties and responsibilities of that particular Committee.

Details of individual Director's memberships of Board Committees are provided in the biographies included on pages 18 to 19 of the Annual Report.

All Directors are entitled to attend meetings of the standing committees. Papers considered by the standing committees are provided to all Directors. Minutes of the standing committee meetings are provided to all Directors and the proceedings of each meeting are reported at the next Board meeting by the Chairmen of the Committees.

## Directors' attendance at Board and Board Committee meetings

The number of Board and Board Committee meetings held and attendance by Directors at these meetings is set out in the Directors' Report on page 33.

The Non-Executive Directors receive regular briefings on Transpacific's operations from the Senior Executive team, undertake site visits, and receive presentations from external parties in a range of fields.

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.

## Independent advice

The Board 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. Any Director may take such independent legal, financial or other advice as they consider necessary to fulfil their duties, at the expense of the Company. Before the external advice is sought consent needs to be obtained from the Chairman of the Board. The Chairman may determine that any external advice received by an individual Director be circulated to the remainder of the Board.

## Nomination Committee

As noted above, in March 2011 the Board resolved that until further notice it would act as the Nomination Committee.

The role of this Committee is to assist the Board to ensure that it is of an effective composition, size and commitment to adequately discharge its responsibilities and duties. Its duties include:

- ▶ Reviewing, assessing and making recommendations to the Board on the necessary and desirable competencies of the directors and relevant Board committees;
- ▶ Evaluating the Board's performance;
- ▶ Overseeing the selection and appointment practices for non-executive directors of Transpacific; and
- ▶ Reviewing Board succession plans.

## Performance evaluation

Under its Charter, the Board is responsible for undertaking regular reviews of the Board's effectiveness, and the effectiveness of the Board Committee's and individual Directors.

The Board considers that reviewing its performance is essential to good governance. The review process is designed to help enhance performance by providing a mechanism to raise and resolve issues, and to provide recommendations to assist the Board, Board Committee's and individual Directors to enhance their effectiveness.

An internal evaluation of performance was undertaken in August 2011.

An external evaluation of performance was commenced in May 2012, and the results of this assessment were considered by the Board in August 2012.

## PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

### Code of Conduct

Transpacific recognises that its reputation is an essential element to its success, and that its reputation is directly attributable to the ethical behaviour of those who represent it. Transpacific 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 Transpacific, to ensure that Transpacific's business is conducted in accordance with the laws and regulations of the countries in which it operates.

The Code is fully endorsed by the Board and is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in Transpacific'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 on the Transpacific website –  
[www.transpacific.com.au/corporate-governance](http://www.transpacific.com.au/corporate-governance)

### Whistleblower Policy

Transpacific's Whistleblower Policy further documents Transpacific's commitment to ensuring high standards of conduct and ethical behaviour in all areas of business activity.

Transpacific employees who are aware of any serious misconduct or unethical behaviour that contravenes the Corporate Code of Conduct, or any Transpacific policies or the law, are encouraged to report this to their manager or make a report under the Transpacific FairCall program (Transpacific's Whistleblower program).

The Whistleblower 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 Company will not tolerate any reprisals, discrimination, harassment, intimidation or victimisation against any person suspected of making a report of unacceptable conduct.

### Securities Trading Policy

Transpacific's Securities Trading Policy reinforces the *Corporations Act 2001* restrictions in relation to insider trading, and prohibits its Directors, Executives and other employees from dealing in Transpacific shares at any time if that person is in possession of price sensitive information that has not been made public. The policy complies with the ASX Listing Rule requirements on trading policies.

Under the Policy employee's (other than Directors and Executives) are only permitted to trade in Transpacific securities in the six week periods commencing the day after:

- ▶ The announcement of Transpacific's half-year and full-year results to the ASX; and
- ▶ The Annual General Meeting has been held,

or at any time Transpacific has a prospectus open, or that the Board declares trading permissible in a written note to all staff and the ASX.

Before any Director or Executive deals in any Transpacific securities at any time, including during Trading Windows, he or she must discuss the proposed dealing with, and obtain written approval from:

- ▶ The Chairman, in the case of Directors and Executives; or
- ▶ In the case of the Chairman, the Chairman of the Risk and Compliance Committee.

Directors, Executives and other employees are prohibited from engaging in short-term or speculative trading in Transpacific securities, as well as trading in derivatives.

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

The Securities Trading Policy is available on the Transpacific website –  
[www.transpacific.com.au/corporate-governance](http://www.transpacific.com.au/corporate-governance)

### Diversity

Transpacific has a workforce made up of people with diverse values, backgrounds, skills, experiences and needs. Transpacific values this diversity, and recognises the benefits that it brings to the Company, its customers and other key stakeholders. Transpacific's Diversity Policy 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 creative, flexible, productive and competitive.

The Policy requires Transpacific's Board to establish measurable objectives for achieving gender diversity, and to assess at least annually both the objectives and the progress in achieving them.

Female representation across the whole of Transpacific is 18%, in Senior Executive roles is 8%, and on Transpacific's Board of Directors is 12.5%:

The Board has established the following objectives to achieve greater gender diversity at Transpacific :

- ▶ To increase the representation of Females across the whole of Transpacific from 18% (at 30 June 2012) to 20% by 30 June 2015;
- ▶ To increase the representation of Females in management roles from 14% (at 30 June 2012) to 25% by 30 June 2015; and
- ▶ To increase the representation of Females in non-traditional roles from 4% (at 30 June 2012) to 6% by 30 June 2015.

The achievement of these gender and other objectives will be supported by:

- ▶ The establishment of Transpacific's Diversity Council, chaired by the Chief Executive Officer, whose purpose is to take a leading role in promoting diversity objectives and regularly reviewing progress against those objectives;
- ▶ Policies and programs that promote an inclusive culture at every stage of the employee life cycle;
- ▶ Embedding diversity initiatives into our broader talent management processes including training and development and succession planning; and
- ▶ Investing in diversity-related training programs.



## PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

### Audit Committee

The function of the Audit Committee is to assist the Board to independently verify and safeguard the integrity of Transpacific's financial reporting and review and evaluate all material capital management financing and treasury risk management proposals.

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

R M Smith (Chairman)

M M Hudson

B R Brown

G T Tilbrook

The Committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which Transpacific operates. The Committee meets as required, normally at least four times per year – see page 33 for details of meetings. The Chairman of this Committee is also a member of the Risk and Compliance Committee. The Chairman of the Board is not permitted to Chair this Committee.

The Committee's key responsibilities and duties are to:

- ▶ Review financial reports (including the annual report and related regulatory filings) to be issued by the Company prior to their release to the market, to ensure they are legally compliant, consistent with Committee members' information and knowledge, and suitable for shareholder needs;
  - ▶ Assess the management processes supporting external reporting;
  - ▶ 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;
  - ▶ In conjunction with the Risk and Compliance Committee, approve the audit plan of the Internal Auditors and monitor their progress against the financial aspects of that plan;
- ▶ On an annual basis, assess the performance and independence of the External and Internal Auditors; and
  - ▶ Make recommendations for the appointment or removal of the External and the Internal Auditors; and Review and monitor the compliance with the Company's Treasury Policy.

The Committee 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.

### Certification under section 295A of the *Corporations Act 2001*

In accordance with section 295A of the *Corporations Act 2001*, the Chief Executive Officer and the Chief Financial Officer 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; and
  - ▶ 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 statement 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.

### Independence of the external auditor

Ernst & Young were appointed as the Company's External Auditors in November 2009. The lead external audit and review partner is required to rotate after a maximum of five years.

All non-audit services to be undertaken by the External Auditor require the prior approval of the Chairman of the Audit Committee.

Ernst & Young have provided an Independence Declaration to the Board for the financial year ended 30 June 2012. The Independence Declaration forms part of the Directors' Report and is provided on page 49 of this Annual Report.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

The Continuous Disclosure Policy is available on the Transpacific website – [www.transpacific.com.au/corporate-governance](http://www.transpacific.com.au/corporate-governance)

## PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Transpacific is committed to ensuring shareholders are provided with full, open and timely material information about its activities. In addition to compliance with its continuous disclosure obligations under the ASX Listing Rules, Transpacific achieves this through:

- ▶ Ensuring that all communications with shareholders, including the annual report and notice of annual general meeting, satisfy statutory requirements and are easily understandable;

- ▶ Ensuring that all shareholders have the opportunity to receive external communications issued by the Company. All Company announcements and information released are available under the investor section of the Transpacific website;
- ▶ Encouraging shareholders to attend annual general meetings to hear the Chairman's address, and to use the opportunity to ask questions. If shareholders are unable to attend in person, they are encouraged to participate through the appointment of a proxy, or proxies; and
- ▶ The Company's External Auditor attends the annual general meetings to answer questions from shareholders about the conduct of the audit, the preparation and content of the Audit Report, the accounting policies adopted by the Company, and the independence of the Auditor in relation to the conduct of the audit. Shareholders attending the meeting are made aware that they may ask such questions of the Auditor, and are provided an opportunity to submit written questions prior to the meeting.

A copy of the Shareholder Communication Policy is available on the Transpacific website –  
[www.transpacific.com.au/corporate-governance](http://www.transpacific.com.au/corporate-governance)

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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

### Risk and Compliance Committee

The function of the Risk and Compliance Committee is to assist the Board to:

- ▶ Ensure Transpacific addresses all legal and other obligations to all legitimate stakeholders including employees, shareholders and other external counterparties;

- ▶ Establish a sound system of risk oversight, management and internal control;
- ▶ Ensure that Transpacific's systems and processes are properly controlled and functioning effectively; and
- ▶ Actively promote ethical and responsible decision making within Transpacific.

The Risk and Compliance Committee is also responsible, in conjunction with the Audit Committee, for approving the internal audit plan.

The Risk and Compliance Committee consists entirely of Non-Executive Directors. The members of the Committee are:

M M Hudson (Chairman)

R M Smith

T A Sinclair (from 3 April 2012)

G T Tilbrook (until 3 April 2012)

The Committee meets as required, normally at least four times per year – see page 33 for details. The Chairman of this Committee is also a member of the Audit Committee.

During the reporting period, the Board adopted a revised Risk Management, Compliance and Assurance Policy that sets out Transpacific's commitment to proactive enterprise risk management and compliance. The policy is supplemented by an enterprise wide risk management framework that seeks to embed risk management processes into Transpacific's business activities. The Risk and Assurance function continue to work with the businesses to implement this framework.

At a management level, Transpacific has a dedicated Risk and Assurance team, which is responsible for refining the existing risk management processes within Transpacific, and for managing the internal audit activities across the Group. To ensure a best practice approach to internal auditing, KPMG have been appointed to assist Transpacific with carrying out the work required in the annual internal audit plan.

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

Transpacific 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. Numerous risk management controls are embedded in the Company's risk management and reporting systems, including:

- ▶ Risk management systems and internal control 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
- ▶ Due diligence procedures for acquisitions.

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

## **Certification under section 295A of the Corporations Act 2001**

The written statement provided to the Board under section 295A of the *Corporations Act 2001*, referred to above in respect of Principle 4, confirmed that the declarations and statements were 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.

## **Health, Safety and Environment (HSE)**

Transpacific recognises the importance of HSE issues and is committed to a Zero Harm philosophy. Transpacific:

- ▶ Monitors its compliance with all legislation;
- ▶ Continually assesses and improves the impact of its operations on the environment; encourages employees to actively participate in the management of HSE issues; and
- ▶ Encourages management to drive performance in HSE by including lead and lag indicators as measures in individual scorecards.

The Risk and Assurance function conducts management systems, operational and licensing audits throughout the year as part of the Compliance Management Strategy. Transpacific has an externally certified Integrated Management System meeting the requirements of AS4801 (Occupational Health and Safety), ISO 14001 (Environment) and ISO 9001 (Quality).

Transpacific has adopted a Greenhouse Gas Policy that focuses on improving our environmental footprint through the reduction of greenhouse gas emissions. Energy efficiency and emission reduction strategies will be assessed and implemented to help Transpacific achieve this goal. Information on compliance with significant environmental regulations is set out in the Directors' Report.

## **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

### **Human Resources Committee**

The function of the Human Resources Committee is to:

- ▶ Provide oversight of Transpacific's overall human resources strategy (including remuneration and compensation plans) on behalf of the Board; and
- ▶ Support management with its objective of enabling business success through developing the capability and engagement of Transpacific's employees.

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

- ▶ Attract, retain and motivate high calibre executives and directors so as to encourage enhanced performance of Transpacific;
- ▶ Are consistent with the human resource needs of Transpacific;
- ▶ Motivate management to pursue the long-term growth and success of Transpacific within an appropriate control framework; and
- ▶ Demonstrate a clear relationship between executive performance and remuneration.

The Human Resources Committee also oversees Transpacific's diversity policies and practices, including remuneration by gender.

The Human Resources Committee consists entirely of Non-Executive Directors, as follows:

G T Tilbrook  
(Acting Chairman from 3 April 2012)  
B R Brown  
(Acting Chairman until 3 April 2012)  
E R Stein (from 1 August 2011)  
R A Ghatalia (until 23 April 2012)  
J G Goldfaden (from 23 April 2012)

The Committee meets as required and at least four times per year – see page 33 for more details.

### **Remuneration Report**

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

# FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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# DIRECTORS' REPORT

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The Directors present their Report together with the Consolidated Financial Statements of the Consolidated Group, consisting of Transpacific Industries Group Ltd ("Transpacific" or "the Company") and its controlled entities, for the financial year ended 30 June 2012 and the Auditor's Report thereon.

## Directors

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

G T Tilbrook – Non-Executive Chairman  
K G Campbell – Executive Director and Chief Executive Officer  
B R Brown – Non-Executive Director  
M M Hudson – Non-Executive Director  
R M Smith – Non-Executive Director  
E R Stein – Non-Executive Director (appointed on 1 August 2011)  
T A Sinclair – Non-Executive Director (appointed on 1 April 2012)  
J G Goldfaden – Non-Executive Director (appointed on 23 April 2012)  
R A Ghatalia – Non-Executive Director (resigned on 23 April 2012)

The office of Company Secretary is held by K L Smith, B.Com (Hons), CA.

Particulars of Directors' qualifications, experience and special responsibilities are detailed on pages 18 and 19 of the Annual Report.

## Principal Activities

During the financial year the principal continuing activities of Transpacific Industries Group Limited and its subsidiaries (the "Consolidated Group") consisted of:

- Municipal, residential, commercial and industrial 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;
- 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;
- Refining and recycling of used mineral oils to produce fuel oils and base oils;
- The manufacture of bituminous based applications and coatings;
- Industrial solutions including industrial cleaning, vacuum tanker loading, site remediation, sludge management, parts washing, concrete remediation, CCTV, corrosion protection and emergency response services;
- Independent importer and distributor of Western Star, MAN, Foton and Dennis Eagle truck chassis and associated parts and MAN bus chassis and associated parts; and
- Manufacturing and servicing of vehicle bodies, parts washers, plastic and steel bins and waste compaction units.

No significant changes in the nature of the activities of the Consolidated Group occurred during the year.

## Dividends and Distributions

There were no dividends declared or paid on ordinary shares during the 2012 or 2011 reporting years.

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

|                                                                        | 2012<br>\$'M | 2011<br>\$'M |
|------------------------------------------------------------------------|--------------|--------------|
| STEP-UP PREFERENCE SECURITIES:                                         |              |              |
| Distribution of \$2.97 per unit paid on 17 October 2011 (2010: \$2.87) | 7.4          | 7.2          |
| Distribution of \$3.69 per unit paid on 18 April 2012 (2011: \$3.00)   | 9.2          | 7.5          |
| <b>Total Distributions Paid</b>                                        | <b>16.6</b>  | <b>14.7</b>  |
| <b>Total Distributions and Dividends Paid</b>                          | <b>16.6</b>  | <b>14.7</b>  |

The payment of the Step-up Preference Securities ("SPS") distribution for the period ending 30 September 2012 of \$9,000,000 (\$3.60 per unit) is to be paid on 15 October 2012. The financial effect of this distribution has not been brought to account in the financial statements for the year ended 30 June 2012 and will be recognised in subsequent financial reports. The proposed distribution is expected to be fully franked.

On 1 October 2011 the distribution on the SPS Preference Securities was "stepped up" in accordance with the terms of issue. As a result, the distribution margin has increased from 3.5% to 6.0% with effect from the distribution period ended 31 March 2012.

While the SPS have no fixed maturity date, the Trust which is a managed investment scheme registered on 29 June 2006 to issue SPS offered under the SPS Trust's Product Disclosure Statement, retains the ability to redeem or convert the SPS at subsequent distribution payment dates.

## Review of Results

### Financial Results

The Consolidated Group's Statutory Profit From Continuing Operations After Income Tax for the year ended 30 June 2012 was \$32.2 million (2011: loss of \$280.5 million).

# DIRECTORS' REPORT *CONTINUED*

The Consolidated Group comprises of 7 operating segments (of which 4 are in Total Waste Management). A summary of the segment and Consolidated Group's results for the financial year are set out below:

|                                                                  | STATUTORY (1) |                | UNDERLYING<br>ADJUSTMENTS (2) |              | UNDERLYING (1) |              |
|------------------------------------------------------------------|---------------|----------------|-------------------------------|--------------|----------------|--------------|
|                                                                  | 2012<br>\$'M  | 2011<br>\$'M   | 2012<br>\$'M                  | 2011<br>\$'M | 2012<br>\$'M   | 2011<br>\$'M |
| Cleanaway                                                        | 203.8         | 101.2          | -                             | 99.2         | 203.8          | 200.4        |
| Industrials                                                      | 125.1         | 129.0          | -                             | -            | 125.1          | 129.0        |
| New Zealand                                                      | 84.1          | (99.5)         | -                             | 182.0        | 84.1           | 82.5         |
| Share of profits in Associates                                   | 2.9           | 5.0            | -                             | -            | 2.9            | 5.0          |
| Total Waste Management                                           | 415.9         | 135.7          | -                             | 281.2        | 415.9          | 416.9        |
| Commercial Vehicles                                              | 29.2          | 19.6           | -                             | -            | 29.2           | 19.6         |
| Manufacturing                                                    | (0.9)         | (68.8)         | -                             | 60.4         | (0.9)          | (8.4)        |
| Corporate                                                        | (46.0)        | (8.9)          | 42.0                          | 5.2          | (4.0)          | (3.7)        |
| <b>EBITDA<sup>(i)</sup></b>                                      | <b>398.2</b>  | <b>77.6</b>    | <b>42.0</b>                   | <b>346.8</b> | <b>440.2</b>   | <b>424.4</b> |
| Depreciation and amortisation expenses                           | (188.0)       | (174.6)        | -                             | -            | (188.0)        | (174.6)      |
| <b>EBIT<sup>(ii)</sup></b>                                       | <b>210.2</b>  | <b>(97.0)</b>  | <b>42.0</b>                   | <b>346.8</b> | <b>252.2</b>   | <b>249.8</b> |
| Net finance costs                                                | (185.9)       | (177.0)        | 33.7                          | -            | (152.2)        | (177.0)      |
| Changes in fair value of derivative financial instruments        | (15.6)        | 2.1            | 15.6                          | (2.1)        | -              | -            |
|                                                                  | (201.5)       | (174.9)        | 49.3                          | (2.1)        | (152.2)        | (177.0)      |
| <b>Profit/(Loss) from Before Income Tax</b>                      | <b>8.7</b>    | <b>(271.9)</b> | <b>91.3</b>                   | <b>344.7</b> | <b>100.0</b>   | <b>72.8</b>  |
| Income Tax Benefit/(Expense)                                     | 23.5          | (8.6)          | (45.8)                        | (4.7)        | (22.3)         | (13.3)       |
| <b>Profit/(Loss) from Continuing Operations After Income Tax</b> | <b>32.2</b>   | <b>(280.5)</b> | <b>45.5</b>                   | <b>340.0</b> | <b>77.7</b>    | <b>59.5</b>  |
| <b>Attributable to:</b>                                          |               |                |                               |              |                |              |
| Ordinary Equity holders                                          | 12.5          | (296.5)        | <b>45.5</b>                   | <b>340.0</b> | 58.0           | 43.5         |
| Non-controlling interest                                         | 3.1           | 1.3            | -                             | -            | 3.1            | 1.3          |
| Step-up Preference Security holders                              | 16.6          | 14.7           | -                             | -            | 16.6           | 14.7         |
|                                                                  | <b>32.2</b>   | <b>(280.5)</b> | <b>45.5</b>                   | <b>340.0</b> | <b>77.7</b>    | <b>59.5</b>  |

(1) The use of the term 'Statutory' refers to IFRS financial information and 'Underlying' to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information, issued in December 2011. 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 to more than five percent of after tax profit. These include the financial effect of fair value changes, being the unrealised gains/(losses) arising from the mark-to-market and the impact of asset revaluations (such as derivatives, financial instruments or property). These adjustments and the comparatives 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 Consolidated Group. The non-IFRS information has been subject to review by the auditors.

(2) Details of adjustments from Statutory to Underlying financial information are set out in the following table.

<sup>(i)</sup> EBITDA represents earnings before interest, income tax, and depreciation and amortisation expense.

<sup>(ii)</sup> EBIT represents earnings before interest and income tax expense.

The following table reconciles the adjustments to Profit/(Loss) from Continuing Operations After Income Tax (Attributable to Ordinary Equity Holders) to Underlying Profit After Income Tax (Attributable to Ordinary Equity Holders):

|                                                                                                            | NOTES | 2012<br>\$'M  | 2011<br>\$'M   |
|------------------------------------------------------------------------------------------------------------|-------|---------------|----------------|
| <b>Profit/(Loss) from Continuing Operations After Income Tax (Attributable to Ordinary Equity Holders)</b> |       | <b>12.5</b>   | <b>(296.5)</b> |
| Underlying Adjustments to EBITDA:                                                                          |       |               |                |
| Settlement of, and legal costs associated with, shareholder actions                                        | 1     | 37.9          | -              |
| Restructuring costs, including redundancy                                                                  | 2     | 11.5          | -              |
| Net (gain)/loss from disposal of investments and properties                                                | 3     | (7.4)         | -              |
| Impairment of assets                                                                                       | 4     | -             | 346.8          |
| <b>Total Underlying Adjustments to EBITDA</b>                                                              |       | <b>42.0</b>   | <b>346.8</b>   |
| Underlying Adjustments to Finance Costs:                                                                   |       |               |                |
| Write off of establishment costs associated with former debt facilities                                    | 5     | 17.2          | -              |
| Accelerated amortisation of Convertible Notes, and redemption costs                                        | 6     | 16.5          | -              |
| Changes in fair value of derivative financial instruments                                                  | 7     | 15.6          | (2.1)          |
| <b>Total Underlying Adjustments to Finance Costs</b>                                                       |       | <b>49.3</b>   | <b>(2.1)</b>   |
| Underlying Adjustments to Income Tax:                                                                      |       |               |                |
| Amendments to prior year tax claims                                                                        | 8     | (8.8)         | -              |
| Overprovision of income tax related to prior periods                                                       | 9     | (13.0)        | -              |
| Tax impacts of Underlying Adjustments to EBITDA and finance costs                                          | 10    | (24.0)        | (4.7)          |
| <b>Total Underlying Adjustments to Income Tax</b>                                                          |       | <b>(45.8)</b> | <b>(4.7)</b>   |
| <b>Underlying Profit After Income Tax (Attributable to Ordinary Equity Holders)</b>                        |       | <b>58.0</b>   | <b>43.5</b>    |

- 1 Relates to \$35.0 million settlement of the proposed shareholder class action and \$2.9 million of legal costs associated with shareholder actions.
- 2 Relates to costs associated with redundancies, closure and make-good costs subsequent to a substantial review of operations.
- 3 Relates to a (realised gain from disposal) of all remaining available-for-sale financial assets (listed securities).
- 4 Relates to substantial impairment of property, plant and equipment, intangible assets and available-for-sale financial assets. Impairment of property, plant and equipment and intangible assets relates to Cleanaway Division (\$99.2 million), New Zealand Division (\$182.0 million) and Manufacturing Division (\$60.4 million). Impairment of available-for-sale financial assets relates to Corporate Division (\$5.2 million). Refer to Note 7 in the Consolidated Financial Statements.
- 5 Relates to \$17.2 million in write off of establishment costs associated with former debt facilities. Refer to Note 6 in the Consolidated Financial Statements.
- 6 Relates to \$16.5 million of accelerated amortisation of Convertible Notes and the associated redemption and repurchase costs. Refer to Note 6 in the Consolidated Financial Statements.
- 7 Relates to \$15.6 million of changes in the mark-to-market valuation of derivative financial instruments.
- 8 Relates to amendments of several prior periods' tax claims.
- 9 Relates to the reassessment of the deferred tax assets and liabilities.
- 10 Relates to the tax impact on the Underlying Adjustments to EBITDA and finance costs. Items 6 and part of 5 noted above have a \$Nil tax-effect.

The Consolidated Group's Underlying Profit/(Loss) After Income Tax (Attributable to Ordinary Equity Holders) for the year ended 30 June 2012 of \$58.0 million was up by 33% on prior year (2011: \$43.5 million).



## Financial Highlights

Key highlights of the result against the prior corresponding period include:

- Consolidated Group revenue (excluding interest revenue) up 4.8% to \$2,283.8 million;
- Consolidated Group Underlying EBITDA up 3.7% to \$440.2 million and Underlying EBIT up 1.0% to \$252.2 million;
- Total Waste Management businesses increased revenue (net of intercompany sales) by 2.2% and Underlying EBITDA decreased by 0.2%;
- Commercial Vehicle Division increased revenue (net of intercompany sales) by 21.0% and EBITDA increased by 49.0%.
- Manufacturing Division reported a \$0.9 million EBITDA loss; and
- Gross debt reduction of \$377.8 million from June 2011 including net \$261 million from the equity raising and debt refinancing completed in November 2011.

## Capital Management

During the year ended 30 June 2012, the Company completed a debt refinancing and equity raising comprising:

- A \$1,525 million debt facility (reduced to \$1,429 million in June 2012); and
- A \$309 million renounceable entitlement offer.

This refinancing resulted in a cheaper and simpler debt structure with average debt maturity at 30 June 2012 of 3.5 years (2011: 2.4 years).

Net debt was \$1,050.6 million at 30 June 2012, down from \$1,402.0 million at 30 June 2011.

Operating cash flow increased 6.3% to \$270.0 million.

On 1 October 2011 the distribution on the SPS preference securities was "stepped up". As a result, the distribution margin increased from 3.5% to 6.0% with effect from the distribution period ended 31 March 2012.

## 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 Consolidated Group occurred during the financial year under review.

## Events Subsequent to Reporting Date

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group in future financial years.

### Likely Developments and Expected Results of Operations

The Consolidated Group will continue to pursue strategies aimed at improving the profitability and market share of its principal activities during the next financial year.

Disclosure of information regarding the likely developments in the operations of the Consolidated Group and the expected results of those operations in future financial years have not been included in this Report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Group.

### Environmental Regulation

The Consolidated Group's operations are subject to significant environmental regulation.

The Consolidated Group holds environmental licences for its sites throughout Australia and New Zealand.

The Consolidated 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 were \$6,000 (2011: \$27,262).

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

In addition, the Consolidated Group's Australian operations will be required to comply with the Australian Federal Government's *Clean Energy Act* as from 1 July 2012. Management have considered the potential impact on its asset carrying values, which is discussed in Note 18.

### Directors' Meetings

The number of Directors' meetings (including circular resolutions) and Committee meetings, and the number of meetings attended by each of the Directors of the Company during the financial year were:

| DIRECTOR      | DIRECTORS' MEETINGS            |                 | AUDIT COMMITTEE              |                 | RISK AND COMPLIANCE COMMITTEE |                 | HUMAN RESOURCES COMMITTEE    |                 |
|---------------|--------------------------------|-----------------|------------------------------|-----------------|-------------------------------|-----------------|------------------------------|-----------------|
|               | MEETINGS HELD WHILE A DIRECTOR | NUMBER ATTENDED | MEETINGS HELD WHILE A MEMBER | NUMBER ATTENDED | MEETINGS HELD WHILE A MEMBER  | NUMBER ATTENDED | MEETINGS HELD WHILE A MEMBER | NUMBER ATTENDED |
| G T Tilbrook  | 27                             | 26              | 4                            | 4               | 4                             | 3               | 2                            | 2               |
| K G Campbell  | 27                             | 27              | *                            | *               | *                             | *               | *                            | *               |
| B R Brown     | 27                             | 26              | 4                            | 4               | *                             | *               | 2                            | 2               |
| M M Hudson    | 27                             | 27              | 4                            | 4               | 6                             | 6               | *                            | *               |
| R M Smith     | 27                             | 27              | 4                            | 4               | 6                             | 6               | *                            | *               |
| E R Stein     | 24                             | 24              | *                            | *               | *                             | *               | 4                            | 4               |
| T A Sinclair  | 7                              | 7               | *                            | *               | 2                             | 2               | *                            | *               |
| J G Goldfaden | 5                              | 4               | *                            | *               | *                             | *               | 2                            | 1               |
| R A Ghatalia  | 21                             | 15 <sup>^</sup> | *                            | *               | *                             | *               | 2                            | 1               |

\* Not a member of the relevant committee.

<sup>^</sup> Mr Ghatalia did not attend two meetings due to a conflict of interest.

## DIRECTORS' REPORT *CONTINUED*

### Directors' Interests

The relevant interest of each Director in the shares and options over such instruments issued by the companies within the Consolidated Group and other related bodies corporate, as notified by the Directors to the Australian Securities Exchange in accordance with section 205G(1) of the Corporations Act 2001, at the date of this Report is as follows:

|                      | ORDINARY<br>SHARES | PERFORMANCE<br>RIGHTS |
|----------------------|--------------------|-----------------------|
| <i>EXECUTIVE</i>     |                    |                       |
| K G Campbell         | -                  | 2,008,246             |
| <i>NON-EXECUTIVE</i> |                    |                       |
| G T Tilbrook         | 246,429            | -                     |
| B R Brown            | 328,572            | -                     |
| M M Hudson           | 32,858             | -                     |
| R M Smith            | 65,715             | -                     |
| E R Stein            | 30,300             | -                     |
| T A Sinclair         | -                  | -                     |
| J G Goldfaden        | -                  | -                     |

# REMUNERATION REPORT (AUDITED)

## Remuneration Policy

The key driver of the Company's Remuneration Policy is to attract and retain high calibre Directors and Executives to ensure the sustainable success of the Consolidated Group for the benefit of all stakeholders.

This Remuneration Report outlines the Director and Executive remuneration arrangements of the Consolidated Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. This information has been audited as required by section 308(3C) of the Act.

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

### A. Human Resources Committee

The Human Resources Committee ("the Committee") provides oversight of Transpacific's overall human resources strategies (including remuneration and share based incentive plans) on behalf of the Board, and supports management with its objective of enabling business success through developing the capability and engagement of all employees.

The Human Resources Committee does this by ensuring the Consolidated Group establishes appropriate human resources strategies and remuneration and employment policies consistent with best practices and business requirements, and adopts and complies with remuneration and employment policies that:

- Attract, retain and motivate high calibre Directors and Executives so as to encourage enhanced performance of the Consolidated Group;
- Are consistent with the human resources needs of the Consolidated Group;
- Motivate management to pursue the long-term growth and success of the Consolidated Group within an appropriate risk and control framework; and
- Demonstrate a clear relationship between Executive performance and remuneration.

### B. Non-Executive Directors' Remuneration

Non-Executive Directors are paid Directors' fees which reflect the demands that are made on, and the responsibilities of, those Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board and are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The Board seeks to set aggregate remuneration at a level that provides the Consolidated Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The maximum aggregate Director fee pool limit is \$1.2 million per annum (inclusive of superannuation), to be apportioned among the Non-Executive Directors as the Board determines in its absolute discretion.

The current fee structure is set out below:

|                        | BOARD<br>\$ | AUDIT<br>COMMITTEE<br>\$ | RISK AND<br>COMPLIANCE<br>COMMITTEE<br>\$ | HUMAN<br>RESOURCES<br>COMMITTEE<br>\$ | NOMINATION<br>COMMITTEE<br>\$ |
|------------------------|-------------|--------------------------|-------------------------------------------|---------------------------------------|-------------------------------|
| Chairman               | 275,000     | 30,000                   | 20,000                                    | 20,000 <sup>(i)</sup>                 | -                             |
| Non-Executive Director | 125,000     | -                        | -                                         | -                                     | -                             |

<sup>(i)</sup> G T Tilbrook is currently the Acting Chairman and does not receive a fee for this service.

