CLEANAWAY
Making a sustainable future possible

ANNUAL REPORT 2019

CLEANAWAY WASTE MANAGEMENT LIMITED
ABN: 74 101 155 220

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The Company's 2019 Annual General Meeting will be held at 10am (Brisbane time) on Friday, 25 October 2019 at the Long Room, Customs House, 399 Queen Street, Brisbane, Queensland 4000.

2019 Corporate Governance Statement and Appendix 4G Disclosures are available on our website at https://www.cleanaway.com.au/about-us/for-investor/corporate-governance/

We're energised for our mission of making a sustainable future possible… for people, for the planet, and for our investors through sustainable performance.

In 2019, we began a new journey to bring all those elements together with a focus on People, Markets, and Assets, to deliver strong Financial returns and make a sustainable future possible.

FY2019 snapshot

Statutory results

$2,283.1 million revenue	▲33.2%
$2,109.1 million net revenue[1]	▲34.8%
$433.7 million EBITDA	▲34.2%
$217.6 million EBIT	▲45.7%
$123.1 million NPAT[2]	▲18.9%
3.55¢/share dividend	▲42.0%
6.0¢/share eps	▲7.1%

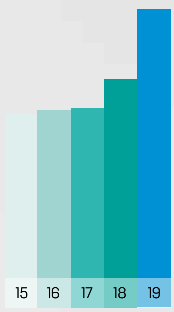
Underlying results

$2,283.1 million revenue	▲33.2%
$2,109.1 million net revenue[1]	▲34.8%
$461.6 million EBITDA	▲35.9%
$240.8 million EBIT	▲44.7%
$139.9 million NPAT[2]	▲42.8%
3.55¢/share dividend	▲42.0%
6.9¢/share eps	▲30.2%

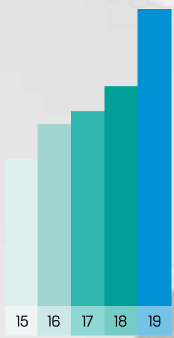
1 Net revenue is a non-IFRS measure and excludes landfill levies.
2 Attributable to ordinary equity holders.

Financial highlights[3]

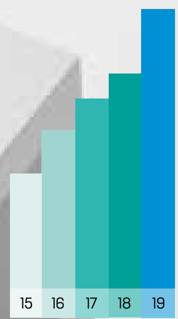
Net Revenue ($m)
$**2,109**m
▲35%



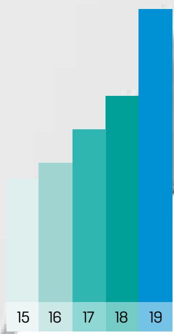
EBITDA ($m)
$**462**m
▲36%



EPS (¢)
$**6.9**¢
▲30%



Dividend (¢)
3.55¢
▲42%



3 Underlying results.

Community investments

We know that change starts at home – and that genuine engagement and working in partnership with the communities in which we operate is an important part of our path for the future.

$805,000+

Invested in Australian communities

800

Education programs held nationally

27,780+

Students engaged in school-based education programs nationally

Operations at a glance

Cleanaway is Australia's leading waste management, industrial and environmental services company. With our dedicated team, national network of specialised infrastructure assets, and one of the largest fleets of waste collection vehicles on Australian roads, we're working towards Our Mission of making a sustainable future possible, for all Australians.

Employees

5,900+

Vehicles

4,950+

Sites

300+

Prized infrastructure assets

115+

FY2019 what we recovered

Each year we focus on recovering more resources from waste – returning valuable commodities to the value chain, the first step toward making a more sustainable future possible.

>380,000t
Paper and Cardboard

>15,500t
Plastic

>25,000t
Steel and Aluminium

Closed Loop Oil Recycling

>115ML
Used oil

Our lubricating and engine oil collection and recycling services close the loop in oil usage, helping to reduce Australia's reliance on virgin refined oil.

E-waste

~6,250t
E-waste

Protecting our environment by keeping hazardous materials such as lead and mercury out of the environment, we're also recovering valuable materials such as copper, silver, gold and platinum. Our BluBox technology breaks down next generation e-waste such as LCD TVs and laptops, extracting harmful mercury and mercury vapour, before using an optical sorter to separate the e-waste into its recyclable components.

Container Deposit Schemes

Containers collected since inception[1]

2.24bn

Return and Earn, NSW

760.8m

Containers for Change, QLD

In FY2019, we were proud to continue our partnership with Return and Earn, and the NSW Government as Network Operator, running the collection and sorting services out of our Eastern Creek Container Sorting Facility. We also commenced services supporting logistics and processing for Containers for Change in QLD across Greater Brisbane, Hervey Bay and logistics across Cairns.

Turning Landfill Gas into Renewable Energy

~115M m^3

Landfill gas captured, generating

~135m kWh

of renewable energy, enough to power

>27,400homes

We're capturing the gas generated from the natural breakdown of waste in our landfills, turning it into electricity, then returning it to the grid, to power homes. This reduces our Greenhouse Gas emissions and our reliance on non-renewable power sources such as coal.

Safe and Sustainable Healthcare

~1.1m

Sharpsmart collectors washed through Daniels robotic washlines

Reusable sharps containers make sure that only the waste inside is disposed of and destroyed, whilst our robotic washlines mean that the used container is hygienically cleaned, ready for reuse, reducing greenhouse gas emissions, as well as plastic and cardboard waste.

Managing Greenhouse Gas Emissions

Scope 1 + Scope 2

~820kt CO_2-e

Greenhouse gas emissions

Cleanaway's resource recovery activities go to reducing greenhouse gas emissions; both Cleanaway's direct emissions, and emissions that would otherwise have occurred throughout our communities. We are continually looking at ways to support further emission reduction, from expanding the footprint of our recycling operations to fuel and energy efficiency.

1 Based on containers processed since inception of the schemes.

Chairman's Report

"FY2019 has been another successful year for your Company, with increased earnings and a further increase in dividends to shareholders."

It is with great pleasure that I present to you the Cleanaway Waste Management Limited 2019 Annual Report.

The financial performance recorded in FY2019 across all our business segments continued the strong positive trends we have reported over the past four years.

The integration of the Toxfree business, which was acquired in FY2018, is well on track to achieve the $35 million synergy target by June 2020. The acquisition has proven to be highly complementary to Cleanaway and has strengthened our total waste management services across the country.

A major focus of the Board and Management is the health and safety of our employees and contractors. Our business, like most industrial, logistics and infrastructure businesses, faces daily operational and situational hazards. We have a responsibility to ensure that all our employees and contractors go home safe. A great deal of effort is expended throughout the Company to make sure this is the case.

Our total recordable injury frequency rate has reduced by 8.1% to 5.7 compared to the previous year. While this is an improvement, we always need to do better to achieve our Goal Zero. Further details about our focus to reach Goal Zero are set out elsewhere in the Annual Report.

Net revenue, which represents gross revenue less landfill levies collected and passed through to the customer, increased 34.8% to $2.11 billion compared to the prior corresponding period. This led to an increase in

EBITDA of 34.2% to $433.7 million and EBIT which was up 45.7% to $217.6 million.

These results were due to improved profit performances by our three business segments – Solid Waste Services, Industrial & Waste Services and Liquid Waste & Health Services.

On an underlying basis, EBITDA increased 35.9% to $461.6 million and EBIT increased by 44.7% to $240.8 million.

Earnings per share increased 7.1% to 6.0 cents and on an underlying basis increased 30.2% to 6.9 cents.

Cleanaway is in a very strong financial position. Our balance sheet is in excellent shape, with all our debt ratios well within our banking covenant requirements. Our average debt maturity at 30 June 2019 is 3.8 years and we have $318 million of headroom under our banking facilities. To further strengthen our debt portfolio, we are currently assessing the use of longer tenor debt.

Our strong financial and operational performance, and confidence in the future growth of the Company, has again allowed the Board to increase dividends paid to shareholders. The Board has declared a fully franked final dividend of 1.90 cents per share, payable on 3 October 2019. This represents an increase of 35.7% from the 1.40 cents final dividend paid last year.

Combined with the interim dividend of 1.65 cents per share paid earlier in the year, the dividends declared in respect of FY2019 totalled 3.55 cents per share, an increase of 42.0% compared to the total dividend paid last year.

As shareholders would be aware, our mission is "to make a sustainable future possible". This goes to the heart of why Cleanaway exists and how we as a business will continue to prosper. You can read about our sustainability initiatives in the Annual Report. Further enhancements to our sustainability metrics are currently being worked on, and I look forward to reporting this to shareholders next year.

Consistent with the enhanced focus on our sustainability metrics, we have recently renamed the Health, Safety & Environment Committee as the Sustainability Committee. The Committee will now be responsible for reviewing the Company's strategies, systems, policies and practices in respect of the Company's sustainability framework.

As part of its usual succession planning activities, the Board is currently undertaking a search for a new Non-Executive Director. The new Non-Executive Director is expected to be female, which will improve diversity at the Board level. I hope to be able to update shareholders shortly in relation to the appointment.

In closing, I would like to thank the management team led by Vik Bansal and all our employees for their considerable efforts in "making a sustainable future possible" for Cleanaway. I would also like to thank my fellow Board members for all their wise counsel and support this past year.

Mark Chellew
Chairman

CEO's Report

"Our journey from being a good company to a great one continues, and I am again pleased to present to our shareholders a set of results that continues to reflect strong growth across all our operating segments."

Over the past four years we have been progressively implementing strategies to take Cleanaway from just being a good company, to becoming a great one. Again, I am pleased to report that we have taken further significant steps towards the achievement of that goal and FY2019 has been another year of strong growth across all our business segments.

The strategies that we have implemented and the performance culture that has been fostered throughout the Company are major drivers of our success.

Over this past year we increased our position as the premier waste management company in Australia. We have a diversified portfolio of assets and services, we are the market leader in every sector in which we operate, and our network of prized waste infrastructure assets is second to none across the country. When you combine this with the passion and quality of our people, our mission of "making a sustainable future possible" is not just a few words on paper, but an increasingly achievable reality.

Making sure our employees and contractors go home in the same condition they arrived at work remains and always will be our number one priority. Our business faces daily operational and situational hazards, as most industrial, logistics and infrastructure businesses do, but this is no reason why we cannot work towards our target of Goal Zero.

While a further 8.1% decline in our Total Recordable Injury Frequency Rate (TRIFR) during the past twelve months can be considered a positive, we are not satisfied with our safety performance. We still have work to do to reach our Goal Zero target. Our focus is very clear.

An area of change we are seeing in the safety risk profile is the level of drivers' attentiveness on the roads. This doesn't just relate to our drivers, but to all drivers, as the distractions from mobile phones and traffic congestion can divert attention away from the road. A key priority for us in FY2020 is working with all our drivers to ensure they can maintain maximum attentiveness on our roads.

Last year, a major highlight was the acquisition of Tox Free Solutions Limited (Toxfree) a business that is highly complementary to our existing business and further enhances our total waste management offering.

After owning Toxfree for just over twelve months, I can state without hesitation that the acquisition has been good for Cleanaway, good for all our stakeholders and good for the industry. The integration of the business is progressing very well and running to plan. We remain confident of achieving the $35 million in synergies we identified at the time of the acquisition by June 2020.

In November 2018 we announced a change to our operating segments. This was done to ensure alignment to the new Cleanaway Operating Model and organisational structure. The three new operating segments are Solid Waste Services, Industrial & Waste Services, and Liquid Waste & Health Services.

All three operating segments recorded improved performance when compared to the previous corresponding period:

- Solid Waste Services reported increases in net revenue, EBITDA and EBIT of 23.0%, 23.5% and 28.1% respectively.
- Industrial & Waste Services reported increases in net revenue, EBITDA and EBIT of 84.0%, 146.6% and 341.2% respectively.
- Liquid Waste & Health Services reported increases in net revenue, EBITDA and EBIT of 53.5%, 60.3% and 46.7% respectively.

A more detailed analysis of the performance of our operating segments can be found on subsequent pages of this Annual Report.

In total, our Group underlying results for FY2019 were strong:

- Net revenue increased 34.8% to $2,109.1 million.
- EBITDA increased 35.9% to $461.6 million.
- EBIT increased 44.7% to $240.8 million.
- EBITDA to net revenue margin expanded 20 basis points to 21.9%.

I should point out that this growth was achieved by a combination of organic growth and the contribution from the acquisition of Toxfree. Taking into consideration the results of Toxfree for FY2018 and combining them with the Cleanaway results for the same period and then comparing them to our FY2019 results, our net revenues and EBITDA grew organically by 6.4% and 12.7% respectively.

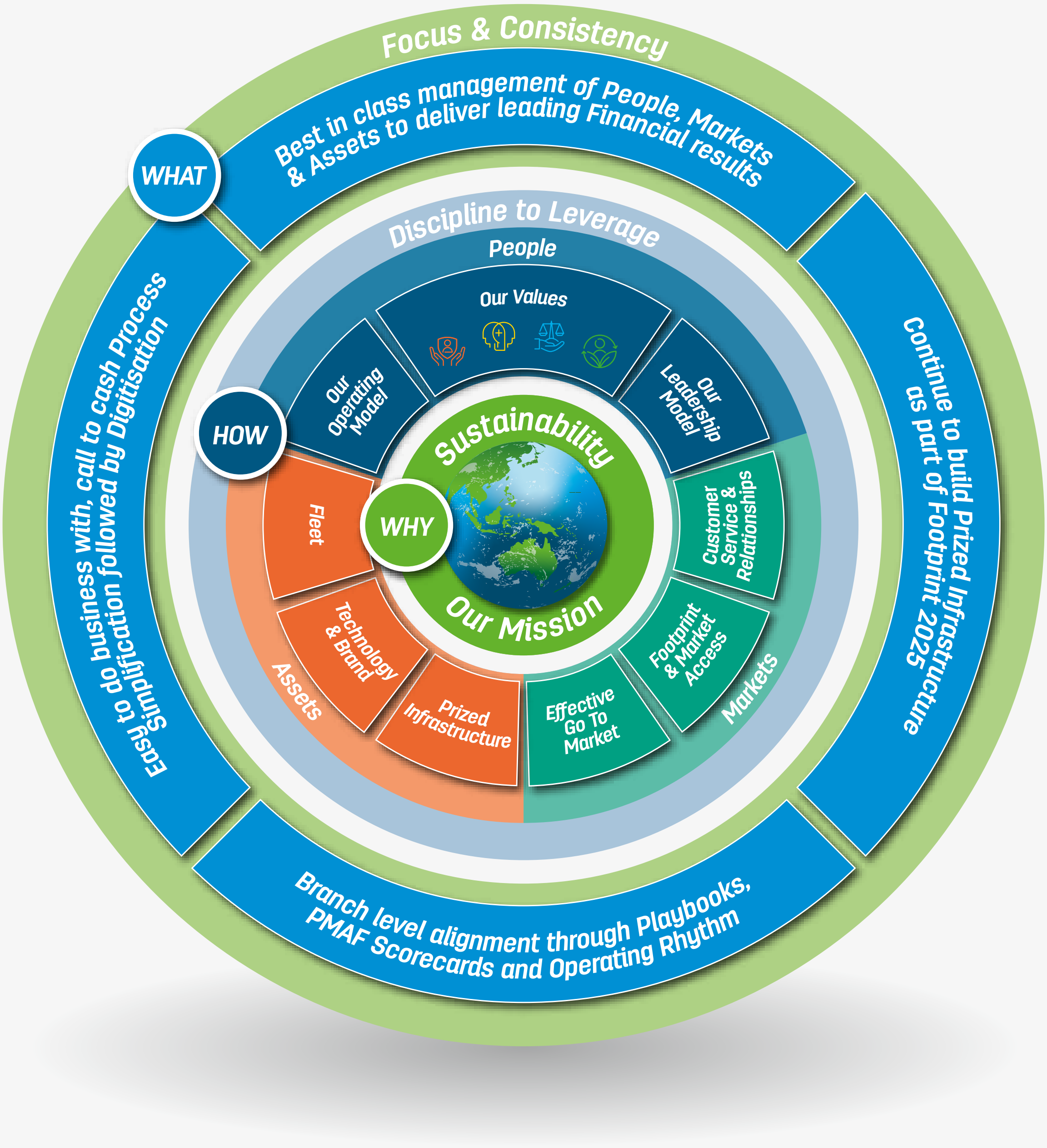
It has always been our view that a well-managed waste management company should be able to generate significant free cash flow through a disciplined approach to cash and capital expenditure. I am pleased to report that this discipline has been maintained in FY2019, with our free cash flow increasing 76.4% to $206.4 million during the year. Continuing to drive growth in earnings and cash flow will further enhance shareholder returns.

During the year we continued to strengthen our network of prized infrastructure assets, a strategy we have termed our 'Footprint 2025'. At the heart of this strategy is the optimisation of the waste value chain from collection to disposal, with a particular focus on resource recovery. We are committed to putting the infrastructure in place to be able to sustainably manage the waste generated across Australia – now and well into the future.

Examples of our Footprint 2025 strategy projects completed during the year include:

- Completion of a waste transfer station and resource recovery facility in Sydney licensed to process 300,000 tonnes of putrescible waste each year.

Our Cleanaway Way



- An organics treatment facility in Melbourne that decontaminates green and organic waste for valuable composting and is diverting over 100,000 tonnes of waste from landfill each year.
- Acquisition of a 50% interest in ResourceCo's new Resource Recovery Facility located in western Sydney. The facility has the capacity to process up to 250,000 tonnes of waste material and convert it into a process engineered fuel to be used in the cement industry locally and offshore, diverting material that was previously destined for landfill.
- The upgrade to a contaminated soil treatment facility in Sydney, the only facility of its kind capable of processing asbestos-contaminated soils.
- A transfer station in Perth which has considerably strengthened our post collection processing facilities in the city.

Further developments to the Footprint 2025 strategy are planned for FY2020, especially around downstream resource recovery, the Health sector and Energy from Waste. I look forward to reporting to you on these developments over the course of next year.

This expansion of our network of prized infrastructure assets allows us to be highly competitive when it comes to winning new contracts.

Earlier in this report I mentioned the performance culture that has been fostered within Cleanaway. One way this has been achieved is by providing clarity to all our employees via the implementation of Our Cleanaway Way.

Our Cleanaway Way is our strategy on a page. It was designed to create a common language and narrative across the organisation, and ensure we are all aligned in our efforts to take our business from good to great. Following the acquisition and integration of Toxfree, and in addition to the organic growth we've experienced over the past four years, we refreshed and relaunched Our Cleanaway Way to better represent the business we are today. We are working hard to deliver on Our Mission "to make a sustainable future possible" and make Our Vision a reality.

I am sure that shareholders have noticed the increased government and media attention regarding the challenges facing the recycling industry in Australia. To ensure sustainability, we need to work together towards developing a circular economy in Australia. This will require changing the way products are designed, produced, sold and used to minimise waste and reduce environmental impact. A circular economy is impossible without a well-functioning waste management industry, underpinned by first class infrastructure, credible and high quality operators, robust government policies and initiatives, and an educated community.

We have provided details regarding these challenges further in the annual report.

Finally, I would like to thank the Board for the support given to me and to the leadership team over this past year.

In closing, I need to acknowledge the efforts of the more than 5,900 people who make Cleanaway the company that it is and work hard each day to make a sustainable future possible. It is a team I am privileged to lead, as it is their commitment to ensuring that our customers are serviced and all waste is processed in a sustainable manner, that is the real key to our success.

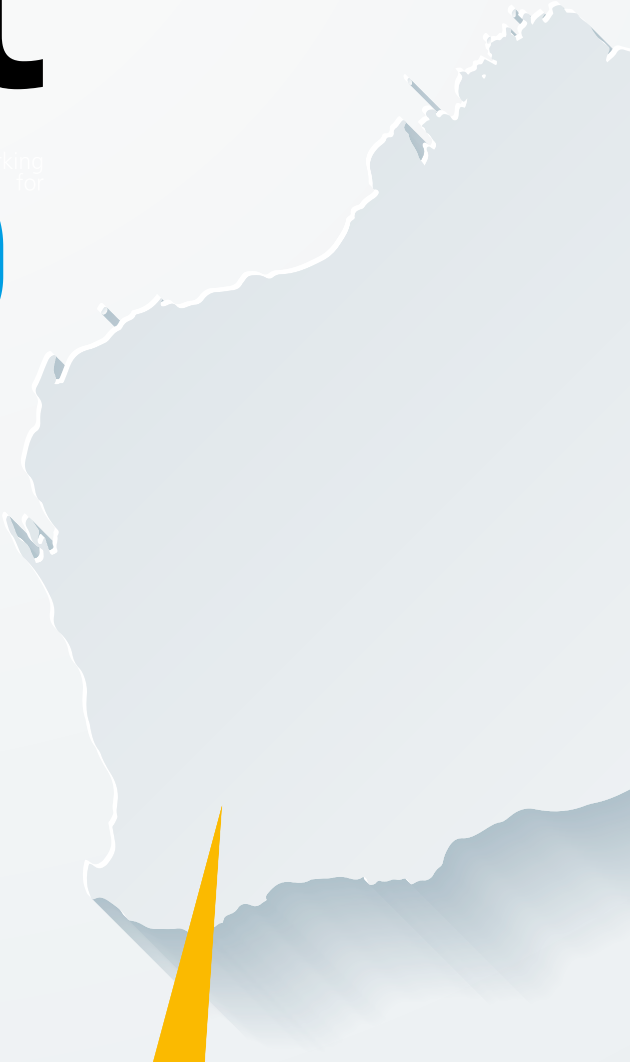
Vik Bansal

Vik Bansal
Chief Executive Officer and
Managing Director

foot print 2025

Four years ago we launched our Footprint 2025 strategy to make sure that we have the right infrastructure in place to sustainably manage the waste generated by Australians well into the future – with an ever-increasing focus on resource recovery.

Our network of prized infrastructure assets strategically located across Australia provide the right solution in the right location to increase resource recovery and support the needs of local communities. During FY2019, we've continued to expand our network to include innovative treatment and processing capabilities which ensure that as little residual material as possible is left to be disposed of.



Western Australia

- New material recycling facility
- Two new transfer stations

Queensland

- New transfer station
- New paper recycling facility
- Upgrade to oil recycling facility

New South Wales

- New Container Deposit Scheme sorting line
- New Western Sydney transfer station and resource recovery centre
- Cleanaway ResourceCo refuse derived fuel facility
- Base oil recycling facility
- New contaminated soil treatment facility
- Additional PFAS processing capacity

Victoria

- New transfer station
- Doubling of electricity generation capacity at Melbourne Regional Landfill
- Planning permit for Melbourne Regional Landfill till 2046
- Upgraded material recycling facility
- New organic waste treatment facility
- New food waste de-packaging facility
- Consolidated C&I/Municipal depot

South Australia

- Three transfer stations and a resource recovery facility acquired
- Height rise extension approval for Inkerman landfill

Solid Waste Services

As Australia's market leader for the collection and processing of solid waste and recyclables, we serve more than 140,000 commercial and industrial businesses, and over 95 municipal councils.

Net Revenue

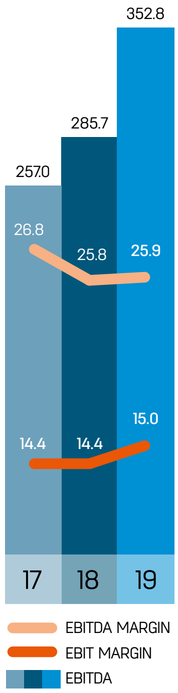
$1,362.3m
▲23.0%

	FY2019	FY2018	FY2019 V FY2018
Net revenue ($ million)	**1,362.3**	1,107.3	23.0%
EBITDA ($ million)	**352.8**	285.7	23.5%
EBITDA margin (%)	**25.9**	25.8	+10bps
EBIT ($ million)	**204.0**	159.2	28.1%
EBIT margin (%)	**15.0**	14.4	+60bps

Represents underlying results.

EBITDA

$352.8m
▲23.5%



We're trusted to collect, sort and process household and business waste, and our investment in material recovery facilities and transfer stations across Australia means that we can sort and recover more recyclable commodities. Anything which can't be recycled is securely disposed of in our highly engineered landfills. And it doesn't end there. We're investing in additional network capacity to collect naturally produced landfill gas across our landfills, using it to generate electricity which we return to the grid, reducing our reliance on fossil fuels.

Over FY2019, Net Revenue increased by 23.0% to $1.36 billion. This growth was driven by a number of factors, including increases in both volume and price, as well as the full ramp up and operation of major contracts. These include the NSW Central Coast Municipal contract and the Brisbane City Council resource recovery and post collections contract. The addition of the Toxfree Solids business in North-West Western Australia, the Northern Territory and Northern Queensland also contributed to this growth.

EBITDA increased by 23.5% to $352.8 million, and EBIT was up 28.1% to $204.0 million. Both profit margins also increased over the year.

The introduction of China's National Sword policy in early 2018 has had a significant impact on the waste industry globally. Volatility in the commodities supply chain has led to increased sorting costs and instability in commodity pricing. We are currently reassessing our customer pricing structures to better reflect the costs incurred in the processing of recyclables.

We are firm in our belief that the market changes witnessed as a result of China's National Sword will create opportunities for businesses like ours. Through continued investment in our Footprint 2025 Strategy, we are growing our network of prized infrastructure assets across the country – allowing us to collect and sort more recyclables, producing higher quality commodity streams, and ultimately supporting a sustainable on-shore circular economy.

City of Sydney Municipal Contract

During FY2019, Cleanaway was awarded a multi-year contract with the City of Sydney to provide general waste, recycling, garden organics, hard waste, and electronic waste collections. The contract includes 26 new vehicles, all enabled with Cleanaway's award-winning Cleanaview technology. The Cleanaview platform collects data from onboard cameras to track collections and service events, as well as provide insights to reduce contamination, improve recycling and increase truck safety in the community.

In June 2019, Cleanaway celebrated the opening of a new depot in Hillsdale, which will support the City of Sydney contract. Cleanaway is also working closely with the council to help residents improve landfill diversion and recycling rates through our education team.

Industrial & Waste Services

Cleanaway's Industrial & Waste Services provides a range of specialised services to more than 2,000 customers in the Infrastructure and Resources markets, including drain cleaning, non-destructive digging, vacuum loading, high pressure cleaning, and pipeline maintenance.

Net Revenue

$341.9m

▲84.0%

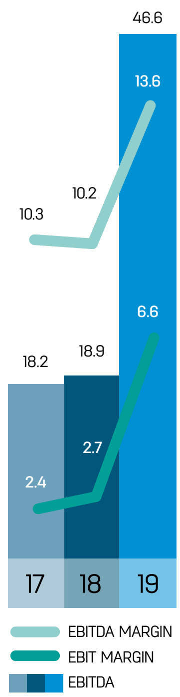
	FY2019	FY2018	FY2019 V FY2018
Net revenue ($ million)	**341.9**	185.8	84.0%
EBITDA ($ million)	**46.6**	18.9	146.6%
EBITDA margin (%)	**13.6**	10.2	+340bps
EBIT ($ million)	**22.5**	5.1	341.2%
EBIT margin (%)	**6.6**	2.7	+390bps

Represents underlying results.

EBITDA

$46.6m

▲146.6%



In FY2019, net revenue increased 84.0% to $341.9 million with both EBITDA and EBIT growing 146.6% and 341.2% respectively. Profit margins also showed strong growth over the year.

This growth was in part driven by the acquisition of Toxfree, with the segment generating modest organic growth after taking into consideration the completion of the major Toxfree Wheatstone contract in Western Australia that was completed in FY2018.

Following the FY2018 Toxfree acquisition, this segment has been significantly streamlined with a new organisational structure in place which is designed to improve customer focus and the specialisation of technical abilities and assets.

Samantha Shaw, Head of Audit and Risk on site with Tammy O'Connor, King Kira Group owner and Cleanaway's Aboriginal Contracts & Engagement Manager.

Strengthening ties in Northern Australia through King Kira and PTK

King Kira Group Pty Ltd is a 100% Aboriginal female owned business providing environmental integrated services. Their ethos is "our land" which guides their environmental management to ensure it remains sustainable for future generations.

King Kira also endeavour to engage local people, contractors and suppliers to be part of their journey. Their footprint extends throughout Western Australia into the Pilbara Region where they continually build relationships with local people, suppliers and clients.

King Kira and PTK provide waste management and recycling services, primarily in the mining, oil and gas, government, and infrastructure industries. Some of their key services include solid waste, bulk liquid waste, landfill management, resource recovery, and scrap metal reclamation, along with Aboriginal professional labour hire services.

King Kira and Cleanaway have come together under a Joint Venture PTK Environmental Services (PTK). King Kira Group owner, Tammy O'Connor, has also joined Cleanaway as our Aboriginal Contracts & Engagement Manager. Tammy is a Traditional Owner from the Pilbara region with family connection through the Nyiyaparli and Palyku Aboriginal groups, and links to Kariyarra and Ngarluma people through her Grandmother. King Kira is named for her daughters, Kingston and Shakira.

Tammy was born in Port Hedland and raised in Marble Bar. Having grown up in the Pilbara region, Tammy has a wealth of knowledge and insight about the local community and native title, providing education and guidance to achieve successful outcomes for local communities.

Tammy studied at Curtin University and undertook a Diploma in Education before working in local community remote sites. We're proud to welcome Tammy to the team, and to continue to grow our partnership with King Kira through PTK Environmental Services.