# REMUNERATION REPORT (AUDITED) *CONTINUED*

The remuneration Non-Executive Directors received for the years ended 30 June 2012 and 30 June 2011 are:

|                            |        | SHORT-TERM BENEFITS      |                   |                                    | SHARE<br>BASED<br>PAYMENTS       | POST<br>EMPLOYMENT                    |             |                                                          |
|----------------------------|--------|--------------------------|-------------------|------------------------------------|----------------------------------|---------------------------------------|-------------|----------------------------------------------------------|
|                            |        | SALARY<br>AND FEES<br>\$ | STI<br>CASH<br>\$ | NON-<br>MONETARY<br>BENEFITS<br>\$ | PERFORM-<br>ANCE<br>RIGHTS<br>\$ | SUPER-<br>ANNUATION<br>BENEFITS<br>\$ | TOTAL<br>\$ | % OF<br>REMUN-<br>ERATION<br>PERFOR-<br>MANCE<br>RELATED |
| NON-EXECUTIVE              |        |                          |                   |                                    |                                  |                                       |             |                                                          |
| G T Tilbrook               | – 2012 | 259,225                  | -                 | -                                  | -                                | 15,775                                | 275,000     | -                                                        |
|                            | – 2011 | 259,796                  | -                 | -                                  | -                                | 15,200                                | 274,996     | -                                                        |
| B R Brown                  | – 2012 | 114,677                  | -                 | -                                  | -                                | 10,321                                | 124,998     | -                                                        |
|                            | – 2011 | 114,677                  | -                 | -                                  | -                                | 10,321                                | 124,998     | -                                                        |
| M M Hudson                 | – 2012 | 133,025                  | -                 | -                                  | -                                | 11,972                                | 144,997     | -                                                        |
|                            | – 2011 | 133,025                  | -                 | -                                  | -                                | 11,972                                | 144,997     | -                                                        |
| R M Smith <sup>1</sup>     | – 2012 | 142,199                  | -                 | -                                  | -                                | 12,798                                | 154,997     | -                                                        |
|                            | – 2011 | 35,550                   | -                 | -                                  | -                                | 3,199                                 | 38,749      | -                                                        |
| E R Stein <sup>2</sup>     | – 2012 | 105,121                  | -                 | -                                  | -                                | 9,461                                 | 114,582     | -                                                        |
|                            | – 2011 | -                        | -                 | -                                  | -                                | -                                     | -           | -                                                        |
| T A Sinclair <sup>3</sup>  | – 2012 | 28,669                   | -                 | -                                  | -                                | 2,580                                 | 31,249      | -                                                        |
|                            | – 2011 | -                        | -                 | -                                  | -                                | -                                     | -           | -                                                        |
| J G Goldfaden <sup>4</sup> | – 2012 | -                        | -                 | -                                  | -                                | -                                     | -           | -                                                        |
|                            | – 2011 | -                        | -                 | -                                  | -                                | -                                     | -           | -                                                        |
| FORMER NON-EXECUTIVE       |        |                          |                   |                                    |                                  |                                       |             |                                                          |
| B S Allan <sup>5</sup>     | – 2012 | -                        | -                 | -                                  | -                                | -                                     | -           | -                                                        |
|                            | – 2011 | 39,549                   | -                 | -                                  | -                                | 3,559                                 | 43,108      | -                                                        |
| G D Mulligan <sup>5</sup>  | – 2012 | -                        | -                 | -                                  | -                                | -                                     | -           | -                                                        |
|                            | – 2011 | 45,877                   | -                 | -                                  | -                                | 4,129                                 | 50,006      | -                                                        |
| R A Ghatalia <sup>6</sup>  | – 2012 | -                        | -                 | -                                  | -                                | -                                     | -           | -                                                        |
|                            | – 2011 | -                        | -                 | -                                  | -                                | -                                     | -           | -                                                        |
| Total                      | – 2012 | 782,916                  | -                 | -                                  | -                                | 62,907                                | 845,823     | -                                                        |
| Total                      | – 2011 | 628,474                  | -                 | -                                  | -                                | 48,380                                | 676,854     | -                                                        |

<sup>1</sup> Appointed as Non-Executive Director on 1 April 2011.

<sup>2</sup> Appointed as Non-Executive Director on 1 August 2011.

<sup>3</sup> Appointed as Non-Executive Director on 1 April 2012.

<sup>4</sup> Appointed as Non-Executive Director on 23 April 2012. Mr Goldfaden has elected not to receive any Directors' fees as the representative Director of Warburg Pincus, the major shareholder.

<sup>5</sup> Retired as Non-Executive Director on 3 November 2010.

<sup>6</sup> Retired as Non-Executive Director on 23 April 2012. Mr Ghatalia has elected not to receive any Directors' fees as the representative Director of Warburg Pincus, the major shareholder.



### C. Executive Director and Senior Executive Remuneration Policy and Structure

The Consolidated Group's remuneration strategy is designed to attract, retain and motivate employees.

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

- Aligned to the Consolidated Group's business strategy;
- Competitiveness and reasonableness as benchmarked against the external market;
- Performance linked to individual and financial performance; and
- Aligned to shareholder value through measuring Total Shareholder Return ("TSR").

The Board, upon the recommendation of the Human Resources Committee, has developed and adopted a structure driven by these key criteria which consists of:

- Base pay (Total Fixed Remuneration ("TFR")); and
- Incentive or "at-risk" components. These take the form of:
  - Short-term incentives that includes a target and stretch amount as a percentage of TFR (as described below); and
  - Long-term incentives that represent between 20% and 75% of TFR.

The proportion of remuneration that is at-risk (being the short-term and long-term incentive elements) increases for more senior positions to ensure that a significant part of an Executive's reward is dependent on achieving business objectives and generating sustainable shareholder returns. A detailed description of each of these elements is provided below.

#### *Total Fixed Remuneration ("TFR")*

Executives are offered a competitive base salary as part of TFR, which also includes statutory superannuation contributions, and other packaged allowances. The amount of TFR for each Executive Director and Senior Executive is approved annually by the Board, based on the recommendation of the Human Resources Committee, with consideration given to business and individual performance, responsibilities, qualifications and experience. The Human Resources Committee also refers to available market data for comparative roles within industry generally in the Executive's country of employment including those companies with which the Consolidated Group competes for labour. There are no guaranteed base pay increases included in any Senior Executive contracts.

#### *Short-Term Incentives (Annual Incentive Plan) ("STI")*

STI payments for the year ended 30 June 2012 are determined by achievement of clearly defined Consolidated Group Earnings Per Share ("EPS"), divisional (Earnings Before Interest and Tax ("EBIT")) financial targets and a scorecard of individual measurements and performance standards. The incentive is payable by a mix of cash and Performance Rights which entitle the employee to one share in the Company for each right granted after a period of two years from the grant date and subject to forfeiture if the employee resigns before the end of that period. These performance measures were chosen primarily to align participant reward outcomes with the accomplishment of annual business plans and targets that drive divisional and Consolidated Group performance.

The scorecard includes items such as:

- Financial measures – earnings and capital expenditure targets, achievement of Consolidated Group strategic objectives;
- Customers – cross-selling opportunities and business growth targets;
- Process and Governance – continuous improvement targets, safety and environmental performance targets (including reductions in lost-time injury rates); and
- People – succession planning, talent development and diversity.

Executives (other than the Chief Executive Officer) have the ability to earn a target STI of between 30% and 50% of TFR, and a stretch amount of between 60% and 100% of TFR. The Chief Executive Officer has the ability to earn a target STI of 75% of TFR and a stretch amount that is capped at 150% of TFR.

# REMUNERATION REPORT (AUDITED) *CONTINUED*

## *Short-Term Incentives (Annual Incentive Plan) ("STI") (continued)*

The stretch amounts are payable where:

- 120% of the relevant financial targets are achieved; and
- The highest level of individual measures and performance standards are met.

STI payments are determined and paid after the preparation of the audited Consolidated Financial Statements each year (in respect of the financial measures) and after a review of performance against individual measures.

The STI payments disclosed in the 2012 financial year have been approved by the Board and unless otherwise noted are consistent with the Company's STI plan.

For the 2012 financial year, STI's were payable to two KMP of the Consolidated Group (T H Nickels and P A Glavac) where divisional financial targets were met. The Board has also exercised its discretion to award STI's to a further two KMP's (K G Campbell and S G Cummins).

For the 2011 financial year, no STI's were payable to KMP under this plan as the Consolidated Group and divisional financial targets were not met.

## *Long-Term Incentives ("LTI")*

Shareholders approved the LTI plan ("LTIP") at the 2010 Annual General Meeting. The LTIP is a key part of the longer term retention and incentive strategy of the Consolidated Group, and is designed to reward Executives for delivering long-term shareholder returns.

Under the LTIP, participants are issued Performance Rights which will entitle them to one ordinary share in the Consolidated Group for each right granted at the end of a set period if certain performance hurdles are met. Offers are made annually at the discretion of the Board, in conjunction with the salary review process for Executives. The number of Performance Rights issued to each Executive is determined based on a percentage of TFR (which is between 20% and 75% depending on the Executive position).

The Performance Rights issued under the 2010 and 2011 LTIP offers will vest if the following performance hurdles are met:

- The Company achieves a TSR ranking of equal to or greater than the 50<sup>th</sup> percentile of the TSR of the S&P/ASX 200 Industrial Sector Index (excluding companies involved in resources or mining); and
- If the TSR ranking is achieved and the Consolidated Group achieves certain EPS growth targets. The percentage of Performance Rights that will vest is as set out in the table below:

| UNDERLYING EPS GROWTH HURDLE     | PROPORTION OF PERFORMANCE RIGHTS THAT MAY BE EXERCISED IF TSR HURDLE IS MET |                                            |
|----------------------------------|-----------------------------------------------------------------------------|--------------------------------------------|
|                                  | 2010 OFFER                                                                  | 2011 OFFER                                 |
| < 15% annualised EPS growth      | 0%                                                                          | 0%                                         |
| 15% annualised EPS growth        | 50%                                                                         | 50%                                        |
| 15% to 20% annualised EPS growth | Straight line vesting between 50% and 75%                                   | Straight line vesting between 50% and 75%  |
| 20% to 25% annualised EPS growth | Straight line vesting between 75% and 100%                                  | Straight line vesting between 75% and 100% |
| <b>PERFORMANCE PERIOD</b>        | <b>1 July 2010 to 30 June 2012</b>                                          | <b>1 July 2010 to 30 June 2013</b>         |

The Board changed the performance period from 3 years for the 2011 offer to 4 years for the 2012 offer, as this was deemed to be more aligned to longer term shareholder value.

*Long-Term Incentive ("LTI") (continued)*

The 2012 LTI will vest in two equal tranches if the following performance hurdles are met:

- Tranche 1 – 50% of the Performance Rights vest if the Company achieves a relative TSR of equal to or greater than the 50<sup>th</sup> percentile of the TSR of the S&P/ASX 200 Industrial Sector Index (excluding companies involved in resources or mining).
- Tranche 2 – 50% of the Performance Rights vest if the Company achieves certain EPS growth targets (using the Company's 2012 financial year internal budget as the base for EPS growth). The percentage of performance targets which will vest under this tranche is as set out in the table below:

| UNDERLYING EPS GROWTH<br>HURDLE     | PROPORTION OF TRANCHE 2<br>PERFORMANCE RIGHTS THAT MAY<br>BE EXERCISED IF EPS HURDLE IS<br>MET | 2012 OFFER                  |
|-------------------------------------|------------------------------------------------------------------------------------------------|-----------------------------|
|                                     |                                                                                                |                             |
| < 15% annualised EPS growth         |                                                                                                | 0%                          |
| 15% annualised EPS growth           |                                                                                                | 50%                         |
| 15% to 20% annualised EPS<br>growth | Straight line vesting between 50% and                                                          | 75%                         |
| 20% to 25% annualised EPS<br>growth | Straight line vesting between 75% and                                                          | 100%                        |
| PERFORMANCE PERIOD                  |                                                                                                | 1 July 2011 to 30 June 2015 |

Relative TSR performance provides an objective measure for rewarding Executives based on the extent to which shareholder returns are generated, relative to the performance of companies of a similar size. EPS is also used as it generally aligns directly with the increasing value of the business.

Fifty per cent of the ordinary shares allocated upon vesting of Performance Rights will be restricted shares, meaning that where the participant does not hold shares in the Company to the value of at least 12 months' TFR at the vesting date, they will not be allowed to sell these restricted shares until they hold 12 months' TFR in the Company's shares. The Board has the right to waive any such restriction.

Where a participant ceases employment prior to the vesting of their award, the Performance Rights are forfeited unless the Board applies its discretion in appropriate circumstances.

The Board 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.

*Executive Engagement Award ("EEA")*

Shareholders approved the EEA at the 2010 Annual General Meeting.

The purpose of this Award was to:

- Provide a one-off incentive to retain certain eligible Executives and Senior Managers;
- Foster a responsible balance between short-term and long-term corporate results and long-term shareholder value creation; and
- Build and maintain a strong spirit of performance and entrepreneurship.

# REMUNERATION REPORT (AUDITED) *CONTINUED*

## *Executive Engagement Award ("EEA") (continued)*

The vesting of the Performance Rights issued under this Award is conditional upon the participant being employed at the vesting date (30 June 2015), and will vest at various percentages based on the Company's share price at that date as follows:

| 20 DAY VWAP      | PERCENTAGE OF<br>PERFORMANCE RIGHTS<br>VESTING |
|------------------|------------------------------------------------|
| Less than \$3.00 | 0%                                             |
| \$3.00           | 50%                                            |
| \$4.50           | 100%                                           |
| \$6.00           | 200%                                           |
| \$9.00 or more   | 300%                                           |

The award is subject to the same employment and early vesting clauses as the LTIP.

## *Performance Rights on Issue*

The number of Performance Rights on issue at the date of this Report is:

|                 | VESTING DATE                                                  | NUMBER ON ISSUE |
|-----------------|---------------------------------------------------------------|-----------------|
| AIP 2010 offer  | 30 June 2012                                                  | 83,999          |
| LTIP 2010 offer | 14 days after release of results for year ending 30 June 2012 | 1,420,416       |
| LTIP 2011 offer | 14 days after release of results for year ending 30 June 2013 | 2,672,879       |
| LTIP 2012 offer | 14 days after release of results for year ending 30 June 2015 | 4,617,258       |
| EEA 2010 offer  | 30 June 2015                                                  | 6,707,811       |

The Board has not previously exercised its discretion to allow the early vesting of any Performance Rights under any of the incentive plans.

## *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 options or 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 Senior Executives 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.

## *The Consolidated Group's Performance*

The following table summarises the Consolidated Group's performance in respect of the current financial year and the previous four financial years:

|                                                     | 2008          | 2009                         | 2010         | 2011                         | 2012          |
|-----------------------------------------------------|---------------|------------------------------|--------------|------------------------------|---------------|
| Profit/(Loss) attributable to owners of the Company | \$193,276,000 | (\$218,356,000) <sup>1</sup> | \$59,036,000 | (\$296,543,000) <sup>2</sup> | \$12,500,000  |
| EPS                                                 | 61.8c         | -77.9c                       | 6.7c         | -26.8c                       | 0.9c          |
| Dividends per share                                 | 18.1c         | -                            | -            | -                            | -             |
| Number of shares on issue                           | 287,219,707   | 310,981,126                  | 960,638,735  | 960,638,735                  | 1,578,209,025 |
| Share price at 30 June                              | \$6.00        | \$1.80                       | \$1.00       | \$0.82                       | \$0.73        |
| Change in share price                               | -\$7.36       | -\$4.20                      | -\$0.80      | -\$0.18                      | -\$0.09       |

No STI's were made to KMP in respect of the 2011 financial year. STI's were made to two KMP in respect of the 2012 financial year where divisional financial targets were met. The Board has also exercised its discretion to award STI's to a further two KMP's.

<sup>1</sup> Includes impairment charges of \$206.2 million.

<sup>2</sup> Includes impairment charges of \$346.8 million.

#### D. Key Executive Contract Terms

The remuneration and other terms of employment for the Executive Director and Senior Executives are covered in formal employment contracts. A summary of the key terms of employment contracts for KMP is outlined below.

TFR consists of cash salary, statutory superannuation contributions and packaged benefits such as motor vehicle allowances. Neither the Executive Director nor the KMP are on fixed term contracts. Participation in the STI and LTI is at the Board's discretion.

Performance appraisals are undertaken annually.

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

A summary of the key contract terms are below.

|                                                                                                                   | RESIGNATION       | TERMINATION BY<br>TPI (WITHOUT<br>CAUSE) | REDUNDANCY                                                                                                                                                   |
|-------------------------------------------------------------------------------------------------------------------|-------------------|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| K G Campbell <sup>(i)</sup> , S G Cummins,<br>A G Roderick, T H Nickels,<br>P A Glavac, N M Badyk <sup>(ii)</sup> | 12 months' notice | 12 months' notice                        | 12 months' notice plus a severance payment of 2 weeks for every year of service. Payment not to exceed average annual base salary over the previous 3 years. |
| C M Carroll <sup>(iii)</sup> , K L Smith                                                                          | 6 months' notice  | 6 months' notice                         | 6 months' notice plus a severance payment of 2 weeks for every year of service. Payment not to exceed average annual base salary over the previous 3 years.  |

#### E. Remuneration of the Executive Director and Key Management Personnel

Details of the remuneration of the Executive Director and the KMP (as defined in AASB 124 *Related Party Disclosures*) of the Consolidated Group are set out in the following tables. These tables reflect the base fixed components and the "at-risk" performance-related components discussed above. The share based payments have been costed in accordance with the methodology set out in section F.

A listing of all employees who were KMP during the 2012 and 2011 years is set out below.

| NAME                        | TITLE WHILST KMP                                                              | PERIOD KMP (IF LESS THAN FULL YEAR) |
|-----------------------------|-------------------------------------------------------------------------------|-------------------------------------|
| K G Campbell <sup>(i)</sup> | Executive Director and Chief Executive Officer                                | From 1 September 2010               |
| S G Cummins                 | Chief Financial Officer                                                       | From 23 May 2011                    |
| A G Roderick                | Managing Director, Transpacific Industrials                                   |                                     |
| T H Nickels                 | Managing Director, New Zealand                                                |                                     |
| P A Glavac                  | Managing Director, Commercial Vehicles                                        |                                     |
| C M Carroll                 | Executive General Manager, Legal and Commercial                               | From 8 June 2012                    |
| K L Smith                   | Company Secretary                                                             | Until 8 June 2012                   |
| N M Badyk <sup>(ii)</sup>   | Chief Operating Officer, Transpacific Cleanaway                               |                                     |
| S T Barnard                 | General Manager, Group Projects                                               | Until 29 July 2011                  |
| H W Grundell                | Executive General Manager, New Zealand, Commercial Vehicles and Manufacturing | Until 6 June 2011                   |

<sup>(i)</sup> K G Campbell commenced employment as Chief Financial Officer on 1 September 2010. Mr Campbell was appointed as Executive Director and Chief Executive Officer on 27 January 2011.

<sup>(ii)</sup> N M Badyk ceased employment on 2 August 2012.

<sup>(iii)</sup> C M Carroll's contract contains a two month notice period under his probation period (which ends 8 December 2012).



# REMUNERATION REPORT (AUDITED) *CONTINUED*

## Remuneration of the Key Management Personnel of the Consolidated Group

| SHORT-TERM BENEFITS                    |                  |                |                        |                       | SHARE-BASED PAYMENTS | POST EMPLOYMENT          |                  |                  |
|----------------------------------------|------------------|----------------|------------------------|-----------------------|----------------------|--------------------------|------------------|------------------|
|                                        | SALARY AND FEES  | OTHER CASH     | STI <sup>12</sup> CASH | NON-MONETARY BENEFITS | PERFORMANCE RIGHTS   | SUPER-ANNUATION BENEFITS | TERMINATION PAY  | TOTAL            |
|                                        | \$               | \$             | \$                     | \$                    | \$                   | \$                       | \$               | \$               |
| <b>EXECUTIVE DIRECTOR</b>              |                  |                |                        |                       |                      |                          |                  |                  |
| K G Campbell <sup>1</sup> – 2012       | 884,225          | -              | 50,000                 | 4,414                 | 179,497              | 15,775                   | -                | 1,133,911        |
| – 2011                                 | 578,202          | -              | -                      | 2,755                 | 172,936              | 28,846                   | -                | 782,739          |
| <b>FORMER EXECUTIVE DIRECTOR</b>       |                  |                |                        |                       |                      |                          |                  |                  |
| T J Coonan <sup>2</sup> – 2011         | 537,471          | -              | -                      | 1,458                 | (33,590)             | 62,311                   | 1,185,888        | 1,753,538        |
| <b>KEY MANAGEMENT PERSONNEL</b>        |                  |                |                        |                       |                      |                          |                  |                  |
| S G Cummins <sup>3</sup> – 2012        | 534,225          | 100,000        | 137,500                | 15,285                | 37,303               | 15,775                   | -                | 840,088          |
| – 2011                                 | 53,451           | 30,000         | -                      | 2,988                 | -                    | 1,676                    | -                | 88,115           |
| A G Roderick <sup>4</sup> – 2012       | 608,225          | 60,000         | -                      | 5,661                 | 161,419              | 18,850                   | -                | 854,155          |
| – 2011                                 | 552,441          | 60,972         | -                      | 2,960                 | 204,098              | 53,047                   | -                | 873,518          |
| T H Nickels <sup>5</sup> – 2012        | 363,520          | -              | 46,923                 | 32,130                | 119,018              | 7,271                    | -                | 568,862          |
| – 2011                                 | 352,932          | -              | -                      | 29,063                | 146,842              | 7,059                    | -                | 535,896          |
| P A Glavac <sup>6</sup> – 2012         | 499,225          | -              | 128,750                | 189                   | 111,038              | 22,303                   | -                | 761,505          |
| – 2011                                 | 460,697          | -              | -                      | 958                   | 125,692              | 39,303                   | -                | 626,650          |
| C M Carroll <sup>7</sup> – 2012        | 10,321           | -              | -                      | -                     | -                    | 376                      | -                | 10,697           |
| N M Badyk <sup>8</sup> – 2012          | 599,325          | 8,900          | -                      | 4,063                 | 189,635              | 18,850                   | -                | 820,773          |
| – 2011                                 | 575,000          | -              | 56,432                 | 3,137                 | 222,909              | 25,000                   | -                | 882,478          |
| <b>FORMER KEY MANAGEMENT PERSONNEL</b> |                  |                |                        |                       |                      |                          |                  |                  |
| K L Smith <sup>9</sup> – 2012          | 358,625          | -              | 20,000                 | 6,420                 | 64,425               | 18,850                   | -                | 468,320          |
| – 2011                                 | 331,927          | -              | -                      | 2,500                 | 82,350               | 28,073                   | -                | 444,850          |
| S T Barnard <sup>10</sup> – 2012       | 25,934           | -              | -                      | 820                   | (57,194)             | 2,184                    | 325,180          | 296,924          |
| – 2011                                 | 311,200          | 25,000         | -                      | 4,048                 | 90,653               | 26,208                   | -                | 457,109          |
| H W Grundell <sup>11</sup> – 2011      | 582,036          | -              | -                      | 5,250                 | (19,181)             | 55,753                   | 943,526          | 1,567,384        |
| <b>Total – 2012</b>                    | <b>3,883,625</b> | <b>168,900</b> | <b>383,173</b>         | <b>68,982</b>         | <b>805,141</b>       | <b>120,234</b>           | <b>325,180</b>   | <b>5,755,235</b> |
| <b>Total – 2011</b>                    | <b>4,335,357</b> | <b>115,972</b> | <b>56,432</b>          | <b>55,117</b>         | <b>992,709</b>       | <b>327,276</b>           | <b>2,129,414</b> | <b>8,012,277</b> |

<sup>1</sup> K G Campbell commenced employment as Chief Financial Officer on 1 September 2010. Mr Campbell was appointed as Executive Director and Chief Executive Officer on 27 January 2011. He received an STI of \$100,000 (50% paid in cash and 50% by way of Performance Rights to be issued in September 2012, which will vest on 30 June 2014).

<sup>2</sup> T J Coonan resigned as Chief Executive Officer on 27 January 2011. Pursuant to his contract of employment, Mr Coonan received a termination payment equivalent to the average of his annual base salary over the previous three years, and leave accrual payments.

<sup>3</sup> S G Cummins commenced employment as Chief Financial Officer on 23 May 2011. He received a one-off payment of \$100,000 for the refinancing project that was successfully completed during the year and an STI of \$275,000 (50% paid in cash and 50% by way of Performance Rights to be issued in September 2012, which will vest on 30 June 2014). In 2011 year, he received a one-off \$30,000 relocation allowance.

<sup>4</sup> A G Roderick received a one-off discretionary payment of \$60,000 in recognition of his performance and involvement in strategic projects for the 2011 year. In 2011 year, he received a cash payment of \$60,972 in lieu of leave entitlements as entitled under legislation.

<sup>5</sup> T H Nickels received an STI of \$93,846 for the 2012 year (50% paid in cash and 50% by way of Performance Rights to be issued in September 2012, which will vest on 30 June 2014) in recognition of his performance for the 2012 year.

<sup>6</sup> P A Glavac received an STI of \$257,500 for the 2012 year (50% paid in cash and 50% by way of Performance Rights to be issued in September 2012, which will vest on 30 June 2014).

<sup>7</sup> C M Carroll was appointed as Executive General Manager, Legal and Commercial on 8 June 2012.

<sup>8</sup> N M Badyk received an STI in 2011 in respect of the 2010 year. The Board used its discretion to award a payment under the terms of the STI after considering the performance and financial results of the Cleanaway Division for that year. He received a cash payment of \$56,432 and 51,773 performance rights which vested on 30 June 2012. His STI as a proportion of his total remuneration for 2011 was 8.5%. In 2012 year, he received a discretionary payment of \$8,900 to compensate for the lost opportunity to participate in the November 2011 Renounceable Rights Issue as the Performance Rights issued under the 2010 STI had not yet vested. Mr Badyk ceased employment subsequent to the end of the reporting period (2 August 2012).

<sup>9</sup> K L Smith ceased being a KMP effective 8 June 2012. Salary included is for the full 2012 year. She received an STI of \$40,000 (50% paid in cash and 50% by way of Performance Rights to be issued in September 2012, which will vest on 30 June 2014).

<sup>10</sup> S T Barnard ceased employment on 29 July 2011. In 2011 year, he received a retention payment of \$25,000 for the ERP system implementation. His retention payment as a proportion of his total remuneration for 2011 year was 5.5%. Mr Barnard received a termination payment equivalent to his annual base salary and leave accrual payments.

<sup>11</sup> H W Grundell ceased employment on 6 June 2011. Pursuant to his contract of employment, Mr Grundell received a redundancy payment equivalent to the average of his annual base salary over the previous three years, and leave accrual payments.

<sup>12</sup> The STI payments approved by the Board are distributed as 50% cash (as disclosed in the table above) and 50% by way of Performance Rights to be issued in September 2012, which will vest on 30 June 2014 (subject to continued employment).

Proportion of Remuneration Performance Related

|                                        | PROPORTION OF<br>TFR PAID AS STI | PROPORTION OF<br>TARGET STI<br>RECEIVED | PROPORTION OF<br>REMUNERATION<br>CONSISTING OF<br>PERFORMANCE<br>RIGHTS |
|----------------------------------------|----------------------------------|-----------------------------------------|-------------------------------------------------------------------------|
| <i>EXECUTIVE DIRECTOR</i>              |                                  |                                         |                                                                         |
| K G Campbell <sup>1</sup> – 2012       | 11%                              | 15%                                     | 16%                                                                     |
| – 2011                                 | -                                | -                                       | 22%                                                                     |
| <i>FORMER EXECUTIVE DIRECTOR</i>       |                                  |                                         |                                                                         |
| T J Coonan – 2012                      | -                                | -                                       | -                                                                       |
| – 2011                                 | -                                | -                                       | -                                                                       |
| <i>KEY MANAGEMENT PERSONNEL</i>        |                                  |                                         |                                                                         |
| S G Cummins – 2012                     | 50%                              | 100%                                    | 5%                                                                      |
| – 2011                                 | -                                | -                                       | -                                                                       |
| A G Roderick – 2012                    | -                                | -                                       | 19%                                                                     |
| – 2011                                 | -                                | -                                       | 23%                                                                     |
| T H Nickels – 2012                     | 26%                              | 53%                                     | 21%                                                                     |
| – 2011                                 | -                                | -                                       | 27%                                                                     |
| P A Glavac – 2012                      | 50%                              | 100%                                    | 15%                                                                     |
| – 2011                                 | -                                | -                                       | 20%                                                                     |
| C M Carroll – 2012                     | -                                | -                                       | -                                                                       |
| N M Badyk <sup>(i)</sup> – 2012        | -                                | -                                       | 23%                                                                     |
| – 2011                                 | 50%                              | 50%                                     | 25%                                                                     |
| <i>FORMER KEY MANAGEMENT PERSONNEL</i> |                                  |                                         |                                                                         |
| K L Smith – 2012                       | 11%                              | 36%                                     | 14%                                                                     |
| – 2011                                 | -                                | -                                       | 19%                                                                     |
| S T Barnard – 2012                     | -                                | -                                       | -                                                                       |
| – 2011                                 | -                                | -                                       | 20%                                                                     |
| H W Grundell – 2012                    | -                                | -                                       | -                                                                       |
| – 2011                                 | -                                | -                                       | -                                                                       |

The fair value of the Performance Rights is measured at the date of grant using a binomial model, and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed in the remuneration tables above is the portion of the fair value of the Performance Rights allocated to this reporting period. Refer to Note 23 for further details regarding the fair value of rights. These values may not represent the future value that the Executive will receive, as the vesting of the rights is subject to the achievement of performance hurdles.

<sup>(i)</sup> N M Badyk ceased employment on 2 August 2012.

# REMUNERATION REPORT (AUDITED) *CONTINUED*

## F. Share Based Remuneration

### Short-Term Incentives ("STI")

Details of the aggregate STI Performance Rights in the Company that were granted as compensation to KMP during the reporting period and details on Performance Rights that vested during the reporting period are as follows:

|                                 | NUMBER OF<br>PERFORMANCE RIGHTS<br>GRANTED DURING THE<br>YEAR |        | NUMBER OF<br>PERFORMANCE RIGHTS<br>VESTED DURING THE YEAR |      | NUMBER OF<br>PERFORMANCE RIGHTS<br>LAPSED/CANCELLED<br>DURING THE YEAR |      |
|---------------------------------|---------------------------------------------------------------|--------|-----------------------------------------------------------|------|------------------------------------------------------------------------|------|
|                                 | 2012                                                          | 2011   | 2012                                                      | 2011 | 2012                                                                   | 2011 |
| <i>KEY MANAGEMENT PERSONNEL</i> |                                                               |        |                                                           |      |                                                                        |      |
| N M Badyk                       | -                                                             | 51,773 | 51,773                                                    | -    | -                                                                      | -    |

### Long-Term Incentives ("LTI") and Executive Engagement Award ("EEA")

Details of the aggregate LTI and EEA Performance Rights in the Company that were granted as compensation to each KMP during the reporting period and details on Performance Rights that were vested during the reporting period are as follows:

|                                        | NUMBER OF<br>PERFORMANCE RIGHTS<br>GRANTED DURING THE<br>YEAR |           | NUMBER OF<br>PERFORMANCE RIGHTS<br>VESTED DURING THE YEAR |      | NUMBER OF OPTIONS <sup>(i)</sup> /<br>PERFORMANCE RIGHTS<br>LAPSED/CANCELLED<br>DURING THE YEAR |           |
|----------------------------------------|---------------------------------------------------------------|-----------|-----------------------------------------------------------|------|-------------------------------------------------------------------------------------------------|-----------|
|                                        | 2012                                                          | 2011      | 2012                                                      | 2011 | 2012                                                                                            | 2011      |
| <i>EXECUTIVE DIRECTOR</i>              |                                                               |           |                                                           |      |                                                                                                 |           |
| K G Campbell <sup>(ii)</sup>           | 888,158                                                       | 1,120,088 | -                                                         | -    | -                                                                                               | -         |
| <i>FORMER EXECUTIVE DIRECTOR</i>       |                                                               |           |                                                           |      |                                                                                                 |           |
| T J Coonan                             | -                                                             | 750,000   | -                                                         | -    | -                                                                                               | 2,507,413 |
| <i>KEY MANAGEMENT PERSONNEL</i>        |                                                               |           |                                                           |      |                                                                                                 |           |
| S G Cummins                            | 361,842                                                       | -         | -                                                         | -    | -                                                                                               | -         |
| A G Roderick                           | 410,526                                                       | 300,000   | -                                                         | -    | -                                                                                               | 500,000   |
| T H Nickels                            | 246,058                                                       | 187,729   | -                                                         | -    | -                                                                                               | -         |
| P A Glavac                             | 338,816                                                       | 175,000   | -                                                         | -    | -                                                                                               | -         |
| N M Badyk <sup>(iii)</sup>             | 410,526                                                       | 300,000   | -                                                         | -    | -                                                                                               | -         |
| <i>FORMER KEY MANAGEMENT PERSONNEL</i> |                                                               |           |                                                           |      |                                                                                                 |           |
| K L Smith                              | 172,421                                                       | 126,000   | -                                                         | -    | -                                                                                               | 75,000    |
| S T Barnard                            | -                                                             | 118,093   | -                                                         | -    | -                                                                                               | 30,000    |
| H W Grundell                           | -                                                             | 337,910   | -                                                         | -    | -                                                                                               | 1,223,019 |

There were no ordinary shares in the Company issued as a result of the exercise of Performance Rights in 2012 or 2011 financial years.

Subsequent to year end, no Performance Rights have been issued to KMP. No terms of equity-settled Performance Rights transactions have been altered by the Company during the reporting period.

<sup>(i)</sup> Prior to 2010 the Company granted Options as compensation to KMP under its former LTI scheme. All Options which were granted under this former scheme have now lapsed as vesting conditions were not met.

<sup>(ii)</sup> 337,500 of the Performance Rights granted in 2011 were approved by shareholders at the 2011 Annual General Meeting.

<sup>(iii)</sup> N M Badyk ceased employment on 2 August 2012.

Details of the vesting profile of Performance Rights granted as remuneration to each Director of the Company and each of the KMP of the Consolidated Group are set out in the following table. No Performance Rights will vest if performance hurdles detailed earlier are not satisfied, hence the minimum value of the Option or Performance Rights to vest is \$Nil. The maximum value of those yet to vest has been determined as the fair value amount of the Options and Performance Rights at grant date that is yet to be expensed.