Liquid Waste & Health Services

Cleanaway's Liquid Waste & Health Services comprises four national, strategic business units, including: Liquid Waste Services, Technical & Environmental Services, Hydrocarbons, and Health Services

Net Revenue

$495.0m

▲53.5%

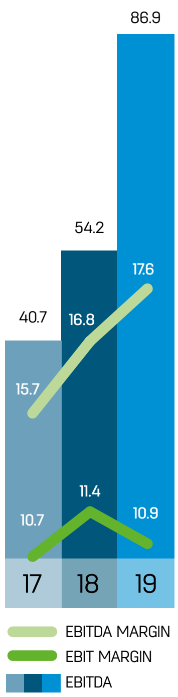
	FY2019	FY2018	FY2019 V FY2018
Net revenue ($ million)	**495.0**	322.4	53.5%
EBITDA ($ million)	**86.9**	54.2	60.3%
EBITDA margin (%)	**17.6**	16.8	+80bps
EBIT ($ million)	**54.0**	36.8	46.7%
EBIT margin (%)	**10.9**	11.4	(50)bps

Represents underlying results.

EBITDA

$86.9m

▲60.3%



The segment generates revenue and earnings from the collection, treatment, processing, refining, recycling and destruction of hazardous and non-hazardous liquids, Hydrocarbons (used oil recycling), chemical waste, specialised package and hazardous waste, and e-waste.

Services to the Health Services sector include the safe treatment and disposal of health-related waste, which includes sharps management, medical waste, pharmaceutical waste, healthcare hazardous waste, and quarantine waste.

Net revenue increased 53.5% to $495.0 million with both EBITDA and EBIT growing 60.3% and 46.7% respectively in FY2019. The EBITDA margin also increased during the year.

The Health Services and Technical & Environmental Services businesses performed well during the year and continues to deliver improved results. The Hydrocarbons business also performed well, mainly driven by production efficiencies following recent plant upgrades and improved oil price movement.

Demand for the processing of new hazardous waste streams such as PFAS and solvents is increasing as government authorities recognise the need for the safe disposal of these materials.

The volumes of bulk hazardous and non-hazardous liquids decreased during the year. The Liquid Waste Services business has been restructured and resized and we remain confident that improved performance from this business will be achieved.

2

Closing the loop on sharps containers manufacturing through ASP Group

In March 2019, Cleanaway completed a strategic acquisition of the ASP Group, a healthcare services and plastics manufacturing business in Western Sydney, bringing together two of Australia's market leading, but highly complementary, medical sharps waste businesses.

Daniels Health leads the market for reusable sharps containers, whilst ASP leads the market in personal sharps containers, through products including FITPACK™ and FITTUBE™, as well as metal community disposal bins and vending machines.

ASP Group manufactures high quality sharps containers onshore at St Marys in Western Sydney. This allows us to review the full supply chain of medical containers supplied to the Australian market and explore new ways to close the loop on plastic waste.

Bringing our mission to life

In FY2020 we will formalise the alignment from Our Mission, through our operations, to globally recognised Environmental, Social and Corporate Governance (ESG) standards.

Our Mission is to make a sustainable future possible for all our stakeholders. This includes making a sustainable future possible for people and the planet supported by sustainable financial performance.

Alignment to ESG standards supports our refreshed strategy, Our Cleanaway Way and is the next step in our sustainability journey.

Aligning with recognised standards

To formalise our commitment, we will begin reporting against globally recognised ESG standards by the end of FY2020, including the United Nation's Sustainable Development Goals (SDGs) and the Sustainability Accounting Standards Board (SASB) Standards.

For us, it means building on strong foundations:

People

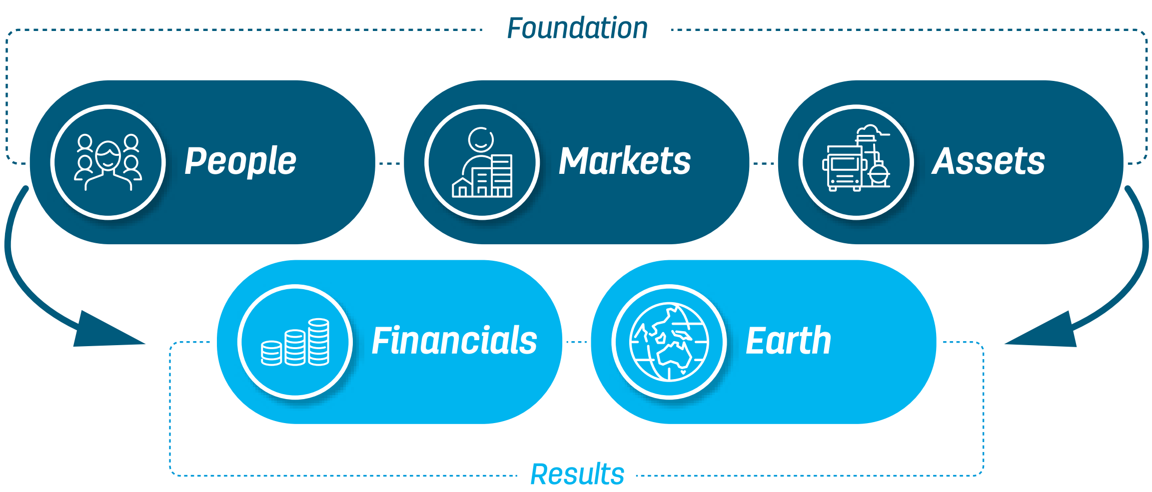
Focusing on the safety and wellbeing of our people, our customers and the communities in which we operate; and a workplace which values diversity, equality and inclusion.

Markets

Working in partnership with our customers to improve service and help them achieve their sustainability goals.

Assets

Minimising our environmental impact through the responsible management of our assets as well as exploring and investing in new technologies.



To deliver enduring results:

Financial

Managing risks and creating value for all our stakeholders through a focus on sustainable financial performance to deliver financial returns for our investors, and the strength to continue to invest in new infrastructure and technologies to deliver on Our Mission.

Earth

By continuing to invest in our Footprint 2025, investing in the infrastructure, technology and innovation to close the loop and contribute to a viable circular economy in Australia, we will help to change the landscape of recycling and residual waste management in Australia.

A better way for people

A better place to work

We're working hard to make a sustainable future possible for people – both for our employees and for the communities in which we work – through a focus on safety, wellbeing and equality.

Building strength through diversity

Our workforce is made up of people from all walks of life. We know that diversity of backgrounds, skills, and experience brings a range of different perspectives which can create a more robust business, better able to embrace the challenges our industry faces, and be open to the new and unique opportunities that these challenges bring. Reflecting the communities in which we work also helps continue to strengthen our ties and connection with our communities.

Balancing gender – attracting and retaining key talent to lead from the front

We know that increased female representation at senior levels drives increased female participation across all levels of our business. So, in FY2019, we continued our focus on increasing female representation at senior levels, with a particular emphasis on promoting from within.

Each year we submit an annual gender report to the Workplace Gender and Equality Agency (WGEA). Key highlights and improvements from the defined period of April 2018 to March 2019 include:

- An increase of females in management roles from 18% to 20% in 2019.
- An increase of female workforce participation from 18% to 19% in 2019.

We were also pleased to see female promotions (as a percentage of all promotions) increase from 40.2% in 2018 to 47.4% in 2019:

- 21.2% of all manager promotions were awarded to women (compared to 18.6% in 2018 and 12.2% in 2017).
- 64.2% of all non-manager promotions were awarded to women (compared with 58.8% in 2018 and 41.2% in 2017).

Female representation in our Enterprise Leadership Team (ELT) has also increased, with females now making up 16% of the ELT, up from 14% in 2018.

In FY2020 we will continue to improve how we attract and retain high potential female employees in key roles and encourage women to seek employment at all levels within Cleanaway through our new female talent attraction campaign which is currently under development.

Innovate – Reconciliation Action Plan (RAP) 2018–2020

In FY2019, we launched our second RAP, Innovate – continuing our commitment to embracing and encouraging reconciliation within and across our business. We recognise the importance of respect for and engagement with Aboriginal and Torres Strait Islander peoples and their communities, and are committed to closing the gap.

This commitment includes a focus on education, employment and community health and safety. We know that progress in one area helps further progress in other areas. Improving education opportunities for Aboriginal and Torres Strait Islander peoples helps to increase employment rates – both within Cleanaway and across our industry. Our commitment to training and partnerships, including our Aboriginal and Torres Strait Islander Traineeship Programs provide opportunities for education, learning and growth, which ultimately leads to better employment outcomes.

In FY2020, to encourage greater participation in available traineeship programs, both from Aboriginal and Torres Strait Islander communities

Home Safe

We take responsibility for our personal safety, as well as that of our team. We are committed to Goal Zero, because everyone deserves to go Home Safe, every day.

Stronger Together

Building from a place of strength, we are focused on creating something stronger than the sum of our parts each and every day.

Integrity

We do the right thing – no matter what. Holding ourselves to higher standards, we say what we mean, and we do what we say.

We Make A Difference

We are proud of what we do to make a sustainable future possible – for our employees, our customers, our investors, the communities in which we work, and the planet.

Our 'new' Values – built by Our People

We are a diverse team – with people performing vastly different roles across the breadth of the country. We come from different backgrounds, different educational paths, and all have different employment histories. This is where Our Values play such an important role. First introduced in 2015, they articulate what we can expect from each other – essentially, they are how we behave. In late 2018, following the integration of Toxfree and Daniels Health, we set about asking our team what should make up Our 'new' Values to ensure they represent who we are today.

In early 2019, we introduced Our 'new' Values – as part of Our Cleanaway Way.

and from industry, we will showcase a range of Aboriginal and Torres Strait Islander peoples' success stories to demonstrate the real and positive difference that can be made to their communities. These will range from inspirational stories of individuals within communities, to highlighting the opportunities available for businesses.

At Cleanaway, we endorse the vision of a nation which values Aboriginal and Torres Strait Islander heritage, cultures and peoples and recognises their unique position as the original custodians of Australia. We take responsibility for ensuring our business reflects the values of inclusion and diversity throughout our workforce. We recognise the contributions that Aboriginal and Torres Strait Islander peoples have made, and continue to make, within our organisation and local communities.

In line with this, Cleanaway envisages the full participation of Aboriginal and Torres Strait Islander peoples in our business and are committed to providing a work environment that is culturally safe, sensitive and supportive to all employees. Our second Reconciliation Action Plan outlines our vision and our commitment to Aboriginal and Torres Strait Islander peoples' inclusion in our operations and partnerships, both now and into the future.

Our Innovate RAP is available on our website.

A better approach to safety

At Cleanaway, we believe that everyone should be able to go Home Safe every day. As we continue to work toward Goal Zero, the safety of our people and the communities in which we work is at the heart of everything we do, and every decision we make.

We remain firm advocates for visible safety leadership across our business. We also believe that safety is a personal responsibility for every staff member. Further to this, through FY2019, we have also focused on the quality of our lead indicators to ensure we are working proactively to ensure the safety of our team.

It is through this combined top-down and bottom-up approach that we believe we will reach Goal Zero by choice not by chance.

FY2019 Safety Performance

One of our key safety performance measures continues to be our Total Recordable Injury Frequency Rate (TRIFR), calculated based on the number of recordable injuries for every million hours worked.

At the end of FY2019, Cleanaway's TRIFR has continued to decline, down 8.1% from 6.2 for FY2018 to 5.7, an overall 78.6% reduction in TRIFR since FY2012.

Whilst it's encouraging to see a continued reduction over time, we firmly believe that any injury is avoidable, and we remain focused on our journey toward Goal Zero.

Leading the way to embed safety across our business

TRIFR allows us to measure the outcome and overall effectiveness of the safety measures put in place across the year, producing a quantitative result.

To help us continue to reduce TRIFR over time as we work towards Goal Zero, we have remained focused on lead safety indicators – not only at management levels, but across our entire team.

In FY2019 we have shifted our focus from the quantity to the quality of our lead indicators by:

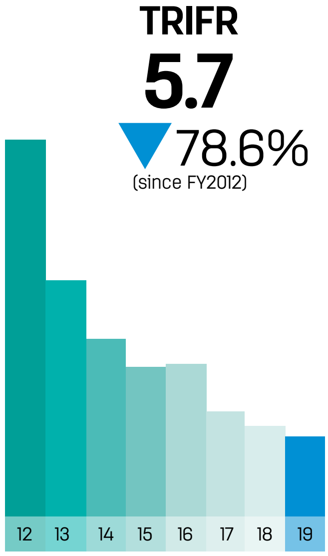
- Improving visible safety leadership and understanding of our worksite safety processes, by ensuring members of the leadership team engage in safety conversations with their teams through our Safety Walks.
- Ensuring our workplaces are inspected and potential hazards identified to proactively control them before they can cause an injury.
- Verification of our corrective actions, ensuring timely closure of actions from our activities that verify our safety processes and behaviours.
- Mandating HSE training completion at all organisational levels to ensure our drivers and operators are licensed and authorised to complete their role safely.

Managing material safety risks

Each year we perform a review of critical health and safety risks and associated controls, to ensure the risks remain representative of our operations and reflect current knowledge. This year's review has considered activities of the combined enterprise comprising heritage Cleanaway, Toxfree and Daniels Health.

In FY2019 we focused on controls to reduce residual risk, including:

- Developing Health & Safety work plan to embed key controls.
- Focusing on plant and pedestrian interactions and traffic management at our sites.
- Standardisation of risk controls as part of the integration activities. This has seen the adoption of controls from within Toxfree, into the Cleanaway Health & Safety Risk Control framework.



Safety is in our hands

During the first half of FY2019 hand laceration injuries represented 23% of all recordable injuries in our TRIFR. Cleanaway selected a preferred national supplier for personal protective equipment and implemented an approved catalogue of items that included setting a 'glove cut 3' minimum standard for operational manual tasks. Through this new glove standard and a campaign focused on 'gloves on', the frequency of recordable hand laceration injuries in the second half of FY2019 decreased by 40%.

Ongoing effectiveness of key controls for managing critical health and safety risks are reviewed as part of our significant incident management process and audit program.

Integrating safety to reach Goal Zero

During FY2019, we commenced the integration of the Daniels Health and Toxfree, Health & Safety Management System with Cleanaway's Health & Safety Management System. Integration is based on adopting the best systems and practises of Toxfree, Daniels Health and Cleanaway. Key highlights of the Health & Safety integration:

- Aligning the resourcing of the Health & Safety function to the new Cleanaway Operating Model.
- Transition of Toxfree and Daniels Health into the Comcare Scheme, from its state-based safety regulators.
- Selection of MyOSH as the new enterprise Health & Safety platform, to enable our journey to Goal Zero through operational insight of our HSEQ data at all levels of the organisation.

Better community & customer partnerships

In FY2019, we continued to engage with Australian communities to encourage better recycling behaviours – at work, home and school.

$805,000+
Invested in Australian communities

800
Education programs held nationally

27,780+
Students engaged in school-based education programs nationally

50+
Community information sessions at various locations around the country

Continuing to improve our customer journey

During FY2019, we continued to invest in our people, systems and processes to improve our customer experience across all touchpoints – from the initial account set up and ensuring the success of the first collection or service, through ongoing customer service and operational service delivery to timely and accurate invoicing.

With a renewed focus on customer service metrics across the board, we've seen performance improve over the past year. Plans are in place to continue these improvements into FY2020.

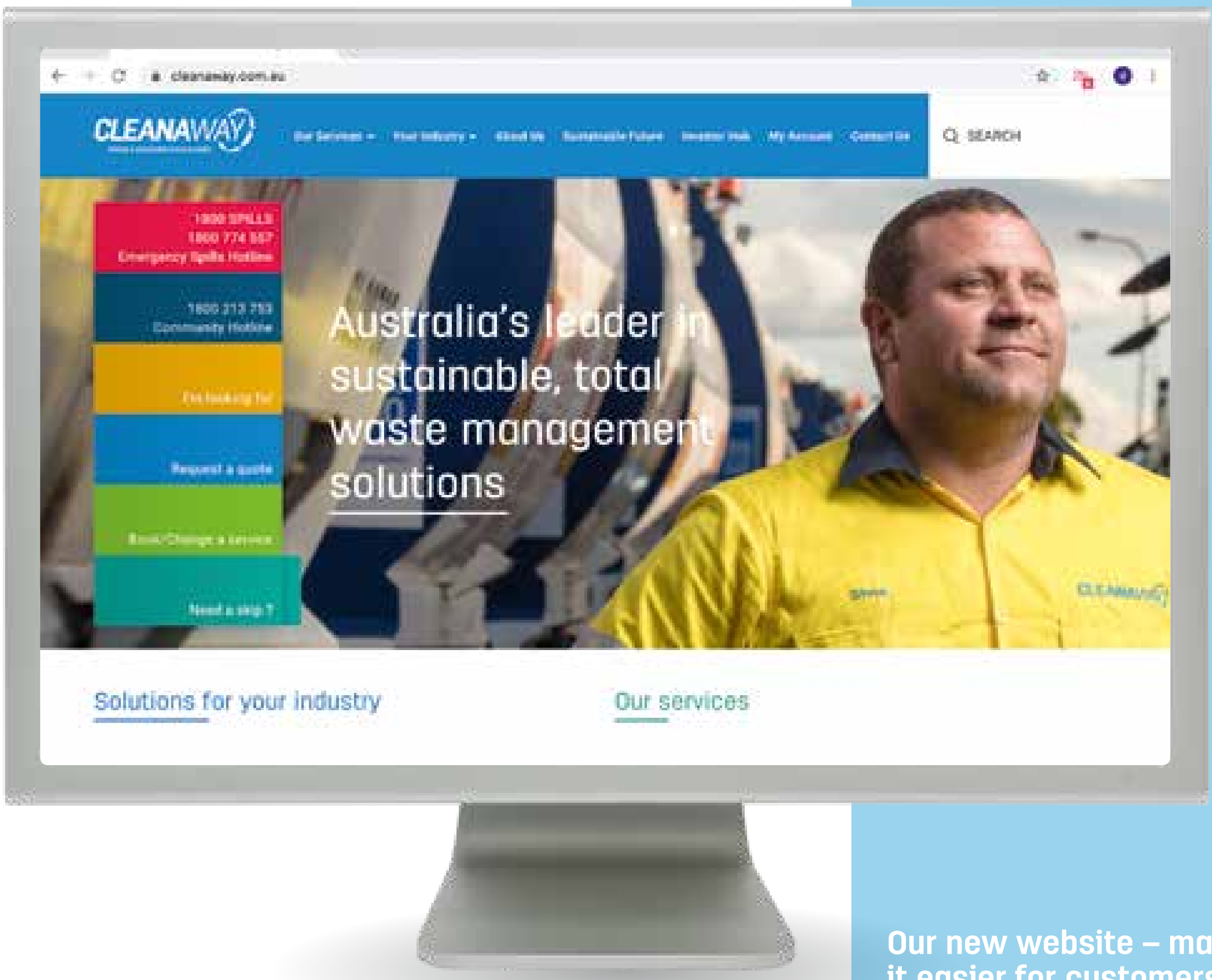
In FY2019, we continued to partner with our customers and invest in new technologies and processes to help them achieve their sustainability goals. Our journey continues as we work towards further digitisation to deliver a step change in our service performance and customer experience in FY2020.

Customised online learning with Greenius

Greenius is Cleanaway's custom-built online learning system to help our customers reduce contamination and increase sustainability rates. Fully customisable modules teach users about the waste hierarchy, which recycling services are available to them and how to put the right thing in the right bin. Targeted at national and key accounts customers, as well as municipal councils, Greenius is a great tool to help our customers use our services better.

Engaging online communities for waste education

For National Recycling Week, we launched a back-to-basics recycling campaign simplifying the commingled recycling bin to just five recyclable items. The 'Simply5 It' campaign made it easy to address contamination in household recycling bins. The downloadable resources, videos and tips from Cleanaway's sustainability experts reached almost 500,000 residents, businesses and councils on Facebook and LinkedIn.



Our new website – making it easier for customers

Launched in mid-2019, our new website brings together the combined total waste management service offering of our integrated business, with a fresh, customer-led design approach. The user experience makes it easier for our customers to find and book services, transact with us through the My Account portal or find the best solutions for their industry.

Managing our assets to minimise our impact

As Australia's leading waste management, industrial and environmental services company, we understand our responsibilities to all our stakeholders, including the community in which we operate, customers, regulators and shareholders. Australians trust us to safely and sustainably manage their waste – a responsibility we take seriously.

We are focused on providing strong environmental leadership and partnership across our operations to drive better environmental outcomes – including regulatory performance, strategic programs and stronger engagement with our stakeholders.

We operate within the regulatory framework of each state's environment pollution laws, which requires many of our prized assets to hold environmental protection licences to operate.

We aim to manage all our operations within the limits set by site licenses and the law, and we have appropriate systems in place, combined with regular monitoring and review, to ensure that we do this. Our environmental management system is externally certified to ISO14001 by an international, accredited body. In addition, we run an internal 'second line of defence' program which forms the basis to our approach to sound environmental governance.

Whilst we comply with our legal obligations, Cleanaway recognises that there are still ways that the collection, treatment and disposal of waste that has the potential to interact with communities and the environment. That is why we strive to go above and beyond compliance, looking to continually improve the way we operate our prized assets that set Cleanaway apart from other waste management companies.

With one of the largest fleets on Australian roads, the combustion of diesel fuels remains one of the largest contributors to our Scope 1 greenhouse gas emissions, contributing approximately 25%.

Over FY2019, we have further expanded on a range of initiatives which aim to reduce the impact of our fleet operations on the environment – whilst maintaining the safety, efficiency and reliability of our fleet.

One such initiative is the introduction of our first Electric Vehicles.

Introducing our first Electric Vehicles

In FY2019, we were proud to introduce our first Electric Vehicles, delivering zero tailpipe emissions. The vehicles were part of an initial trial, run from our Perry Road Super Site in Dandenong Victoria, to ensure the vehicles can meet the same service levels as our diesel fleet, whilst delivering improved environmental outcomes. Once the trial has been completed, these vehicles will join our fleet as permanent fixtures, with more electric vehicles planned for the coming year.

We are also testing Diesel-Electric hybrid technology and are preparing to introduce our first hybrid vehicle into the City of Sydney in FY2020.

Company-wide standards require all new heavy vehicles to comply with Euro 5 emission levels at a minimum – and in FY2019, we have lifted this to meet Euro 6 emission levels where contractually required.

We have also commenced reviewing alternative fuels and assessing their suitability across our fleet. Wherever possible we are looking for fuel sources which can drive a circular economy such as compressed natural gas (CNG) and biodiesel.

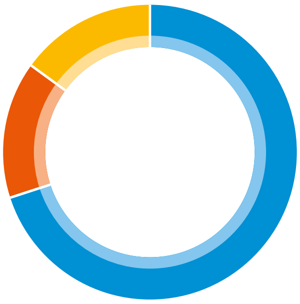
Continuing to enhance Cleanaview

We have continued to enhance and rollout Cleanaview across our fleet, with more than 700 vehicles now running with the technology.

Cleanaview provides improved visibility and safety for our drivers and allows us to optimise our routes by maximising capacity and minimising wasted kilometres. It even allows our drivers to see the waste they're collecting via cameras fitted in the hoppers of our side lift vehicles - allowing for early identification of contamination or problematic waste, such as controlled/regulated waste or smoldering items. This provides for greater contamination reporting with images, which leads to more effective education campaigns.

Importantly, Cleanaview's vastly improved reporting capabilities allows our municipal customers to provide better service to their customers with near real-time data on collection status and service.

Our fleet



Heavy vehicles	70%
Light vehicles	15%
Yellow vehicles	15%

Powered by sustainable energy

In May 2019 the first of our Electric Vehicles began a trial in Melbourne.

Ensuring that we can maintain service levels is a key focus, delivering a consistent service each day for the households and businesses which rely on us, as well as reducing our tailpipe emissions.

Significant noise reduction in the vehicles also make early morning or late-night collections possible for some waste streams in congested areas.

Better greenhouse gas management for a sustainable future

Cleanaway continues to take action on climate change by managing our greenhouse gas emissions. This is done through the responsible management of our landfill gas, increasing fuel and energy efficiency, and in helping our customers and the broader community manage their waste impacts.

Expanding the footprint of our recycling assets and exploring the many options to reduce our carbon footprint underpins management of greenhouse gas emissions and our commitment to making a sustainable future possible. Our current areas of focus include:

- Harnessing naturally produced gas from our landfills, to generate renewable electricity or for use by third parties as renewable fuel.
- Introducing zero carbon electric vehicles into our fleet, and trialling alternative fuel vehicles such as Diesel-Electric hybrids.
- Producing lower-carbon fuels from waste through our joint venture with ResourceCo, Australia's first Process Engineered Fuel (PEF) plant in Wetherill Park, NSW.
- Ensuring our fleet is maintained in top condition, optimising fuel efficiency and reducing greenhouse gas emissions as well as other tailpipe pollutants.
- Improving the energy efficiency of our facilities.
- Expanding our recycling and resource recovery operations to support the circular economy.
- Educating our customers as well as communities, schools and other businesses on better recycling practices to help them realise the potential of resource recovery.

Cleanaway recognise and accept there is still more work to be done on reducing greenhouse gas emissions, and importantly helping our community reduce greenhouse gas emissions through sustainable management of waste.

Our total greenhouse gas emissions in FY19 were approximately 820kt CO_2-e, of which over 95% were Scope 1 emissions with the balance being Scope 2 emissions from the consumption of electricity.

The majority of our Scope 1 emissions came from the natural breakdown of waste in our landfills, contributing approximately 72% of our total Scope 1 emissions. Emissions from the use of fuels to run our vehicle fleet contributed approximately 25% of our total Scope 1 emissions, whilst the consumption of natural gas contributed approximately 3%.

Our ongoing focus in landfill gas management excellence, investment in new prized assets supporting increased recycling and resource recovery efforts, as well as improvements in fuel and energy efficiency is core to our management of greenhouse gas emissions for a sustainable future.

Cleanaway has a strong track record of carbon-related disclosure, having participated in the CDP (formerly the Carbon Disclosure Program) carbon reporting for more than 5 years. Our reporting on climate related matters will continue to evolve.

Generating renewable energy from our landfills

As the most significant source of greenhouse gas emissions, our focus on the sustainable management of landfill gas is unrelenting.

Our landfill gas extraction initiatives go beyond legislative requirements to reduce the impact of landfills, whilst at the same time seeing the recovery of a valuable resource. This year we harnessed landfill gas to generate over 135 million kWh of renewable power which was fed back into the electricity grid, reducing reliance on fossil fuels for power generation.

As part of our commitment to making a sustainable future possible, we are continuing to expand landfill gas projects and collection infrastructure across the country.

Waste Audits – understanding for sustainability

Over the course of FY2019, we've undertaken more than 130 waste audits for our customers – helping them understand what makes up their waste, and how to divert more from landfill.

We partner with Officeworks, working toward zero waste to landfill, as part of their Positive Difference Plan 2020. We worked closely with them to learn as much as possible about their waste profile, which included store walk throughs, interviews with team members, and visual bin assessments to identify waste sources, disposal behaviours and opportunities for better waste management.

The next step was a deep dive into their waste. A team from Officeworks joined our Resource Recovery Specialist Manny Manatakis in Perth to sort through eight general waste bins. The team was surprised at the amount of easily recyclable waste being sent to landfill. By identifying those missed diversion opportunities, the team were able to workshop how they could change their behaviours to achieve their diversion targets. As a result of these initiatives, Officeworks' recycling rates have increased from 76% in FY2018 to 82% in FY2019, and they continue to work towards a 90% recycling rate in FY2020.

Board of Directors

Mark Chellew

Independent Non-Executive Director and Chairman of the Board

Independent Non-Executive Director since 1 March 2013 and was appointed Chairman on 30 September 2016.

Mark is a Non-Executive Director of Infigen Energy Limited (since September 2017), Virgin Australia Holdings Limited (since January 2018) and Caltex Australia Limited (since April 2018). Formerly the Executive Chairman of Manufacturing Australia Limited (retired September 2017) and the Managing Director and Chief Executive Officer of Adelaide Brighton Limited (retired May 2014).

Mark has over 40 years of experience in the building materials and related industries, including roles such as Managing Director of Blue Circle Cement in the United Kingdom and senior management positions within the CSR group of companies in Australia and the United Kingdom.

He holds a Bachelor of Science (Ceramic Engineering), Masters of Engineering (Mechanical Engineering) and a Graduate Diploma in Management.

Vik Bansal

Chief Executive Officer and Managing Director

Vik joined Cleanaway as Chief Executive Officer and Managing Director in August 2015.

With over 20 years' experience in a range of executive roles in Australia, Asia and the United States, he has a proven track record of leading industrial organisations through significant growth, transition and improvement.

Vik was previously President and Chief Operating Officer of Valmont Industries Inc. – a US$3.3 billion NYSE listed global engineering and manufacturing company based out of Omaha, Nebraska USA. Prior to that he was Group President of the Global Engineered Infrastructure Products segment of Valmont Inc. and Group President Asia Pacific.

Vik has also held senior line leadership positions with One Steel Limited and Eaton Corporation. He holds a Bachelor of Electrical Engineering with Honours, an MBA, and has completed the Advanced Management Program at INSEAD. Vik is a Fellow of the Australian Institute of Company Directors and a Fellow of Engineers Australia. He is a founding Board member of the National Waste & Recycling Industry Council (NWRIC).

Ray Smith

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

Independent Non-Executive Director since 1 April 2011.

Ray is currently a Non-Executive Director of K&S Corporation Ltd (since February 2008). Formerly, he was Non-Executive Director of Crowe Horwath Australasia Limited (resigned January 2015) and Warrnambool Cheese and Butter Factory Company Holdings Limited (resigned May 2014) and Trustee of the Melbourne and Olympic Parks Trust (retired November 2016).