All Options which have been issued under the Company's former LTIP have lapsed and had an immaterial impact on 2011 year (2011: 1,771,500 on issue).

|                                 | FINANCIAL<br>YEAR<br>GRANTED | NUMBER  | %<br>VESTED<br>AT 30<br>JUNE<br>2012 | % LAPSED /<br>CANCELLED<br>IN<br>2012 | FINANCIAL<br>YEARS IN<br>WHICH<br>PERFORMANCE<br>RIGHTS VEST <sup>(i)</sup> | MINIMUM<br>TOTAL<br>VALUE YET<br>TO VEST<br>\$ | MAXIMUM<br>TOTAL<br>VALUE<br>YET TO<br>VEST<br>\$ |
|---------------------------------|------------------------------|---------|--------------------------------------|---------------------------------------|-----------------------------------------------------------------------------|------------------------------------------------|---------------------------------------------------|
| <i>EXECUTIVE DIRECTOR</i>       |                              |         |                                      |                                       |                                                                             |                                                |                                                   |
| K G Campbell                    | 2012                         | 888,158 | -                                    | -                                     | D                                                                           | -                                              | 479,605                                           |
|                                 | 2011                         | 337,500 | -                                    | -                                     | C                                                                           | -                                              | 286,875                                           |
|                                 | 2011                         | 300,000 | -                                    | -                                     | C                                                                           | -                                              | 255,000                                           |
|                                 | 2011                         | 149,254 | -                                    | -                                     | A                                                                           | -                                              | 132,836                                           |
|                                 | 2011                         | 333,334 | -                                    | -                                     | B                                                                           | -                                              | 446,668                                           |
| <i>KEY MANAGEMENT PERSONNEL</i> |                              |         |                                      |                                       |                                                                             |                                                |                                                   |
| S G Cummins                     | 2012                         | 361,842 | -                                    | -                                     | D                                                                           | -                                              | 195,395                                           |
| A G Roderick                    | 2012                         | 410,526 | -                                    | -                                     | D                                                                           | -                                              | 221,684                                           |
|                                 | 2011                         | 300,000 | -                                    | -                                     | C                                                                           | -                                              | 225,000                                           |
|                                 | 2010                         | 202,146 | -                                    | -                                     | A                                                                           | -                                              | 179,910                                           |
|                                 | 2010                         | 451,458 | -                                    | -                                     | B                                                                           | -                                              | 604,954                                           |
| T H Nickels                     | 2012                         | 246,058 | -                                    | -                                     | D                                                                           | -                                              | 132,871                                           |
|                                 | 2011                         | 187,729 | -                                    | -                                     | C                                                                           | -                                              | 159,570                                           |
|                                 | 2010                         | 123,121 | -                                    | -                                     | A                                                                           | -                                              | 109,578                                           |
|                                 | 2010                         | 355,000 | -                                    | -                                     | B                                                                           | -                                              | 475,700                                           |
| P A Glavac                      | 2012                         | 338,816 | -                                    | -                                     | D                                                                           | -                                              | 182,961                                           |
|                                 | 2011                         | 175,000 | -                                    | -                                     | C                                                                           | -                                              | 148,750                                           |
|                                 | 2010                         | 113,032 | -                                    | -                                     | A                                                                           | -                                              | 100,598                                           |
|                                 | 2010                         | 288,500 | -                                    | -                                     | B                                                                           | -                                              | 386,590                                           |
| N M Badyk <sup>(ii)</sup>       | 2012                         | 410,526 | -                                    | -                                     | D                                                                           | -                                              | 221,684                                           |
|                                 | 2011                         | 300,000 | -                                    | -                                     | C                                                                           | -                                              | 225,000                                           |
|                                 | 2010                         | 202,146 | -                                    | -                                     | A                                                                           | -                                              | 179,910                                           |
|                                 | 2010                         | 451,458 | -                                    | -                                     | B                                                                           | -                                              | 604,954                                           |

<sup>(i)</sup>Subject to performance hurdles being achieved.

<sup>(ii)</sup>N M Badyk ceased employment on 2 August 2012.

A – Performance Rights under the 2010 LTIP vest 14 days after the date on which the financial results for the year ending 30 June 2012 are released to the ASX.

B – Performance Rights vest under the EEA on 30 June 2015.

C – Performance Rights under the 2011 LTIP vest 14 days after the date on which the financial results for the year ending 30 June 2013 are released to the ASX.

D – Performance Rights under the 2012 LTIP vest 14 days after the date on which the financial results for the year ending 30 June 2015 are released to the ASX.

# REMUNERATION REPORT (AUDITED) *CONTINUED*

Details of the vesting profile of Performance Rights granted as remuneration to former KMP are set out in the following table. No Performance Rights will vest if performance hurdles detailed earlier are not satisfied, hence the minimum value of the Performance Rights to vest is \$Nil. The maximum value of those yet to vest has been determined as the fair value amount of the Performance Rights at grant date that is yet to be expensed.

|                                        | FINANCIAL<br>YEAR<br>GRANTED | NUMBER  | % VESTED<br>AT 30 JUNE<br>2012 | % LAPSED /<br>CANCELLED IN<br>2012 | % LAPSED /<br>CANCELLED<br>IN<br>2011 | FINANCIAL YEARS<br>IN WHICH<br>PERFORMANCE<br>RIGHTS VEST <sup>(i)</sup> | MINIMUM<br>TOTAL<br>VALUE YET<br>TO VEST<br>\$ | MAXIMUM<br>TOTAL<br>VALUE YET<br>TO VEST<br>\$ |
|----------------------------------------|------------------------------|---------|--------------------------------|------------------------------------|---------------------------------------|--------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| <i>FORMER EXECUTIVE DIRECTOR</i>       |                              |         |                                |                                    |                                       |                                                                          |                                                |                                                |
| T J Coonan                             | 2011                         | 750,000 | -                              | -                                  | 100%                                  | -                                                                        | -                                              | -                                              |
|                                        | 2010                         | 531,996 | -                              | -                                  | 100%                                  | -                                                                        | -                                              | -                                              |
|                                        | 2010                         | 792,084 | -                              | -                                  | 100%                                  | -                                                                        | -                                              | -                                              |
| <i>FORMER KEY MANAGEMENT PERSONNEL</i> |                              |         |                                |                                    |                                       |                                                                          |                                                |                                                |
| K L Smith                              | 2012                         | 172,421 | -                              | -                                  | -                                     | D                                                                        | -                                              | 93,107                                         |
|                                        | 2011                         | 126,000 | -                              | -                                  | -                                     | C                                                                        | -                                              | 107,100                                        |
|                                        | 2010                         | 69,282  | -                              | -                                  | -                                     | A                                                                        | -                                              | 61,661                                         |
|                                        | 2010                         | 176,833 | -                              | -                                  | -                                     | B                                                                        | -                                              | 236,956                                        |
| H W Grundell                           | 2011                         | 337,910 | -                              | -                                  | 100%                                  | -                                                                        | -                                              | -                                              |
|                                        | 2010                         | 242,817 | -                              | -                                  | 100%                                  | -                                                                        | -                                              | -                                              |
|                                        | 2010                         | 542,292 | -                              | -                                  | 100%                                  | -                                                                        | -                                              | -                                              |
| S T Barnard                            | 2011                         | 118,093 | -                              | 100%                               | -                                     | C                                                                        | -                                              | -                                              |
|                                        | 2010                         | 84,940  | -                              | 100%                               | -                                     | A                                                                        | -                                              | -                                              |
|                                        | 2010                         | 216,800 | -                              | 100%                               | -                                     | B                                                                        | -                                              | -                                              |

<sup>(i)</sup> Subject to performance hurdles being achieved.

A – Performance Rights under the 2010 LTIP vest 14 days after the date on which the financial results for the year ending 30 June 2012 are released to the ASX.

B – Performance Rights vest under the EEA on 30 June 2015.

C – Performance Rights under the 2011 LTIP vest 14 days after the date on which the financial results for the year ending 30 June 2013 are released to the ASX.

D – Performance Rights under the 2012 LTIP vest 14 days after the date on which the financial results for the year ending 30 June 2015 are released to the ASX.



## **Shares under Option**

In the financial year ended 30 June 2012 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 STI and LTIP in the 2012 and 2011 financial year are set out in a previous section of the Remuneration Report. Total Performance Rights outstanding as at 30 June 2012 is 15,772,829 (2011: 12,315,909).

Details of warrants issued under the Equity Warrant Deed are set out in Note 24(G) of the Consolidated Financial Report.

## **Shares Issued on the Exercise of Options**

On 16 July 2012, the Company issued 270,466 ordinary shares as a result of the exercise of Performance Rights that vested on 30 June 2012.

## **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 Consolidated 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 Consolidated Group are important. During the financial years ended 30 June 2012 and 2011 non-audit services included due diligence, taxation and other advisory services.

The Directors have considered the position and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

# DIRECTORS' REPORT *CONTINUED*

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

|                                                            | 2012             | 2011                     |
|------------------------------------------------------------|------------------|--------------------------|
|                                                            | \$               | \$                       |
| Ernst & Young:                                             |                  |                          |
| Audit services                                             | 1,280,000        | 1,510,000 <sup>(i)</sup> |
| Non-audit services                                         |                  |                          |
| <i>Due diligence services</i>                              | 123,300          | -                        |
| <i>Transaction services associated with equity raising</i> | 381,000          | -                        |
| <i>Other advisory services</i>                             | 535,100          | 121,375                  |
| <i>Taxation services</i>                                   | 4,000            | 3,700                    |
| <b>Total</b>                                               | <b>2,323,400</b> | <b>1,635,075</b>         |

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 49.

## Rounding of Amounts

The Company is of a kind referred to in ASIC Class Order 98/100 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 Class Order to the nearest hundred thousand dollars or, in certain cases, to the nearest dollar.

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



G T Tilbrook  
Non-Executive Chairman



K G Campbell  
Executive Director and Chief Executive Officer

**Brisbane, 23 August 2012**

<sup>(i)</sup>The 2011 audit services have been adjusted to include an additional fee of \$350,000 incurred in relation to the 2011 audit, which was paid in 2012.

# AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF TRANSPACIFIC INDUSTRIES GROUP LTD

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## Auditor's Independence Declaration to the Directors of Transpacific Industries Group Ltd

In relation to our audit of the financial report Transpacific Industries Group Ltd for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized, handwritten signature of 'Ernst &amp; Young' in a cursive script.

Ernst & Young

A handwritten signature of 'Mike Reid' in a cursive script.

Mike Reid  
Partner  
23 August 2012

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

|                                                   | NOTES | 2012<br>\$'M   | 2011<br>\$'M   |
|---------------------------------------------------|-------|----------------|----------------|
| <b>ASSETS</b>                                     |       |                |                |
| <i>Current Assets</i>                             |       |                |                |
| Cash and cash equivalents                         | 9     | 77.9           | 88.7           |
| Trade and other receivables                       | 10    | 305.6          | 310.9          |
| Current tax assets                                | 11    | -              | 0.7            |
| Inventories                                       | 12    | 175.2          | 131.6          |
| Derivative financial instruments                  | 13    | 0.4            | 0.1            |
| Other assets                                      | 15    | 18.3           | 13.7           |
| <b>Total Current Assets</b>                       |       | <b>577.4</b>   | <b>545.7</b>   |
| <i>Non-current Assets</i>                         |       |                |                |
| Investments accounted for using the equity method | 16    | 27.9           | 28.1           |
| Other financial assets                            | 14    | -              | 6.8            |
| Property, plant and equipment                     | 17    | 1,035.7        | 1,029.5        |
| Land held for sale                                |       | 6.9            | 9.6            |
| Intangible assets                                 | 18    | 2,047.2        | 2,061.9        |
| Deferred tax assets                               | 8     | 64.5           | 34.3           |
| <b>Total Non-current Assets</b>                   |       | <b>3,182.2</b> | <b>3,170.2</b> |
| <b>Total Assets</b>                               |       | <b>3,759.6</b> | <b>3,715.9</b> |
| <b>LIABILITIES</b>                                |       |                |                |
| <i>Current Liabilities</i>                        |       |                |                |
| Trade and other payables                          | 19    | 290.7          | 230.3          |
| Income tax payable                                |       | 4.1            | -              |
| Borrowings                                        | 20    | 238.1          | 85.2           |
| Employee benefits                                 |       | 45.0           | 46.9           |
| Provisions                                        | 21    | 27.7           | 25.4           |
| Derivative financial instruments                  | 13    | 83.4           | 55.8           |
| Other                                             | 22    | 19.1           | 21.1           |
| <b>Total Current Liabilities</b>                  |       | <b>708.1</b>   | <b>464.7</b>   |
| <i>Non-current Liabilities</i>                    |       |                |                |
| Borrowings                                        | 20    | 890.4          | 1,405.5        |
| Employee benefits                                 |       | 8.9            | 8.3            |
| Deferred government grants                        |       | 0.9            | 1.0            |
| <b>Total Non-current Liabilities</b>              |       | <b>900.2</b>   | <b>1,414.8</b> |
| <b>Total Liabilities</b>                          |       | <b>1,608.3</b> | <b>1,879.5</b> |
| <b>Net Assets</b>                                 |       | <b>2,151.3</b> | <b>1,836.4</b> |
| <b>EQUITY</b>                                     |       |                |                |
| Issued capital                                    | 24A   | 2,122.1        | 1,821.6        |
| Reserves                                          | 24H   | (7.7)          | (5.1)          |
| Retained earnings                                 | 24K   | (218.3)        | (231.7)        |
| Parent entity interest                            |       | 1,896.1        | 1,584.8        |
| Non-controlling interest                          | 24L   | 5.4            | 1.8            |
| Step-up Preference Security holders               | 24C   | 249.8          | 249.8          |
| <b>Total Equity</b>                               |       | <b>2,151.3</b> | <b>1,836.4</b> |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

|                                                                  | NOTES | 2012<br>\$'M | 2011<br>\$'M   |
|------------------------------------------------------------------|-------|--------------|----------------|
| <i>CONTINUING OPERATIONS</i>                                     |       |              |                |
| Revenue from continuing operations                               | 4     | 2,283.8      | 2,179.2        |
| Other income                                                     | 5     | 12.2         | 9.2            |
| Raw materials and inventory                                      |       | (476.7)      | (414.9)        |
| Waste disposal and collection                                    |       | (322.1)      | (297.2)        |
| Employee expenses                                                |       | (660.0)      | (661.6)        |
| Depreciation and amortisation expenses                           |       | (188.0)      | (174.6)        |
| Repairs and maintenance                                          |       | (111.2)      | (108.7)        |
| Fuel purchases                                                   |       | (61.7)       | (58.3)         |
| Leasing charges                                                  |       | (57.9)       | (57.8)         |
| Freight costs                                                    |       | (31.0)       | (31.5)         |
| Other expenses                                                   |       | (180.1)      | (139.0)        |
| Share of profits of associates                                   | 26C   | 2.9          | 5.0            |
| Net finance costs                                                | 6     | (185.9)      | (177.0)        |
| Impairment of assets                                             | 7     | -            | (346.8)        |
| Change in fair value of derivative financial instruments         |       | (15.6)       | 2.1            |
| <b>Profit/(Loss) Before Income Tax</b>                           |       | <b>8.7</b>   | <b>(271.9)</b> |
| Income tax benefit/(expense)                                     | 8     | 23.5         | (8.6)          |
| <b>Profit/(Loss) From Continuing Operations After Income Tax</b> |       | <b>32.2</b>  | <b>(280.5)</b> |
| <b>Attributable to:</b>                                          |       |              |                |
| Ordinary Equity holders                                          |       | 12.5         | (296.5)        |
| Non-controlling interest                                         |       | 3.1          | 1.3            |
| Step-up Preference Security holders                              |       | 16.6         | 14.7           |
| <b>Profit/(Loss) From Continuing Operations After Income Tax</b> |       | <b>32.2</b>  | <b>(280.5)</b> |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *CONTINUED*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

|                                                                                                  | NOTES | 2012<br>\$'M | 2011<br>\$'M   |
|--------------------------------------------------------------------------------------------------|-------|--------------|----------------|
| <b>Profit/(Loss) From Continuing Operations After Income Tax</b>                                 |       | <b>32.2</b>  | <b>(280.5)</b> |
| <b>Other Comprehensive Income</b>                                                                |       |              |                |
| Cash flow hedges                                                                                 |       |              |                |
| Net gain/(loss) taken to equity (net of tax)                                                     | 24H   | (14.6)       | (2.9)          |
| Net gain/(loss) taken to profit and loss                                                         | 24H   | 2.5          | -              |
| Translation of foreign operations                                                                |       |              |                |
| Exchange differences taken to equity                                                             | 24H   | 10.5         | (57.7)         |
| Revaluation of assets                                                                            |       |              |                |
| Revaluation of non-landfill land and buildings (net of tax)                                      | 24H   | -            | (2.9)          |
| Net gain on disposal of available-for-sale assets (net of tax)                                   | 24H   | (1.4)        | (1.3)          |
| <b>Net Comprehensive Income Recognised Directly in Equity</b>                                    |       | <b>(3.0)</b> | <b>(64.8)</b>  |
| <b>Total Comprehensive Income/(Loss) for the Year</b>                                            |       | <b>29.2</b>  | <b>(345.3)</b> |
| <b>Attributable to:</b>                                                                          |       |              |                |
| Ordinary Equity holders                                                                          |       | 9.5          | (361.3)        |
| Non-controlling interest                                                                         |       | 3.1          | 1.3            |
| Step-up Preference Security holders                                                              |       | 16.6         | 14.7           |
| <b>Total Comprehensive Income/(Loss) for the Year</b>                                            |       | <b>29.2</b>  | <b>(345.3)</b> |
| <b>Earnings per Share for Profit Attributable to the Ordinary Equity Holders of the Company:</b> |       |              |                |
| Basic earnings per share                                                                         | 34    | 0.9          | (26.8)         |
| Diluted earnings per share                                                                       | 34    | 0.9          | (26.8)         |

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

|                                                             | ORDINARY<br>SHARES | CONVERTIBLE<br>NOTE | ASSET<br>REVALUATION<br>RESERVE | WARRANT<br>RESERVE | EMPLOYEE<br>EQUITY<br>BENEFITS<br>RESERVE | CASH<br>FLOW<br>HEDGE<br>RESERVE | FOREIGN<br>CURRENCY<br>TRANSLATION<br>RESERVE | RETAINED<br>EARNINGS | OWNERS<br>OF THE<br>PARENT | NON -<br>CONTROLLING<br>INTEREST | STEP-UP<br>PREFERENCE<br>SECURITIES | TOTAL<br>EQUITY |
|-------------------------------------------------------------|--------------------|---------------------|---------------------------------|--------------------|-------------------------------------------|----------------------------------|-----------------------------------------------|----------------------|----------------------------|----------------------------------|-------------------------------------|-----------------|
|                                                             | \$'M               | \$'M                | \$'M                            | \$'M               | \$'M                                      | \$'M                             | \$'M                                          | \$'M                 | \$'M                       | \$'M                             | \$'M                                | \$'M            |
| <b>At 30 June 2011</b>                                      | <b>1,770.0</b>     | <b>51.6</b>         | <b>35.2</b>                     | <b>60.9</b>        | <b>3.7</b>                                | <b>(3.8)</b>                     | <b>(101.1)</b>                                | <b>(231.7)</b>       | <b>1,584.8</b>             | <b>1.8</b>                       | <b>249.8</b>                        | <b>1,836.4</b>  |
| Profit/(loss) for period                                    | -                  | -                   | -                               | -                  | -                                         | -                                | -                                             | 12.5                 | 12.5                       | 3.1                              | 16.6                                | 32.2            |
| Other comprehensive income                                  | -                  | -                   | (1.4)                           | -                  | -                                         | (12.1)                           | 10.5                                          | -                    | (3.0)                      | -                                | -                                   | (3.0)           |
| Total comprehensive income for the year                     | -                  | -                   | (1.4)                           | -                  | -                                         | (12.1)                           | 10.5                                          | 12.5                 | 9.5                        | 3.1                              | 16.6                                | 29.2            |
| Share-based payment                                         | -                  | -                   | -                               | -                  | 1.3                                       | -                                | -                                             | -                    | 1.3                        | -                                | -                                   | 1.3             |
| Issue of ordinary shares                                    | 308.8              | -                   | -                               | -                  | -                                         | -                                | -                                             | -                    | 308.8                      | -                                | -                                   | 308.8           |
| Increase in non-controlling interest arising on acquisition | -                  | -                   | -                               | -                  | -                                         | -                                | -                                             | -                    | -                          | 0.5                              | -                                   | 0.5             |
| Transaction costs (net of tax)                              | (8.3)              | -                   | -                               | -                  | -                                         | -                                | -                                             | -                    | (8.3)                      | -                                | -                                   | (8.3)           |
| Distribution to Step-up Preference Security Holders         | -                  | -                   | -                               | -                  | -                                         | -                                | -                                             | -                    | -                          | -                                | (16.6)                              | (16.6)          |
| Transfer to retained earnings                               | -                  | -                   | (0.3)                           | -                  | (0.6)                                     | -                                | -                                             | 0.9                  | -                          | -                                | -                                   | -               |
| <b>Balance at 30 June 2012</b>                              | <b>2,070.5</b>     | <b>51.6</b>         | <b>33.5</b>                     | <b>60.9</b>        | <b>4.4</b>                                | <b>(15.9)</b>                    | <b>(90.6)</b>                                 | <b>(218.3)</b>       | <b>1,896.1</b>             | <b>5.4</b>                       | <b>249.8</b>                        | <b>2,151.3</b>  |
| <b>At 30 June 2010</b>                                      | <b>1,770.0</b>     | <b>51.6</b>         | <b>39.4</b>                     | <b>60.9</b>        | <b>0.9</b>                                | <b>(0.9)</b>                     | <b>(43.4)</b>                                 | <b>64.8</b>          | <b>1,943.3</b>             | <b>9.5</b>                       | <b>249.8</b>                        | <b>2,202.6</b>  |
| Profit/(loss) for period                                    | -                  | -                   | -                               | -                  | -                                         | -                                | -                                             | (296.5)              | (296.5)                    | 1.3                              | 14.7                                | (280.5)         |
| Other comprehensive income                                  | -                  | -                   | (4.2)                           | -                  | -                                         | (2.9)                            | (57.7)                                        | -                    | (64.8)                     | -                                | -                                   | (64.8)          |
| Total comprehensive income for the year                     | -                  | -                   | (4.2)                           | -                  | -                                         | (2.9)                            | (57.7)                                        | (296.5)              | (361.3)                    | 1.3                              | 14.7                                | (345.3)         |
| Share-based payment                                         | -                  | -                   | -                               | -                  | 2.8                                       | -                                | -                                             | -                    | 2.8                        | -                                | -                                   | 2.8             |
| Distribution to Step-up Preference Security Holders         | -                  | -                   | -                               | -                  | -                                         | -                                | -                                             | -                    | -                          | -                                | (14.7)                              | (14.7)          |
| Reduction in non-controlling interest                       | -                  | -                   | -                               | -                  | -                                         | -                                | -                                             | -                    | -                          | (9.0)                            | -                                   | (9.0)           |
| <b>Balance at 30 June 2011</b>                              | <b>1,770.0</b>     | <b>51.6</b>         | <b>35.2</b>                     | <b>60.9</b>        | <b>3.7</b>                                | <b>(3.8)</b>                     | <b>(101.1)</b>                                | <b>(231.7)</b>       | <b>1,584.8</b>             | <b>1.8</b>                       | <b>249.8</b>                        | <b>1,836.4</b>  |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

|                                                             | NOTES     | 2012<br>\$'M   | 2011<br>\$'M   |
|-------------------------------------------------------------|-----------|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |           |                |                |
| Receipts from customers                                     |           | 2,514.6        | 2,402.5        |
| Payments to suppliers and employees                         |           | (2,129.7)      | (2,017.2)      |
| Other revenue                                               |           | 12.2           | 14.8           |
| Interest received                                           |           | 3.3            | 2.8            |
| Interest paid                                               |           | (138.5)        | (160.9)        |
| Income taxes received/(paid)                                |           | 8.1            | 12.0           |
| <b>Net Cash From/(Used In) Operating Activities</b>         | <b>27</b> | <b>270.0</b>   | <b>254.0</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |           |                |                |
| Payments for purchase of businesses                         |           | (0.8)          | (4.2)          |
| Payments for property, plant and equipment                  |           | (180.1)        | (148.6)        |
| Proceeds from sale of listed securities                     |           | 11.8           | 10.7           |
| Proceeds from disposal of property, plant and equipment     |           | 15.1           | 9.8            |
| Dividends received from associates                          |           | 4.8            | 4.6            |
| <b>Net Cash/(Used In) Investing Activities</b>              |           | <b>(149.2)</b> | <b>(127.7)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |           |                |                |
| Proceeds from issue of equity                               |           | 308.8          | -              |
| Payment of distribution on Step-up Preference Securities    |           | (16.6)         | (14.7)         |
| Net movement in trade and vendor finance                    |           | -              | (0.8)          |
| Payment of debt and equity raising costs                    |           | (48.1)         | (1.2)          |
| Proceeds from borrowings                                    |           | 961.1          | -              |
| Repayment of bank loans                                     |           | (1,036.7)      | (124.2)        |
| Repayment of lease liabilities                              |           | (44.3)         | (36.4)         |
| Repayment of loans to related parties                       |           | (0.2)          | (0.4)          |
| Buy back of Convertible Notes                               |           | (255.9)        | -              |
| <b>Net Cash/(Used In) Financing Activities</b>              |           | <b>(131.9)</b> | <b>(177.7)</b> |
| <b>Net Increase/(Decrease) In Cash And Cash Equivalents</b> |           | <b>(11.1)</b>  | <b>(51.4)</b>  |
| Cash and cash equivalents at the beginning of the year      |           | 88.7           | 140.9          |
| Net foreign exchange differences                            |           | 0.3            | (0.8)          |
| <b>Cash And Cash Equivalents At The End Of The Year</b>     | <b>9</b>  | <b>77.9</b>    | <b>88.7</b>    |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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## 1. Reporting Entity

Transpacific Industries Group Ltd and its subsidiaries ("Consolidated Group") is a group domiciled and incorporated in Australia with operations in Australia and New Zealand. The Consolidated Financial Report of Transpacific Industries Group consists of the Consolidated Financial Statements of the Consolidated Group comprising of Transpacific Industries Group Ltd ("Company or Parent Entity") and its subsidiaries and the Consolidated Group's interest in associates and jointly controlled entities.

The Consolidated Financial Statements of the Consolidated Group for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the Directors on 23 August 2012.

The significant accounting policies adopted in the preparation of the Consolidated Financial Report are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

## 2. Basis of Preparation

The Consolidated Financial Report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards ("AAS") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB"), the Corporations Act 2001, and complies with other requirements of the law.

The Consolidated Financial Report of the Consolidated Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board ("IASB").

The Consolidated 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 listed company investments) 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, which is the Consolidated Group's functional currency.

The Consolidated Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order amounts in the Consolidated Financial Report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

The preparation of the Consolidated Financial Statements is in accordance with IFRS. The Standards requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Consolidated Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Prior year comparatives have been adjusted to comply with current year presentation where appropriate.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Consolidated Group for the annual reporting period ended 30 June 2012. The impact of these not yet effective Standards and Interpretations has not yet been determined by Management.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

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## 3. Significant Accounting Policies

In the current year, the Consolidated Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

The following significant accounting policies have been adopted in the preparation and presentation of the Consolidated Financial Report.

### (A) BASIS OF CONSOLIDATION

#### (i) Subsidiaries

The Consolidated Financial Statements incorporate the assets and liabilities of all subsidiaries of Transpacific Industries Group Ltd ("Company" or "Parent Entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Consolidated Group has the power to govern the financial and operating policies, so as to obtain the benefits from their activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Group. They are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Intercompany transactions, balances, income and expenses and profit and losses resulting from intra consolidated group transactions have been eliminated in full.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The difference between these items and the fair value of the consideration is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the Consolidated Statement of Comprehensive Income and are presented within Equity in the Consolidated Statement of Financial Position separately from the Equity of the owners of the Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Consolidated Group loses control over a subsidiary it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the Company's share of components previously recognised in Other Comprehensive Income to Consolidated Statement of Comprehensive Income.

### 3. Significant Accounting Policies (continued)

#### (A) BASIS OF CONSOLIDATION (CONTINUED)

##### (ii) Associates

Associates are all entities over which the Consolidated Group has significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for in the Consolidated Financial Statements using the equity method of accounting, after initially being recognised at cost.

Under the equity method, investments in associates are carried in the Consolidated Statement of Financial Position at cost plus post-acquisition changes in the Consolidated Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Consolidated Group determines whether it is necessary to recognise any impairment loss with respect to the Consolidated Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate's is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If any impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Consolidated Group's share of its associates' post-acquisition profits or losses is recognised in the Consolidated Statement of Comprehensive Income, and its share of post-acquisition movements in reserves is recognised in Reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the Consolidated Statement of Comprehensive Income.

Where the Consolidated Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Consolidated Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions with associates are eliminated to the extent of the Consolidated Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Group.

#### (B) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the Consolidated Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through the Consolidated Statement of Comprehensive Income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

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## 3. Significant Accounting Policies (continued)

### (B) BUSINESS COMBINATIONS (CONTINUED)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* either in the Consolidated Statement of Comprehensive Income or in Other Comprehensive Income. If the contingent consideration is classified as Equity, it shall not be remeasured until it is finally settled within Equity.

### (C) 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 national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to used tax losses.

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 by 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 liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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 new 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.

#### *Tax Consolidation Legislation*

The Company and all its wholly-owned Australian resident entities are part of a Tax-Consolidated Group under Australian taxation law. Transpacific Industries Group Ltd is the Head Entity in the Tax-Consolidated Group. The Tax-Consolidated Group has entered into a tax sharing and a tax funding agreement.



### 3. Significant Accounting Policies (continued)

#### (D) FOREIGN CURRENCY

##### (i) Foreign Currency Transactions And Balances

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 Statement of Comprehensive Income 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

##### (ii) Financial Statements Of Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations, excluding foreign operations in hyper-inflationary economies, are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. The revenues and expenses of foreign operations in hyper-inflationary economies are translated to Australian dollars at the foreign exchange rates ruling at the reporting date. Foreign exchange differences arising on re-translation are recognised directly in a separate component of Equity. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in Equity.

##### (iii) Net Investment In Foreign Operations

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to Equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the Consolidated Statement of Comprehensive Income, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

#### (E) DERIVATIVE FINANCIAL INSTRUMENTS

The Consolidated Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange and interest rate risk, including forward foreign exchange contracts and interest rate swaps. 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. The gain or loss on re-measurement to fair value is recognised immediately in the Consolidated Statement of Comprehensive Income. However, where the derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Consolidated Group would receive or pay to terminate the swap at the balance date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward foreign exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price. On entering into a hedging relationship, the Consolidated Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions (cash flow hedges), or hedges of net investments in foreign operations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

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## 3. Significant Accounting Policies (continued)

### (E) DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### (i) Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to the Consolidated Statement of Comprehensive Income over the period to maturity using a recalculated effective interest rate.

#### (ii) Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Comprehensive Income.

Amounts accumulated in Equity are recycled in profit or loss in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in Equity are transferred from Equity and included in the initial measurement of the cost of the asset or liability.

When the hedging instrument expires or is sold, or terminated, or when a hedge no longer qualifies for hedge accounting, any cumulative gain or loss existing in Equity at that time remains in Equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in Equity is recognised immediately in the Consolidated Statement of Comprehensive Income.

#### (iii) Compound Financial Instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon the instruments reaching maturity. The Equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in Equity, net of income tax effects and is not subsequently remeasured.

#### (iv) Derivatives That Do Not Qualify For Hedge Accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Consolidated Statement of Comprehensive Income.

### 3. Significant Accounting Policies (continued)

#### (F) REVENUE

Amounts disclosed as revenue are net of returns, trade allowances and duties and 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 delivery of services to the customer. Revenue is recognised for the major business activities as follows:

(1) Cleanaway

Revenue is recognised when the service has been provided to customers.

(2) Industrials

*Technical Services*

Revenue from the collection and treatment of liquid waste is recognised when the waste has been collected and treated. This forms part of the Industrials Segment.

*Industrial Solutions*

Contract revenue is measured by reference to labour hours incurred to date and actual costs incurred. Other revenue is recognised upon the delivery of goods or services to customers. This forms part of the Industrials Segment.

*Hydrocarbons*

Revenue is recognised on the sale of oil and by-products to customers on shipment or passing of control of the goods. This forms part of the Industrials Segment.

(3) New Zealand

Revenue is recognised on the same basis as noted above for Cleanaway and Industrials.

(4) Commercial Vehicles

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.

(5) Manufacturing

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.

(6) Interest

Interest revenue is recognised on an accruals basis, taking into account the interest rates applicable to the financial assets.

(7) Dividends

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

(8) Government Grants

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Consolidated Group will comply with all attached conditions. Grants relating to costs are deferred and recognised in the Consolidated Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate. Grants relating to the purchase of property, plant and equipment are included in liabilities as deferred income and are credited to the Consolidated Statement of Comprehensive Income on a straight-line basis over the expected lives of the related assets.

(9) Other Revenue

Other revenue is recognised when the right to receive the revenue has been established.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

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## 3. Significant Accounting Policies (continued)

### (G) TRADE AND OTHER RECEIVABLES

All trade debtors are recognised and carried at original invoice amount as they are due for settlement generally no more than 30 days from the date of invoice. Some Operating Segments may give extended terms. 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 (shown in Note 33(H)).

### (H) 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. The cost of inventory may also include transfers from Equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventory. Commercial vehicles are valued at actual cost, vehicle parts are valued at weighted average cost and the remainder of inventory is valued at standard cost. Landfill land held for sale may also be included in inventory in line with the Consolidated Group's accounting policy for landfills Note 3(J)(iv).

### (I) IMPAIRMENT OF ASSETS

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Impairment losses on financial assets are directly written off to the Consolidated Statement of Comprehensive Income. Impairment of equity investments classified as available-for-sale is recognised where a significant or prolonged decline in the fair value of the investment occurs. This is determined by reference to current market bid prices. 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 subject to amortisation and 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 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). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination. Non-financial assets other than goodwill that suffer an impairment loss are reviewed for reversal of the impairment loss at each subsequent reporting date.