Ray has significant corporate and financial experience in the areas of strategy, acquisitions, treasury and capital raisings, and was Chief Financial Officer of Smorgon Steel Limited Group for 11 years. He holds tertiary qualifications in Commerce and is a Fellow of CPA Australia and a Fellow of the Australian Institute of Company Directors.

Mike Harding

Independent
Non-Executive Director
Chairman of the Remuneration and Nomination Committee
Member of the Sustainability Committee

Independent Non-Executive Director since 1 March 2013.

Mike is the Chairman of Downer EDI Limited (since November 2010), Lynas Corporation Ltd (since January 2015) and Horizon Oil Limited (since November 2018). Formerly, Chairman of Roc Oil Company Limited (resigned December 2014) and Non-Executive Director of Santos Limited (resigned May 2014).

Mike has significant experience within industrial businesses, having previously held management positions around the world with British Petroleum (BP), including President and General Manager of BP Exploration Australia. He holds a Masters in Science, majoring in Mechanical Engineering.

Terry Sinclair

Independent
Non-Executive Director
Member of the Audit and Risk Committee
Member of the Remuneration and Nomination Committee

Independent Non-Executive Director since 1 April 2012.

Terry is a Non-Executive Director of Ovato Limited (effective October 2017) and is also a Director of a number of private companies, including Zoom2U as well as Chairman of GMDx Group. Formerly, he was the Chairman of Marrakech Road Pty Limited, Managing Director of Service Stream Limited, Chairman of AUX Investments (jointly owned by Qantas and Australia Post), Director of Sai Cheng Logistics (China), Director of Asia Pacific Alliance (HK) and Head of Corporate Development at Australia Post.

He also provides M&A advisory services to private equity and government clients. Terry has significant experience across Industrial, Resources and Consumer Services sectors, including 20 years in senior management roles in BHP (Minerals, Steel and Transport/Logistics).

Emma Stein

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

Independent Non-Executive Director since 1 August 2011.

Emma is a Non-Executive Director of Alumina Limited (since February 2011) and Infigen Energy Limited (since September 2017).

Formerly, a Non-Executive Director of DUET Group (resigned May 2017) and Programmed Maintenance Services Ltd (resigned October 2017). Emma has significant corporate experience within industrial markets and was the UK Managing Director for French utility Gaz de France's energy retailing operations.

She holds tertiary qualifications in Science and a Masters of Business Administration (MBA). She is an Honorary Fellow of the University of Western Sydney and a Fellow of the Australian Institute of Company Directors.

Philippe Etienne

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

Independent Non-Executive Director since 29 May 2014.

Philippe is a Non-Executive Director of Lynas Corporation Limited (since January 2015).

Formerly, the Managing Director and Chief Executive Officer of Innovia Security Pty Ltd (retired September 2014) and Non-Executive Director of Sedgman Limited (February 2015 to November 2015).

Philippe has held a range of other senior executive positions with Orica in Australia, the USA and Germany, including strategy and planning and responsibility for synergy delivery of large-scale acquisitions.

He holds a Bachelor of Science in Physiology and Pharmacology and a Masters of Business Administration (MBA). He is a Graduate of the Australian Institute of Company Directors and has completed post-graduate qualifications in marketing.

Note: The Health, Safety and Environment Committee was renamed the Sustainability Committee in August 2019

Senior Executive Team

Vik Bansal

Chief Executive Officer and Managing Director

Vik joined Cleanaway as Chief Executive Officer and Managing Director in August 2015.

With over 20 years' experience in a range of executive roles in Australia, Asia and the United States, he has a proven track record of leading industrial organisations through significant growth, transition and improvement.

Vik was previously President and Chief Operating Officer of Valmont Industries Inc. – a US$3.3 billion NYSE listed global engineering and manufacturing company based out of Omaha, Nebraska USA. Prior to that he was Group President of the Global Engineered Infrastructure Products segment of Valmont Inc. and Group President Asia Pacific.

Vik has also held senior line leadership positions with One Steel Limited and Eaton Corporation. He holds a Bachelor of Electrical Engineering with Honours, an MBA, and has completed the Advanced Management Program at INSEAD. Vik is a Fellow of the Australian Institute of Company Directors and a Fellow of Engineers Australia. He is a founding Board member of the National Waste & Recycling Industry Council (NWRIC).

Brendan Gill

Chief Financial Officer

Brendan joined Cleanaway in September 2014. Brendan has more than 35 years of experience as a finance professional, mainly in the mining, steel and energy sectors. His career includes 26 years at BHP in finance, including as Vice President Finance Carbon Steel, CFO for both the Stainless Steel Materials and Nickel businesses and Global Lead Risk Management & Audit.

Since leaving BHP, Brendan has held CFO roles, most recently as CFO for Inova Resources (previously named Ivanhoe Australia). Brendan has a Bachelor of Business, is a member of CPA Australia and is a Graduate of the Australian Institute of Company Directors.

Mark Crawford

Executive General Manager, Solid Waste Services

Mark joined Cleanaway as Executive General Manager, Enterprise Services in February 2014 and was appointed Executive General Manager, Solid Waste Services in August 2017.

Mark has more than 15 years' operational experience gained in senior and executive roles. He has worked across Australia and Asia Pacific to integrate complex business models and has extensive transformation experience across all business disciplines.

Prior to joining Cleanaway, Mark held a number of general management roles at Australia Post, most recently as General Manager for the International business. Mark holds qualifications in Information Technology.

Tim Richards

Executive General Manager, Liquid Waste & Health Services

Tim joined Cleanaway as Executive General Manager, Liquid Waste & Health Services in August 2018. Prior to joining Cleanaway, Tim was the CEO for Tomra Cleanaway, the network operator for the NSW Container Deposit Scheme. He has held various senior and executive roles, including as CEO for Dexion Group and Divisional Chief Executive at Fletcher Building.

Tim has over 20 years' experience in manufacturing industries across Australia and New Zealand and holds a Bachelor of Business, Accountancy and is a member of the Institute of Chartered Accountants in Australia and New Zealand. Tim also completed the Advanced Management Program at Wharton.

Michael Bock

Executive General Manager, Enterprise Services and Integration

Michael joined Cleanaway in March 2018 as Executive General Manager (EGM), Integration and appointed as EGM, Enterprise Services and Integration in August 2019. Before joining Cleanaway, Michael was a Senior Vice President in McKinsey & Company's transformation practice.

Michael has spent more than 20 years in executive roles, including seven years at ANZ Bank where he led the mortgages business and business improvement program; and 12 years at General Electric (GE), responsible for the trailer and fleet leasing businesses in both Australia and Mexico.

He also served as the Global Lean Six Sigma Leader across 54 countries for one of GE's largest divisions.

Michael holds a Bachelor's Degree in Economics from Harvard University and a Masters of Business Administration from the Kellogg School of Management.

Johanna Birgersson

Executive General Manager, Human Resources

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

Johanna has more than 10 years' human resources experience gained in senior and executive roles. Prior to joining Cleanaway, Johanna was the Director People & Culture of TSC Group Holdings. She has also worked across a number of industry sectors including fire & electronic security, plumbing & HVAC and hospitality.

Johanna has a Bachelor of Arts, holds Post Graduate qualifications in Employee Relations and Human Resources Management from the University of Melbourne and is a Graduate of the Australian Institute of Company Directors.

Dan Last

General Counsel and Company Secretary

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

Dan is an experienced General Counsel and Company Secretary with over 20 years' experience in law firms and senior in-house legal roles.

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

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

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"One of the most enjoyable things about my job is meeting the residents and their children... Seeing their cheery faces early in the morning would brighten up anyone's day! I also love seeing all the kids waving during my runs – those are priceless experiences I look forward to each day."

Sinead Nolan
Side-lift Driver, Geelong VIC

Contents of Financial Statements

Notes to the Consolidated Financial Statements

Directors' Report

The Directors present their Report (including the Remuneration Report) together with the Consolidated Financial Statements of the Group, consisting of Cleanaway Waste Management Limited (the Company) and its controlled entities (Cleanaway *or* the Group), for the financial year ended 30 June 2019 and the Independent 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 set out below. Directors were in office for this entire period unless otherwise stated.

M P Chellew	Chairman and Non-Executive Director
V Bansal	Chief Executive Officer and Managing Director
R M Smith	Non-Executive Director
E R Stein	Non-Executive Director
T A Sinclair	Non-Executive Director
R M Harding	Non-Executive Director
P G Etienne	Non-Executive Director

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

Particulars of Directors' qualifications, experience and special responsibilities can be found on the company's website.

Principal activities

During the financial year the principal activities of Cleanaway were:

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

Dividends

The Company declared a fully franked dividend on ordinary shares for the financial year ended 30 June 2019 of 3.55 cents per share, being an interim dividend of 1.65 cents per share and final dividend of 1.90 cents per share. The record date of the final dividend is 10 September 2019 with payment to be made 3 October 2019. The financial effect of the final dividend has not been brought to account in the Financial Statements for the year ended 30 June 2019 and will be recognised in a subsequent Financial Report.

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

RECOGNISED (PAID AMOUNTS)	2019 $'M	2018 $'M
Fully paid ordinary shares		
Final dividend for 2018: 1.40 cents per share (2017: 1.10 cents per share)	28.5	17.5
Interim dividend for 2019: 1.65 cents per share (2018: 1.10 cents per share)	33.7	22.4
Total dividends paid	**62.2**	**39.9**

Review of results

Financial Results

The Group's statutory profit after income tax (attributable to ordinary equity holders) for the year ended 30 June 2019 was $123.1 million (2018: $103.5 million). The Group has incurred acquisition and integration related expenses, net of tax of $11.5 million (2018: $16.6 million) during the year ended 30 June 2019, principally related to the acquisition of Toxfree.

The Group's underlying profit after income tax (attributable to ordinary equity holders) for the year ended 30 June 2019 of $139.9 million was up by 42.8% on the prior year (2018: $98.0 million). A reconciliation of underlying profit to statutory profit is set out on page 41.

Operating review

The Group comprises three operating segments being Solid Waste Services, Industrial & Waste Services and Liquid Waste & Health Services. Unallocated balances include the Group's share of profits from equity accounted investments and corporate balances. A description of the operating segments and a summary of the associated segment results are set out below:

Solid Waste Services

Core business	The Solid Waste Services segment comprises the collection, recovery and disposal of solid waste, including putrescible waste, inert waste, household waste and recovered waste. Waste streams are generally processed through our resource recovery and recycling facilities, transfer stations and landfills.
Financial metrics	Total revenue for the Solid Waste Services segment increased by 22.2% to $1,536.3 million. Underlying EBITDA [1] increased by 23.5% to $352.8 million. Underlying EBIT [2] increased by 28.1% to $204.0 million.
Performance	Growth initiatives continue to be successfully implemented with volume and price increases being recorded. Growth was further enhanced by the full ramp up of major contracts. Both revenue and earnings also increased by the addition of the Toxfree Solids businesses located in North West WA and Qld. The Chinese National Sword policy led to increased costs of sorting which was passed on to Municipal and Commercial customers progressively.

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

2 EBIT represents earnings before interest and income tax.

Operating review (continued)

Liquid Waste & Health Services

Core business	The Liquid Waste & Health Services segment comprises: • Liquid Waste – the collection, treatment, processing, refining and recycling and destruction of hazardous and non-hazardous liquids, hydrocarbons and chemical waste, specialised product destruction, hazardous waste and e-waste. • Health Services – the provision of services to the health sector for the safe treatment and disposal of health-related waste which includes sharps management, medical waste, pharmaceutical waste, healthcare hazardous waste and quarantine waste.
Financial metrics	Total revenue increased by 53.5% to $495.0 million and underlying EBITDA increased by 60.3% from $54.2 million to $86.9 million. Underlying EBIT increased by 46.7% from $36.8 million to $54.0 million.
Performance	The Health Services businesses performed well and continue to deliver revenue and earnings growth. We continue to invest in this fast growing area of the waste industry via the recent small acquisition of ASP Healthcare. Hydrocarbons also had a good year and remains on track for further growth with increased production efficiencies. Volumes in hazardous and non-hazardous liquids were down on last year. We have restructured the business through the Toxfree integration to improve performance and remain confident that this will be achieved. Packaged waste services continue to grow both revenue and earnings as new hazardous waste streams are recognised by the market.

Industrial & Waste Services

Core business	The Industrial & Waste Services segment provides a wide variety of services to the Infrastructure, Industrial and Resources markets. Services include drain cleaning, non-destructive digging, vacuum loading, high pressure cleaning, pipeline maintenance and CCTV.
Financial metrics	Total revenue increased by 84.0% to $341.9 million and Underlying EBITDA increased by 146.6% from $18.9 million to $46.6 million. Underlying EBIT increased by 341.2% from $5.1 million to $22.5 million.
Performance	The acquisition of Toxfree has increased scale in this segment and was a major factor in the growth achieved. As part of the integration of Toxfree, further streamlining of the organisational structure was completed. The segment also achieved modest organic growth during the year notwithstanding the completion of the Toxfree Wheatstone project last year.

Operating review (continued)

Group results for the year ended 30 June 2019

	STATUTORY [1] $'M	UNDERLYING ADJUSTMENTS: LOSS ON SALE OF INVESTMENTS [4] $'M	UNDERLYING ADJUSTMENTS: ACQUISITION & INTEGRATION COSTS [5] $'M	UNDERLYING ADJUSTMENTS: CHANGE IN REMEDIATION PROVISIONS DISCOUNT RATE [6] $'M	UNDERLYING ADJUSTMENTS: REVALUATION OF LAND AND BUILDINGS [7] $'M	UNDERLYING [1] $'M
Solid Waste Services						352.8
Liquid Waste & Health Services						86.9
Industrial & Waste Services						46.6
Equity accounted investments						0.7
Waste management						487.0
Corporate						(25.4)
EBITDA [2]	**433.7**	**2.2**	**16.6**	**9.1**	–	**461.6**
Depreciation and amortisation	(220.8)	–	–	–	–	(220.8)
Revaluation of non-landfill land and buildings	4.7	–	–	–	(4.7)	–
EBIT [3]	**217.6**	**2.2**	**16.6**	**9.1**	**(4.7)**	**240.8**
Net finance costs	(47.8)	–	–	–	–	(47.8)
Profit/(loss) before income tax	**169.8**	**2.2**	**16.6**	**9.1**	**(4.7)**	**193.0**
Income tax (expense)/benefit	(46.6)	–	(5.1)	(2.7)	1.4	(53.0)
Profit/(loss) after income tax	**123.2**	**2.2**	**11.5**	**6.4**	**(3.3)**	**140.0**
Attributable to:						
Ordinary equity holders	**123.1**	**2.2**	**11.5**	**6.4**	**(3.3)**	**139.9**
Non-controlling interest	**0.1**	–	–	–	–	**0.1**

1 The use of the term 'Statutory' refers to IFRS financial information and 'Underlying' refers to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information. The exclusion of underlying adjustments provides a result which, in the Directors' view, more closely reflects the ongoing operations of the Group. The non-IFRS financial information is unaudited.