### (J) PROPERTY, PLANT AND EQUIPMENT

#### **Landfills, Cell Development and Provision For Remediation**

#### (i) Landfills

The Consolidated Group owns landfill assets. A landfill may be either developed by the Consolidated Group or purchased by the Consolidated Group.

The cost of developing a landfill includes the cost of land, permitting and overall site and infrastructure development to bring the asset to its condition necessary for its intended use, that is, to receive and dispose of waste. If the landfill is purchased, then an additional intangible (landfill airspace) cost may be recognised.

### 3. Significant Accounting Policies (continued)

#### (J) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The value composition of a landfill changes over time. Initially a landfill's value is more of an intangible asset including location, permitting and airspace which generates future earnings. Landfill airspace and licences are both considered to be integral components of a landfill asset and as such have been combined with effect from 1 July 2008.

As airspace is consumed and landfilling continues to completion, the landfill's value shifts to a tangible asset, being the value of the land.

It is the Consolidated Group's policy at time of development or acquisition and reporting dates to:

- (a) Capitalise the cost of a developed landfill to landfills;
- (b) Capitalise the cost of purchased landfills to intangibles (landfill airspace) and landfills based on a split of the intangible and tangible value paid for the landfill;
- (c) Assess impairment of each landfill asset or Consolidated Group of landfill assets which work together as a unit by reference to both intangible and tangible values. If impaired an impairment loss is recorded;
- (d) Measure the intangible value by reference to remaining available airspace and the future earnings it will generate;
- (e) Measure the tangible land value by reference to fair value determined by Directors or an independent valuation (carried out periodically every three years); and
- (f) Transfer the consumption of landfill airspace to landfill land, over the life of the landfill in conjunction with the measurement of intangible value in point (d) above.

The portion of landfill airspace transferred from intangible assets to tangible assets in a reporting period is calculated as the tonnes of airspace consumed in the reporting period divided into the tonnes of airspace available at the beginning of the reporting period.

Discounted cash flows are used to test impairment (refer Note 3(I)). Landfill assets are carried at cost in the accounts which is based on cost increased for the amortisation of any landfill airspace.

#### (ii) Cell Development

A landfill will normally be divided into parts, with each part (a cell) being developed one at a time to receive waste. When a cell is nearly full, a new cell is developed in readiness to receive waste from the time the former cell closes. The closed cell is then capped and may return a revenue stream, such as from the sale of landfill gas, to the Consolidated Group for years to come. The cost of cell development includes earthworks, gas capture infrastructure and cell lining to bring the asset to its condition necessary for its intended use, that is, to receive and dispose of waste and generate revenue streams. Cell development costs also include the cost of capping on closure of the cell. Expenditure on cell development may be incurred in one reporting period but the airspace in the cell may last for more than that reporting period.

In recognition of the above, it is the Consolidated Group's policy at time of cell development and reporting dates to:

- (a) Capitalise the cost of cell development in landfill assets;
- (b) Amortise the cost of cell development over the useful life of the cell; and
- (c) Recognise revenue streams in the reporting period earned.

The amortisation for a reporting period 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. Future landfill site restoration and aftercare costs capitalised are depreciated at rates that match the pattern of benefits expected to be derived from use of the respective sites.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

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## 3. Significant Accounting Policies (continued)

### (J) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### (iii) Landfill Closure And Provision For Remediation

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. At that point:

- (a) The value of the landfill has fully shifted to tangible land asset and there is no intangible asset remaining; and
- (b) The cost of cell development is fully amortised to \$Nil.

Generally, a landfill must be maintained and left in a condition specified by the Environmental Protection Authority or government authorities. Therefore remediation occurs on an ongoing basis, at the time the landfill closes and also post-closure. Certain landfills will also have revenue streams from, for example, the supply of landfill gas into electricity grids for many years.

In recognition of the above, it is the Consolidated Group's policy at time of development and reporting dates to:

- (a) In the case of developing a landfill, provide for the expected remediation at time of development;
- (b) In the case of purchasing a landfill, account for the acquisition in accordance with AASB 3 *Business Combinations* at the time of acquisition;
- (c) Calculate the expected cost of remediation for each landfill asset or Consolidated Group of landfill assets working together; and
- (d) Assess the adequacy of the provision for remediation against (c) at each reporting date and either confirm its adequacy or increase or decrease the provision to the landfill asset or the Consolidated Statement of Comprehensive Income as required and account for the cost of remediation against the provision.

Future landfill site restoration and aftercare costs provided for are initially capitalised in the Consolidated Statement of Financial Position. Any change in the provision for future landfill site restoration and aftercare costs arising from a change in estimate of those costs is also recognised in non-current assets in the Consolidated Statement of Financial Position and amortised.

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. The annual change in the net present value of the provision due to the passage of time is recognised in the Consolidated Statement of Comprehensive Income as a time value adjustment.

#### (iv) Landfill Sales

A landfill may be disposed of as an operating landfill or it may be retained until post-closure and then sold.

In accordance with the above, it is the Consolidated Group's policy at time of sale and reporting periods to:

- (a) If the landfill is sold as an operating landfill, recognise the profit on sale of an asset; or
- (b) If the completed landfill is intended to be sold in the future, transfer the landfill balance to inventory or non-current assets held for sale as applicable.

#### Other Property, Plant and Equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation of buildings. The fair values are recognised in the Consolidated Financial Statements of the Consolidated 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.



### 3. Significant Accounting Policies (continued)

#### (J) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income. 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, and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable in 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. Cost also may include transfers from Equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs related to the acquisition or construction of qualifying assets are also capitalised as part of that asset.

Gains and losses on disposal of an item of other property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the other property, plant and equipment and are recognised net within "other income" in Consolidated Statement of Comprehensive Income. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to Retained Earnings.

Depreciation is provided on other property, plant and equipment, including freehold buildings but excluding land. Depreciation of all other assets is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to the Consolidated Group. Leasehold improvements are depreciated over the period of the lease or estimated useful lives, whichever is the shorter, using the straight-line method.

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   |

#### (K) LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### (i) Finance Leases

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Consolidated Group's general policy on finance costs. Refer to Note 3(O).

Finance leases are depreciated over the shorter of the estimated useful life of the asset or the lease term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

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## 3. Significant Accounting Policies (continued)

### (K) LEASES (CONTINUED)

#### (ii) Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (L) INTANGIBLES

#### (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Consolidated 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 an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

#### (ii) Research And Development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the Consolidated Statement of Comprehensive Income 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 Consolidated 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 Statement of Comprehensive Income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses (see Note 3(I)).

#### (iii) Landfill Airspace

Landfill airspace and its amortisation is addressed in Note 3(J).

#### (iv) Other Intangible Assets

Other intangible assets include customer contracts recognised on business combinations and licences. Other intangible assets that are acquired by the Consolidated Group are stated at cost less accumulated amortisation (see below) and impairment losses (see Note 3(I)).

#### (v) Amortisation (Other Than Amortisation of Landfill Airspace)

Amortisation is charged to net income 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 contracts are 3 to 20 years.

### (M) TRADE AND OTHER PAYABLES

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 45 day terms.

### 3. Significant Accounting Policies (continued)

#### (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 costs and redemption value being recognised in the Consolidated Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

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.

#### (O) FINANCE COSTS

Finance costs are recognised as expenses in the period in which they are incurred. Finance costs include:

- Interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps;
- Amortisation of discounts or premiums relating to borrowings;
- Amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- Unwinding of discount provisions; and
- Finance lease charges.

There have been no qualifying assets and related debt to which borrowing costs could have been applied, and as a result no borrowing costs have been capitalised to qualifying assets.

#### (P) REPAIRS AND MAINTENANCE

Plant and equipment of the Consolidated Group is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with Note 3(J). Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

#### (Q) EMPLOYEE BENEFITS

##### (i) 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 creditors and provision for 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.

##### (ii) Long Service Leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

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## 3. Significant Accounting Policies (continued)

### (Q) EMPLOYEE BENEFITS (CONTINUED)

#### (iii) Short-term Incentive Compensation ("STI") Plans

A liability for employee benefits in the form of STI is recognised when the STI criteria has been achieved and an amount is payable in accordance with the terms of the STI plan.

Liabilities for STI are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

#### (iv) Employee Benefit On-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

#### (v) Share-based Payment Transactions

Share-based payments are provided to Executives and employees via the Transpacific Industries Group Limited Annual Incentive Plan, Long Term Incentive Plan and an Executive Engagement Award.

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 Equity over the period from grant date to when the employees become unconditionally entitled to the Performance Rights. Fair value is measured by an external valuer using a binomial model that takes into account the exercise price, 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) PROVISIONS

A provision is recognised in the Consolidated Statement of Financial Position when the Consolidated 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.

#### (i) Warranties

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their probabilities.

### (S) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances, short-term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Group's cash management position are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

### 3. Significant Accounting Policies (continued)

#### (T) INVESTMENTS AND OTHER FINANCIAL ASSETS

Financial assets are recognised when the Consolidated Group becomes a party to the contractual provisions of the instrument at trade date.

Financial assets are initially measured at fair value plus transaction costs where the instrument is not classified at fair value through the Consolidated Statement of Comprehensive Income. Transaction costs related to financial assets classified as fair value through profit and loss are expensed immediately.

The Consolidated Group's non-derivative financial assets are currently measured after initial recognition as loans and receivables or available-for-sale financial assets. The Consolidated Group has no non-derivative financial assets classified as fair value through the Consolidated Statement of Comprehensive Income or held-to-maturity under accounting standard AASB 139 *Financial Instruments: Recognition and Measurement*. Subsequent measurement of loans and receivables is disclosed in Note 3(G).

Available-for-sale financial assets are measured at fair value with any changes in the fair value recognised directly in Equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in Equity is recognised in the Consolidated Statement of Comprehensive Income. The Consolidated Group's investments in equity securities, other than controlled entities and associates, are classified as available-for-sale. Fair value is determined by reference to official bid prices quoted on the relevant securities exchange, or where not listed and fair value cannot be reliably ascertained, at cost. Controlled entities and associates are accounted for in the Consolidated Financial Statements as set out in Note 3(A).

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Group has transferred substantially all the risks and rewards of ownership.

#### (U) 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 proceeds received.

#### (V) STEP-UP PREFERENCE SECURITIES

The units are classified as Equity according to AASB 132 *Financial Instruments: Presentation* due to the redemption and settlement features resulting in a fixed amount of equity instruments. AASB 132 states that if a contract is for the exchange of a fixed amount of cash for a fixed number of shares the contract is considered to represent a residual interest and to be classified as Equity. The redemption of the shares is at the discretion of the Consolidated Group rather than the unit holder, therefore the units are classified as Equity.

#### (W) EARNINGS PER SHARE

##### (i) Basic Earnings Per Share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Consolidated Group, excluding any costs of servicing Equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### (ii) Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

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## 3. Significant Accounting Policies (continued)

### (X) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST"), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Consolidated Statement of Cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

### (Y) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgements incorporated into the Consolidated Financial Report based on historical knowledge and best available current information. Significant key estimates in the Consolidated Financial Report are:

#### (i) Impairment

Details of the key estimates used in assessing value-in-use calculations and impairment generally are disclosed in Notes 17 and 18.

The *Clean Energy Act* introduced a carbon pricing mechanism into the Australian economy from 1 July 2012. The introduction of the carbon pricing mechanism is expected to have an impact on the future cash flows generated from the continuing use of the Consolidated Group's assets for the purpose of value-in-use calculations in asset impairment models.

The impact of the carbon pricing mechanism on the cash flows is based on the details in the *Clean Energy Act*, an assumption that the carbon price remains fixed for the first 3 years. After 3 years, the Treasury model carbon prices are used and then an estimated 3% (consistent with CPI) growth is used. The Consolidated Group will pass-through associated costs to customers.

#### (ii) Closure And Post Closure Provisions

The Consolidated Group assesses provisions for closure and post-closure costs in respect of its landfill sites by reference to external and internal sources to determine the best estimate of costs required to remediate the landfill sites. Further details are disclosed in Note 3(J)(iii).



### 3. Significant Accounting Policies (continued)

#### (Y) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

##### (iii) Land And Building Values

The Consolidated Group assesses the fair value of all land and property assets held at fair value each reporting date. Fair value is established using recent market transactions between willing buyers and sellers in an arm's length sale in the normal course of business. Movements in market prices and the level of transactions impact the ability to estimate fair value.

##### (iv) Accounting For Landfills

Details of the key estimates used in assessing landfill values are included in Notes 17 and 18.

##### (v) Workers Compensation Self-insurance Provisions

Independent actuarial valuations are used to estimate the provision required for workers compensation where the Consolidated Group is self-insured.

##### (vi) Recovery of Deferred Tax Assets

Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised 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. Significant management 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 over the next two years together with future tax planning strategies.

##### (vii) Taxation

The Consolidated Group's accounting policy for taxation requires Management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the Consolidated Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised 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.

Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future. Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on Management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

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 Statement of Financial Position 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 Statement of Comprehensive Income.

##### (viii) Valuation of Derivative Financial Instruments

The Consolidated Group's accounting policy for the valuation of derivatives requires an estimate of the fair value of foreign currency contracts and interest rate swaps. See Note 3(E).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

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## 3. Significant Accounting Policies (continued)

### (Z) RECLASSIFICATION WITHIN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In the current year the classification of expenses in the Consolidated Statement of Comprehensive Income was changed to better reflect the nature of the expenses. These new classifications are thought to provide more relevant and reliable information to the users of the Consolidated Financial Statements. The prior year comparatives have been reclassified to be consistent with the new current year format.

### (AA) CURRENT ASSETS AND CURRENT LIABILITIES

The Consolidated Group's Consolidated Statement of Financial Position discloses current assets of \$577.4 million (2011: \$545.7 million) and current liabilities \$708.1 million (2011: \$464.7 million). This has arisen due to the requirement to disclose the US Private Placement Notes and Convertible Notes as current borrowings of \$198.1 million at 30 June 2012 as the holders have the right to put or have the right to redemption in September 2012 and December 2012, respectively.

The Consolidated Group has the capacity to meet these settlements at their put or maturity dates by the draw-downs from long-term tranches in the syndicated debt facility which are available and reserved for this specific purpose.

### 3. Significant Accounting Policies (continued)

#### (AB)APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

##### (i) Standards and Interpretations Affecting Amounts Reported in the Current Period (and/or Prior Periods)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these Financial Statements. Details of other Standards and Interpretations adopted in these Financial Statements but that have had no effect on the amounts reported.

##### Standards affecting presentation and disclosure

|                                                               |                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Amendments to AASB 7 <i>Financial Instruments: Disclosure</i> | The amendments (part of AASB 2010-4 ' <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i> ') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                    |                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Amendments to AASB 101 <i>Presentation of Financial Statements</i> | The amendments (part of AASB 2010-4 ' <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i> ') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. |
|--------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AASB 1054 <i>Australian Additional Disclosures</i> and AASB 2011-1 <i>Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project</i> | AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054),

The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Consolidated Group is a for-profit or not-for-profit entity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 3. Significant Accounting Policies (continued)

### (AB)APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

#### (i) Standards and Interpretations Affecting Amounts Reported in the Current Period (and/or Prior Periods) (continued)

Standards affecting presentation and disclosure (continued)

*AASB 124 Related Party Disclosures  
(revised December 2009)*

AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in AASB 124 (revised December 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard.

Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Consolidated Group under the revised Standard. The adoption of this Standard has no impact on the presentations made in the Consolidated Financial Statements. The related party disclosures set out in Note 31 to the Consolidated Financial Statements.

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these Consolidated Financial Statements affecting the reporting results or Consolidated Statement of Financial Position.

#### (ii) Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these Consolidated Financial Statements. Their adoption has not had any significant impact on the amounts reported in these Consolidated Financial Statements but may affect the accounting for future transactions or arrangements.

*AASB 2009-14 Amendments to  
Australian Interpretation –  
Prepayments of a Minimum  
Funding Requirement*

Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119 *Employee Benefits*; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments to Interpretation 114 has not had material effect on the Consolidated Financial Statements.

### 3. Significant Accounting Policies (continued)

#### (AB)APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

##### (ii) Standards and Interpretations adopted with no effect on financial statements (continued)

|                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AASB 2009-12 <i>Amendments to Australian Accounting Standards</i>                                               | The application of AASB 2009-12 makes amendments to AASB 8 <i>Operating Segments</i> as a result of the issuance of AASB 124 <i>Related Party Disclosures</i> (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Consolidated Financial Statements.                                                                      |
| AASB 2010-5 <i>Amendments to Australian Accounting Standards</i>                                                | The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Consolidated Financial Statements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| AASB 2010-6 <i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets</i> | The application of AASB 2010-6 makes amendments to AASB 7 <i>Financial Instruments – Disclosures</i> to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset.<br><br>To date, the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any material effect on the disclosures made in the Consolidated Financial Statements. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 3. Significant Accounting Policies (continued)

### (AB)APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

(iii) Standards and Interpretations in issue not yet effective

At the date of authorisation of the Consolidated Financial Statements, the Standards and Interpretations listed below were in issue but not yet effective.

| Standard/Interpretation                                                                                                                                                                                                      | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------|
| AASB 9 <i>Financial Instruments</i> , AASB 200911 <i>Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> | 1 January 2013                                               | 30 June 2014                                                  |
| AASB 10 <i>Consolidated Financial Statements</i>                                                                                                                                                                             | 1 January 2013                                               | 30 June 2014                                                  |
| AASB 11 <i>Joint Arrangements</i>                                                                                                                                                                                            | 1 January 2013                                               | 30 June 2014                                                  |
| AASB 12 <i>Disclosure of Interests in Other Entities</i>                                                                                                                                                                     | 1 January 2013                                               | 30 June 2014                                                  |
| AASB 128 <i>Investments in Associates and Joint Ventures</i> (2011)                                                                                                                                                          | 1 January 2013                                               | 30 June 2014                                                  |
| AASB 13 <i>Fair Value Measurement</i> and AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i>                                                                                              | 1 January 2013                                               | 30 June 2014                                                  |
| AASB 119 <i>Employee Benefits</i> (2011) and AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119 (2011)</i>                                                                                  | 1 January 2013                                               | 30 June 2014                                                  |
| AASB 2010-8 <i>Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets</i>                                                                                                               | 1 January 2012                                               | 30 June 2013                                                  |
| AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i>                                                                                       | 1 July 2013                                                  | 30 June 2014                                                  |
| AASB 2011-7 <i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards</i>                                                                                             | 1 January 2013                                               | 30 June 2014                                                  |
| AASB 2011-9 <i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income</i>                                                                                                       | 1 July 2012                                                  | 30 June 2013                                                  |

<sup>1</sup> AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Consolidated Group's investment in the joint venture partnership will be classified as a joint venture under the new rules. As the Consolidated Group already applies the equity method in accounting for majority of investments, AASB 11 will not have any material impact on the amounts recognised in its financial statements.



### 3. Significant Accounting Policies (continued)

#### (AB)APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

##### (iii) Standards and Interpretations in issue not yet effective (continued)

| <b>Standard/Interpretation</b>                                                                         | <b>Effective for annual reporting periods beginning on or after</b> | <b>Expected to be initially applied in the financial year ending</b> |
|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------------------------|
| <i>Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)</i> | 1 January 2015                                                      | 30 June 2016                                                         |
| <i>Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)</i>                    | 1 January 2014                                                      | 30 June 2015                                                         |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

|                                                                         | NOTES | 2012<br>\$'M   | 2011<br>\$'M   |
|-------------------------------------------------------------------------|-------|----------------|----------------|
| <b>4. Revenue</b>                                                       |       |                |                |
| Sale of goods and services                                              |       | 2,256.5        | 2,154.7        |
| Product Stewardship Oil benefits                                        |       | 16.3           | 15.5           |
| Other revenue                                                           |       | 11.0           | 9.0            |
|                                                                         |       | <b>2,283.8</b> | <b>2,179.2</b> |
| <b>5. Other Income</b>                                                  |       |                |                |
| Proceeds from flood insurance claims                                    |       | 1.6            | 4.3            |
| Gain from disposals of investment in listed securities                  |       | 6.7            | 0.3            |
| Gain on disposal of property, plant and equipment                       |       | 2.5            | 0.7            |
| Other income                                                            |       | -              | 3.3            |
| Foreign currency exchange gains (net)                                   |       | 1.4            | 0.6            |
|                                                                         |       | <b>12.2</b>    | <b>9.2</b>     |
| <b>6. Net Finance Costs</b>                                             |       |                |                |
| Finance Costs                                                           |       |                |                |
| Interest on bank overdrafts and loans                                   |       | (110.2)        | (127.1)        |
| Interest on obligations under finance leases                            |       | (10.9)         | (12.1)         |
| Interest on Convertible Notes                                           |       | (12.4)         | (20.9)         |
| Total Interest                                                          |       | (133.5)        | (160.1)        |
| Amortisation of deferred borrowing costs                                |       | (10.1)         | (8.1)          |
| Amortisation of Convertible Notes                                       |       | (6.1)          | (6.6)          |
| Unwinding of discounts on provisions                                    |       | (5.8)          | (5.0)          |
| Write off of establishment costs associated with former debt facilities |       | (17.2)         | -              |
| Accelerated amortisation of Convertible Notes and redemption costs      |       | (16.5)         | -              |
|                                                                         |       | <b>(189.2)</b> | <b>(179.8)</b> |
| Finance Income                                                          |       |                |                |
| Interest revenue                                                        |       | 3.3            | 2.8            |
|                                                                         |       | <b>3.3</b>     | <b>2.8</b>     |
| <b>Net Finance Costs</b>                                                |       | <b>(185.9)</b> | <b>(177.0)</b> |
| <b>7. Impairment of Assets</b>                                          |       |                |                |
| Impairment of available-for-sale financial assets                       |       | -              | (5.2)          |
| Impairment of property, plant and equipment                             |       | -              | (50.2)         |
| Impairment of intangible assets                                         |       | -              | (291.4)        |
|                                                                         |       | <b>-</b>       | <b>(346.8)</b> |

|                                                                                      | NOTES | 2012<br>\$'M  | 2011<br>\$'M |
|--------------------------------------------------------------------------------------|-------|---------------|--------------|
| <b>8. Income Tax</b>                                                                 |       |               |              |
| (A) RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME                              |       |               |              |
| Current Tax Expense                                                                  |       |               |              |
| Current year                                                                         |       | 5.7           | 21.4         |
| Adjustments for prior years                                                          |       | (10.2)        | (4.8)        |
|                                                                                      |       | (4.5)         | 16.6         |
| Deferred Tax Expense                                                                 |       |               |              |
| Origination and reversal of temporary differences                                    |       | (7.4)         | (8.0)        |
| Adjustment recognised in the current year in relation to deferred tax of prior years |       | (11.6)        | -            |
|                                                                                      |       | (19.0)        | (8.0)        |
| <b>Income Tax Expense/(Benefit)</b>                                                  |       | <b>(23.5)</b> | <b>8.6</b>   |
| (B) NUMERICAL RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX NET PROFIT              |       |               |              |
| Profit/(loss) before tax                                                             |       | 8.7           | (271.9)      |
| Income tax using the domestic corporation tax rate of 30% (2011: 30%)                |       | 2.6           | (81.6)       |
| Increase/(decrease) in income tax expense due to:                                    |       |               |              |
| Share of associates' net profits                                                     |       | (0.9)         | (1.5)        |
| Non-deductible expenses/(non-assessable income)                                      |       | (6.1)         | (3.8)        |
| Impairment write downs                                                               |       | -             | 97.2         |
| Under/(over) provision in prior years                                                |       | (13.0)        | (4.8)        |
| Amendments to prior year tax claims                                                  |       | (8.8)         | -            |
| Repurchase of convertible notes                                                      |       | 4.5           | -            |
| Effect of different tax rates of subsidiaries operating in other jurisdictions       |       | (0.6)         | -            |
| Other                                                                                |       | (1.2)         | 3.1          |
| <b>Income Tax Expense/(Benefit)</b>                                                  |       | <b>(23.5)</b> | <b>8.6</b>   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

|                                                                                                   | NOTES | 2012<br>\$'M | 2011<br>\$'M |
|---------------------------------------------------------------------------------------------------|-------|--------------|--------------|
| <b>8. Income Tax (continued)</b>                                                                  |       |              |              |
| Deferred income tax in the Consolidated Statement of Financial Position relates to the following: |       |              |              |
| Deferred Tax Assets                                                                               |       |              |              |
| Employee benefits                                                                                 |       | 20.1         | 14.5         |
| Provisions                                                                                        |       | 33.0         | 27.2         |
| Tax losses                                                                                        |       | 17.3         | 15.2         |
| Equity raising costs                                                                              |       | 5.4          | 0.1          |
| Other                                                                                             |       | 20.0         | 12.3         |
|                                                                                                   |       | <b>95.8</b>  | <b>69.3</b>  |
| Deferred Tax Liabilities                                                                          |       |              |              |
| Property, plant and equipment                                                                     |       | 15.7         | 22.7         |
| Other                                                                                             |       | 15.6         | 12.3         |
|                                                                                                   |       | <b>31.3</b>  | <b>35.0</b>  |
| Net Deferred Tax Asset Australia                                                                  |       | 59.8         | 29.2         |
| Net Deferred Tax Asset New Zealand                                                                |       | 4.7          | 5.1          |
| <b>Total Net Deferred Tax Assets</b>                                                              |       | <b>64.5</b>  | <b>34.3</b>  |

Deferred income tax expense in the Consolidated Statement of Comprehensive Income for the year relates to the following:

|                                                                                      |               |              |
|--------------------------------------------------------------------------------------|---------------|--------------|
| Deferred Tax Assets                                                                  |               |              |
| Employee post employment benefits                                                    | (1.6)         | (1.2)        |
| Provisions                                                                           | (2.8)         | (7.1)        |
| Tax losses                                                                           | 1.7           | -            |
| Deductible transaction costs                                                         | 3.3           | (0.1)        |
| Change in fair value of cash flow hedges                                             | (4.6)         | (3.1)        |
| Other                                                                                | 0.6           | (14.7)       |
| Deferred Tax Liabilities                                                             |               |              |
| Property, plant and equipment                                                        | 0.4           | 19.4         |
| Adjustment recognised in the current year in relation to deferred tax of prior years | (11.6)        | -            |
| Other                                                                                | (4.4)         | (1.2)        |
|                                                                                      | <b>(19.0)</b> | <b>(8.0)</b> |

Deferred income tax on items charged directly to Equity for the year totalled \$9.8 million (2011: \$2.1 million), which relates to capital raising costs, cash flow hedges and asset revaluation reserve.

The Consolidated Group has recognised tax losses as a deferred tax asset in relation to the New Zealand tax jurisdiction. It is expected that sufficient profits will be generated in the future to utilise these carried forward tax losses. Refer to Note 29(E) for contingent liability disclosure around the current Taxation Authority Reviews.

|                                                                              | NOTES | 2012<br>\$'M | 2011<br>\$'M |
|------------------------------------------------------------------------------|-------|--------------|--------------|
| <b>9. Cash and Cash Equivalents</b>                                          |       |              |              |
| Cash at bank and on hand                                                     |       | 72.3         | 81.0         |
| Short-term deposits                                                          |       | 5.6          | 7.7          |
| <b>Cash and Cash Equivalents in the Consolidated Statement of Cash Flows</b> |       | <b>77.9</b>  | <b>88.7</b>  |

Cash at bank and on hand 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.

The Consolidated Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 33.

#### 10. Trade and Other Receivables

|                                       |  |              |              |
|---------------------------------------|--|--------------|--------------|
| Current                               |  |              |              |
| Trade receivables                     |  | 292.2        | 296.3        |
| Less: impairment of trade receivables |  | (5.1)        | (4.2)        |
|                                       |  | 287.1        | 292.1        |
| Other receivables                     |  | 18.5         | 18.8         |
|                                       |  | <b>305.6</b> | <b>310.9</b> |

The Consolidated Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 33.

#### 11. Current Tax Assets

|                       |   |     |
|-----------------------|---|-----|
| Income tax receivable | - | 0.7 |
|-----------------------|---|-----|

#### 12. Inventories

|                                         |              |              |
|-----------------------------------------|--------------|--------------|
| Raw materials and consumables – at cost | 21.1         | 10.9         |
| Work in progress – at cost              | 2.1          | 9.4          |
| Finished goods – at cost                | 157.4        | 117.2        |
|                                         | 180.6        | 137.5        |
| Less: provision for obsolescence        | (5.4)        | (5.9)        |
|                                         | <b>175.2</b> | <b>131.6</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

|                                                                                                                                                                                                                                                                                                           | NOTES | 2012<br>\$'M | 2011<br>\$'M |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|--------------|--------------|
| <b>13. Derivative Financial Instruments</b>                                                                                                                                                                                                                                                               |       |              |              |
| Current Assets                                                                                                                                                                                                                                                                                            |       |              |              |
| Derivatives at fair value                                                                                                                                                                                                                                                                                 |       | 0.4          | 0.1          |
|                                                                                                                                                                                                                                                                                                           |       | <b>0.4</b>   | <b>0.1</b>   |
| Current Liabilities                                                                                                                                                                                                                                                                                       |       |              |              |
| Derivatives at fair value                                                                                                                                                                                                                                                                                 |       | 83.4         | 55.8         |
|                                                                                                                                                                                                                                                                                                           |       | <b>83.4</b>  | <b>55.8</b>  |
| <p>This includes interest rate swaps amounting to \$22.5 million (2011: \$1.6 million) that are hedge accounted by the Consolidated Group. The Consolidated Group's exposure to interest rate risk and sensitivity analysis of the variable rate instruments and derivatives is disclosed in Note 33.</p> |       |              |              |
| <b>14. Other Financial Assets</b>                                                                                                                                                                                                                                                                         |       |              |              |
| Non-current                                                                                                                                                                                                                                                                                               |       |              |              |
| Other investments in listed securities at fair value                                                                                                                                                                                                                                                      |       | -            | 6.8          |
|                                                                                                                                                                                                                                                                                                           |       | <b>-</b>     | <b>6.8</b>   |
| <p>Other investments are classified as available-for-sale assets under AASB 139 <i>Financial Instruments, Recognition and Measurement</i>.</p> <p>The Consolidated Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 33.</p>                 |       |              |              |
| <b>15. Other Assets</b>                                                                                                                                                                                                                                                                                   |       |              |              |
| Prepayments                                                                                                                                                                                                                                                                                               |       | 11.7         | 10.3         |
| Other current assets                                                                                                                                                                                                                                                                                      |       | 6.6          | 3.4          |
|                                                                                                                                                                                                                                                                                                           |       | <b>18.3</b>  | <b>13.7</b>  |
| <b>16. Investments Accounted for Using the Equity Method</b>                                                                                                                                                                                                                                              |       |              |              |
| Investments in associates                                                                                                                                                                                                                                                                                 | 26A   | 27.9         | 28.1         |
|                                                                                                                                                                                                                                                                                                           |       | <b>27.9</b>  | <b>28.1</b>  |

|                                                    | NOTES | 2012<br>\$'M | 2011<br>\$'M |
|----------------------------------------------------|-------|--------------|--------------|
| <b>17. Property, Plant and Equipment</b>           |       |              |              |
| <i>LAND</i>                                        |       |              |              |
| Land at fair value                                 |       | 193.9        | 195.9        |
| <b>Net Book Value</b>                              |       | <b>193.9</b> | <b>195.9</b> |
| Movements                                          |       |              |              |
| Opening written down value                         |       | 195.9        | 191.6        |
| Additions                                          |       | -            | 9.4          |
| Disposals                                          |       | (2.2)        | -            |
| Transfer between categories                        |       | -            | 2.7          |
| Revaluation                                        |       | -            | (3.1)        |
| Deconsolidation of associate                       |       | -            | (3.6)        |
| Effect of movements in foreign exchange            |       | 0.2          | (1.1)        |
| <b>Closing Written Down Value</b>                  |       | <b>193.9</b> | <b>195.9</b> |
| <i>LANDFILL, CELL DEVELOPMENT AND REMEDIATION</i>  |       |              |              |
| Landfill and cell development                      |       | 361.3        | 311.5        |
| Provision for remediation                          |       | (125.3)      | (106.1)      |
| Provision for depreciation                         |       | (126.6)      | (89.3)       |
| <b>Net Book Value</b>                              |       | <b>109.4</b> | <b>116.1</b> |
| Movements                                          |       |              |              |
| Opening written down value                         |       | 116.1        | 160.3        |
| Additions                                          |       | 20.2         | 27.3         |
| Remediation work completed                         |       | 11.3         | 19.6         |
| Time value adjustment on remediation provision     |       | (5.8)        | (5.0)        |
| Transfer from landfill airspace                    |       | 6.4          | 6.6          |
| Change in discount rate on remediation provision   |       | (24.7)       | (15.0)       |
| Net change in assumptions in remediation provision |       | 3.6          | (12.2)       |
| Net movement in remediation asset                  |       | 19.5         | 27.2         |
| Transfer between categories                        |       | -            | 2.6          |
| Impairment of landfill land                        |       | -            | (32.6)       |
| Depreciation                                       |       | (37.3)       | (26.5)       |
| Deconsolidation of associate                       |       | -            | (37.8)       |
| Effect of movements in foreign exchange            |       | 0.1          | 1.6          |
| <b>Closing Written Down Value</b>                  |       | <b>109.4</b> | <b>116.1</b> |

The provision for remediation has been estimated using current expected costs and techniques applicable to the disturbed area. These costs have been adjusted forward to the total expected costs at the time of works being required. These costs have then been discounted to estimate the required provision at a rate of 3.0% (2011: 5.2%). Refer to Note 3(J).