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

3 EBIT represents earnings before interest and income tax.

4 Relates to the loss incurred on the sale of equity accounted investments in Total Waste Management Pty Ltd and Western Resource Recovery Pty Ltd, effective 10 December 2018.

5 Acquisition and integration costs include the ongoing integration costs related to the acquisition of Toxfree which occurred on 11 May 2018 and transaction costs and other costs associated with the acquisition of businesses during the period.

6 Remediation liabilities related to closed landfill sites and industrial properties as a result of the reduction in the discount rate. Refer note 26 to the Financial Statements.

7 Relates to net impairment reversals related to revalued land and buildings.

Operating review (continued)

Group results for the year ended 30 June 2018

		UNDERLYING ADJUSTMENTS					
	STATUTORY [1] $'M	REBRANDING COSTS [4] $'M	ACQUISITION COSTS [5] $'M	TAX PROVISIONS [6] $'M	GAIN ON SALE OF PROPERTIES [7] $'M	OTHER [8] $'M	UNDERLYING [1] $'M
Solid Waste Services							285.7
Liquid Waste & Health Services							54.2
Industrial & Waste Services							18.9
Equity accounted investments							(0.1)
Waste management							358.7
Corporate							(19.0)
EBITDA [2]	**323.1**	**2.5**	**16.3**	–	**(2.2)**	–	**339.7**
Depreciation and amortisation	(173.6)	–	0.3	–	–	–	(173.3)
Revaluation of non-landfill land and buildings	(0.2)	–	–	–	–	0.2	–
EBIT [3]	**149.3**	**2.5**	**16.6**	–	**(2.2)**	**0.2**	**166.4**
Net finance costs	(31.5)	–	1.6	(0.7)	–	0.1	(30.5)
Profit/(loss) before income tax	**117.8**	**2.5**	**18.2**	**(0.7)**	**(2.2)**	**0.3**	**135.9**
Income tax (expense)/benefit	(14.5)	(0.8)	(1.6)	(22.7)	1.6	(0.1)	(38.1)
Profit/(loss) after income tax	**103.3**	**1.7**	**16.6**	**(23.4)**	**(0.6)**	**0.2**	**97.8**
Attributable to:							
Ordinary equity holders	**103.5**	**1.7**	**16.6**	**(23.4)**	**(0.6)**	**0.2**	**98.0**
Non-controlling interest	**(0.2)**	–	–	–	–	–	**(0.2)**

1 The use of the term 'Statutory' refers to IFRS financial information and 'Underlying' refers to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information. The exclusion of underlying adjustments provides a result which, in the Directors' view, more closely reflects the ongoing operations of the Group. The non-IFRS financial information is unaudited.

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

3 EBIT represents earnings before interest and income tax.

4 Relates to costs incurred during the period to rebrand the Group to 'Cleanaway' (effective 1 February 2016) and reflects the final costs incurred on this project.

5 Acquisition costs include transaction costs and other costs associated with the acquisition of businesses during the period. Net finance costs related to the refinancing of the Group's debt facility to execute the Toxfree acquisition have also been reflected as underlying adjustments.

6 During the period, the Group received notice from New Zealand Inland Revenue that their review of various matters, which related to the Group's period of ownership of the New Zealand business, was complete and no tax liability would arise in respect of certain matters. Accordingly, the Group has released a tax provision of $5.0 million in this regard, reflecting the reduction in any potential tax liability payable to Inland Revenue. In addition, the Group has lodged amended assessments with the Australian Taxation Office (ATO) for the June 2013 to June 2017 tax returns relating to depreciation deductions in respect of previous landfill acquisitions. The amended assessments were lodged after the ATO allowed an objection to the June 2013 tax return and have resulted in a reduction to taxation expense of $17.7 million and interest income on the amended assessment of $0.7 million.

7 On 30 June 2018, the Group sold a closed landfill site in Heatherton, Melbourne for proceeds of $3.0 million.

8 Other net finance costs relate to the foreign exchange loss on the USPP borrowings of $0.5 million offset by fair value changes on the mark-to-market valuation of derivative financial instruments of $0.4 million.

Operating review (continued)

Principal risks

The material business risks that could adversely impact the Group's financial prospects in future periods include economic growth, regulatory environment and Toxfree integration risk.

Economic growth	The state of the economy and the sectors of the economy to which the Group is exposed materially impacts future prospects. Factors which have impacted results in recent periods include increases and decreases in GDP and CPI, increases and decreases in the manufacturing, industrial and construction industries and resource sector activity.
Regulatory environment	The regulatory environment materially impacts future prospects. Regulatory requirements which have impacted historical results include state-based waste levies, carbon tax, environmental regulations and planning regulations. Regulatory requirements, including environmental regulations impacting waste management activities, have increased over time and could potentially increase in the future.
Toxfree integration	There are potential integration risks associated with the Toxfree acquisition, including potential delays or unplanned costs in implementing operational changes, difficulties in integrating operations and distracting management's attention from other activities. There is also a risk that the synergies relating to the acquisition are lower than anticipated. Any failure to fully integrate the operations of Toxfree, or failure to achieve anticipated synergies, could adversely impact the operational performance and profitability of the Group.

How the Group manages these risks is set out in the Company's Corporate Governance Statement under the section *Principle 7: Recognise and manage risk*. The Corporate Governance Statement also sets out the general and other specific risks that may potentially impact the Group's ability to execute and achieve its business strategies and the broad approach that the Group takes to manage these risks. The Corporate Governance Statement is available on Cleanaway's website. Details regarding the Group's financial risk management are included in note 32 to the Financial Statements.

Financial position review

Operating cash flows increased by 58.6% to $350.8 million (2018: increase of 16.7% to $221.2 million) due mainly to higher profitability of the Group.

The Group's net assets have increased from $2,488.1 million to $2,582.8 million.

At balance date the Group had total syndicated debt facilities of $900.0 million (2018: $900.0 million), financing arrangements with the Clean Energy Finance Corporation of $100.0 million (2018: $90.0 million) and an uncommitted bank guarantee facility of $60.0 million (2018: $60.0 million). Further information on the Group's financing facilities is provided in note 16 to the Financial Statements.

Significant changes in the state of affairs

Other than matters mentioned in this Report, no other significant changes in the state of affairs of the Group occurred during the year ended 30 June 2019.

Events subsequent to reporting date

There have been no matters or circumstances that have arisen since 30 June 2019 that have affected the Group's operations not otherwise disclosed in this report.

Likely developments and expected results of operations

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

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

Environmental regulation

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

The Group is committed to achieving the highest standards of environmental performance. There were no material breaches of environmental statutory requirements and no material prosecutions during the year. Aggregate fines paid during the year to the date of signing this Annual Report were $71,568 (2018: $65,081).

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

Indemnification of auditors

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

Directors' meetings

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

	BOARD MEETINGS		AUDIT AND RISK COMMITTEE		HEALTH, SAFETY AND ENVIRONMENT COMMITTEE [5]		REMUNERATION AND NOMINATION 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
Directors								
M P Chellew [1]	5	5	–	–	–	–	–	–
V Bansal	5	5	–	–	–	–	–	–
R M Smith [2]	5	4	3	2	–	–	2	2
E R Stein	5	5	3	3	4	4	–	–
T A Sinclair	5	5	3	3	–	–	2	2
R M Harding [3]	5	5	–	–	4	4	2	2
P G Etienne [4]	5	5	3	3	4	4	–	–

1 Chairman of the Board.
2 Chairman of Audit and Risk Committee.
3 Chairman of Remuneration and Nomination Committee.
4 Chairman of the Health, Safety and Environment Committee.
5 Renamed Sustainability Committee on 14 August 2019.

Directors' interests

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

	ORDINARY SHARES	PERFORMANCE RIGHTS
Directors		
M P Chellew	139,548	–
V Bansal	3,358,691	5,257,496
R M Smith	103,720	–
E R Stein	113,568	–
T A Sinclair	49,417	–
R M Harding	16,109	–
P G Etienne	37,756	–

Shares under option and performance rights

During the financial year ended 30 June 2019 and up to the date of this Report, no options were granted over unissued shares. As at the date of this Report there are no unissued ordinary shares of the Company under option.

Details of performance rights granted under the short-term incentive and long-term incentive offers in the 2019 and 2018 financial years are set out in the Remuneration Report. Total performance rights outstanding as at 30 June 2019 are 13,025,041 (2018:14,226,030). Performance rights outstanding at the date of this report are 12,520,625.

Shares issued on the exercise of performance rights

During the financial year ended 30 June 2019 and up to the date of this report, the Company issued 4,880,729 shares as a result of the exercise of performance rights that vested during the year. During the financial year ended 30 June 2018 and up to the date of the 2018 report, the Company issued 2,003,894 ordinary shares as a result of the exercise of performance rights that vested on 30 June 2018.

Directors' and officers' insurance

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

Non-audit services

The Company may decide to employ the auditors on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Company and/or the Group are relevant. During the financial year ended 30 June 2019 there were no non-audit services provided by Ernst & Young.

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

	2019 $	2018 $
Ernst & Young:		
Audit services	1,301,343	1,191,401
Audit related services	81,891	280,418
Non-audit services:		
Other advisory services	–	29,561
Total	**1,383,234**	**1,501,380**

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 64.

Rounding of amounts

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

This Report, including the Remuneration Report set out on pages 47 to 63, is made in accordance with a resolution of the Board.

M P Chellew
Chairman and Non-Executive Director

V Bansal
Chief Executive Officer and Managing Director

Melbourne, 14 August 2019

Remuneration Report
(Audited)

Contents

The Report contains the following sections:

Introduction

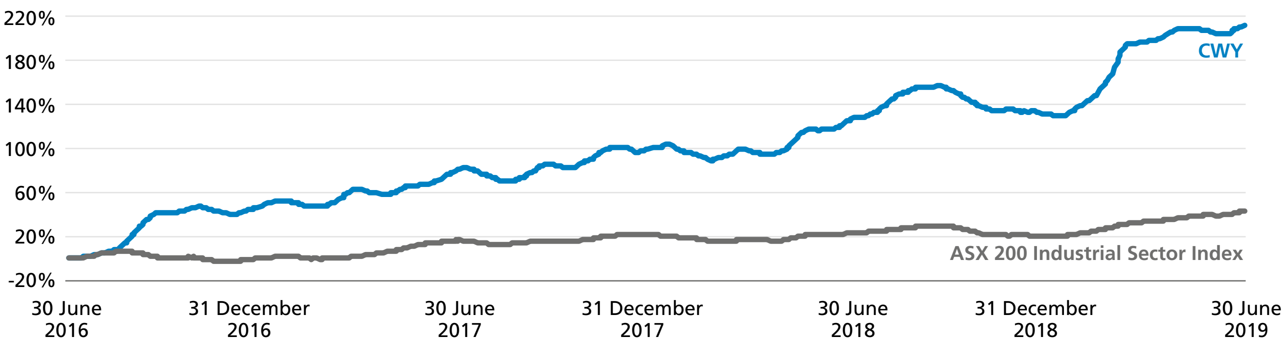
The Directors of Cleanaway Waste Management Limited present the Company's Remuneration Report (the Report) which forms part of the Directors' Report for the financial year ended 30 June 2019. This Report outlines the remuneration arrangements for Key Management Personnel (KMP) of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. The information in this Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

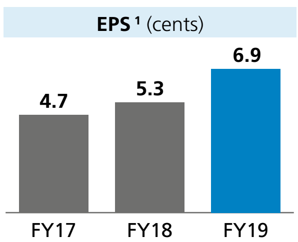
Alignment between company performance and remuneration outcomes

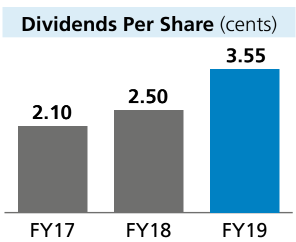
Cleanaway has substantially outperformed the ASX200 Industrials Index over the last three years, as set out below. For the year ended 30 June 2019, Cleanaway shareholders have continued to experience solid performance growth across all key financial metrics as set out in the graphs below. In particular, in FY19 underlying EPS increased 30.2% to 6.9 cents per share, dividends increased by 42.0% to 3.55 cents per share and ROIC increased from 5.2% to 5.4%. Safety remains at the heart of everything we do and whilst there was continued improvement in our TRIFR safety performance during the year, this was not to the expected level and this is reflected in STI remuneration outcomes.

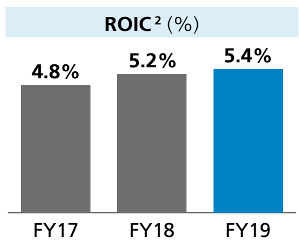
The Directors of Cleanaway consider that the remuneration outcomes set out in this Report should be considered in the context of continued improved performance across the Group's key operating metrics during the year ended 30 June 2019. The Directors consider that there is appropriate alignment between Cleanaway shareholders' experience over the year ended 30 June 2019 and the outcomes for KMP set out in this Report.

Total Shareholder Return: CWY vs ASX 200 Industrials Sector Index (XNJ)









1 Underlying results.

2 Return on Invested Capital calculated as tax effected EBIT divided by average net assets plus net debt. FY18 excludes impact of Toxfree acquisition.

1. Key management personnel

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

The acquisition and ongoing integration of Toxfree during the year was a major focus for our Executive team. With the broadening of the Group and increased number of business units, the following roles became KMP:

- Executive General Manager – Solid Waste Services
- Executive General Manager – Liquid Waste & Health Services.

The KMP disclosed in this Report for the year ended 30 June 2019 are detailed in the following table:

NAME	TITLE
NON-EXECUTIVE DIRECTORS	
M P Chellew	Chairman and Non-Executive Director
R M Smith	Non-Executive Director
E R Stein	Non-Executive Director
T A Sinclair	Non-Executive Director
R M Harding	Non-Executive Director
P G Etienne	Non-Executive Director
EXECUTIVES	
V Bansal	Chief Executive Officer (CEO) and Managing Director
B J Gill	Chief Financial Officer (CFO)
M Crawford	Executive General Manager – Solid Waste Services
T Richards	Executive General Manager – Liquid Waste & Health Services

1 Mr Richards was appointed as EGM Liquid Waste & Health Services on 15 August 2018.

2. Governance and role of the Board

2A. Remuneration and Nomination Committee

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

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

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

2B. Engagement of remuneration consultants

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

In accordance with the *Corporations Act 2001*, any engagement of a remuneration consultant to provide a remuneration recommendation in respect of KMP must be approved and received by the Committee. The remuneration recommendation must be accompanied by a declaration from the remuneration consultant that it was free from undue influence of KMP. No remuneration recommendations were received from remuneration consultants as defined under the *Corporations Act 2001* during the year ended 30 June 2019.