The Consolidated Group has a total of 16 landfills of which 13 are in Australia and 3 in New Zealand. Of the 13 Australian landfills, 4 of these are closed. Those that are open are expected to close between 2015 and 2045. The Consolidated Group's remediation provisions are based on a 30 year post-closure period.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

|                                                      | NOTES | 2012<br>\$'M | 2011<br>\$'M |
|------------------------------------------------------|-------|--------------|--------------|
| <b>17. Property, Plant and Equipment (continued)</b> |       |              |              |
| <i>BUILDINGS</i>                                     |       |              |              |
| Buildings at fair value                              |       | 80.1         | 78.5         |
| Provision for depreciation                           |       | (4.3)        | -            |
| <b>Net Book Value</b>                                |       | <b>75.8</b>  | <b>78.5</b>  |
| Movements                                            |       |              |              |
| Opening written down value                           |       | 78.5         | 80.5         |
| Additions                                            |       | 3.2          | 6.8          |
| Disposals                                            |       | (1.8)        | -            |
| Revaluation                                          |       | -            | (1.8)        |
| Depreciation                                         |       | (4.3)        | (5.5)        |
| Deconsolidation of associate                         |       | -            | (0.4)        |
| Effect of movements in foreign exchange              |       | 0.2          | (1.1)        |
| <b>Closing Written Down Value</b>                    |       | <b>75.8</b>  | <b>78.5</b>  |
| <i>LEASEHOLD IMPROVEMENTS</i>                        |       |              |              |
| Leasehold improvements                               |       | 12.5         | 11.6         |
| Provision for depreciation                           |       | (4.1)        | (3.0)        |
| <b>Net Book Value</b>                                |       | <b>8.4</b>   | <b>8.6</b>   |
| Movements                                            |       |              |              |
| Opening written down value                           |       | 8.6          | 8.1          |
| Additions                                            |       | 1.4          | 1.7          |
| Disposals                                            |       | (0.6)        | -            |
| Transfer between categories                          |       | -            | 0.1          |
| Depreciation                                         |       | (1.1)        | (1.1)        |
| Effect of movements in foreign exchange              |       | 0.1          | (0.2)        |
| <b>Closing Written Down Value</b>                    |       | <b>8.4</b>   | <b>8.6</b>   |

|                                                      | NOTES | 2012<br>\$'M   | 2011<br>\$'M   |
|------------------------------------------------------|-------|----------------|----------------|
| <b>17. Property, Plant and Equipment (continued)</b> |       |                |                |
| <i>PLANT AND EQUIPMENT</i>                           |       |                |                |
| Plant and equipment                                  |       | 1,277.7        | 1,156.4        |
| Provision for depreciation                           |       | (725.1)        | (596.3)        |
| <b>Net Book Value</b>                                |       | <b>552.6</b>   | <b>560.1</b>   |
| Movements                                            |       |                |                |
| Opening written down value                           |       | 560.1          | 622.9          |
| Additions through business combinations              |       | -              | 0.3            |
| Additions                                            |       | 130.0          | 92.7           |
| Disposals                                            |       | (8.0)          | (10.8)         |
| Impairment of assets                                 |       | -              | (17.6)         |
| Transfer between categories                          |       | -              | 5.1            |
| Depreciation                                         |       | (128.8)        | (128.2)        |
| Deconsolidation of associate                         |       | -              | (0.9)          |
| Effect of movements in foreign exchange              |       | (0.7)          | (3.4)          |
| <b>Closing Written Down Value</b>                    |       | <b>552.6</b>   | <b>560.1</b>   |
| <i>CAPITAL WORK IN PROGRESS</i>                      |       |                |                |
| Balance at beginning of year                         |       | 70.3           | 64.6           |
| Net movement                                         |       | 25.3           | 5.7            |
| <b>Balance at End of Year</b>                        |       | <b>95.6</b>    | <b>70.3</b>    |
| <i>TOTAL PROPERTY, PLANT AND EQUIPMENT</i>           |       |                |                |
| Property, plant and equipment                        |       | 1,983.8        | 1,824.2        |
| Provision for remediation                            |       | (125.3)        | (106.1)        |
| Provision for depreciation                           |       | (822.8)        | (688.6)        |
| <b>Net Book Value</b>                                |       | <b>1,035.7</b> | <b>1,029.5</b> |
| Movements                                            |       |                |                |
| Opening written down value                           |       | 1,029.5        | 1,128.0        |
| Additions through business combinations              |       | -              | 0.3            |
| Additions                                            |       | 154.8          | 148.4          |
| Revaluation of assets                                |       | -              | (4.9)          |
| Net movement in capital work in progress             |       | 25.3           | 5.7            |
| Net movement in landfill and remediation             |       | 3.9            | 14.6           |
| Disposals                                            |       | (12.6)         | (10.8)         |
| Impairment of assets                                 |       | -              | (50.2)         |
| Transfer from landfill airspace                      |       | 6.4            | 6.6            |
| Depreciation                                         |       | (171.5)        | (161.3)        |
| Deconsolidation of associate                         |       | -              | (42.7)         |
| Effect of movements in foreign exchange              |       | (0.1)          | (4.2)          |
| <b>Closing Written Down Value</b>                    |       | <b>1,035.7</b> | <b>1,029.5</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 17. Property, Plant and Equipment (continued)

### VALUATIONS

In accordance with Note 3(J), land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation of buildings. The fair values are recognised in the Consolidated Financial Statements of the Consolidated 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.

Any revaluation increment (net of tax) is credited to the asset revaluation reserve included in the equity section of the Consolidated Statement of Financial Position. 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 Statement of Comprehensive Income. Revaluation movements are discussed in Note 24(H).

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

|                                   | NOTES | 2012<br>\$'M | 2011<br>\$'M |
|-----------------------------------|-------|--------------|--------------|
| <i>LAND (EXCLUDING LANDFILL)</i>  |       |              |              |
| Cost                              |       | 114.1        | 116.3        |
| <i>BUILDINGS</i>                  |       |              |              |
| Cost                              |       | 105.5        | 104.7        |
| Accumulated depreciation          |       | (25.9)       | (21.6)       |
| <b>Closing Written Down Value</b> |       | <b>79.6</b>  | <b>83.1</b>  |

### LEASED PLANT AND EQUIPMENT

The carrying amount of plant and equipment held under finance lease and hire purchase contracts at 30 June 2012 is \$96.5 million (2011: \$136.1 million). Finance lease assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

## 18. Intangible Assets

|                                            | NOTES | 2012<br>\$'M   | 2011<br>\$'M   |
|--------------------------------------------|-------|----------------|----------------|
| <i>GOODWILL (NET OF IMPAIRMENT LOSSES)</i> |       |                |                |
| Goodwill                                   |       | 1,900.3        | 1,892.1        |
| <b>Net Book Value</b>                      |       | <b>1,900.3</b> | <b>1,892.1</b> |
| <i>Movements</i>                           |       |                |                |
| Opening written down value                 |       | 1,892.1        | 2,158.5        |
| Additions through business combinations    |       | 0.5            | 0.2            |
| Impairment of goodwill                     |       | -              | (227.3)        |
| Effect of movements in foreign exchange    |       | 7.7            | (39.3)         |
| <b>Closing Written Down Value</b>          |       | <b>1,900.3</b> | <b>1,892.1</b> |

**18. Intangible Assets (continued)**

|                                                      | NOTES | 2012<br>\$'M   | 2011<br>\$'M   |
|------------------------------------------------------|-------|----------------|----------------|
| <i>LANDFILL AIRSPACE (NET OF IMPAIRMENT LOSSES)</i>  |       |                |                |
| Landfill airspace                                    |       | 58.0           | 64.4           |
| <b>Net Book Value</b>                                |       | <b>58.0</b>    | <b>64.4</b>    |
| Movements                                            |       |                |                |
| Opening written down value                           |       | 64.4           | 133.6          |
| Transfer to landfill land and cell development costs |       | (6.4)          | (6.6)          |
| Impairment of landfill airspace                      |       | -              | (62.6)         |
| <b>Closing Written Down Value</b>                    |       | <b>58.0</b>    | <b>64.4</b>    |
| <i>OTHER INTANGIBLES (NET OF IMPAIRMENT LOSSES)</i>  |       |                |                |
| Other intangibles                                    |       | 128.0          | 128.0          |
| Provision for amortisation                           |       | (39.1)         | (22.6)         |
| <b>Net Book Value</b>                                |       | <b>88.9</b>    | <b>105.4</b>   |
| Movements                                            |       |                |                |
| Opening written down value                           |       | 105.4          | 120.7          |
| Impairment of intangible assets                      |       | -              | (1.5)          |
| Amortisation                                         |       | (16.5)         | (13.3)         |
| Effect of movement in foreign exchange               |       | -              | (0.5)          |
| <b>Closing Written Down Value</b>                    |       | <b>88.9</b>    | <b>105.4</b>   |
| <i>TOTAL INTANGIBLES (NET OF IMPAIRMENT LOSSES)</i>  |       |                |                |
| Intangibles                                          |       | 2,086.3        | 2,084.5        |
| Provision for amortisation                           |       | (39.1)         | (22.6)         |
| <b>Net Book Value</b>                                |       | <b>2,047.2</b> | <b>2,061.9</b> |
| Movements                                            |       |                |                |
| Opening written down value                           |       | 2,061.9        | 2,412.8        |
| Acquisitions through business combinations           |       | 0.5            | 0.2            |
| Impairment of intangible assets                      |       | -              | (291.4)        |
| Transfer to landfill land and cell development costs |       | (6.4)          | (6.6)          |
| Amortisation                                         |       | (16.5)         | (13.3)         |
| Effect of movement in foreign exchange               |       | 7.7            | (39.8)         |
| <b>Closing Written Down Value</b>                    |       | <b>2,047.2</b> | <b>2,061.9</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 18. Intangible Assets (continued)

### Annual Impairment Testing

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Landfill airspace accounting and its nature is described in Note 3(J).

Other intangibles include customer contracts valued at \$10.2 million (2011: \$25.5 million) and brand names valued at \$78.6 million (2011: \$78.6 million). Contracts are amortised over their useful life. Brand names are not amortised as they are assessed as having an indefinite useful life.

### (a) Key Assumptions Used For Value-In-Use Calculations

The recoverable amounts of the CGUs have been based on value-in-use calculations. These calculations use cash flow projections based on actual operating results and financial budgets approved by the Board. The key assumptions used in the testing of these CGUs for both 2012 and 2011 financial years were as follows:

| VARIABLE                                                                | ASSUMPTION<br>2012 | ASSUMPTION<br>2011 | COMMENT                                                                                                                                                                                         |
|-------------------------------------------------------------------------|--------------------|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nominal EBITDA growth – years 1 to 5                                    | 0.0% - 6.0%        | 0.0% - 6.0%        | Based on 5 year financial plan submitted to the Board (excluding strategic objectives)                                                                                                          |
| Nominal growth rate beyond 5 year financial plan (terminal growth rate) | 3.0% - 4.0%        | 2.7% - 4.0%        | Based on forecast CPI, GDP and other macro-economic factors                                                                                                                                     |
| Discount rate                                                           | 9.0% - 10.5%       | 9.0% - 10.5%       | Discount rate is post tax for assets with comparable risk profiles. The discount rate has been based on the assets Weighted Average Cost of Capital ("WACC") adjusted to remove gearing impacts |
| Landfill operations discount rate                                       | 9.0%               | 9.0%               | Based on operations WACC                                                                                                                                                                        |
| Land sales discount rate                                                | 10.5%              | 10.5%              | Based on development WACC                                                                                                                                                                       |
| Capital expenditure                                                     | Forecast           | Forecast           | Based on 5 year plan numbers submitted to the Board (excluding strategic objectives)                                                                                                            |

## 18. Intangible Assets (continued)

### (b) Results of Impairment Testing

During the financial year ended 30 June 2012, all intangible assets were tested for impairment as required by AASB 136 *Impairment of Assets*. There were no impairment losses recognised in the Consolidated Statement of Comprehensive Income during the year (2011: \$291.5 million). No amounts were recorded in Equity. No impairment reversals were recognised.

### (c) Significant Intangible Assets

For impairment testing purposes, the CGUs with significant goodwill and indefinite life intangibles attributable to them are:

| CASH-GENERATING UNIT | 2012             |                                           | 2011             |                                           |
|----------------------|------------------|-------------------------------------------|------------------|-------------------------------------------|
|                      | GOODWILL<br>\$'M | INDEFINITE<br>LIFE<br>INTANGIBLES<br>\$'M | GOODWILL<br>\$'M | INDEFINITE<br>LIFE<br>INTANGIBLES<br>\$'M |
| Collections          | 1,130.4          | 78.6                                      | 1,130.4          | 78.6                                      |
| New Zealand          | 562.2            | -                                         | 577.5            | -                                         |
|                      | <b>1,692.6</b>   | <b>78.6</b>                               | <b>1,707.9</b>   | <b>78.6</b>                               |

There are no other individual CGUs with significant goodwill and indefinite life intangibles attributable to them. In the 2011 financial year Victoria Landfill airspace was written down to \$Nil and is now aggregated into the Landfill CGU for impairment testing purposes.

### (d) Impact of Possible Changes In Key Assumptions

#### Collections

|                                       | 2012 | 2011 |
|---------------------------------------|------|------|
| Discount rate                         | 9.0% | 9.0% |
| Nominal EBITDA growth – years 1 to 5  | 6.0% | 6.0% |
| Nominal growth rate beyond five years | 4.0% | 4.0% |

The recoverable amount of the Collections CGU (formerly called Transpacific Cleanaway) currently exceeds its carrying value by \$191.3 million (2011: \$282.5 million). This excess in recoverable amount could be reduced should changes in the following key assumptions occur:

1. Discount rate – an increase in the discount rate of over 0.7% (2011: 1.0%) would result in a reduction of the recoverable amount to below the carrying value.
2. Nominal growth rate beyond five year plan – a decrease in the growth rate beyond the initial five years of over 0.9% (2011: 1.2%) would result in a reduction of the recoverable amount to below the carrying value.
3. Nominal EBITDA growth – years 1 to 5 – a decrease in the nominal EBITDA growth rate of over 1.8% (2011: 3.4%) would result in a reduction of the recoverable amount to below the carrying value.

The potential impact of the Clean Energy Act in Australia has been included in the above analysis of key assumptions. The impact of the carbon pricing mechanism on the cash flows is based on an assumption that the carbon price remains fixed for the first 3 years. After 3 years, the Treasury model carbon prices are used and then an estimated 3% (consistent with CPI) growth is used. The Consolidated Group will pass through associated costs to customers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 18. Intangible Assets (continued)

### New Zealand

|                                       | 2012 | 2011 |
|---------------------------------------|------|------|
| Discount rate                         | 9.0% | 9.0% |
| Nominal EBITDA growth – years 1 to 5  | 5.0% | 3.9% |
| Nominal growth rate beyond five years | 3.0% | 3.0% |

The key impairment calculation drivers above resulted in an impairment loss in the 2011 financial year and as such is at breakeven. Any negative change in the underlying assumptions in the future would result in a further impairment.

|                                     | NOTES | 2012<br>\$'M | 2011<br>\$'M |
|-------------------------------------|-------|--------------|--------------|
| <b>19. Trade and Other Payables</b> |       |              |              |
| <i>CURRENT</i>                      |       |              |              |
| Trade payables                      |       | 139.6        | 80.4         |
| Other payables and accruals         |       | 151.1        | 149.1        |
| Deferred settlements                |       | -            | 0.8          |
|                                     |       | <b>290.7</b> | <b>230.3</b> |

The Consolidated Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 33.

## 20. Borrowings

### *CURRENT*

#### *UNSECURED*

|                                         |     |     |      |
|-----------------------------------------|-----|-----|------|
| Bank loans                              |     | -   | 50.0 |
| Loans to related parties and associates | 31C | 3.3 | 3.3  |
| Other                                   |     | 0.4 | 0.4  |
|                                         |     | 3.7 | 53.7 |

#### *SECURED*

|                                                                |     |              |             |
|----------------------------------------------------------------|-----|--------------|-------------|
| Obligations under finance leases and hire purchase liabilities | 29B | 36.3         | 31.5        |
| US Private Placement Notes                                     |     | 146.8        | -           |
| 6.75% Subordinated Convertible Notes                           |     | 51.3         | -           |
|                                                                |     | <b>238.1</b> | <b>85.2</b> |



## 20. Borrowings (continued)

|                                                                | NOTES | 2012<br>\$'M   | 2011<br>\$'M   |
|----------------------------------------------------------------|-------|----------------|----------------|
| <i>NON-CURRENT</i>                                             |       |                |                |
| <i>UNSECURED</i>                                               |       |                |                |
| Bank loans                                                     |       | -              | 874.7          |
| 6.75% Subordinated Convertible Notes                           |       | -              | 283.0          |
| US Private Placement Notes                                     |       | -              | 139.6          |
| Other                                                          |       | 1.0            | 1.2            |
|                                                                |       | 1.0            | 1,298.5        |
| <i>SECURED</i>                                                 |       |                |                |
| Bank loans                                                     |       | 831.3          | -              |
| Obligations under finance leases and hire purchase liabilities | 29B   | 58.1           | 107.0          |
|                                                                |       | <b>890.4</b>   | <b>1,405.5</b> |
| <b>Total Borrowings</b>                                        |       | <b>1,128.5</b> | <b>1,490.7</b> |

All borrowings are net of prepaid borrowing costs.

US Private Placement Notes and Convertible Notes have been included in current borrowings at 30 June 2012 as the holders have the right to put or have the right to redemption in September 2012 and December 2012 respectively. The Consolidated Group has the capacity to meet these commitments at their put or maturity dates by draw-downs from long-term tranches in the Syndicated Debt Facility which are available and reserved for this specific purpose.

On 27 January 2012, the Consolidated Group granted fixed and floating charge security in favour of the Syndicated Facility lenders (bank loans), USPP Note holders and Convertible Note holders.

Convertible Notes have been repurchased during the year, resulting in the following movements:

|                                            | NOTES | 2012<br>\$'M | 2011<br>\$'M |
|--------------------------------------------|-------|--------------|--------------|
| <i>CONVERTIBLE NOTES</i>                   |       |              |              |
| Opening balance                            |       | 286.3        | 279.7        |
| Reduction in principal on buy-back         |       | (255.9)      | -            |
| Acceleration of amortisation on repurchase |       | 14.8         | -            |
| Amortisation                               |       | 6.1          | 6.6          |
| <b>Closing Balance</b>                     |       | <b>51.3</b>  | <b>286.3</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 20. Borrowings (continued)

### FINANCING FACILITIES

During the financial year, the Consolidated Group completed a debt and equity refinancing comprising:

- A \$1,525 million syndicated debt facility (reduced to \$1,429 million in June 2012); and
- A \$309 million renounceable entitlement offer.

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

| FACILITY                             |                | AMOUNT          | MATURITY                      |
|--------------------------------------|----------------|-----------------|-------------------------------|
| Syndicated Facility Agreement        | 5 year tranche | \$519 million   | November 2016                 |
|                                      | 4 year tranche | \$510 million   | November 2015                 |
|                                      | 3 year tranche | \$400 million   | November 2014                 |
| US Private Placement Notes           | 5 year tenure  | US\$115 million | December 2012 <sup>(i)</sup>  |
|                                      | 10 year tenure | US\$54 million  | December 2017 <sup>(i)</sup>  |
| 6.75% Subordinated Convertible Notes |                | \$51.3 million  | December 2014 <sup>(ii)</sup> |

Interest rates are variable under the Syndicated Facility Agreement. The Consolidated Group manages its exposure to floating rate debt by economically hedging a proportion of its exposure with interest rate swaps.

The US Private Placement ("USPP") Notes have been swapped to AUD fixed rate debt to mitigate the foreign currency risk exposure arising for these borrowings.

In December 2007, the Consolidated Group issued Subordinated Convertible Notes due 7 December 2014. The notes carry a coupon of 6.75% per annum and will, unless previously converted, be redeemed at their principal amount on maturity. The conversion price of the Notes has been set at A\$14.8648 per ordinary share, subject to adjustment in accordance with the conditions. The Convertible Note holders have the right to request redemption in December 2012.

The Consolidated Group's finance facilities are summarised below:

|                                                                                                                 | NOTES | 2012<br>\$'M   | 2011<br>\$'M   |
|-----------------------------------------------------------------------------------------------------------------|-------|----------------|----------------|
| <b>DEBT FACILITIES</b>                                                                                          |       |                |                |
| Facilities available under Syndicated Facility Agreement                                                        |       | 1,429.0        | 1,435.0        |
| Facilities available under US Private Placement Notes <sup>(i)</sup>                                            |       | 169.2          | 169.2          |
| Facilities available under Convertible Notes <sup>(ii)</sup>                                                    |       | 51.3           | 309.1          |
| <b>Total facilities</b>                                                                                         |       | <b>1,649.5</b> | <b>1,913.3</b> |
| Facilities utilised at balance date for bank loans, guarantees and Notes                                        |       | (1,309.0)      | (1,672.3)      |
| Facilities available for known maturities for US Private Placement Notes and Convertible Notes <sup>(iii)</sup> |       | (166.6)        | -              |
| <b>Facilities Not Utilised at Balance Date</b>                                                                  |       | <b>173.9</b>   | <b>241.0</b>   |

Facilities used at balance date include \$130.9 million (2011: \$133.4 million) in guarantees, and letters of credit which are not included in the Consolidated Statement of Financial Position.

<sup>(i)</sup> USPP lenders have the right to put the debt back to the Consolidated Group as at September 2012.

<sup>(ii)</sup> Convertible Note holders have the right to request redemption in December 2012.

<sup>(iii)</sup> \$166.6 million is to be utilised for the known maturities of the Convertible Notes and 5 year USPP Notes which have the right to put or have the right to redemption in September 2012 and December 2012 respectively.

## 21. Provisions

|                                     | NOTES | 2012<br>\$'M | 2011<br>\$'M |
|-------------------------------------|-------|--------------|--------------|
| <i>CURRENT</i>                      |       |              |              |
| Provision for Warranties            |       |              |              |
| Balance at beginning of year        |       | 5.7          | 5.3          |
| Provisions made during the year     |       | 7.8          | 5.2          |
| Provisions used during the year     |       | (6.4)        | (4.8)        |
| Provisions reversed during the year |       | (0.3)        | -            |
| <b>Balance at End of Year</b>       |       | <b>6.8</b>   | <b>5.7</b>   |
| Provision – Other                   |       |              |              |
| Balance at beginning of year        |       | 19.7         | 15.3         |
| Provisions made during the year     |       | 31.2         | 24.6         |
| Provisions used during the year     |       | (27.6)       | (16.9)       |
| Provisions reversed during the year |       | (2.4)        | (3.3)        |
| <b>Balance at End of Year</b>       |       | <b>20.9</b>  | <b>19.7</b>  |
| Total Current Provisions            |       |              |              |
| Balance at beginning of year        |       | 25.4         | 20.6         |
| Provisions made during the year     |       | 39.0         | 29.8         |
| Provisions used during the year     |       | (34.0)       | (21.7)       |
| Provisions reversed during the year |       | (2.7)        | (3.3)        |
| <b>Balance at End of Year</b>       |       | <b>27.7</b>  | <b>25.4</b>  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 21. Provisions (continued)

### WARRANTIES

The provision for warranties relates mainly to the Commercial Vehicles Division warranties for vehicles sold. The provision is based on estimates made from historical warranty data associated with similar services.

### OTHER PROVISIONS

Included in other provisions is an amount of \$6.2 million (2011: \$4.7 million) in relation to workers compensation self-insurance of the Consolidated Group in Australia under the Comcare scheme. The workers compensation self-insurance provision is reassessed annually based on actuarial advice.

Other provisions also includes amounts for vehicle dealer support and floor plan interest and operating lease property make-good.

## 22. Other Liabilities

|                 | NOTES | 2012<br>\$'M | 2011<br>\$'M |
|-----------------|-------|--------------|--------------|
| Deferred income |       | 19.1         | 21.1         |
|                 |       | <b>19.1</b>  | <b>21.1</b>  |

Deferred income relates to prepaid waste collection amounts not yet serviced and goods not yet supplied.

## 23. Share Based Payments

On 1 June 2010, 3 September 2010, 28 September 2011 and 2 November 2011 the Consolidated Group issued Performance Rights attached to a LTIP. On 1 June 2010 the Consolidated Group issued Performance Rights attached to an EEA. The 2010 and 2011 LTIP and the EEA are exercisable in one tranche if certain performance standards are met. The 2012 LTIP are exercisable in two tranches if certain performance standards are met.

The vesting of the Performance Rights issued under the EEA is conditional upon the participant being employed at vesting date (30 June 2015), and will vest at various percentages based on the Company's ordinary share price at that date as follows:

| 20 DAY VWAP      | PERCENTAGE OF<br>PERFORMANCE RIGHTS<br>VESTING |
|------------------|------------------------------------------------|
| Less than \$3.00 | 0%                                             |
| \$3.00           | 50%                                            |
| \$4.50           | 100%                                           |
| \$6.00           | 200%                                           |
| \$9.00 or more   | 300%                                           |

### 23. Share Based Payments (continued)

The 2010 and 2011 LTIP will vest if the following performance hurdles are met:

- The Company achieves a TSR ranking of equal to or greater than the 50<sup>th</sup> percentile of the TSR of the S&P/ASX 200 Industrial Sector Index (excluding companies involved in resources or mining); and
- If the TSR ranking is achieved and the Consolidated Group achieves certain EPS growth targets. The percentage of Performance Rights that will vest is as set out in the table below:

| UNDERLYING EPS GROWTH HURDLE     | PROPORTION OF PERFORMANCE RIGHTS THAT MAY BE EXERCISED IF TSR HURDLE IS MET |                                            |
|----------------------------------|-----------------------------------------------------------------------------|--------------------------------------------|
|                                  | 2010 OFFER                                                                  | 2011 OFFER                                 |
| < 15% annualised EPS growth      | 0%                                                                          | 0%                                         |
| 15% annualised EPS growth        | 50%                                                                         | 50%                                        |
| 15% to 20% annualised EPS growth | Straight line vesting between 50% and 75%                                   | Straight line vesting between 50% and 75%  |
| 20% to 25% annualised EPS growth | Straight line vesting between 75% and 100%                                  | Straight line vesting between 75% and 100% |
| <b>PERFORMANCE PERIOD</b>        | <b>1 July 2010 to 30 June 2012</b>                                          | <b>1 July 2010 to 30 June 2013</b>         |

The 2012 LTIP will vest in two equal tranches based if the following performance hurdles are met:

- Tranche 1 – 50% of the Performance Rights vest if the Company achieves a relative TSR of equal to or greater than the 50<sup>th</sup> percentile of the TSR of the S&P/ASX 200 Industrial Sector Index (excluding companies involved in resources or mining).
- Tranche 2 – 50% of the Performance Rights vest if the Company achieves certain EPS growth targets. The percentage of performance targets which will vest under this tranche is as set out in the table below.

| UNDERLYING EPS GROWTH HURDLE     | PROPORTION OF TRANCHE 2 PERFORMANCE RIGHTS THAT MAY BE EXERCISED IF EPS HURDLE IS MET |  |
|----------------------------------|---------------------------------------------------------------------------------------|--|
|                                  | 2012 OFFER                                                                            |  |
| < 15% annualised EPS growth      | 0%                                                                                    |  |
| 15% annualised EPS growth        | 50%                                                                                   |  |
| 15% to 20% annualised EPS        | Straight line vesting between 50% and 75%                                             |  |
| 20% to 25% annualised EPS growth | Straight line vesting between 75% and 100%                                            |  |
| <b>PERFORMANCE PERIOD</b>        | <b>1 July 2011 to 30 June 2015</b>                                                    |  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 23. Share Based Payments (continued)

During the 2011 year the Consolidated Group issued Performance Rights which vested on 30 June 2012 under the terms of the Transpacific Industries Group STI.

The following Performance Rights have been issued during the 2012 and 2011 years:

| DATE GRANTED                       | FIRST EXERCISE DATE ON OR AFTER                 | EXPIRY DATE                        | NUMBER GRANTED 2012 | NUMBER GRANTED 2011 |
|------------------------------------|-------------------------------------------------|------------------------------------|---------------------|---------------------|
| Issue (3) 3 September 2010 – LTIP  | Release of results for year ending 30 June 2013 | Six months following exercise date | -                   | 3,968,010           |
| Issue (4) 23 December 2010 – AIP   | 30 June 2012                                    | Six months following exercise date | -                   | 450,306             |
| Issue (5) 30 September 2011 – LTIP | Release of results for year ending 30 June 2015 | Six months following exercise date | 3,852,943           | -                   |
| Issue (6) 2 November 2011 – LTIP   | Release of results for year ending 30 June 2013 | Six months following exercise date | 337,500             | -                   |
| Issue (7) 2 November 2011 – LTIP   | Release of results for year ending 30 June 2015 | Six months following exercise date | 888,158             | -                   |

The number and weighted average exercise prices of share options and Performance Rights are as follows:

|                                             | NUMBER OF<br>OPTIONS AND<br>PERFORMANCE<br>RIGHTS 2012 | NUMBER OF<br>OPTIONS AND<br>PERFORMANCE<br>RIGHTS 2011 |
|---------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|
| Outstanding at the beginning of the period  | 14,087,409                                             | 18,663,163                                             |
| Granted during the period                   | 5,078,601                                              | 4,418,316                                              |
| Exercised during the period                 | -                                                      | -                                                      |
| Cancelled/lapsed during the period          | (3,393,181)                                            | (8,994,070)                                            |
| <b>Outstanding at the end of the period</b> | <b>15,772,829</b>                                      | <b>14,087,409</b>                                      |
| <b>Represents:</b>                          |                                                        |                                                        |
| - Options                                   | -                                                      | 1,771,500                                              |
| - Performance Rights                        | 15,772,829                                             | 12,315,909                                             |
|                                             | <b>15,772,829</b>                                      | <b>14,087,409</b>                                      |
| <b>Exercisable at the End of the Period</b> | <b>-</b>                                               | <b>-</b>                                               |

There were no options outstanding at 30 June 2012 as all options have now lapsed. The share options outstanding at 30 June 2011 had an exercise price in the range of \$3.55 to \$13.06 with a weighted average exercise price of \$8.81 in 2011.

### 23. Share Based Payments (continued)

Total share-based payment expense included in the Consolidated Statement of Comprehensive Income is set out in Note 24(G).

The Performance Rights granted as part of the STI have been valued at the share price on the date of issue as they have a zero exercise price. All other parameters remain consistent to those below.

All other Performance Rights granted during the year were fair valued by an external party using a Monte-Carlo simulation. The following table sets out the assumptions made in determining the value of these Performance Rights:

|                             | <b>LTIP</b><br><b>2,613,063</b><br><b>01/06/10</b> | <b>LTIP</b><br><b>3,968,010</b><br><b>03/09/10</b> | <b>EEA</b><br><b>9,945,265</b><br><b>01/06/10</b> | <b>LTIP</b><br><b>4,741,101</b><br><b>30/09/11</b> |
|-----------------------------|----------------------------------------------------|----------------------------------------------------|---------------------------------------------------|----------------------------------------------------|
| Vesting period              | August 2012                                        | August 2013                                        | June 2015                                         | August 2015                                        |
| Measurement period (years)  | 2.1                                                | 2.8                                                | 5.1                                               | 3.8                                                |
| Risk free interest rate (%) | 4.92%                                              | 4.95%                                              | 5.38%                                             | 4.36%                                              |
| Volatility (%)              | 68.34%                                             | 64.51%                                             | 54.94%                                            | 68.53%                                             |
| Fair value                  | \$0.89                                             | \$0.85                                             | \$1.34                                            | \$0.54                                             |

The following Option arrangements were in existence during the current and comparative reporting periods:

| <b>DATE GRANTED</b>         | <b>FIRST<br/>EXERCISE DATE<br/>ON OR AFTER</b> | <b>EXPIRY DATE</b> | <b>EXERCISE<br/>PRICE</b> | <b>NUMBER<br/>UNDER<br/>OPTION<br/>2012</b> | <b>NUMBER<br/>UNDER<br/>OPTION<br/>2011</b> |
|-----------------------------|------------------------------------------------|--------------------|---------------------------|---------------------------------------------|---------------------------------------------|
| <i>OPTIONS</i>              |                                                |                    |                           |                                             |                                             |
| Issue (10) 12 March 2007    | 31 August 2008                                 | 31 July 2011       | \$9.98                    | -                                           | 70,000                                      |
| Issue (12) 3 May 2007       | 31 August 2008                                 | 31 July 2011       | \$12.51                   | -                                           | 50,000                                      |
| Issue (13) 16 May 2007      | 31 August 2008                                 | 31 July 2011       | \$13.06                   | -                                           | 425,000                                     |
| Issue (14) 22 October 2007  | 31 August 2008                                 | 31 July 2011       | \$11.15                   | -                                           | 145,000                                     |
| Issue (15) 11 February 2008 | 31 August 2009                                 | 31 July 2011       | \$7.96                    | -                                           | 801,500                                     |
| Issue (17) 6 November 2008  | 31 August 2009                                 | 31 July 2012       | \$3.55                    | -                                           | 280,000                                     |

All options under the Option Plan have lapsed as vesting conditions were not met. The Options with an expiry date of 31 July 2012 were cancelled on 23 August 2011.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 24. Equity

### (A) ISSUED CAPITAL

|                                         | 2012<br>\$'M   | 2011<br>\$'M   |
|-----------------------------------------|----------------|----------------|
| Ordinary shares – issued and fully paid | 2,070.5        | 1,770.0        |
| Convertible Notes equity component      | 51.6           | 51.6           |
|                                         | <b>2,122.1</b> | <b>1,821.6</b> |

### (B) MOVEMENTS IN ORDINARY SHARES

|                                                | 2012                 |                | 2011                |                |
|------------------------------------------------|----------------------|----------------|---------------------|----------------|
|                                                | NUMBER<br>OF SHARES  | \$'M           | NUMBER<br>OF SHARES | \$'M           |
| Balance at the beginning of year               | 960,638,735          | 1,770.0        | 960,638,735         | 1,770.0        |
| Issued during financial year:                  |                      |                |                     |                |
| - shares issued for equity raising             | 617,570,290          | 308.8          | -                   | -              |
| - transaction costs (net of \$3.6 million tax) | -                    | (8.3)          | -                   | -              |
| <b>Balance at End of Year</b>                  | <b>1,578,209,025</b> | <b>2,070.5</b> | <b>960,638,735</b>  | <b>1,770.0</b> |

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.