3. Non-Executive Directors' remuneration

3A. Current Non-Executive Director fees

The remuneration received by Non-Executive Directors for the years ended 30 June 2019 and 30 June 2018 is set out in the following table:

	FINANCIAL YEAR	SALARY AND FEES $	SUPERANNUATION BENEFITS $	TOTAL $
NON-EXECUTIVE DIRECTORS				
M P Chellew	**2019**	**309,469**	**20,531**	**330,000**
	2018	287,451	20,049	307,500
R M Smith	**2019**	**168,950**	**16,050**	**185,000**
	2018	154,492	14,677	169,169
E R Stein	**2019**	**149,772**	**14,228**	**164,000**
	2018	133,897	12,719	146,616
T A Sinclair	**2019**	**149,772**	**14,228**	**164,000**
	2018	133,881	12,719	146,600
R M Harding	**2019**	**159,361**	**15,139**	**174,500**
	2018	145,339	13,807	159,146
P G Etienne	**2019**	**159,361**	**15,139**	**174,500**
	2018	145,339	13,807	159,146
Total	**2019**	**1,096,685**	**95,315**	**1,192,000**
	2018	1,000,399	87,778	1,088,177

3B. Aggregate fee limit

The current aggregate amount of remuneration that can be paid to Non-Executive Directors of $1,500,000 was approved by shareholders at the Company's 2018 Annual General Meeting.

For the year ended 30 June 2019, the aggregate remuneration paid to all Non-Executive Directors was $1,192,000. This represents an increase of 9.5% compared with the year ended 30 June 2018.

3C. Fee structure

The fee structure (inclusive of superannuation) for the year ended 30 June 2019 is detailed in the following table:

	BOARD $	AUDIT AND RISK COMMITTEE $	HEALTH, SAFETY AND ENVIRONMENT COMMITTEE $	REMUNERATION AND NOMINATION COMMITTEE $
Chairman	330,000	32,000	21,500	21,500
Non-Executive Director	142,000	11,000	11,000	11,000

The Board has conducted a review of Non-Executive Director fees and has approved, with effect from 1 July 2019 increases to the Non-Executive Director and Chairman base fees and Committee membership fees for each Committee membership as set out below. The Board took into consideration several factors in the review of Non-Executive Director fees, in particular the need to ensure Non-Executive Director fees remain competitive with peer companies. Following the review of Non-Executive Director fees undertaken during the year, the Board has determined that it will continue to review Non-Executive Director fees going forward to ensure they remain competitive and at a level that will attract and retain Directors in the future.

The fee structure (inclusive of superannuation) from 1 July 2019 is detailed in the following table:

	BOARD $	AUDIT AND RISK COMMITTEE $	SUSTAINABILITY COMMITTEE [1] $	REMUNERATION AND NOMINATION COMMITTEE $
Chairman	370,000	34,000	25,000	25,000
Non-Executive Director	154,000	13,500	13,500	13,500

1 The Health, Safety and Environment Committee was renamed Sustainability Committee on 14 August 2019.

4. Executive reward strategy and framework

4A. Strategy and framework

The Group's remuneration strategy is designed to attract, retain and motivate high calibre senior executives to ensure the sustainable success of the Group for the benefit of all stakeholders. In an environment of heightened community expectations around executive remuneration, the Board continues to review the remuneration framework annually to ensure it is fit for purpose. This ensures remuneration is competitive and fair, aligned with the achievements of Cleanaway and aligned to the creation of long-term shareholder value.

The remuneration structure is driven by these principles and comprises a mix of fixed and variable (at risk) remuneration components illustrated below.

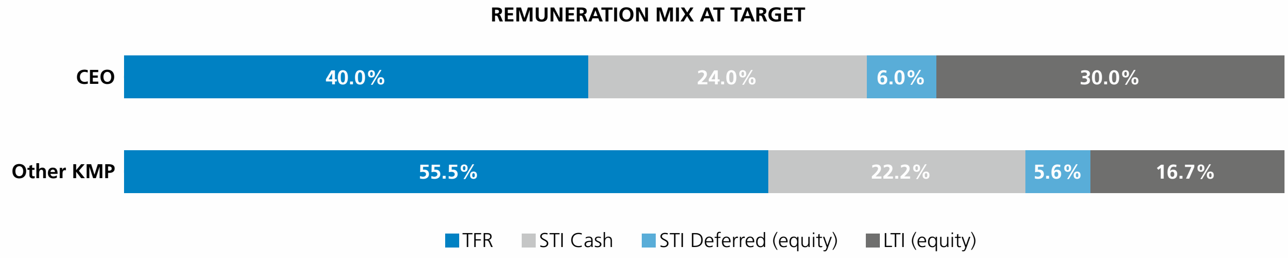
CLEANAWAY REMUNERATION STRATEGY			
Remunerate competitively to attract, motivate and retain talent	Align remuneration to CWY's business strategy	Link outcomes to CWY's financial performance and individual strategic objectives	Align to long-term shareholder value

CLEANAWAY REMUNERATION STRUCTURE			
TFR Total Fixed Remuneration	**STI** Short-term Incentive (at risk)		**LTI** Long-term Incentive (at risk)
CASH		EQUITY	
Annual TFR (Base Salary plus superannuation) Set based on market and internal relativities, performance and experience	80% of STI outcome paid in September after financial year end STI outcome based on CWY's annual financial and individual performance	20% of STI outcome is deferred as Performance Rights Performance Rights are restricted for one year	LTI Performance Rights subject to performance conditions over three years 50% subject to TSR 25% subject to ROIC 25% subject to EPS

4. Executive reward strategy and framework (continued)

4B. Remuneration elements and mix

Cleanaway aims to provide a competitive mix of remuneration components that reflect the Board's commitment to performance based reward. For the year ended 30 June 2019, the target remuneration mix for Executive KMP remained unchanged from the previous year and is illustrated below.



4C. Shareholding guideline

The CEO and Executive Committee are encouraged to build and maintain a shareholding in the Company equivalent to:

- CEO – 100% of TFR; and
- Executive Committee – 50% of TFR.

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

The CEO and KMP that have served since 1 July 2015 have all accumulated shareholdings in line with this guideline. The number of performance rights and ordinary shares in the Company held by each Executive KMP is set out in sections 7A, 7B and 8A.

5. *Executive key management personnel – reward outcomes*

5A. Remuneration received

The remuneration received or receivable by Executive KMP for the years ended 30 June 2019 and 30 June 2018 is set out in the following table:

	FINANCIAL YEAR	SALARY AND FEES $	STI CASH $	NON-MONETARY BENEFITS $	SHARE-BASED PAYMENTS[1] $	POST EMPLOYMENT BENEFITS $	TOTAL $	PERFORMANCE RELATED
V Bansal[2]	**2019**	**1,331,031**	**803,099**	**93,086**	**2,126,627**	**20,531**	**4,374,374**	**67.0%**
	2018	1,253,389	1,270,571	100,519	1,697,888	20,049	4,342,416	68.4%
B J Gill	**2019**	**671,750**	**294,222**	–	**511,732**	**20,531**	**1,498,235**	**53.8%**
	2018	632,296	433,918	–	388,849	20,049	1,475,112	55.8%
M Crawford	**2019**	**585,015**	**238,078**	–	**442,462**	**20,531**	**1,286,086**	**52.9%**
T Richards	**2019**	**401,446**	**184,001**	–	**159,299**	**18,820**	**763,566**	**45.0%**
Total	**2019**	**2,989,242**	**1,519,400**	**93,086**	**3,240,120**	**80,413**	**7,922,261**	
	2018	1,885,685	1,704,489	100,519	2,086,737	40,098	5,817,528	

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

2 Non-monetary benefits comprise costs associated with Mr Bansal's accommodation in Melbourne and travel between Sydney and Melbourne.

An explanation of the key remuneration elements (TFR, STI and LTI), as well as outcomes for the year ended 30 June 2019, is provided in the following sections.

5B. Total fixed remuneration

TFR consists of base salary plus statutory superannuation contributions. Senior executives receive a fixed remuneration package which is reviewed annually by the Committee and the Board with reference to Company and individual performance, size and complexity of the role and benchmark market data. There are no guaranteed base pay increases included in any Executive KMP contract.

FY2019 total fixed remuneration outcomes

Executive KMP TFR was reviewed during the annual remuneration review with the following increases effective 1 October 2018:

- Mr Bansal's TFR was increased from $1,281,250 to $1,375,000;
- Mr Gill's TFR was increased from $656,347 to $704,260;
- Mr Crawford's TFR was increased from $587,910 to $611,426; and
- Mr Richards' TFR was not adjusted as he was appointed to the role on 15 August 2018.

5C. FY2019 short-term incentive

For the year ended 30 June 2019, Executive KMP and other senior executives and eligible employees participated in the Group STI plan.

The table below represents the target and maximum annual STI opportunity as a percentage of TFR for Executive KMP in 2019:

	FY2019 TARGET	FY2019 MAXIMUM
EXECUTIVE KEY MANAGEMENT PERSONNEL		
V Bansal	75%	150%
B J Gill	50%	100%
M Crawford	50%	100%
T Richards	50%	100%

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

5C. FY2019 short-term incentive (continued)

Key features of the FY2019 STI plan

Purpose of the STI plan	Reward the achievement of key financial, Health, Safety & Environment (HSE) and if applicable, individual KPI metrics that are key to the sustainable success of Cleanaway.
Performance period	1 July 2018 to 30 June 2019.
Gateway	• Achievement of a gateway based on budgeted Group EBITDA for Executive KMP. The use of EBITDA as a gateway performance measure aligns senior executives' focus on annual financial objectives related to their area of control. • Business Unit heads and other management roles also have gateways based on financial or key strategic non-financial objectives.
Key Performance Metrics	• Financial metrics: 70%–80% weighting. • HSE metrics: 20% weighting. • Individual role specific strategic objectives: 0%–10%.
Financial metrics	• Financial metrics and their respective weightings are: – Group EBITDA: 30% weighting. – Group Net Revenue: 10%–30% weighting. Included as it reflects growth in our business. – Group Net Profit After Tax Return on Invested Capital (NPAT ROIC): 10%–30% weighting. Included as it aligns with Cleanaway's focus on improving the returns from the net assets employed in our business.
Health, Safety & Environment (HSE) metrics and Gateways	• HSE metrics and their respective weightings are: – Group Total Recordable Injury Frequency Rate (TRIFR): 15% weighting. Included as it measures the outcome of our injury prevention strategies and programs. – Group Environmental Incidents: 5% weighting. Included as it measures the outcome effectiveness of our environmental risk management strategies and programs. • TRIFR metric has a threshold, target and stretch level of performance with a corresponding STI outcome set out below. • Group Environment Incident metric has a target level performance and outcome only. • Each individual HSE metric has its own gateway condition: – TRIFR: That there are no work-related fatalities; and – Group Environmental Incidents: That there are no significant and major rated environmental incidents.
Performance outcomes	• Once gateways are achieved, performance against financial and HSE metrics (excluding environmental incident metric) have the following threshold, target and stretch STI outcomes: – Below threshold – 0%. – At threshold – 75% of on-target STI opportunity. – At target – 100% of on-target STI opportunity. – At stretch – 200% of on-target STI opportunity.
Deferral	• 20% of STI awarded to Executive KMP and certain senior executives is deferred for 12 months in the form of deferred performance rights. • Performance rights are granted at face value determined by the 5-day volume weighted average price of Cleanaway's shares on the ASX during the period 24 June to 28 June 2019. • Performance rights do not attract dividends during the deferral period.

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

5C. FY2019 short-term incentive (continued)

FY2019 short-term incentive outcomes

The following table details 2019 STI scorecard measures and assessment applied to Executive KMP.

ELEMENT	MEASURE	2019 PERFORMANCE ASSESSMENT
Gateway to STI	Group EBITDA – Threshold of on-target budgeted	Above Target
Scorecard KPIs	Group Net Revenue	At Target
	Group ROIC	Above Target
	Group TRIFR	Not Achieved [1]
	Group Environmental Incidents	At Target

1 Whilst there was an overall reduction in TRIFR during FY19, given overall safety performance did not meet expectations, the Board determined that the health & safety gateway was not achieved.

The STI payments received or receivable by Executive KMP for the year ended 30 June 2019 are summarised in the following table:

		TOTAL STI $	CASH COMPONENT [1] $	DEFERRED SHARE COMPONENT [1] $	PERCENTAGE OF TARGET STI OPPORTUNITY [2]	PERCENTAGE OF MAXIMUM STI OPPORTUNITY [2]
EXECUTIVE KEY MANAGEMENT PERSONNEL						
V Bansal	**2019**	**1,003,873**	**803,099**	**200,774**	**97%**	**50%**
	2018	1,588,214	1,270,571	317,643	165%	85%
B J Gill	**2019**	**367,775**	**294,222**	**73,553**	**104%**	**54%**
	2018	542,397	433,918	108,479	165%	85%
M Crawford	**2019**	**297,597**	**238,078**	**59,519**	**97%**	**50%**
T Richards	**2019**	**230,000**	**184,001**	**45,999**	**97%**	**50%**

1 As summarised in section 4A and 4B, Executive KMP STI are subject to 20% deferral for one year as performance rights.

2 Calculated based on total STI as a percentage of target and maximum STI opportunities respectively.

5

5D. Prior year short-term incentive awards

As participants in the FY2018 STI, Executives considered KMP during the year ended 30 June 2018 had part of their total STI award deferred as performance rights for 12 months. The vesting of these deferrals was subject to remaining employed by the Group throughout the deferral period. Accordingly, these awards have vested as follows:

- Mr Bansal's FY2018 STI deferred component performance rights vested on 30 June 2019 (186,137);
- Mr Gill's FY2018 STI deferred component performance rights vested on 30 June 2019 (63,568); and
- Mr Crawford's FY2018 STI deferred component performance rights vested on 30 June 2019 (56,940).

5E. FY2019 long-term incentive

Offers under the Cleanaway Long-Term Incentive (LTI) Plan are made on an annual basis. During the year ended 30 June 2019, an LTI offer was made to Mr Bansal following shareholder approval at the Company's 2018 Annual General Meeting as well as to other Executive KMP including Mr Gill, Mr Crawford and Mr Richards.

The table below represents the target and maximum annual LTI opportunity as a percentage of TFR for Executive KMP:

	FY2019 TARGET	FY2019 MAXIMUM
EXECUTIVE KEY MANAGEMENT PERSONNEL		
V Bansal	75%	150%
B J Gill	30%	60%
M Crawford	30%	60%
T Richards	30%	60%

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

5E. FY2019 long-term incentive (continued)

The details of the FY2019 LTI offer are summarised in the table below. The number of performance rights granted to each Executive KMP for the year ended 30 June 2019 is outlined in section 7A. The number of performance rights each Executive KMP had on issue as at 30 June 2019 is outlined in section 7B.