### (C) MOVEMENTS IN STEP-UP PREFERENCE SECURITIES

|                                  | 2012               |              | 2011               |              |
|----------------------------------|--------------------|--------------|--------------------|--------------|
|                                  | NUMBER<br>OF UNITS | \$'M         | NUMBER<br>OF UNITS | \$'M         |
| Balance at the beginning of year | 2,500,000          | 249.8        | 2,500,000          | 249.8        |
| <b>Balance at End of Year</b>    | <b>2,500,000</b>   | <b>249.8</b> | <b>2,500,000</b>   | <b>249.8</b> |

The rights of SPS holders to payments rank ahead of ordinary shareholders and have no fixed repayment date.

Distributions on the SPS are discretionary, payable semi-annually, non-cumulative and payable on the 180 day bank bill swap reference rate plus a margin.

## 24. Equity (continued)

### (C) MOVEMENTS IN STEP-UP PREFERENCE SECURITIES (CONTINUED)

Where a distribution on SPS is not paid, the Company may not declare or pay any dividends on ordinary shares until such time as an amount equivalent to unpaid distributions in the past 12 months have been paid, all SPS have been redeemed or exchanged, or a special resolution of the SPS holders has been passed approving such action.

On 1 October 2011 the distribution on the SPS preference securities was “stepped up”. As a result, the distribution margin has increased from 3.5% to 6.0% with effect from the distribution period ended 31 March 2012.

While the SPS have no fixed maturity date, the Trust retains the ability to redeem or convert the SPS at subsequent distribution payment dates.

### (D) CAPITAL MANAGEMENT

When managing capital, management's objective is to ensure that the Consolidated Group uses a mix of funding options, with the objectives of optimising returns to security holders and prudent risk management.

During the financial year, the Consolidated Group completed a debt and equity refinancing comprising:

- A \$1,525 million syndicated debt facility (reduced to \$1,429 million in June 2012); and
- A \$309 million renounceable entitlement offer.

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

| <i>FACILITY</i>                      |                | <i>AMOUNT</i>   | <i>MATURITY</i>               |
|--------------------------------------|----------------|-----------------|-------------------------------|
| Syndicated Facility Agreement        | 5 year tranche | \$519 million   | November 2016                 |
|                                      | 4 year tranche | \$510 million   | November 2015                 |
|                                      | 3 year tranche | \$400 million   | November 2014                 |
| US Private Placement notes           | 5 year tenure  | US\$115 million | December 2012 <sup>(i)</sup>  |
|                                      | 10 year tenure | US\$54 million  | December 2017 <sup>(i)</sup>  |
| 6.75% Subordinated Convertible notes |                | \$51.3 million  | December 2014 <sup>(ii)</sup> |

### (E) DIVIDEND REINVESTMENT PLAN

The Company has established a Dividend Reinvestment Plan (“DRP”) under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash. Shares are issued under the DRP at the 15 trading day volume weighted average price (VWAP) from the second trading day after the record date. The Company has not declared any dividends payable for the 2012 and 2011 financial year.

### (F) SHARE OPTIONS AND PERFORMANCE RIGHTS

The details of the Long Term Incentive Plan and Executive Engagement Award are set out at Note 23.

<sup>(i)</sup> The USPP lenders have the right to put the debt back to the Consolidated Group as at September 2012.

<sup>(ii)</sup> The Convertible note holders have the right to request redemption in December 2012.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 24. Equity (continued)

### (G) WARRANTS

On 26 October 2011, the Company announced a pro rata accelerated renounceable entitlement offer to current shareholders of the Issuer. At the time of the offer, the Issuer had 71,637,326 equity warrants on issue and the exercise price for the warrants was \$1.20 per warrant. This triggered a dilutive event effective 31 October 2011. An adjustment was made to the warrants issued under the Equity Warrant Deed where the underlying entitlement was adjusted to 1.076 of the warrants on issue. As a result, the total warrants on issue are now 77,081,763 warrants. The exercise price is now \$1.12 (subject to certain dilutive events).

The warrants are exercisable in three tranches as follows:

- 25,693,921 warrants exercisable from 5 August 2010;
- 25,693,921 warrants exercisable from 1 July 2011; and
- 25,693,921 warrants exercisable from 1 July 2012.

The warrants expire on 30 June 2014.

### (H) RESERVES

|                                      | NOTES | 2012<br>\$'M | 2011<br>\$'M |
|--------------------------------------|-------|--------------|--------------|
| Foreign currency translation reserve |       | (90.6)       | (101.1)      |
| Asset revaluation reserve            |       | 33.5         | 35.2         |
| Warrants reserve                     |       | 60.9         | 60.9         |
| Hedging reserve                      |       | (15.9)       | (3.8)        |
| Employee equity benefits reserve     |       | 4.4          | 3.7          |
|                                      |       | <b>(7.7)</b> | <b>(5.1)</b> |

#### *Foreign Currency Translation Reserve*

##### Nature and Purpose of Reserve

The foreign currency translation reserve is used to record differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the net investment hedged in these securities.

##### Movements

|                                       |               |                |
|---------------------------------------|---------------|----------------|
| Foreign currency translation reserve: |               |                |
| Balance at beginning of year          | (101.1)       | (43.4)         |
| Exchange differences taken to Equity  | 10.5          | (57.7)         |
| <b>Balance at End of Year</b>         | <b>(90.6)</b> | <b>(101.1)</b> |

## 24. Equity (continued)

### (H) RESERVES (CONTINUED)

#### *Asset Revaluation Reserve*

##### *Nature and Purpose of Reserve*

The asset revaluation reserve is used to record revaluations of non-current assets (including non landfill land and buildings and listed company investments).

|                                                                   | NOTES | 2012<br>\$'M | 2011<br>\$'M |
|-------------------------------------------------------------------|-------|--------------|--------------|
| <b>Movements</b>                                                  |       |              |              |
| Asset revaluation reserve:                                        |       |              |              |
| Non landfill land and buildings                                   |       | 33.8         | 36.7         |
| Available-for-sale assets (listed company securities)             |       | 1.4          | 2.7          |
| Balance at beginning of year                                      |       | 35.2         | 39.4         |
| Transfer to retained earnings                                     |       | (0.3)        | -            |
| Revaluation of non landfill land and buildings (net of \$Nil tax) |       | -            | (2.9)        |
| Revaluation of available-for-sale assets (net of \$Nil tax)       |       | 5.3          | -            |
| Gain from disposal of investment in listed securities             |       | (6.7)        | (1.3)        |
| <b>Balance at End of Year</b>                                     |       | <b>33.5</b>  | <b>35.2</b>  |
| <b>Attributable to</b>                                            |       |              |              |
| Non landfill land and buildings                                   |       | 33.5         | 33.8         |
| Available-for-sale assets (listed company securities)             |       | -            | 1.4          |
| <b>Total</b>                                                      |       | <b>33.5</b>  | <b>35.2</b>  |

#### *Warrants Reserve*

##### *Nature and Purpose of Reserve*

The warrants reserve is used to record revaluations of warrants issued on recapitalisation.

##### *Movements*

|                               |  |             |             |
|-------------------------------|--|-------------|-------------|
| Warrants reserve:             |  |             |             |
| Balance at beginning of year  |  | 60.9        | 60.9        |
| Warrants issued               |  | -           | -           |
| Revaluation                   |  | -           | -           |
| <b>Balance at End of Year</b> |  | <b>60.9</b> | <b>60.9</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 24. Equity (continued)

### (H) RESERVES (CONTINUED)

#### *Hedging Reserve*

#### Nature and Purpose of Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedge transactions that have not yet occurred.

|                                                                                                                       | NOTES | 2012<br>\$'M  | 2011<br>\$'M |
|-----------------------------------------------------------------------------------------------------------------------|-------|---------------|--------------|
| <b>Movements</b>                                                                                                      |       |               |              |
| Hedging reserve:                                                                                                      |       |               |              |
| Balance at beginning of year                                                                                          |       | (3.8)         | (0.9)        |
| Transfer to Statement of Comprehensive Income (net of \$1.0 million tax)                                              |       | 2.5           | -            |
| Net gain arising from changes in fair value of hedging instruments (net of \$3.2 million tax (2011: \$2.6 million))   |       | 7.5           | 6.2          |
| Net (loss) arising from changes in fair value of hedging instruments (net of \$9.5 million tax (2011: \$3.9 million)) |       | (22.1)        | (9.1)        |
| <b>Balance at End of Year</b>                                                                                         |       | <b>(15.9)</b> | <b>(3.8)</b> |

#### *Employee Equity Benefits Reserve*

#### Nature and Purpose of 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 23 for further details of these plans.

#### Movements

|                                   |  |            |            |
|-----------------------------------|--|------------|------------|
| Employee equity benefits reserve: |  |            |            |
| Balance at beginning of year      |  | 3.7        | 0.9        |
| Share based payment expense       |  | 1.3        | 2.8        |
| Transfer to retained earnings     |  | (0.6)      | -          |
| <b>Balance at End of Year</b>     |  | <b>4.4</b> | <b>3.7</b> |

### (I) DIVIDENDS AND DISTRIBUTIONS

There were no dividends provided or paid on ordinary shares during the 2012 or 2011 reporting years.

## 24. Equity (continued)

### (I) DIVIDENDS AND DISTRIBUTIONS (CONTINUED)

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

|                                                                       | 2012                  |             | 2011                  |             |
|-----------------------------------------------------------------------|-----------------------|-------------|-----------------------|-------------|
|                                                                       | AMOUNT PER SHARE/UNIT | TOTAL \$'M  | AMOUNT PER SHARE/UNIT | TOTAL \$'M  |
| <i>Step-up Preference Securities</i>                                  |                       |             |                       |             |
| Distribution period ended 30 September: fully franked at 30% tax rate | \$2.97                | 7.4         | \$2.87                | 7.2         |
| Distribution period ended 31 March: fully franked at 30% tax rate     | \$3.69                | 9.2         | \$3.00                | 7.5         |
| <b>Total Distribution Paid</b>                                        |                       | <b>16.6</b> |                       | <b>14.7</b> |

After the reporting date the following distribution was proposed by the Directors. The distribution has not been provided for.

#### **Proposed for :**

##### *Step-up Preference Securities*

|                                                                       |        |     |        |     |
|-----------------------------------------------------------------------|--------|-----|--------|-----|
| Distribution period ended 30 September: fully franked at 30% tax rate | \$3.60 | 9.0 | \$2.97 | 7.4 |
|-----------------------------------------------------------------------|--------|-----|--------|-----|

### (J) FRANKING CREDIT BALANCE

|                                                              | 2012<br>\$'M | 2011<br>\$'M |
|--------------------------------------------------------------|--------------|--------------|
| 30% franking credits available to subsequent financial years | 31.2         | 44.3         |

The above 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 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.

### (K) RETAINED EARNINGS

|                                                         |                |                |
|---------------------------------------------------------|----------------|----------------|
| Retained earnings at beginning of year                  | (231.7)        | 64.8           |
| Net profit attributable to members of the Parent entity | 12.5           | (296.5)        |
| Transfer from asset revaluation reserve                 | 0.3            | -              |
| Transfer from employee equity benefits reserve          | 0.6            | -              |
| <b>Retained Earnings at End of Year</b>                 | <b>(218.3)</b> | <b>(231.7)</b> |

### (L) NON-CONTROLLING INTEREST

|                    |            |            |
|--------------------|------------|------------|
| Contributed equity | 2.3        | 1.4        |
| Retained earnings  | 3.1        | 0.4        |
|                    | <b>5.4</b> | <b>1.8</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 25. Consolidated Entities

| ENTITY                                                  | COUNTRY OF<br>INCORPORATION | 2012<br>% | 2011<br>% |
|---------------------------------------------------------|-----------------------------|-----------|-----------|
| Transpacific Industries Group Ltd – Parent              | Australia                   |           |           |
| Transpacific Securities Pty Ltd                         | Australia                   | 100       | 100       |
| Transpacific SPS Trust                                  | Australia                   | 100       | 100       |
| Transpacific Sustain Pty Ltd                            | Australia                   | 100       | 100       |
| Transpacific Innovations Pty Ltd                        | Australia                   | 100       | 100       |
| Transpacific Co Pty Ltd <sup>(ii)</sup>                 | Australia                   | 100       | 100       |
| Transpacific Resources Pty Ltd <sup>(ii)</sup>          | Australia                   | 100       | 100       |
| Environmental Recovery Services Pty Ltd <sup>(ii)</sup> | Australia                   | 100       | 100       |
| ERS Australia Pty Ltd <sup>(ii)</sup>                   | Australia                   | 100       | 100       |
| Kleenparts Pty Ltd                                      | Australia                   | 100       | 100       |
| Transpacific Energy Pty Ltd                             | Australia                   | 100       | 100       |
| Transpacific Oil Pty Ltd                                | Australia                   | 100       | 100       |
| ERS Singapore Pte Ltd                                   | Singapore                   | 100       | 100       |
| ERS Taiwan Ltd                                          | Taiwan                      | 100       | 100       |
| Transpacific Industries Pty Ltd <sup>(ii)</sup>         | Australia                   | 100       | 100       |
| Associated Oils Pty Ltd                                 | Australia                   | 100       | 100       |
| ATS Developments Pty Ltd                                | Australia                   | 100       | 100       |
| Australian Pollution Engineering Pty Ltd                | Australia                   | 100       | 100       |
| Australian Resource Recovery Pty Ltd                    | Australia                   | 100       | 100       |
| Australian Terminal Services Pty Ltd                    | Australia                   | 100       | 100       |
| L V Rawlinson & Associates Pty Ltd                      | Australia                   | 100       | 100       |
| Mann Waste Management Pty Ltd                           | Australia                   | 100       | 100       |
| Nationwide Oil Pty Ltd <sup>(ii)</sup>                  | Australia                   | 100       | 100       |
| Oil & Fuel Salvaging (Qld) Pty Ltd                      | Australia                   | 100       | 100       |
| NQ Resource Recovery Pty Ltd <sup>(ii)</sup>            | Australia                   | 100       | 100       |
| Olmway Pty Ltd <sup>(i)</sup>                           | Australia                   | 50        | 50        |
| QORS Pty Ltd                                            | Australia                   | 100       | 100       |
| Solidsep Pty Ltd                                        | Australia                   | 100       | 100       |
| Transpacific Biofuels Pty Ltd <sup>(i)</sup>            | Australia                   | 50        | 50        |
| Transpacific Bituminous Products Pty Ltd                | Australia                   | 100       | 100       |
| Transpacific Environmental Services Pty Ltd             | Australia                   | 51        | 51        |
| Transpacific Manufacturing Systems P/L                  | Australia                   | 100       | 100       |
| Transpacific Refiners Pty Ltd <sup>(i)</sup>            | Australia                   | 50        | 50        |
| Transpacific Superior Pak Pty Ltd <sup>(ii)</sup>       | Australia                   | 100       | 100       |
| Transwaste Technologies (1) Pty Ltd                     | Australia                   | 100       | 100       |
| Transwaste Technologies Pty Ltd <sup>(ii)</sup>         | Australia                   | 100       | 100       |
| Transpacific Baxter Pty Ltd <sup>(ii)</sup>             | Australia                   | 100       | 100       |
| A J Baxter Pty Ltd                                      | Australia                   | 100       | 100       |
| Baxter Business Pty Ltd <sup>(ii)</sup>                 | Australia                   | 100       | 100       |
| Baxter Recyclers Pty Ltd                                | Australia                   | 100       | 100       |

<sup>(i)</sup> Wholly-owned subsidiaries of the Company have management control and the casting vote of Transpacific Refiners Pty Ltd, Olmway Pty Ltd, and Transpacific Biofuels Pty Ltd and thus the Company has the capacity to dominate decision making in relation to the financial and operating policies so as to enable those entities to operate as part of the Consolidated Group in pursuing its objectives.

<sup>(ii)</sup> These wholly owned subsidiaries have entered into a deed of cross guarantee with Transpacific Industries Group Ltd 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.



## 25. Consolidated Entities (continued)

| ENTITY                                                    | COUNTRY OF INCORPORATION | 2012 | 2011 |
|-----------------------------------------------------------|--------------------------|------|------|
|                                                           |                          | %    | %    |
| Transpacific Cleanaway Pty Ltd <sup>(i)</sup>             | Australia                | 100  | 100  |
| Enviroguard Pty Ltd <sup>(ii)</sup>                       | Australia                | 100  | 100  |
| Getabin Pty Ltd                                           | Australia                | 100  | 100  |
| Transpacific Cleanaway Hygiene Pty Ltd                    | Australia                | 100  | 70   |
| Transpacific Collections Pty Ltd                          | Australia                | 100  | 100  |
| Transpacific Recycling Pty Ltd                            | Australia                | 100  | 100  |
| Transpacific Ventures Pty Ltd                             | Australia                | 100  | 100  |
| Transpacific Industrial Solutions Pty Ltd <sup>(ii)</sup> | Australia                | 100  | 100  |
| ACN 122 808 324 Pty Ltd                                   | Australia                | 100  | 100  |
| Transpacific Industries Holdings Pty Ltd                  | Australia                | 100  | 100  |
| Transpacific Paramount Services Pty Ltd                   | Australia                | 100  | 100  |
| Transpacific Waste Management Pty Ltd <sup>(ii)</sup>     | Australia                | 100  | 100  |
| Ashrye Pty Ltd                                            | Australia                | 100  | 100  |
| Clarinda Landfill Pty Ltd                                 | Australia                | 100  | 100  |
| Max T Pty Ltd                                             | Australia                | 100  | 100  |
| Rubus Holdings Pty Ltd <sup>(ii)</sup>                    | Australia                | 100  | 100  |
| Rubus Intermediate One Pty Ltd <sup>(ii)</sup>            | Australia                | 100  | 100  |
| Rubus Intermediate Two Pty Ltd <sup>(ii)</sup>            | Australia                | 100  | 100  |
| Transpacific Cleanaway Holdings Pty Ltd <sup>(ii)</sup>   | Australia                | 100  | 100  |
| Transpacific Resource Recycling Pty Ltd                   | Australia                | 100  | 100  |
| Waste Management Pacific (SA) Pty Ltd                     | Australia                | 100  | 100  |
| Waste Management Pacific Pty Ltd <sup>(ii)</sup>          | Australia                | 100  | 100  |
| Western Star Trucks Australia Pty Ltd <sup>(ii)</sup>     | Australia                | 100  | 100  |
| MAN Automotive Imports (NZ) Ltd                           | New Zealand              | 100  | 100  |
| Man Automotive Imports Pty Ltd <sup>(ii)</sup>            | Australia                | 100  | 100  |
| Man Imports Pty Ltd                                       | Australia                | 100  | 100  |
| Western Star Truck Centre Trust                           | Australia                | 100  | 100  |
| Transpacific Industries Group Finance (NZ) Ltd            | New Zealand              | 100  | 100  |
| ERS New Zealand Ltd                                       | New Zealand              | 100  | 100  |
| Healthcare Waste Ltd                                      | New Zealand              | 100  | 100  |
| Transpacific Technical Services (NZ) Ltd                  | New Zealand              | 100  | 100  |
| Transpacific Industries Group (NZ) Ltd                    | New Zealand              | 100  | 100  |
| Burwood Resource Recovery Park Ltd <sup>(iii)</sup>       | New Zealand              | -    | 100  |
| Canterbury Material Recovery Facilities Ltd               | New Zealand              | 100  | 100  |
| Canterbury Waste Services Ltd                             | New Zealand              | 100  | 100  |
| Eastern Bins Ltd                                          | New Zealand              | 100  | 100  |
| Get-A-Bin Ltd                                             | New Zealand              | 100  | 100  |
| Otago Waste Services Ltd                                  | New Zealand              | 100  | 100  |
| Recycle New Zealand Ltd                                   | New Zealand              | 100  | 100  |
| Superior Pak NZ Ltd                                       | New Zealand              | 100  | 100  |

<sup>(i)</sup> These wholly owned subsidiaries have entered into a deed of cross guarantee with Transpacific Industries Group Ltd 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.

<sup>(iii)</sup> On 29 February 2012, Burwood Resource Recovery Park Ltd was sold to Transwaste Canterbury Ltd.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 25. Consolidated Entities (continued)

| ENTITY                                     | COUNTRY OF INCORPORATION | 2012<br>% | 2011<br>% |
|--------------------------------------------|--------------------------|-----------|-----------|
| Tartan Industries Ltd                      | New Zealand              | 100       | 100       |
| The Wheelibin Company Ltd                  | New Zealand              | 100       | 100       |
| Transpacific Collections Ltd               | New Zealand              | 100       | 100       |
| Transpacific Industrial Solutions (NZ) Ltd | New Zealand              | 100       | 100       |
| Transpacific Recycling Ltd                 | New Zealand              | 100       | 100       |
| Transpacific Waste Management Ltd          | New Zealand              | 100       | 100       |
| Waste Management Ltd                       | New Zealand              | 100       | 100       |
| Waste Care Ltd                             | New Zealand              | 100       | 100       |
| Waste Disposal Services Ltd                | New Zealand              | 100       | 100       |
| Transpacific All-Brite Ltd                 | New Zealand              | 100       | 100       |
| Flexi-Bin Ltd                              | New Zealand              | 100       | 100       |
| General Rubbish Collection Ltd             | New Zealand              | 100       | 100       |
| Budget Bins Ltd                            | New Zealand              | 100       | 100       |
| Sunshine Garden Bag & Bin Company Ltd      | New Zealand              | 100       | 100       |

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position of the entities who are a party to the Deed of Cross Guarantee are:

| STATEMENT OF COMPREHENSIVE INCOME                                | 2012<br>\$'M  | 2011<br>\$'M   |
|------------------------------------------------------------------|---------------|----------------|
| Revenue from continuing operations                               | 1,730.9       | 1,707.3        |
| Other income                                                     | 33.2          | 39.1           |
| Raw materials and inventory                                      | (337.9)       | (320.2)        |
| Waste disposal and collection                                    | (272.9)       | (257.5)        |
| Employee expenses                                                | (523.9)       | (531.1)        |
| Depreciation and amortisation expenses                           | (141.9)       | (125.2)        |
| Repairs and maintenance                                          | (86.4)        | (95.6)         |
| Fuel purchases                                                   | (53.4)        | (53.6)         |
| Leasing charges                                                  | (59.3)        | (56.4)         |
| Freight costs                                                    | (18.4)        | (18.9)         |
| Other expenses                                                   | (134.7)       | (103.8)        |
| Share of profits of associates                                   | (0.4)         | 0.5            |
| Net finance costs                                                | (160.9)       | (148.2)        |
| Impairment of assets                                             | -             | (154.5)        |
| Changes in fair value of derivative financial instruments        | (15.6)        | 2.1            |
| <b>Profit/(Loss) Before Income Tax</b>                           | <b>(41.6)</b> | <b>(116.0)</b> |
| Income tax benefit/(expense)                                     | 13.4          | (9.3)          |
| <b>Profit/(Loss) From Continuing Operations After Income Tax</b> | <b>(28.2)</b> | <b>(125.3)</b> |

## 25. Consolidated Entities (continued)

| STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)                        | 2012<br>\$'M         | 2011<br>\$'M         |
|----------------------------------------------------------------------|----------------------|----------------------|
| <b>Profit/(Loss) From Continuing Operations After Income Tax</b>     | <b>(28.2)</b>        | <b>(125.3)</b>       |
| <b>Other Comprehensive Income</b>                                    |                      |                      |
| Cash flow hedges                                                     |                      |                      |
| Net gain/(loss) taken to equity                                      | (14.6)               | (2.9)                |
| Net gain/(loss) taken to profit and loss                             | 2.5                  | -                    |
| <b>Net Comprehensive Income/(Loss) Recognised Directly in Equity</b> | <b>(12.1)</b>        | <b>(2.9)</b>         |
| <b>Total Comprehensive Income/(Loss) for the Year</b>                | <b>(40.3)</b>        | <b>(128.2)</b>       |
| <b>STATEMENT OF FINANCIAL POSITION</b>                               | <b>2012<br/>\$'M</b> | <b>2011<br/>\$'M</b> |
| <b>ASSETS</b>                                                        |                      |                      |
| Cash and cash equivalents                                            | 51.4                 | 52.6                 |
| Trade and other receivables                                          | 344.7                | 579.9                |
| Current tax assets                                                   | -                    | -                    |
| Inventories                                                          | 142.7                | 93.7                 |
| Other assets                                                         | 19.1                 | 13.6                 |
| <b>Total Current Assets</b>                                          | <b>557.9</b>         | <b>739.8</b>         |
| Investments accounted for using the equity method                    | 13.7                 | 12.9                 |
| Other financial assets                                               | 773.2                | 573.2                |
| Property, plant and equipment                                        | 725.3                | 706.3                |
| Intangible assets                                                    | 1,413.7              | 1,430.8              |
| Deferred tax assets                                                  | 57.4                 | 46.7                 |
| <b>Total Non-current Assets</b>                                      | <b>2,983.3</b>       | <b>2,769.9</b>       |
| <b>Total Assets</b>                                                  | <b>3,541.2</b>       | <b>3,509.7</b>       |
| <b>LIABILITIES</b>                                                   |                      |                      |
| Trade and other payables                                             | 288.4                | 209.3                |
| Income tax payable                                                   | 3.4                  | 2.7                  |
| Borrowings                                                           | 274.5                | 77.9                 |
| Employee benefits                                                    | 42.4                 | 42.6                 |
| Provisions                                                           | 31.2                 | 27.4                 |
| Other                                                                | 85.3                 | 38.8                 |
| <b>Total Current Liabilities</b>                                     | <b>725.2</b>         | <b>398.7</b>         |
| Borrowings                                                           | 839.3                | 1,395.0              |
| Employee benefits                                                    | 7.8                  | 7.8                  |
| <b>Total Non-current Liabilities</b>                                 | <b>847.1</b>         | <b>1,402.8</b>       |
| <b>Total Liabilities</b>                                             | <b>1,572.3</b>       | <b>1,801.5</b>       |
| <b>Net Assets</b>                                                    | <b>1,968.9</b>       | <b>1,708.2</b>       |
| <b>EQUITY</b>                                                        |                      |                      |
| Issued capital                                                       | 2,122.1              | 1,821.7              |
| Reserves                                                             | 73.8                 | 85.3                 |
| Retained earnings                                                    | (227.0)              | (198.8)              |
| <b>Total Equity</b>                                                  | <b>1,968.9</b>       | <b>1,708.2</b>       |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 26. Investments Accounted for Using the Equity Method

(A) DETAILS OF INTERESTS IN ASSOCIATES ARE AS FOLLOWS:

|                                                               |             |                | OWNERSHIP INTEREST |        | CARRYING VALUE OF INVESTMENT |           |
|---------------------------------------------------------------|-------------|----------------|--------------------|--------|------------------------------|-----------|
| ENTITY                                                        | COUNTRY     | REPORTING DATE | 2012 %             | 2011 % | 2012 \$'M                    | 2011 \$'M |
| Solid Waste Management:                                       |             |                |                    |        |                              |           |
| Otago Southland Waste Services Ltd                            | New Zealand | 30 June        | 50                 | 50     | 0.4                          | 0.2       |
| Living Earth Ltd                                              | New Zealand | 30 June        | 50                 | 50     | 1.8                          | 2.1       |
| Midwest Disposals Ltd                                         | New Zealand | 30 June        | 50                 | 50     | 2.4                          | 2.1       |
| Pikes Point Transfer Station Ltd                              | New Zealand | 30 June        | 50                 | 50     | 0.9                          | 0.8       |
| Daniels Sharpsmart New Zealand Ltd                            | New Zealand | 30 June        | 50                 | 50     | -                            | -         |
| Transwaste Canterbury Ltd                                     | New Zealand | 30 June        | 50                 | 50     | 9.5                          | 9.2       |
| Waste Disposal Services (unincorporated joint venture)        | New Zealand | 30 June        | 50                 | 50     | -                            | -         |
| Wellington Waste Disposal Pty Ltd <sup>(ii)</sup>             | Australia   | 30 June        | -                  | 50     | -                            | -         |
| Wonthaggi Recyclers Pty Ltd                                   | Australia   | 30 June        | 50                 | 50     | 0.6                          | 1.4       |
| Earthpower Technologies Sydney Pty Ltd                        | Australia   | 30 June        | 50                 | 50     | -                            | -         |
| Garware Environmental Services Private Limited <sup>(i)</sup> | India       | 30 June        | 50                 | 50     | -                            | 0.2       |
| Technical Services Management:                                |             |                |                    |        |                              |           |
| Total Waste Management Pty Ltd                                | Australia   | 31 December    | 50                 | 50     | 4.8                          | 4.9       |
| Western Resource Recovery Pty Ltd                             | Australia   | 31 December    | 50                 | 50     | 7.5                          | 7.2       |
| Industrial Management:                                        |             |                |                    |        |                              |           |
| ERS Co Pty Ltd                                                | Australia   | 30 June        | 49                 | 49     | -                            | -         |
|                                                               |             |                |                    |        | 27.9                         | 28.1      |

The reporting dates for those entities noted as at 31 December is a result of that being the reporting date of the other 50% shareholder.

<sup>(i)</sup> Waste Management Pacific Pty Ltd acquired 50% in December 2010.

<sup>(ii)</sup> On 31 January 2012, Wellington Waste Disposal Pty Ltd was deregistered.

**26. Investments Accounted for Using the Equity Method (continued)****(B) SHARE OF ASSOCIATES' STATEMENT OF FINANCIAL POSITION**

|                                                  | <b>2012<br/>\$'M</b> | <b>2011<br/>\$'M</b> |
|--------------------------------------------------|----------------------|----------------------|
| Total assets                                     | 123.6                | 103.2                |
| Total liabilities                                | (67.8)               | (47.1)               |
| Net Assets as Reported by Associates             | 55.8                 | 56.1                 |
| Share of Associates' Net Assets Equity Accounted | 27.9                 | 28.1                 |

**(C) SHARE OF ASSOCIATES' REVENUE AND PROFIT**

|                                                   |       |       |
|---------------------------------------------------|-------|-------|
| Revenues (100%)                                   | 65.1  | 77.8  |
| Profit before income tax (100%)                   | 9.2   | 14.1  |
| Share of Associates' profit before income tax     | 4.6   | 7.1   |
| Share of income tax expense                       | (1.7) | (2.1) |
| Share of Associates' Net Profit/(loss) Recognised | 2.9   | 5.0   |

**(D) IMPAIRMENT LOSSES AND COMMITMENTS**

During the year the Associates were tested for impairment and no adjustments were made as a result (2011: \$Nil).

As at the reporting date the Associates had capital commitments in relation to contracts of \$Nil (2011: \$0.8 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

|                                                                                                                               | 2012<br>\$'M | 2011<br>\$'M |
|-------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| <b>27. Reconciliation of Cash Flows from Operating Activities</b>                                                             |              |              |
| Profit/(Loss) From Continuing Operations After Income Tax                                                                     | 32.2         | (280.5)      |
| <i>ADJUSTMENTS FOR:</i>                                                                                                       |              |              |
| Performance Rights expense                                                                                                    | 1.3          | 2.8          |
| Other non-cash items                                                                                                          | 4.0          | 18.8         |
| Write off of establishment costs associated with former debt facilities                                                       | 17.2         | -            |
| Accelerated amortisation of Convertible Notes and redemption costs                                                            | 16.5         | -            |
| Impairment on available-for-sale financial assets                                                                             | -            | 5.2          |
| Impairment on non-current assets and intangibles                                                                              | -            | 341.6        |
| Change in fair value of derivative financial instruments                                                                      | 15.6         | (1.2)        |
| Gain from disposal of investment in listed securities                                                                         | (6.7)        | (0.3)        |
| Depreciation and amortisation                                                                                                 | 188.0        | 174.6        |
| Share of associates' net profits                                                                                              | (2.9)        | (5.0)        |
| Net (gain)/loss on disposal of property, plant and equipment                                                                  | (2.5)        | (0.7)        |
| <b>Net Cash Flow From Operating Activities Before Changes In Assets And Liabilities</b>                                       | <b>262.7</b> | <b>255.3</b> |
| <i>CHANGES IN ASSETS AND LIABILITIES ADJUSTED FOR EFFECTS OF PURCHASE OF CONTROLLED ENTITIES DURING THE FINANCIAL PERIOD:</i> |              |              |
| (Increase)/decrease in receivables                                                                                            | 9.3          | (43.2)       |
| (Increase)/decrease in other assets                                                                                           | (1.9)        | (2.3)        |
| (Increase)/decrease in inventories                                                                                            | (43.6)       | 15.8         |
| Increase/(decrease) in payables                                                                                               | 57.3         | 16.2         |
| Increase/(decrease) in income tax payable                                                                                     | 4.8          | 13.8         |
| Increase/(decrease) in deferred taxes                                                                                         | (18.7)       | 7.5          |
| Increase/(decrease) in other liabilities                                                                                      | (0.9)        | 1.4          |
| Increase/(decrease) in other provisions                                                                                       | 1.0          | (10.5)       |
| <b>Net Cash From/(Used In) Operating Activities</b>                                                                           | <b>270.0</b> | <b>254.0</b> |

During the 2012 financial year the Consolidated Group acquired plant and equipment with an aggregate fair value of \$0.7 million (2011: \$5.1 million) by means of finance lease. These acquisitions are not reflected in the Consolidated Statement of Cash Flows.

## 28. Business Combinations

During the year the Consolidated Group acquired the remaining 30% minority interest share in Transpacific Cleanaway Hygiene Pty Ltd for nominal consideration (2011: \$0.7 million).

No ordinary shares were issued as part settlement of these business combinations.

## 29. Commitments and Contingencies

### (A) OPERATING LEASE COMMITMENTS

The Consolidated Group leases property, plant and equipment under operating leases expiring over terms of up to ten years. Leases generally provide the Consolidated Group with a right of renewal at which time all terms are renegotiated.

|                                                                                                      | NOTES | 2012<br>\$'M | 2011<br>\$'M |
|------------------------------------------------------------------------------------------------------|-------|--------------|--------------|
| Future minimum rentals payable under non-cancellable operating lease rentals are payable as follows: |       |              |              |
| Within one year                                                                                      |       | 29.0         | 37.8         |
| Between one and five years                                                                           |       | 58.8         | 70.3         |
| More than five years                                                                                 |       | 43.7         | 42.4         |
|                                                                                                      |       | <b>131.5</b> | <b>150.5</b> |

### (B) FINANCE LEASE AND HIRE PURCHASE COMMITMENTS

The Consolidated Group leases plant and equipment under finance leases and hire purchase agreements expiring over terms of up to seven years. At the end of the lease term the Consolidated Group generally has the option to purchase the equipment at a residual value.

Commitments in relation to finance leases are payable as follows:

|                            |    |             |              |
|----------------------------|----|-------------|--------------|
| Within one year            |    | 41.6        | 42.0         |
| Between one and five years |    | 66.7        | 112.3        |
| More than five years       |    | -           | 9.7          |
| Minimum lease payments     |    | 108.3       | 164.0        |
| Less:                      |    |             |              |
| Future finance charges     |    | (13.9)      | (25.5)       |
| <b>Total Liabilities</b>   |    | <b>94.4</b> | <b>138.5</b> |
| Representing:              |    |             |              |
| Current                    | 20 | 36.3        | 31.5         |
| Non-current                | 20 | 58.1        | 107.0        |
| <b>Total Liabilities</b>   |    | <b>94.4</b> | <b>138.5</b> |

### (C) CAPITAL EXPENDITURE AND OTHER COMMITMENTS

Commitments in relation to capital expenditure and purchase commitments entered into:

|                                                                            |  |             |             |
|----------------------------------------------------------------------------|--|-------------|-------------|
| Within one year                                                            |  | 43.0        | 61.5        |
| More than one year                                                         |  | 9.8         | 2.0         |
| <b>Commitments Not Recognised In The Consolidated Financial Statements</b> |  | <b>52.8</b> | <b>63.5</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 29. Commitments and Contingencies (continued)

### (D) GUARANTEES

The Consolidated Group is, in the normal course of business, required to provide guarantees and letters of credit on behalf of controlled entities 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.

|                                                                                   | NOTES | 2012<br>\$'M | 2011<br>\$'M |
|-----------------------------------------------------------------------------------|-------|--------------|--------------|
| Letters of credit issued to suppliers                                             |       | -            | 2.4          |
| Bank guarantees outstanding at balance date in respect of financing facilities    |       | 2.4          | 1.2          |
| Bank guarantees outstanding at balance date in respect of contractual performance |       | 128.5        | 129.8        |
| Insurance bonds outstanding at balance date in respect of contractual performance |       | 9.4          | -            |
|                                                                                   |       | <b>140.3</b> | <b>133.4</b> |

### (E) CONTINGENT LIABILITIES

#### Taxation Authority Reviews

The Taxation authorities in Australia and New Zealand are currently undertaking reviews of the Consolidated Group's tax position in both countries. The reviews are ongoing and at this time it is too early to identify the adjustments that may arise, if any.

#### Other Claims

Certain companies within the Consolidated Group are party to various legal actions 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 Consolidated Group.

There have been no other material changes to the commitments, contingent liabilities or contingent assets of the Consolidated Group subsequent to the year ended 30 June 2012.

## 30. Auditor's Remuneration

|                                                            | 2012<br>\$       | 2011<br>\$               |
|------------------------------------------------------------|------------------|--------------------------|
| Ernst & Young:                                             |                  |                          |
| Audit services                                             | 1,280,000        | 1,510,000 <sup>(i)</sup> |
| Non-audit services                                         |                  |                          |
| <i>Due diligence services</i>                              | 123,300          | -                        |
| <i>Transaction services associated with equity raising</i> | 381,000          | -                        |
| <i>Other advisory services</i>                             | 535,100          | 121,375                  |
| <i>Taxation services</i>                                   | 4,000            | 3,700                    |
| <b>Total</b>                                               | <b>2,323,400</b> | <b>1,635,075</b>         |

<sup>(i)</sup>The 2011 audit services have been adjusted to include an additional fee of \$350,000 incurred in relation to the 2011 audit, which was paid in 2012.



### 31. Related Parties

#### (A) KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in Note 35.

#### (B) WHOLLY-OWNED CONSOLIDATED GROUP TRANSACTIONS

The wholly-owned Consolidated Group consists of Transpacific Industries Group Ltd and its wholly-owned entities listed at Note 25. Transactions between Transpacific Industries Group Ltd and other entities in the wholly-owned Consolidated Group during the years ended 30 June 2012 and 30 June 2011 consisted of:

- (a) Loans advanced by Transpacific Industries Group Ltd and other wholly-owned entities;
- (b) Loans repaid to Transpacific Industries Group Ltd and other wholly-owned entities;
- (c) The payment of interest on the above loans;
- (d) The payment of dividends to Transpacific Industries Group Ltd and other wholly-owned entities;
- (e) Management fees charged to wholly-owned entities; and
- (f) Sales between wholly-owned entities.

The above transactions are all eliminated on consolidation.

#### (C) OTHER RELATED PARTIES

|                                                                                                                                                | 2012<br>\$'M | 2011<br>\$'M |
|------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Aggregate amounts included in the determination of profit before tax that resulted from transactions with each class of other related parties: |              |              |
| Interest expense                                                                                                                               |              |              |
| Non-controlling interests                                                                                                                      | 0.1          | 0.1          |
| Aggregate amounts brought to account in relation to other transactions with each class of other related parties:                               |              |              |
| Loans advanced to/(from):                                                                                                                      |              |              |
| Associates                                                                                                                                     | 0.7          | 0.7          |
| Loan repayments to:                                                                                                                            |              |              |
| Associates                                                                                                                                     | 0.2          | 0.2          |
| There are no aggregate amounts receivable from, and payable to, each class of other related parties at balance date.                           |              |              |
| Current borrowings:                                                                                                                            |              |              |
| Non-controlling interests                                                                                                                      | 3.3          | 3.3          |
|                                                                                                                                                | <b>3.3</b>   | <b>3.3</b>   |

Transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. Interest was charged at 10% (2011: 10%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

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## 31. Related Parties (continued)

### (C) OTHER RELATED PARTIES (CONTINUED)

The Consolidated Group trades on normal commercial terms and conditions on an arm's-length basis with GPT Group Ltd, QR National Ltd and Fletcher Building Limited. Mr Gene Tilbrook, the Non-Executive Chairman of the Consolidated Group, is a Non-Executive Director of these companies.

The Consolidated Group trades on normal commercial terms and conditions on an arm's length basis with K&S Corporation Ltd and WHK Group Limited. Mr Ray Smith, a Non-Executive Director of the Consolidated Group, is a Non-Executive Director of these companies.

The Consolidated Group trades on normal commercial terms and conditions on an arm's length basis with ALS Limited. Mr Bruce Brown, a Non-Executive Director of the Consolidated Group, is a Non-Executive Director of this company.

The Consolidated Group trades on normal commercial terms and conditions on an arm's length basis with CNPR Limited (formerly Centro Properties Limited) and NGT Marketing. Mr Martin Hudson, a Non-Executive Director of the Consolidated Group, is a Non-Executive Director of CNPR Limited (formerly Centro Properties Limited) and holds a beneficial interest in NGT Marketing .

The Consolidated Group trades on normal commercial terms and conditions on an arm's length basis with Centennial Coal Ltd. Mr Bruce Allan, a former Non-Executive Director of the Consolidated Group, is a former Non-Executive Director of this company.

The Consolidated Group trades on normal commercial terms and conditions on an arm's length basis with Programmed Maintenance Services Ltd. Ms Emma Stein, a Non-Executive Director of the Consolidated Group, is a Non-Executive Director of this company.

## 32. Segment Information

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

### Cleanaway

- Collections – municipal, residential, commercial and industrial collection services for all types of solid waste streams, including general waste, recyclables, construction and demolition waste and medical and washroom services.
- Post collections – ownership and management of waste transfer stations, resource recovery and recycling facilities, secure product destruction, quarantine treatment operations and landfills.
- Commodities trading – sale of recovered paper, cardboard, metals and plastics to the domestic and international marketplace, ensuring the long-term sustainability of our limited natural resources.

### Industrials

- Technical Services – 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 Services – services include industrial cleaning, vacuum tanker loading, site remediation, sludge management, parts washing, concrete remediation, CCTV, corrosion protection and emergency response services.
- Hydrocarbons – refining and recycling of used mineral oils to produce fuel oils and base oils. Manufacture of bituminous based applications and coatings.

### 32. Segment Information (continued)

#### New Zealand

- New Zealand – business streams comprise the same activities as those noted above for Cleanaway and Industrials.

#### Commercial Vehicles

- Importation and distribution – independent importer and distributor of Western Star, MAN, Foton and Dennis Eagle truck chassis and associated parts and MAN bus chassis and associated parts.

#### Manufacturing

- Manufacturing – manufacturing and servicing of vehicle bodies, parts washers, plastic and steel bins, and waste compaction units to support our own operations as well as our clients.

#### Associates

- Represents the profits from the non-wholly owned entities in the Consolidated Group.

#### Corporate

- Shared Services – that are not directly attributable to other identifiable segments. These 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 above reportable operating 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 Consolidated Group has the following allocation policies:

- Sales between segments are on normal commercial terms.
- Corporate charges are allocated where possible based on estimated usage of Corporate resources.
- Income tax is not allocated to segments.

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 Consolidated Group level only.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 32. Segment Information (continued)

| 2012                                                                 | CLEANAWAY<br>\$'M | INDUSTRIALS<br>\$'M | NEW<br>ZEALAND<br>\$'M | COMMERCIAL<br>VEHICLES<br>\$'M | MANUFACTURING<br>\$'M | ASSOCIATES<br>\$'M | CORPORATE<br>\$'M | CONSOLIDATED<br>GROUP<br>\$'M |
|----------------------------------------------------------------------|-------------------|---------------------|------------------------|--------------------------------|-----------------------|--------------------|-------------------|-------------------------------|
| <b>Revenue</b>                                                       |                   |                     |                        |                                |                       |                    |                   |                               |
| Sales of goods and services – external                               | 904.9             | 526.8               | 338.0                  | 427.3                          | 53.8                  |                    | 5.7               | 2,256.5                       |
| Inter-segment sales                                                  | 74.8              | 107.9               | 15.1                   | 6.5                            | 56.6                  |                    | -                 | 260.9                         |
| Total Sales Revenue                                                  | 979.7             | 634.7               | 353.1                  | 433.8                          | 110.4                 |                    | 5.7               | 2,517.4                       |
| Other revenue                                                        | 4.9               | 23.2                | (3.7)                  | 0.8                            | 0.3                   |                    | 1.8               | 27.3                          |
| Total Segment Revenue                                                | 984.6             | 657.9               | 349.4                  | 434.6                          | 110.7                 |                    | 7.5               | 2,544.7                       |
| Inter-segment elimination                                            |                   |                     |                        |                                |                       |                    |                   | (260.9)                       |
| <b>Total Revenue</b>                                                 |                   |                     |                        |                                |                       |                    |                   | <b>2,283.8</b>                |
| <b>Underlying EBITDA:</b>                                            | <b>203.8</b>      | <b>125.1</b>        | <b>84.1</b>            | <b>29.2</b>                    | <b>(0.9)</b>          | <b>2.9</b>         | <b>(4.0)</b>      | <b>440.2</b>                  |
| Settlement of, and legal costs associated with, shareholders actions | -                 | -                   | -                      | -                              | -                     | -                  | (37.9)            | (37.9)                        |
| Restructuring costs, including redundancy                            | -                 | -                   | -                      | -                              | -                     | -                  | (11.5)            | (11.5)                        |
| Gain from disposal of investment in listed securities and property   | -                 | -                   | -                      | -                              | -                     | -                  | 7.4               | 7.4                           |
| Depreciation and amortisation expense                                | (93.7)            | (43.0)              | (30.5)                 | (1.4)                          | (0.1)                 | -                  | (19.3)            | (188.0)                       |
| <b>EBIT</b>                                                          | <b>110.1</b>      | <b>82.1</b>         | <b>53.6</b>            | <b>27.8</b>                    | <b>(1.0)</b>          | <b>2.9</b>         | <b>(65.3)</b>     | <b>210.2</b>                  |
| Changes in fair value of derivative financial instruments            | -                 | -                   | -                      | -                              | -                     | -                  |                   | (15.6)                        |
| Net finance costs (Note 6)                                           |                   |                     |                        |                                |                       |                    |                   | (185.9)                       |
| <b>Profit/(Loss) from Before Income Tax</b>                          |                   |                     |                        |                                |                       |                    |                   | <b>8.7</b>                    |
| Income tax (expense)/benefit                                         |                   |                     |                        |                                |                       |                    |                   | 23.5                          |
| <b>Profit/(Loss) from Continuing Operations After Income Tax</b>     |                   |                     |                        |                                |                       |                    |                   | <b>32.2</b>                   |
| Acquisition of property, plant and equipment                         | 91.5              | 36.5                | 26.9                   | 1.5                            | 2.0                   | -                  | 21.7              | 180.1                         |

32. Segment Information (continued)

|                                                                  | CLEANAWAY<br>\$'M | INDUSTRIALS<br>\$'M | NEW<br>ZEALAND<br>\$'M | COMMERCIAL<br>VEHICLES<br>\$'M | MANUFACTURING<br>\$'M | ASSOCIATES<br>\$'M | CORPORATE<br>\$'M | CONSOLIDATED<br>GROUP<br>\$'M |
|------------------------------------------------------------------|-------------------|---------------------|------------------------|--------------------------------|-----------------------|--------------------|-------------------|-------------------------------|
| <b>2011</b>                                                      |                   |                     |                        |                                |                       |                    |                   |                               |
| <b>Revenue</b>                                                   |                   |                     |                        |                                |                       |                    |                   |                               |
| Sales of goods and services – external                           | 853.3             | 531.6               | 348.9                  | 353.2                          | 67.7                  |                    | -                 | 2,154.7                       |
| Inter-segment sales                                              | 66.0              | 99.3                | 1.4                    | 5.2                            | 36.2                  |                    | 7.4               | 215.5                         |
| Total Sales Revenue                                              | 919.3             | 630.9               | 350.3                  | 358.4                          | 103.9                 |                    | 7.4               | 2,370.2                       |
| Other revenue                                                    | 3.7               | 18.2                | (0.1)                  | 0.3                            | 0.5                   |                    | -                 | 22.6                          |
| Total Segment Revenue                                            | 923.0             | 649.1               | 350.2                  | 358.7                          | 104.4                 |                    | 7.4               | 2,392.8                       |
| Inter-segment elimination                                        |                   |                     |                        |                                |                       |                    |                   | (215.5)                       |
| Unallocated revenue                                              |                   |                     |                        |                                |                       |                    |                   | 1.9                           |
| <b>Total Revenue</b>                                             |                   |                     |                        |                                |                       |                    |                   | <b>2,179.2</b>                |
| <b>Underlying EBITDA:</b>                                        | <b>200.4</b>      | <b>129.0</b>        | <b>82.5</b>            | <b>19.6</b>                    | <b>(8.4)</b>          | <b>5.0</b>         | <b>(3.7)</b>      | <b>424.4</b>                  |
| Impairment of assets                                             | (99.2)            | -                   | (182.0)                | -                              | (60.4)                | -                  | (5.2)             | (346.8)                       |
| Depreciation and amortisation expense                            | (92.2)            | (43.1)              | (29.8)                 | (1.3)                          | (3.4)                 | -                  | (4.8)             | (174.6)                       |
| <b>EBIT</b>                                                      | <b>9.0</b>        | <b>85.9</b>         | <b>(129.3)</b>         | <b>18.3</b>                    | <b>(72.2)</b>         | <b>5.0</b>         | <b>(13.7)</b>     | <b>(97.0)</b>                 |
| Changes in fair value of derivative financial instruments        | -                 | -                   | -                      | -                              | -                     | -                  | 2.1               | 2.1                           |
| Net finance costs (Note 6)                                       |                   |                     |                        |                                |                       |                    |                   | (177.0)                       |
| <b>Profit/(loss) from Before Income Tax</b>                      |                   |                     |                        |                                |                       |                    |                   | <b>(271.9)</b>                |
| Income tax expense                                               |                   |                     |                        |                                |                       |                    |                   | (8.6)                         |
| <b>Profit/(loss) from Continuing Operations After Income Tax</b> |                   |                     |                        |                                |                       |                    |                   | <b>(280.5)</b>                |
| Acquisition of property, plant and equipment                     | 89.1              | 21.8                | 23.1                   | 1.0                            | 5.0                   | -                  | 14.8              | 154.8                         |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 32. Segment Information (continued)

Finance income and expenses, 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.

### GEOGRAPHIC INFORMATION

The geographical information is based on the location of the external customer and its business location.

| Australia                                    | All business segments have operations |                        |               |
|----------------------------------------------|---------------------------------------|------------------------|---------------|
| New Zealand                                  | All business segments have operations |                        |               |
| 2012                                         | AUSTRALIA<br>\$'M                     | NEW<br>ZEALAND<br>\$'M | TOTAL<br>\$'M |
| Sales to external customers                  | 1,874.7                               | 381.8                  | 2,256.5       |
| Segment net assets                           | 1,782.4                               | 368.9                  | 2,151.3       |
| Acquisition of property, plant and equipment | 153.2                                 | 26.9                   | 180.1         |
| 2011                                         | AUSTRALIA<br>\$'M                     | NEW<br>ZEALAND<br>\$'M | TOTAL<br>\$'M |
| Sales to external customers                  | 1,777.1                               | 377.6                  | 2,154.7       |
| Segment net assets                           | 1,648.8                               | 187.6                  | 1,836.4       |
| Acquisition of property, plant and equipment | 130.9                                 | 23.9                   | 154.8         |

There are no individual customers whose sales exceed 10% of total sales of the Consolidated Group.

## 33. Financial Instruments

The Consolidated Group's principal financial instruments, other than derivatives, comprise bank loans, Convertible Notes, US Private Placement Notes, finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Consolidated Group's operations. The Consolidated Group has various other financial instruments such as trade receivables, trade payables and equity investments.

The Consolidated Group is exposed to market risk, credit risk and liquidity risk and its senior management oversees the management of these risks. The Consolidated Group has in place a Treasury Policy that focuses on managing the main financial risks, interest rate risk, credit risk, liquidity risk and foreign currency risk. The policy is reviewed and approved by the Board and Audit Committee regularly, where the Board ensures compliance with the Treasury policy as appropriate. The treasury activity is reported to the Board and relevant Committees on a regular basis with the ultimate responsibility being borne by the Chief Financial Officer ("CFO").

The Consolidated Group's overall financial risk management focuses on mitigating the potential financial effects to the Consolidated Group's financial performance. The Consolidated Group also enters into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Consolidated Group's operations and its sources of finance.

It is the Consolidated Group's policy that no trading in financial instruments shall be undertaken.

### 33. Financial Instruments (continued)

#### (A) MARKET RISK

Market risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of three types of risk: foreign currency risk, interest rate risk, and equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

The sensitivity analyses in the following section relate to the position as at 30 June 2012 and 2011.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 30 June 2012.

The following assumptions have been made in calculating the sensitivity analyses:

- The Consolidated Statement of Financial Position sensitivity relates to derivatives and available-for-sale debt instruments.
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 30 June 2012 and 2011 allowing for the effect of hedge accounting on certain instruments.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges at 30 June 2012 for the effects of the assumed changes of the underlying risk.

#### (B) FOREIGN CURRENCY RISK

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

Balance sheet risk can impact the Net Tangible Assets ("NTA") where cash flow risk inherently impacts potential equity distributions or other operational cash requirements such as the repayment of debt.

The Consolidated Group manages its foreign currency risk from transactions or cash flows by hedging transactions that are expected to occur by entering into forward foreign exchange contracts.

##### Hedging

The Commercial Vehicles segment sells vehicles and parts purchased from United States of America, Germany, United Kingdom and China. The Cleanaway, Industrials and New Zealand segments sell commodities, predominantly cardboard, paper and oil, to Asia in US dollars. In order to protect against exchange rate movements, the Consolidated Group enters into forward foreign exchange contracts against anticipated cash flows.

The contracts are timed to mature when:

- Major shipments are scheduled to arrive in Australia; and
- Receipt of payment from customer is expected.

The Consolidated Group classifies its forward foreign exchange contracts as cash flow hedges and states them at fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 33. Financial Instruments (continued)

### (B) FOREIGN CURRENCY RISK (CONTINUED)

At 30 June 2012, the Consolidated Group hedged 33% and 65% respectively of its foreign currency sales for which highly probable forecasted transactions existed at reporting date. The Consolidated Group's exposure to foreign currency risk at balance date was as follows:

| 30 JUNE 2012                                   |                |              |          |          |
|------------------------------------------------|----------------|--------------|----------|----------|
|                                                | USD            | GBP          | NZD      | EUR      |
|                                                | \$'M           | \$'M         | \$'M     | \$'M     |
| Trade receivables                              | 0.5            | -            | -        | -        |
| Trade payables                                 | (59.2)         | (1.5)        | -        | -        |
| Gross statement of financial position exposure | (58.7)         | (1.5)        | -        | -        |
| Estimated forecast sales                       | 19.1           | -            | -        | -        |
| Estimated forecast purchases                   | (186.8)        | (7.6)        | -        | -        |
| Gross exposure                                 | (226.4)        | (9.1)        | -        | -        |
| Forward exchange contracts                     | 76.8           | 1.5          | -        | -        |
| <b>Net exposure</b>                            | <b>(149.6)</b> | <b>(7.6)</b> | <b>-</b> | <b>-</b> |

| 30 JUNE 2011                                   |               |              |             |              |
|------------------------------------------------|---------------|--------------|-------------|--------------|
|                                                | USD           | GBP          | NZD         | EUR          |
|                                                | \$'M          | \$'M         | \$'M        | \$'M         |
| Trade receivables                              | 5.1           | -            | 0.4         | -            |
| Trade payables                                 | (15.4)        | -            | (0.1)       | -            |
| Gross statement of financial position exposure | (10.3)        | -            | 0.3         | -            |
| Estimated forecast sales                       | 28.2          | -            | 28.3        | -            |
| Estimated forecast purchases                   | (149.7)       | (3.6)        | -           | (2.6)        |
| Gross exposure                                 | (131.8)       | (3.6)        | 28.6        | (2.6)        |
| Forward exchange contracts                     | 61.2          | 0.4          | 9.4         | -            |
| <b>Net exposure</b>                            | <b>(70.6)</b> | <b>(3.2)</b> | <b>38.0</b> | <b>(2.6)</b> |

The following significant exchange rates applied during the year:

|     | AVERAGE RATE |        | REPORTING DATE SPOT RATE |        |
|-----|--------------|--------|--------------------------|--------|
|     | 2012         | 2011   | 2012                     | 2011   |
| NZD | 1.2831       | 1.3044 | 1.2771                   | 1.2953 |
| USD | 1.0319       | 0.9881 | 1.0191                   | 1.0739 |
| EUR | 0.7707       | 0.7245 | 0.8092                   | 0.7405 |
| GBP | 0.6514       | 0.6208 | 0.6529                   | 0.6667 |

The Consolidated Group is exposed to foreign currency risk on translation of its foreign controlled subsidiaries. The principal exposure arising from this risk is fluctuations in the NZD.

The USPP Notes currency risk has been mitigated by a foreign currency swap which has been in place since inception and converts to AUD fixed rate debt.



### 33. Financial Instruments (continued)

#### (B) CURRENCY RISK (CONTINUED)

At balance date the Consolidated Group held the following facilities denominated in foreign currency:

|                            | USD<br>\$'M | AUD<br>\$'M |
|----------------------------|-------------|-------------|
| 30 June 2012               |             |             |
| US Private Placement Notes | 150.0       | 146.8       |
| 30 June 2011               |             |             |
| US Private Placement Notes | 150.0       | 140.1       |

#### Foreign Currency Sensitivity

The Consolidated Group assesses the financial impact in the relevant foreign currencies by performing a sensitivity analysis which focuses on the transactions and uses a 10% change in the relevant foreign currency rate. The analysis performed showed that there was no profit or loss impact if the foreign currency rate changed by 10% as any movement in the foreign currency rate is managed within the approved policy parameters utilising forward foreign exchange contracts under the hedging strategy. The USPP Notes have been swapped to AUD fixed rate debt to mitigate the foreign currency risk exposure arising for these borrowings.

#### (C) EQUITY PRICE RISK

Equity securities price risk arises from investments in listed equity securities. All investments are publicly traded on the ASX. The Consolidated Group manages the equity price risk by reviewing its portfolio on a regular basis where all equity investment decisions are reviewed and approved by the Board.

The price risk for listed investments based on an increase of 10% for the Consolidated Group is as follows. A corresponding decrease of 10% would result in the same amount reducing equity.

|                   | INCREASE TO<br>EQUITY<br>\$'M | DECREASE<br>TO NPAT<br>\$'M |
|-------------------|-------------------------------|-----------------------------|
| 30 June 2012      |                               |                             |
| Listed securities | -                             | -                           |
| 30 June 2011      |                               |                             |
| Listed securities | 0.7                           | -                           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 33. Financial Instruments (continued)

### (D) CREDIT RISK EXPOSURES

Credit risk is the risk of financial loss to the Consolidated 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 Consolidated Group does not require collateral in respect of financial assets. For certain export sales the Consolidated Group requires the vendor to provide a letter of credit.

The Consolidated 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 Consolidated Group's exposure to bad debts is minimised.

Credit risk on interest rate and 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 Consolidated Group's treasury department in accordance with the Consolidated Group's policy where the Consolidated Group only deals with large reputable financial institutions.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position. The Consolidated Group's maximum exposure to credit risk at the reporting date was:

| CARRYING AMOUNT                                       |      |              |              |
|-------------------------------------------------------|------|--------------|--------------|
|                                                       | NOTE | 2012<br>\$'M | 2011<br>\$'M |
| Loans and receivables                                 | 10   | 305.6        | 310.9        |
| Cash and cash equivalents (excluding bank overdrafts) | 9    | 77.9         | 88.7         |
| Other forward exchange contracts (derivatives)        | 13   | 0.4          | 0.1          |
|                                                       |      | <b>383.9</b> | <b>399.7</b> |

The Consolidated Group's maximum exposure to credit risk for trade receivables at reporting date by geographic region was:

| CARRYING AMOUNT |              |              |
|-----------------|--------------|--------------|
|                 | 2012<br>\$'M | 2011<br>\$'M |
| Australia       | 253.3        | 248.3        |
| New Zealand     | 33.8         | 43.8         |
|                 | <b>287.1</b> | <b>292.1</b> |

### (E) INTEREST RATE RISK EXPOSURES

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, which could result in an adverse affect on the Consolidated Group's financial performance. The Consolidated Group's exposure primarily relates to its exposure to market interest rates on debt obligations. Borrowings issued at variable rates exposes the Consolidated Group to cash flow interest rate risk whilst borrowings issued at fixed rate expose the Consolidated Group to fair value interest rate risks. The Consolidated Group manages the exposure by using interest rates swaps in-line with hedging parameters under its Treasury Policy.

### 33. Financial Instruments (continued)

#### (E) INTEREST RATE RISK EXPOSURES (CONTINUED)

##### Hedging

The Consolidated Group's exposure to interest rate risk is predominantly cash flow interest rate risk. The Consolidated Group adopts the policy of ensuring at least 40% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Accordingly, the Consolidated Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are settled on a net basis and require settlement of net interest receivable or payable each 30 days or 90 days. Swaps in place at 30 June 2012 cover approximately 84% (2011: 63%) of term debt outstanding and expire July 2013, June 2014, February 2015, June 2015 and July 2015. The fixed interest rates currently range between BBSY 4.79% and 7.25% (2011: 5.03% and 7.25%).

The Consolidated Group classifies interest rate swaps as derivatives and states them at fair value. The Consolidated Group analyses its exposure to interest rate risk regularly where analysis considers potential renewals of existing financing positions, alternative financing arrangements and alternative hedging positions whilst considering the mix of fixed and variable interest rates.

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

|                           | 2012<br>\$'M   | 2011<br>\$'M   |
|---------------------------|----------------|----------------|
| Fixed Rate Instruments    |                |                |
| Financial liabilities     | (379.2)        | (624.0)        |
|                           | <b>(379.2)</b> | <b>(624.0)</b> |
| Variable Rate Instruments |                |                |
| Financial assets          | 78.3           | 88.9           |
| Financial liabilities     | (865.5)        | (941.7)        |
|                           | <b>(787.2)</b> | <b>(852.8)</b> |

##### Sensitivity Analysis for Variable Rate Instruments and Derivatives

An analysis of the interest rates over the 12 month period was performed to determine a reasonable possible change in interest rates on the portion of debt affected. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity (excluding the movement in profit before tax) and profit or loss by the amounts shown below where the exposed variable rate instruments relates to the component that has not been hedged accounted for:

|                                             | PROFIT BEFORE TAX          |                            | EQUITY                     |                            |
|---------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                             | 100 BP<br>INCREASE<br>\$'M | 100 BP<br>DECREASE<br>\$'M | 100 BP<br>INCREASE<br>\$'M | 100 BP<br>DECREASE<br>\$'M |
| 30 June 2012                                |                            |                            |                            |                            |
| Variable rate instruments exposed           | (0.6)                      | 0.6                        | -                          | -                          |
| Changes in fair value of Interest rate swap | (9.7)                      | 10.0                       | (8.1)                      | 8.1                        |
|                                             | <b>(10.3)</b>              | <b>10.6</b>                | <b>(8.1)</b>               | <b>8.1</b>                 |
| 30 June 2011                                |                            |                            |                            |                            |
| Variable rate instruments exposed           | (9.4)                      | 9.4                        | -                          | -                          |
| Changes in fair value of Interest rate swap | (23.0)                     | 31.2                       | (3.0)                      | 3.0                        |
|                                             | <b>(32.4)</b>              | <b>40.6</b>                | <b>(3.0)</b>               | <b>3.0</b>                 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 33. Financial Instruments (continued)

### Effective Interest Rates and Repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities of the Consolidated Group, the following table indicates their effective interest rates at reporting date and the periods in which they reprice. No other financial assets or liabilities are exposed to any interest rate risk.

|                                    | EFFECTIVE<br>INTEREST<br>RATE<br>(%) | TOTAL          | 1 YEAR<br>OR LESS<br>\$'M | 1 – 2<br>YEARS<br>\$'M | 2 – 3<br>YEARS<br>\$'M | 3 – 4<br>YEARS<br>\$'M | >4<br>YEARS<br>\$'M |
|------------------------------------|--------------------------------------|----------------|---------------------------|------------------------|------------------------|------------------------|---------------------|
| <b>2012</b>                        |                                      |                |                           |                        |                        |                        |                     |
| <i>Financial Assets</i>            |                                      |                |                           |                        |                        |                        |                     |
| Cash and deposits                  | 4.12                                 | 77.9           | 77.9                      | -                      | -                      | -                      | -                   |
| <b>Total Financial Assets</b>      |                                      | <b>77.9</b>    | <b>77.9</b>               | -                      | -                      | -                      | -                   |
| <i>Financial Liabilities</i>       |                                      |                |                           |                        |                        |                        |                     |
| US Private Placement Notes         | 10.84                                | 146.8          | 146.8                     | -                      | -                      | -                      | -                   |
| Convertible Notes                  | 6.75                                 | 51.3           | 51.3                      | -                      | -                      | -                      | -                   |
| Secured bank loans                 | 6.52                                 | 831.3          | -                         | 245.6                  | 382.9                  | 202.8                  | -                   |
| Lease liabilities                  | 8.67                                 | 94.4           | 36.3                      | 24.1                   | 28.3                   | 5.7                    | -                   |
| Payable to related parties         | 10.00                                | 3.3            | 3.3                       | -                      | -                      | -                      | -                   |
| Interest rate swaps                | 7.46                                 | 82.9           | 82.9                      | -                      | -                      | -                      | -                   |
| Foreign currency swaps             |                                      | 0.5            | 0.5                       | -                      | -                      | -                      | -                   |
| Other                              | 6.00                                 | 1.4            | 1.4                       | -                      | -                      | -                      | -                   |
| <b>Total Financial Liabilities</b> |                                      | <b>1,211.9</b> | <b>322.5</b>              | <b>269.7</b>           | <b>411.2</b>           | <b>208.5</b>           | -                   |
| <b>2011</b>                        |                                      |                |                           |                        |                        |                        |                     |
| <i>Financial Assets</i>            |                                      |                |                           |                        |                        |                        |                     |
| Cash and deposits                  | 4.36                                 | 88.7           | 88.7                      | -                      | -                      | -                      | -                   |
| <b>Total Financial Assets</b>      |                                      | <b>88.7</b>    | <b>88.7</b>               | -                      | -                      | -                      | -                   |
| <i>Financial Liabilities</i>       |                                      |                |                           |                        |                        |                        |                     |
| US Private Placement Notes         | 10.84                                | 140.1          | -                         | 95.5                   | -                      | -                      | 44.6                |
| Convertible Notes                  | 6.75                                 | 286.3          | -                         | -                      | -                      | 286.3                  | -                   |
| Unsecured bank loans               | 9.14                                 | 940.1          | 50.0                      | 12.5                   | 526.7                  | 350.9                  | -                   |
| Lease liabilities                  | 8.37                                 | 138.5          | 31.4                      | 44.1                   | 28.5                   | 26.2                   | 8.3                 |
| Payable to related parties         | 10.00                                | 3.3            | 3.3                       | -                      | -                      | -                      | -                   |
| Interest rate swaps                | 7.81                                 | 53.1           | 53.1                      | -                      | -                      | -                      | -                   |
| Foreign currency swaps             |                                      | 2.7            | 2.7                       | -                      | -                      | -                      | -                   |
| Other                              | 6.00                                 | 1.6            | 1.6                       | -                      | -                      | -                      | -                   |
| <b>Total Financial Liabilities</b> |                                      | <b>1,565.7</b> | <b>142.1</b>              | <b>152.1</b>           | <b>555.2</b>           | <b>663.4</b>           | <b>52.9</b>         |

### 33. Financial Instruments (continued)

#### (F) LIQUIDITY RISK

Liquidity risk is the risk the Consolidated Group will not be able to meet its financial obligations as they fall due.

The Consolidated Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, preference shares, finance leases and hire purchase contracts.

The Consolidated Group regularly reviews existing funding arrangements and assess future funding requirements based upon known and forecast information provided by each business unit. This allows effective monitoring of the maturity of its debt portfolio.

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

|                                             | CARRYING<br>AMOUNT<br>\$'M | CONTRAC-<br>TUAL CASH<br>FLOWS<br>\$'M | LESS THAN<br>1 YEAR<br>\$'M | 1 – 2<br>YEARS<br>\$'M | 2 – 5<br>YEARS<br>\$'M | MORE<br>THAN 5<br>YEARS<br>\$'M |
|---------------------------------------------|----------------------------|----------------------------------------|-----------------------------|------------------------|------------------------|---------------------------------|
| <b>2012</b>                                 |                            |                                        |                             |                        |                        |                                 |
| <i>Non-derivative Financial Liabilities</i> |                            |                                        |                             |                        |                        |                                 |
| US Private Placement Notes                  | 146.8                      | (178.4)                                | (178.4)                     | -                      | -                      | -                               |
| Convertible Notes                           | 51.3                       | (53.0)                                 | (53.0)                      | -                      | -                      | -                               |
| Loans from associates                       | 3.3                        | (3.6)                                  | (3.6)                       | -                      | -                      | -                               |
| Finance lease liabilities                   | 94.4                       | (108.3)                                | (41.6)                      | (27.7)                 | (32.5)                 | (6.5)                           |
| Secured bank loans                          | 864.1                      | (1,124.6)                              | (65.8)                      | (65.8)                 | (993.0)                | -                               |
| Trade and other payables <sup>(i)</sup>     | 292.1                      | (292.1)                                | (290.7)                     | (1.4)                  | -                      | -                               |
| <i>Derivative Financial Liabilities</i>     |                            |                                        |                             |                        |                        |                                 |
| Interest rate swaps <sup>(ii)</sup>         | 82.9                       | (82.9)                                 | (82.9)                      | -                      | -                      | -                               |
| Foreign currency swaps                      | 0.5                        | (0.5)                                  | (0.5)                       | -                      | -                      | -                               |
|                                             | <b>1,535.4</b>             | <b>(1,843.4)</b>                       | <b>(716.5)</b>              | <b>(94.9)</b>          | <b>(1,025.5)</b>       | <b>(6.5)</b>                    |
| <b>2011</b>                                 |                            |                                        |                             |                        |                        |                                 |
| <i>Non-derivative Financial Liabilities</i> |                            |                                        |                             |                        |                        |                                 |
| US Private Placement Notes                  | 140.1                      | (225.0)                                | (18.3)                      | (126.8)                | (17.5)                 | (62.4)                          |
| Convertible Notes                           | 286.3                      | (382.1)                                | (20.9)                      | (20.9)                 | (340.3)                | -                               |
| Loans from associates                       | 3.3                        | (3.6)                                  | (3.6)                       | -                      | -                      | -                               |
| Finance lease liabilities                   | 138.5                      | (164.0)                                | (42.0)                      | (47.4)                 | (64.9)                 | (9.7)                           |
| Unsecured bank loans                        | 940.1                      | (1,231.3)                              | (136.0)                     | (86.0)                 | (1,009.3)              | -                               |
| Trade and other payables <sup>(i)</sup>     | 231.9                      | (231.9)                                | (231.9)                     | -                      | -                      | -                               |
| <i>Derivative Financial Liabilities</i>     |                            |                                        |                             |                        |                        |                                 |
| Interest rate swaps <sup>(ii)</sup>         | 53.1                       | (53.1)                                 | (53.1)                      | -                      | -                      | -                               |
| Foreign currency swaps                      | 2.7                        | (2.7)                                  | (2.7)                       | -                      | -                      | -                               |
|                                             | <b>1,796.0</b>             | <b>(2,293.7)</b>                       | <b>(508.5)</b>              | <b>(281.1)</b>         | <b>(1,432.0)</b>       | <b>(72.1)</b>                   |

<sup>(i)</sup> Excludes derivatives shown separately.

<sup>(ii)</sup> Interest rate swaps include the cross currency swaps for the USPP.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 33. Financial Instruments (continued)

### (F) LIQUIDITY RISK (CONTINUED)

All non-derivative financial liabilities, excluding bank overdraft, are carried at amortised cost.

The Consolidated Group manages liquidity risk by monitoring forecast cash flows on a weekly basis and ensuring that adequate unutilised borrowing facilities are maintained.

### (G) CAPITAL MANAGEMENT

The capital structure of the Consolidated Group comprises debt, which includes the borrowings disclosed in Note 20, 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 Statement of Financial Position.

The Consolidated Group undertook a review of its capital structure during the current financial year which involved refinancing its debt and issue in Equity resulting in a new \$1,429 million syndicated facility replacing the existing \$1,435 million syndicate facility. Refer to Note 20 for details.

The Consolidated Group is subject to externally imposed capital requirements, including restrictions on the payment of dividends on ordinary shares, and redeeming, repurchasing, retiring or repaying in cash any of the convertible notes, the USPP Notes, the Transpacific Step-up Preference Securities or any other hybrid equity instrument issued by it prior to its stated maturity or expiry date (other than in circumstances where it is obliged to do so).

The restrictions on dividends are consistent with the Company's intention to adopt a dividend policy which is focused on cash flow management having regard to various factors including prevailing economic conditions, capital expenditure requirements and opportunities, acquisition opportunities and debt management.

### (H) IMPAIRMENT LOSSES

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

|                               | <b>GROSS<br/>2012<br/>\$M</b> | <b>IMPAIRMENT<br/>2012<br/>\$'M</b> | <b>GROSS<br/>2011<br/>\$'M</b> | <b>IMPAIRMENT<br/>2011<br/>\$'M</b> |
|-------------------------------|-------------------------------|-------------------------------------|--------------------------------|-------------------------------------|
| Not past due                  | 197.2                         | -                                   | 166.9                          | -                                   |
| Past due 0-30 days            | 69.0                          | -                                   | 75.6                           | -                                   |
| Past due 31-120 days          | 15.1                          | 1.4                                 | 48.1                           | 1.6                                 |
| Past due 121 days to one year | 8.9                           | 1.7                                 | 5.5                            | 2.4                                 |
| More than one year            | 2.0                           | 2.0                                 | 0.2                            | 0.2                                 |
|                               | <b>292.2</b>                  | <b>5.1</b>                          | <b>296.3</b>                   | <b>4.2</b>                          |

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

|                                       | <b>2012<br/>\$'M</b> | <b>2011<br/>\$'M</b> |
|---------------------------------------|----------------------|----------------------|
| Balance at 1 July                     | 4.2                  | 4.5                  |
| Impairment loss/(reversed) recognised | 0.9                  | (0.3)                |
| <b>Balance 30 June</b>                | <b>5.1</b>           | <b>4.2</b>           |

The impairment loss at 30 June 2012 of \$2.0 million (2011: \$0.2 million) greater than one year relates to several minor customers.

Based on historic default rates, the Consolidated Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days. No single customer's annual revenue is greater than 2% of the Consolidated Group's total revenue. Trade and other debtors that are neither past due or impaired are considered to be of a high credit quality.

### 33. Financial Instruments (continued)

#### (I) FAIR VALUES

The carrying amount of the Consolidated Group's financial assets and liabilities approximate their fair value.

##### Fair Value Hierarchy

The Consolidated Group uses various methods in estimating the fair value of a financial instrument. The methods comprise of:

Level 1 – the fair value is calculated using quoted 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 or 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.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Consolidated Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

The fair value of unlisted debt and equity securities, as well as other investments that do not have an active market, are based on valuation techniques using market data that is not observable.

Other than as disclosed on the following pages there are no differences between the carrying value and the fair value of financial assets and liabilities.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

|                                   | QUOTED<br>MARKET<br>PRICE<br>(LEVEL 1) | VALUATION<br>TECHNIQUE –<br>MARKET<br>OBSERVABLE<br>INPUTS<br>(LEVEL 2) | VALUATION<br>TECHNIQUE –<br>NON MARKET<br>OBSERVABLE<br>INPUTS<br>(LEVEL 3) | TOTAL |
|-----------------------------------|----------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------------------|-------|
| <b>2012</b>                       |                                        |                                                                         |                                                                             |       |
| <i>Financial Assets</i>           |                                        |                                                                         |                                                                             |       |
| Derivative financial instruments: |                                        |                                                                         |                                                                             |       |
| Currency rate swaps               | -                                      | 0.4                                                                     | -                                                                           | 0.4   |
| <i>Financial Liabilities</i>      |                                        |                                                                         |                                                                             |       |
| Derivative financial instruments: |                                        |                                                                         |                                                                             |       |
| Interest rate swaps               | -                                      | 82.9                                                                    | -                                                                           | 82.9  |
| Foreign currency swaps            | -                                      | 0.5                                                                     | -                                                                           | 0.5   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 33. Financial Instruments (continued)

| 2011                              | QUOTED<br>MARKET<br>PRICE<br>(LEVEL 1) | VALUATION<br>TECHNIQUE –<br>MARKET<br>OBSERVABLE<br>INPUTS<br>(LEVEL 2) | VALUATION<br>TECHNIQUE –<br>NON MARKET<br>OBSERVABLE<br>INPUTS<br>(LEVEL 3) | TOTAL |
|-----------------------------------|----------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------------------|-------|
| <i>Financial Assets</i>           |                                        |                                                                         |                                                                             |       |
| Derivative financial instruments: |                                        |                                                                         |                                                                             |       |
| Currency rate swaps               | -                                      | 0.1                                                                     | -                                                                           | 0.1   |
| Available-for-sale investments:   |                                        |                                                                         |                                                                             |       |
| Listed investments                | 6.8                                    | -                                                                       | -                                                                           | 6.8   |
| <i>Financial Liabilities</i>      |                                        |                                                                         |                                                                             |       |
| Derivative financial instruments: |                                        |                                                                         |                                                                             |       |
| Interest rate swaps               | -                                      | 53.1                                                                    | -                                                                           | 53.1  |
| Foreign currency swaps            | -                                      | 2.7                                                                     | -                                                                           | 2.7   |

Transfer between categories

There were no transfers between Level 1 and Level 2 during the year.

## 34. Earnings per Share

|                                                                                                                     | 2012                 | 2011 <sup>(1)</sup> |
|---------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| Calculated in accordance with AASB 133:                                                                             |                      |                     |
| Basic earnings per share (cents per share)                                                                          | 0.9                  | (26.8)              |
| Diluted earnings per share (cents per share)                                                                        | 0.9                  | (26.8)              |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share          | 1,351,873,270        | 960,638,735         |
| Effect of share options, performance Rights and warrants on issue                                                   | 405,098              | 450,306             |
| <b>Weighted Average Number of Ordinary Shares Used as the Denominator in Calculating Diluted Earnings Per Share</b> | <b>1,352,278,368</b> | <b>961,089,041</b>  |
|                                                                                                                     | <b>2012</b>          | <b>2011</b>         |
|                                                                                                                     | <b>\$'M</b>          | <b>\$'M</b>         |
| Reconciliation of earnings used as the numerator in calculating basic and diluted earnings per share:               |                      |                     |
| Profit/(loss) from continuing operations                                                                            | 32.2                 | (280.5)             |
| Net profit attributable to non-controlling interests                                                                | (3.1)                | (1.3)               |
| Distribution to Step-up Preference Security holders                                                                 | (16.6)               | (14.7)              |
|                                                                                                                     | <b>12.5</b>          | <b>(296.5)</b>      |

<sup>(1)</sup> EPS has been adjusted by a factor of 1.15 that reflects the shares issued under the Renounceable Offer in November 2011.



### 35. Key Management Personnel Disclosures

#### (A) DETAILS OF SPECIFIED DIRECTORS AND SPECIFIED EXECUTIVES

The following were KMP of the Consolidated Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

##### (i) Executive Directors

K G Campbell – Executive Director and Chief Executive Officer (appointed on 27 January 2011; Chief Financial Officer from 1 September 2010 until 27 January 2011)

T J Coonan – Executive Director and Chief Executive Officer (resigned 27 January 2011)

##### (ii) Non-Executive Directors

G T Tilbrook

B R Brown

M M Hudson

R Smith (appointed 1 April 2011)

E R Stein (appointed 1 August 2011)

T A Sinclair (appointed 1 April 2012)

J G Goldfaden (appointed 23 April 2012)

R A Ghatalia (resigned 23 April 2012)

##### (iii) Key Executives

S G Cummins – Chief Financial Officer (appointed 23 May 2011)

A G Roderick – Managing Director, Transpacific Industrials

T H Nickels – Managing Director, New Zealand

P A Glavac – Managing Director, Commercial Vehicles

C M Carroll – Executive General Manager, Legal and Commercial (appointed 8 June 2012)

N M Badyk – Chief Operating Officer, Cleanaway (ceased employment 2 August 2012)

K L Smith – Company Secretary (ceased being a KMP effective 8 June 2012)

S T Barnard – General Manager, Group Projects (ceased employment 29 July 2011)

H W Grundell – Executive General Manager, New Zealand, Commercial Vehicles and Manufacturing (ceased employment 6 June 2011)

#### (B) KEY MANAGEMENT PERSONNEL COMPENSATION

The KMP compensation included in employee expenses are as follows:

|                              | 2012<br>\$       | 2011<br>\$       |
|------------------------------|------------------|------------------|
| Short-term employee benefits | 5,287,596        | 5,191,352        |
| Post-employment benefits     | 183,141          | 375,656          |
| Termination benefits         | 325,180          | 2,129,414        |
| Equity compensation benefits | 805,141          | 992,709          |
|                              | <b>6,601,058</b> | <b>8,689,131</b> |

The disclosures relating to remuneration of specified Directors and Executives is set out in the Remuneration Report section of the Directors' Report on pages 35 to 46.

#### (C) OPTIONS AND PERFORMANCE RIGHTS OVER EQUITY INSTRUMENTS GRANTED

The movement during the reporting period in the number of opportunities over ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is included in the following table.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 35. Key Management Personnel Disclosures (continued)

| 2012                            | BALANCE<br>AT THE<br>START OF<br>THE YEAR | GRANTED<br>DURING THE<br>YEAR AS<br>REMUNERATION | EXERCISED<br>DURING<br>THE YEAR | OTHER CHANGES<br>DURING THE YEAR | BALANCE<br>AT THE END<br>OF THE<br>YEAR | VESTED AND<br>EXERCISABLE AT<br>THE END OF THE<br>YEAR |
|---------------------------------|-------------------------------------------|--------------------------------------------------|---------------------------------|----------------------------------|-----------------------------------------|--------------------------------------------------------|
| <b>Executive Directors:</b>     |                                           |                                                  |                                 |                                  |                                         |                                                        |
| K G Campbell <sup>(i)</sup>     | 1,120,088                                 | 888,158                                          | -                               | -                                | 2,008,246                               | -                                                      |
| <b>Non-Executive Directors:</b> |                                           |                                                  |                                 |                                  |                                         |                                                        |
| G T Tilbrook                    | -                                         | -                                                | -                               | -                                | -                                       | -                                                      |
| B R Brown                       | -                                         | -                                                | -                               | -                                | -                                       | -                                                      |
| M M Hudson                      | -                                         | -                                                | -                               | -                                | -                                       | -                                                      |
| R M Smith                       | -                                         | -                                                | -                               | -                                | -                                       | -                                                      |
| E R Stein                       | -                                         | -                                                | -                               | -                                | -                                       | -                                                      |
| T A Sinclair                    | -                                         | -                                                | -                               | -                                | -                                       | -                                                      |
| J G Goldfaden                   | -                                         | -                                                | -                               | -                                | -                                       | -                                                      |
| R A Ghatalia                    | -                                         | -                                                | -                               | -                                | -                                       | -                                                      |
| <b>Key Executives:</b>          |                                           |                                                  |                                 |                                  |                                         |                                                        |
| S G Cummins                     | -                                         | 361,842                                          | -                               | -                                | 361,842                                 | -                                                      |
| A G Roderick                    | 953,604                                   | 410,526                                          | -                               | -                                | 1,364,130                               | -                                                      |
| T H Nickels                     | 844,184                                   | 246,058                                          | -                               | (179,334)                        | 910,908                                 | -                                                      |
| P A Glavac                      | 576,532                                   | 338,816                                          | -                               | -                                | 915,348                                 | -                                                      |
| C M Carroll                     | -                                         | -                                                | -                               | -                                | -                                       | -                                                      |
| N M Badyk <sup>(iii)</sup>      | 1,005,377                                 | 410,526                                          | -                               | -                                | 1,415,903                               | 51,773                                                 |
| <b>Former Key Executives:</b>   |                                           |                                                  |                                 |                                  |                                         |                                                        |
| K L Smith <sup>(ii)</sup>       | 372,115                                   | 172,421                                          | -                               | -                                | 544,536                                 | -                                                      |
| S T Barnard                     | 539,833                                   | -                                                | -                               | (539,833)                        | -                                       | -                                                      |
| <b>Total</b>                    | <b>5,411,733</b>                          | <b>2,828,347</b>                                 | <b>-</b>                        | <b>(719,167)</b>                 | <b>7,520,913</b>                        | <b>51,773</b>                                          |
| <b>2011</b>                     |                                           |                                                  |                                 |                                  |                                         |                                                        |
| <b>Executive Directors:</b>     |                                           |                                                  |                                 |                                  |                                         |                                                        |
| K G Campbell                    | -                                         | 1,120,088                                        | -                               | -                                | 1,120,088                               | -                                                      |
| T J Coonan                      | 1,757,413                                 | 750,000                                          | -                               | (2,507,413)                      | -                                       | -                                                      |
| <b>Non-Executive Directors:</b> |                                           |                                                  |                                 |                                  |                                         |                                                        |
| G T Tilbrook                    | -                                         | -                                                | -                               | -                                | -                                       | -                                                      |
| B R Brown                       | -                                         | -                                                | -                               | -                                | -                                       | -                                                      |
| M M Hudson                      | -                                         | -                                                | -                               | -                                | -                                       | -                                                      |
| G D Mulligan                    | -                                         | -                                                | -                               | -                                | -                                       | -                                                      |
| B S Allan                       | 50,000                                    | -                                                | -                               | (50,000)                         | -                                       | -                                                      |
| R A Ghatalia                    | -                                         | -                                                | -                               | -                                | -                                       | -                                                      |
| <b>Key Executives:</b>          |                                           |                                                  |                                 |                                  |                                         |                                                        |
| S G Cummins                     | -                                         | -                                                | -                               | -                                | -                                       | -                                                      |
| A G Roderick                    | 1,153,604                                 | 300,000                                          | -                               | (500,000)                        | 953,604                                 | -                                                      |
| T H Nickels                     | 656,455                                   | 187,729                                          | -                               | -                                | 844,184                                 | -                                                      |
| P A Glavac                      | 401,532                                   | 175,000                                          | -                               | -                                | 576,532                                 | -                                                      |
| N M Badyk                       | 653,604                                   | 351,773                                          | -                               | -                                | 1,005,377                               | -                                                      |
| K L Smith                       | 321,115                                   | 126,000                                          | -                               | (75,000)                         | 372,115                                 | -                                                      |
| S T Barnard                     | 451,740                                   | 118,093                                          | -                               | (30,000)                         | 539,833                                 | -                                                      |
| <b>Former Key Executive:</b>    |                                           |                                                  |                                 |                                  |                                         |                                                        |
| H W Grundell                    | 885,109                                   | 337,910                                          | -                               | (1,223,019)                      | -                                       | -                                                      |
| <b>Total</b>                    | <b>6,330,572</b>                          | <b>3,466,593</b>                                 | <b>-</b>                        | <b>(4,385,432)</b>               | <b>5,411,733</b>                        | <b>-</b>                                               |

<sup>(i)</sup> 337,500 of these Performance Rights have been issued after shareholder approval at the 2011 Annual General Meeting

<sup>(ii)</sup> K L Smith ceased being a KMP effective 8 June 2012.

<sup>(iii)</sup> 51,773 STI rights held by N M Badyk vested on 30 June 2012 are exercisable on or after this date.

### 35. Key Management Personnel Disclosures (continued)

#### (D) SHARE HOLDINGS

The movement during the reporting period in the number of ordinary shares in the Company held, directly or indirectly or beneficially, by each KMP, including their related parties, is as follows.

| NAME                            | BALANCE AT<br>THE START<br>OF THE YEAR | RECEIVED<br>DURING<br>THE YEAR<br>ON THE<br>EXERCISE<br>OF<br>OPTIONS | OTHER<br>CHANGES<br>DURING<br>THE YEAR | BALANCE AT<br>THE END OF<br>THE YEAR |
|---------------------------------|----------------------------------------|-----------------------------------------------------------------------|----------------------------------------|--------------------------------------|
| <b>2012</b>                     |                                        |                                                                       |                                        |                                      |
| <b>Executive Directors:</b>     |                                        |                                                                       |                                        |                                      |
| K G Campbell                    | -                                      | -                                                                     | -                                      | -                                    |
| <b>Non-Executive Directors:</b> |                                        |                                                                       |                                        |                                      |
| G T Tilbrook                    | 80,000                                 | -                                                                     | 166,429                                | 246,429                              |
| B R Brown                       | 200,000                                | -                                                                     | 128,572                                | 328,572                              |
| M M Hudson                      | 7,000                                  | -                                                                     | 25,858                                 | 32,858                               |
| R M Smith                       | -                                      | -                                                                     | 65,715                                 | 65,715                               |
| E R Stein                       | -                                      | -                                                                     | 30,300                                 | 30,300                               |
| T A Sinclair                    | -                                      | -                                                                     | -                                      | -                                    |
| J G Goldfaden                   | -                                      | -                                                                     | -                                      | -                                    |
| <b>Key Executives:</b>          |                                        |                                                                       |                                        |                                      |
| S G Cummins                     | -                                      | -                                                                     | 40,000                                 | 40,000                               |
| P A Glavac                      | 227,875                                | -                                                                     | -                                      | 227,875                              |
| C M Carroll                     | -                                      | -                                                                     | -                                      | -                                    |
| N M Badyk                       | 257,072                                | -                                                                     | 8,262                                  | 265,334                              |
| K L Smith <sup>(i)</sup>        | 76,465                                 | -                                                                     | 49,157                                 | 125,622                              |
| S T Barnard <sup>(ii)</sup>     | 20,500                                 | -                                                                     | 13,000                                 | 33,500                               |
| <b>2011</b>                     |                                        |                                                                       |                                        |                                      |
| <b>Executive Directors:</b>     |                                        |                                                                       |                                        |                                      |
| K G Campbell                    | -                                      | -                                                                     | -                                      | -                                    |
| <b>Non-Executive Directors:</b> |                                        |                                                                       |                                        |                                      |
| G T Tilbrook                    | 30,000                                 | -                                                                     | 50,000                                 | 80,000                               |
| B R Brown                       | 200,000                                | -                                                                     | -                                      | 200,000                              |
| M M Hudson                      | 7,000                                  | -                                                                     | -                                      | 7,000                                |
| G D Mulligan                    | 82,810                                 | -                                                                     | -                                      | 82,810                               |
| B S Allan                       | 25,653                                 | -                                                                     | -                                      | 25,653                               |
| <b>Key Executives:</b>          |                                        |                                                                       |                                        |                                      |
| P A Glavac                      | 227,875                                | -                                                                     | -                                      | 227,875                              |
| N M Badyk                       | 257,072                                | -                                                                     | -                                      | 257,072                              |
| K L Smith                       | 76,465                                 | -                                                                     | -                                      | 76,465                               |
| S T Barnard                     | 20,500                                 | -                                                                     | -                                      | 20,500                               |

<sup>(i)</sup> K L Smith ceased being a KMP effective 8 June 2012.

<sup>(ii)</sup> S T Barnard ceased employment on 29 July 2011.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 *CONTINUED*

## 35. Key Management Personnel Disclosures (continued)

(E) CHANGES IN KEY MANAGEMENT PERSONNEL IN THE PERIOD AFTER THE REPORTING DATE AND PRIOR TO THE DATE WHEN THE CONSOLIDATED FINANCIAL REPORT IS AUTHORISED FOR ISSUE

On 2 August 2012 Mr N Badyk who was a KMP ceased employment.

(F) LOANS TO DIRECTORS AND EXECUTIVES

There were no loans to Directors or Executives made during the period and no outstanding balances at reporting date.

## 36. Subsequent Events

There were no significant events subsequent to year end.

## 37. Parent Entity Disclosure

|                                                 | 2012<br>\$'M | 2011<br>\$'M |
|-------------------------------------------------|--------------|--------------|
| Current assets                                  | 33.6         | 6.5          |
| Total assets                                    | 3,264.6      | 3,276.2      |
| Current liabilities                             | 234.7        | 54.9         |
| Total liabilities                               | 1,150.2      | 1,417.5      |
| Issued capital                                  | 2,123.6      | 1,820.0      |
| Retained earnings                               | (58.7)       | (24.7)       |
| Reserves:                                       |              |              |
| Warrant                                         | 60.2         | 60.2         |
| Employee equity benefits                        | 4.4          | 3.7          |
| Hedging                                         | (15.1)       | (0.5)        |
| Total shareholder equity                        | 2,114.4      | 1,858.7      |
| Profit or loss of the parent entity             | (47.4)       | (32.6)       |
| Total comprehensive income of the parent entity | (59.5)       | (30.5)       |

The Parent Entity guarantees the contractual commitments of its subsidiaries as requested.

Refer to Note 25 and 29.

# 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 Consolidated Group's financial position as at 30 June 2012 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; and
- (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 2012; 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 25 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.



G T Tilbrook  
Non-Executive Chairman



K G Campbell  
Executive Director and Chief Executive Officer

**Brisbane, 23 August 2012**

# INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF TRANSPACIFIC INDUSTRIES GROUP LTD



111 Eagle Street  
Brisbane QLD 4000 Australia  
GPO Box 7878 Brisbane QLD 4001  
Tel: +61 7 3011 3333  
Fax: +61 7 3011 3100  
www.ey.com/au

## Independent auditor's report to the members of Transpacific Industries Group Ltd

### Report on the financial report

We have audited the accompanying financial report of Transpacific Industries Group Ltd, which comprises the consolidated statement of financial position as at 30 June 2012, 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.

### Opinion

In our opinion:

- a. the financial report of Transpacific Industries Group Ltd 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 2012 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 35 to 46 of the directors' report for the year ended 30 June 2012. 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 Transpacific Industries Group Ltd for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young  
Brisbane  
23 August 2012

Mike Reid  
Partner

Liability limited by a scheme approved  
under Professional Standards Legislation

# SHAREHOLDER INFORMATION

## TOP 20 LARGEST SHAREHOLDERS AS AT 31 AUGUST 2012

|                                                  |                                                                   | NO. OF SHARES        | % OF<br>ORDINARY<br>SHARES |
|--------------------------------------------------|-------------------------------------------------------------------|----------------------|----------------------------|
| 1                                                | WPX Holdings BV                                                   | 535,285,740          | 33.9%                      |
| 2                                                | J P Morgan Nominees Australia Limited                             | 214,593,455          | 13.6%                      |
| 3                                                | National Nominees Limited                                         | 189,658,457          | 12.0%                      |
| 4                                                | Filmore Limited                                                   | 102,018,841          | 6.5%                       |
| 5                                                | HSBC Custody Nominees (Australia) Limited                         | 98,999,442           | 6.3%                       |
| 6                                                | JP Morgan Nominees Australia Limited <Cash Income A/C>            | 70,738,908           | 4.5%                       |
| 7                                                | Citicorp Nominees Pty Limited                                     | 43,751,430           | 2.8%                       |
| 8                                                | Tandom Pty Ltd                                                    | 39,741,280           | 2.5%                       |
| 9                                                | Brenzil Pty Ltd                                                   | 36,527,759           | 2.3%                       |
| 10                                               | BNP Paribas Noms (NZ) Ltd <DRP>                                   | 21,382,739           | 1.4%                       |
| 11                                               | HSBC Custody Nominees (Australia) Limited - A/C 2                 | 17,319,837           | 1.1%                       |
| 12                                               | BNP Paribas Noms Pty Ltd <Master Cust DRP>                        | 17,254,516           | 1.1%                       |
| 13                                               | Citicorp Nominees Pty Limited <Colonial First State Inv A/C>      | 16,058,055           | 1.0%                       |
| 14                                               | BNP Paribas Noms Pty Ltd <SMP Accounts DRP>                       | 13,072,592           | 0.8%                       |
| 15                                               | Aust Executor Trustees SA Ltd <Tea Custodians Limited>            | 10,256,766           | 0.6%                       |
| 16                                               | JJ Richards & Sons Pty Ltd                                        | 8,891,724            | 0.6%                       |
| 17                                               | QIC Limited                                                       | 7,022,462            | 0.4%                       |
| 18                                               | Masfen Securities Limited                                         | 6,571,430            | 0.4%                       |
| 19                                               | Custodial Services Limited <Beneficiaries Holding A/C>            | 5,778,536            | 0.4%                       |
| 20                                               | RBC Investor Services Australia Nominees Pty Limited <Bkcust A/C> | 5,311,117            | 0.3%                       |
| Top 20 Holders of Fully Paid Ordinary Shares     |                                                                   | 1,460,235,086        | 92.5%                      |
| Total Remaining Holders Balance                  |                                                                   | 118,273,946          | 7.5%                       |
| <b>Total Fully Paid Ordinary Shares on Issue</b> |                                                                   | <b>1,578,509,032</b> | <b>100.0%</b>              |

## SUBSTANTIAL SHAREHOLDERS

The number of shares held by substantial shareholders as disclosed in the substantial shareholding notices given to the Company as at 15 September 2012 were:

|                                        |                    |              |
|----------------------------------------|--------------------|--------------|
| WPX Holdings BV                        | 535,285,740        | 33.9%        |
| UBS AG and its related body corporates | 104,475,363        | 6.6%         |
| Filmore Limited                        | 101,137,147        | 6.4%         |
| <b>TOTAL</b>                           | <b>740,898,250</b> | <b>46.9%</b> |

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 (not including their associates), even if the shareholder does not have a relevant interest in the shares for example, because the shareholder holds the share as a nominee. The list of the 20 largest shareholders of the Company and the list of substantial shareholders of the Company differ for this reason.

## SHAREHOLDER INFORMATION *CONTINUED*

### STATEMENT OF QUOTED SECURITIES

The Company's total number of shares on issue as at 31 August 2012 is 1,578,509,032 ordinary fully paid shares.

At 31 August 2012 the total number of shareholders owing these shares was 7,905 on the register of members maintained by Computershare Investor Services Pty Ltd.

92.5% of total issued capital is held by or on behalf of the 20 largest shareholders.

### VOTING RIGHTS

Under the Company's Constitution, every member 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.

Where a member is entitled to cast two or more votes it may appoint not more than two proxies or attorneys.

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 a member.

At 31 August 2012, there were 13,994,273 performance rights on issue to executives under incentive schemes.

71,636,326 warrants are held by WPX Holdings BV under an Equity Warrant Deed. Voting rights will be attached to the unissued ordinary shares when the performance rights and warrants 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 |
|---------------|---------|-------------|--------------|----------------|------------------|
|               | 2,639   | 2,968       | 983          | 1,154          | 161              |

The number of shareholders each holding less than a marketable parcel of the Company's ordinary shares at 31 August 2012 was 1,635.

### SECURITIES EXCHANGE LISTING

The shares of Transpacific Industries Group Ltd are listed on the Australian Securities Exchange under the trade symbol TPI.



# CORPORATE DIRECTORY

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## TRANSPACIFIC INDUSTRIES GROUP LTD

ABN 74 101 155 220

### DIRECTORS

**Gene Tilbrook**

(Non-Executive Chairman)

**Kevin Campbell**

(Chief Executive Officer and Executive Director)

**Bruce Brown**

(Non-Executive Director)

**Jeffrey Goldfaden**

(Non-Executive Director)

**Martin Hudson**

(Non-Executive Director)

**Terry Sinclair**

(Non-Executive Director)

**Ray Smith**

(Non-Executive Director)

**Emma Stein**

(Non-Executive Director)

### COMPANY SECRETARY

**Kellie Smith**

### REGISTERED OFFICE

Level 1

159 Coronation Drive

Milton QLD 4064

### SHARE REGISTRY

Computershare Investor Services Pty limited

117 Victoria Street

West End QLD 4101

### COMPANY WEBSITE

[www.transpacific.com.au](http://www.transpacific.com.au)

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