Key features of the FY2019 LTI plan

Purpose of the LTI plan	• Focus Executive performance on drivers of shareholder value over a three-year performance period. • Align interests of Executive with those of shareholders.
Performance period	1 July 2018 to 30 June 2021.
Form of award	Performance rights.
Number of Performance Rights	• Performance rights are granted at face value as a % of participant TFR. • The number of rights was determined by dividing a participant's LTI opportunity by the volume weighted average price (VWAP) of Cleanaway's shares on the ASX during the period 25 June to 29 June 2018.
Performance hurdles	Performance rights issued under the FY2019 plan are subject to three performance hurdles: • 50% of the performance rights will be subject to relative Total Shareholder Return (TSR) targets over the performance period. The Board considers relative TSR to be an appropriate performance measure for Executive KMP reward as it focuses on the extent to which shareholder returns (being income and capital gain) are generated relative to the performance of a comparator group of companies. The comparator group is the constituent companies that remain listed in the S&P/ASX 200 Index (excluding companies classified as mining, financial services and overseas domiciled companies) for the duration of the performance period; • 25% of the performance rights will be subject to Return On Invested Capital (ROIC) for the year ending 30 June 2021. The Board considers ROIC to be an appropriate performance measure for Executive KMP reward as it focuses on managing both the financial returns and the invested capital base used to generate those returns; and • 25% of the performance rights will be subject to Earnings per Share Compound Annual Growth Rate (EPS CAGR). The Board considers EPS CAGR to be an appropriate performance measure for Executive KMP reward as it represents an accurate measure of short-term and long-term sustainable profit.
Vesting date	14 days after the release of the financial results for the financial year ending 30 June 2021.
Retesting	No retesting is available. LTI performance rights are only tested once at the end of the relevant performance period and unvested rights lapse.
Dividends	LTI performance rights do not attract dividends.
Restriction on trading	Vested shares arising from performance rights may only be traded during trading windows as stipulated in the Company's Securities Trading Policy.
Forfeiture and Lapsing Conditions	Where a participant resigns or is terminated by the Company prior to the end of the performance period, the performance rights are forfeited unless the Board applies its discretion. The Board also has discretion to determine the extent of vesting in the event of a change of control, or where a participant dies, becomes permanently disabled, retires or is made redundant. Performance rights lapse when performance hurdles are not met.
Number of performance rights remaining on issue as at 30 June 2019	3,178,764

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

5E. FY2019 long-term incentive (continued)

FY2019 LTI performance hurdle vesting conditions

Performance rights issued under the FY2019 plan are subject to three performance measures with the following performance vesting schedules:

Relative TSR performance measured over 3 years from 1 July 2018 to 30 June 2021	**Cleanaway's relative TSR rank compared with the TSR comparator group**	**Percentage of TSR performance rights that vest**
	Less than 50th percentile	Nil
	Equal to 50th percentile	50%
	Greater than 50th percentile and up to (and including) 75th percentile	Straight line pro rata vesting between 50% and 100%
	Above 75th percentile	100%
NPAT ROIC performance as measured for the year ending 30 June 2021	**Cleanaway NPAT ROIC**	**Percentage of NPAT ROIC performance rights that vest**
	Less than 6.25%	Nil
	6.25%	20%
	Greater than 6.25% and up to (and including) 6.75%	Straight line pro rata vesting between 20% and 50%
	Greater than 6.75% and up to (and including) 7.25%	Straight line pro rata vesting between 50% and 100%
	Above 7.25%	100%
EPS CAGR performance measured over 3 years from 1 July 2018 to 30 June 2021	**Cleanaway EPS CAGR**	**Percentage of EPS CAGR performance rights that vest**
	Less than 13%	Nil
	At 13%	20%
	Greater than 13% and up to (and including) 15%	Straight line pro rata vesting between 20% and 50%
	Greater than 15% and up to (and including) 18%	Straight line pro rata vesting between 50% and 100%
	Above 18%	100%

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

5F. Prior long-term incentive awards

The following table outlines the terms of prior LTI offers outstanding:

	FY2017 LTI [1]	FY2018 LTI [1]
Performance period	3 years: 1 July 2016 to 30 June 2019	3 years: 1 July 2017 to 30 June 2020
Overview	Performance rights vesting subject to: • Relative TSR (50%) • ROIC (25%) • EPS CAGR (25%)	Performance rights vesting subject to: • Relative TSR (50%) • ROIC (25%) • EPS CAGR (25%)
Relative TSR performance hurdles	TSR Ranking against the constituents of the S&P/ASX200 Industrial Sector Index: • Below 50th percentile – 0% vesting • At the 50th percentile – 50% vesting • 50th to 75th percentile – straight line vesting between 50% and 100% • Above 75th percentile – 100% vesting	
ROIC performance hurdles	ROIC: • Below 4.5%–0% vesting • 4.5%–20% vesting • 4.5%–5.5% – straight line vesting between 20% and 50% • 5.5%–6.5% – straight line vesting between 50% and 100% • 6.5%–100% vesting	ROIC: • Below 5.25%–0% vesting • 5.25%–20% vesting • 5.25%–5.75% – straight line vesting between 20% and 50% • 5.75%–6.5% – straight line vesting between 50% and 100% • 6.5%–100% vesting
EPS CAGR performance hurdles	EPS CAGR: • Below 7.5%–0% vesting • At 7.5%–20% vesting • 7.5%–10% – straight line vesting between 20% and 50% • 10%–12.5% – straight line vesting between 50% and 100% • At or above 12.5%–100% vesting	EPS CAGR: • Below 7.5%–0% vesting • At 7.5%–20% vesting • 7.5%–10% – straight line vesting between 20% and 50% • 10%–12.5% – straight line vesting between 50% and 100% • At or above 12.5%–100% vesting
Number of performance rights remaining on issue at 30 June 2019	4,463,902	3,191,302

1 As a share-based payment, the portion of the performance rights relating to market-based conditions were valued for accounting purposes using the Monte Carlo simulation method and the portion relating to EPS or ROIC using the Black Scholes Model. Grant dates and fair values are contained in note 35 to the Consolidated Financial Statements.

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

5F. Prior long-term incentive awards (continued)

Prior long-term incentive outcomes

FY2017 LTI

The FY2017 LTI was tested as at 30 June 2019. Based on Cleanaway's relative TSR, ROIC and EPS performance over the performance period from 1 July 2016 to 30 June 2019, the offer will partially vest – with the relative TSR tranche vesting at 100%, the ROIC tranche vesting at 47.6% and the EPS CAGR tranche vesting at 100%.

Executive KMP

Mr Bansal, Mr Gill and Mr Crawford all participated in the FY2017 LTI. Therefore, the following performance rights will vest:

- Mr Bansal: 2,060,153 of his FY17 LTI rights will vest;
- Mr Gill: 422,143 of his FY17 LTI rights will vest; and
- Mr Crawford: 377,840 of his FY17 LTI rights will vest.

5G. FY2019-2020 Toxfree Integration Incentive

After the Company completed the acquisition of Cleanaway Industries Pty Ltd (formerly Tox Free Solutions Limited) on 11 May 2018 a one-off Toxfree Integration Incentive (TII) offer was approved at the Company's 2018 Annual General Meeting and made to approximately forty executives. This offer was to ensure focus on the key benefits of the acquisition of Toxfree, in particular the $35.0 million of initially identified synergies, targeted to be realised by 30 June 2020.

The one-off TII offer was offered to executives to ensure that executives (including Executive KMP) involved in the acquisition and integration of Toxfree are focussed on exceeding the synergy benefits from this acquisition beyond the synergies initially identified in our business case for acquisition and announced to the market. The TII is an offer of performance rights that was made to certain executives (including Executive KMP) which is equivalent to 50% of their STI opportunity. The key performance condition for the TII plan relates to the achievement of Cleanaway EBITDA in the year ending 30 June 2020 that exceeds our internal targets which includes the initial $35.0 million of synergies identified from the Toxfree acquisition. The performance period under the plan is from 1 July 2018 to 30 June 2020. This plan does not reward the achievement of the forecast synergy benefits, it is designed to reward the delivery of additional savings and outperformance that enhances EBITDA.

The number of performance rights remaining on issue under the TII offer at 30 June 2019 is 1,686,657 rights.

6. Executive key management personnel – contract terms

6A. Current Executive KMP

All Executive KMP are employed on the basis of an Executive Service Agreement (Agreement) that contains a range of terms and conditions including remuneration and other benefits, notice periods and termination benefits. Notice periods for Executive KMP are as follows:

EXECUTIVE SERVICE AGREEMENTS	TERM OF AGREEMENT	NOTICE PERIOD BY EXECUTIVE	NOTICE PERIOD BY CLEANAWAY
EXECUTIVE KEY MANAGEMENT PERSONNEL			
V Bansal	Open	12 months	12 months
B J Gill	Open	12 months	12 months
M Crawford	Open	12 months	12 months
T Richards	Open	6 months	6 months

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

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

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

In addition, Mr Bansal was entitled to accommodation support, with the Company covering the costs associated with Mr Bansal's accommodation in Melbourne until the end of 2019. The cost to the Group in providing this support to Mr Bansal for the year ended 30 June 2019 is provided in section 5A.

7. Executive key management personnel – additional remuneration tables

7A. Performance rights granted and movement during the year

The aggregate number of performance rights in the Company that were granted as compensation, exercised or lapsed in relation to each Executive KMP for the year ended 30 June 2019 is set out in the following table:

YEAR ENDED 30 JUNE 2019	BALANCE AT 1 JULY 2018 NUMBER	RIGHTS GRANTED DURING THE YEAR [1] NUMBER	VALUE OF RIGHTS GRANTED DURING THE YEAR [2] $	RIGHTS EXERCISED DURING THE YEAR NUMBER	VALUE OF RIGHTS EXERCISED DURING THE YEAR [3] $	LAPSED/ CANCELLED DURING THE YEAR NUMBER	BALANCE AT 30 JUNE 2019 NUMBER
EXECUTIVE KEY MANAGEMENT PERSONNEL							
V Bansal	6,760,848	1,696,906	2,495,091	(2,368,426)	4,460,701	(645,695)	5,443,633
B J Gill	1,653,512	414,358	627,073	(438,701)	823,256	(447,075)	1,182,094
M Crawford	1,465,652	361,490	547,457	(386,208)	663,795	(392,090)	1,048,844
T Richards	–	236,596	348,449	–	–	–	236,596

1 Performance rights were granted under the FY2019 LTI Offer on 2 November 2018 and TII Offer and FY2018 STI deferral on 26 October 2018.

2 The fair value of performance rights granted to Executive KMP was calculated using Monte Carlo simulation and the Black Scholes Model and is $1.09 to $1.64 per Performance Right under the FY2019 LTI Offer.

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

7B. Performance rights as at 30 June 2019

The number of performance rights as at 30 June 2019 by plan for the Executive KMP is set out in the following table:

ISSUED	2017 LTI	2018 STI	2018 LTI	2019 LTI	2019 TIIP	BALANCE AT 30 JUNE 2019	VESTED & EXERCISABLE AT THE END OF THE YEAR
EXECUTIVE KEY MANAGEMENT PERSONNEL							
V Bansal	2,370,716	186,137	1,376,011	1,208,615	302,154	5,443,633	186,137
B J Gill	485,780	63,568	281,956	247,616	103,174	1,182,094	63,568
M Crawford	434,798	56,940	252,556	214,976	89,574	1,048,844	56,940
T Richards	–	–	–	167,009	69,587	236,596	–

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

7C. Securities trading policy

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

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

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

7D. Company performance

The following table shows Cleanaway's annual performance over the last five years. For further explanation of details on Cleanaway performance see the Operating review section of Director's Report.

	FY2015	FY2016	FY2017	FY2018	FY2019
Net Revenue – $'M [1]	1,301.1	1,320.7	1,350.7	1,564.9	2,109.1
Profit/(loss) attributable to ordinary equity holders – $'M [2]	(23.6)	44.8	72.5	103.5	123.1
EPS – cents [3]	(1.4)	2.8	4.4	5.6	6.0
Underlying EPS – cents [3]	2.8	3.9	4.7	5.3	6.9
Dividends per share – cents	1.50	1.70	2.10	2.50	3.55
Shares on issue – number	1,579,914,690	1,586,344,605	1,592,889,317	2,036,684,232	2,044,507,391
Market capitalisation – $'M	1,216.5	1,269.1	2,198.2	3,442.0	4,763.7
Share price at 30 June – $	0.77	0.80	1.38	1.69	2.33
Change in share price – $	(0.24)	0.03	0.58	0.31	0.64

1 Net Revenue is Revenue excluding landfill levies (FY2015: $83.8 million; FY2016: $134.4 million; FY2017: $103.7 million; FY2018: $149.4 million; and FY2019: $174.0 million).

2 Includes underlying adjustments after tax (FY2015: $69.3 million; FY2016: $18.5 million; FY2017: $5.0 million; FY2018: $(5.5) million; and FY2019: $16.8 million).

3 The calculation of EPS for comparative periods have been adjusted to reflect the bonus element in the non-renounceable entitlement offer which occurred during December 2017 and January 2018.

8. *Shareholdings and other related party transactions*

8A. Shareholdings

The movement for the year ended 30 June 2019 in the number of ordinary shares in the Company held, directly or indirectly or beneficially, by each KMP, including their related parties, is detailed in the following table. Directors increased shareholdings during the course of the year:

NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF RIGHTS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
NON-EXECUTIVE DIRECTOR				
M P Chellew	95,548	–	44,000	139,548
R M Smith	83,720	–	20,000	103,720
E R Stein	103,179	–	10,389	113,568
T A Sinclair	49,417	–	–	49,417
R M Harding	16,109	–	–	16,109
P G Etienne	37,756	–	–	37,756
EXECUTIVE KEY MANAGEMENT PERSONNEL				
V Bansal	804,128	2,368,426	–	3,172,554
B J Gill	218,515	438,701	(100,000)	557,216
M Crawford	336,092	386,208	(336,092)	386,208
T Richards	–	–	–	–

8B. Loans to Executive key management personnel

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

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

Some of the Directors hold, or have previously held, positions in companies with which Cleanaway has commercial relationships which are based on normal terms and conditions on an arm's length basis. Transactions with entities where the relationship is limited to a common Non-Executive Directorship, including any Chairperson roles, are not considered related party transactions. The Board has assessed all of the relationships between the Group and companies in which Directors hold or held positions and has concluded that in all cases the relationships do not interfere with the Directors' exercise of objective, unfettered or independent judgement or their ability to act in the best interest of the Group.

Auditor's Independence Declaration

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

As lead auditor for the audit of Cleanaway Waste Management Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Brett Croft
Partner

14 August 2019

Consolidated Income Statement

For the year ended 30 June 2019

	NOTES	2019 $'M	2018 $'M
Revenue	6	2,283.1	1,714.3
Other income	7	7.0	5.1
Labour related expenses		(846.9)	(642.0)
Collection, recycling and waste disposal expenses		(622.8)	(472.7)
Fleet operating expenses		(233.0)	(168.4)
Property expenses		(71.6)	(49.1)
Other expenses		(80.6)	(64.0)
Loss on sale of investments		(2.2)	–
Share of profits/(losses) from equity accounted investments	23	0.7	(0.1)
Profit from operations before depreciation and amortisation		**433.7**	**323.1**
Depreciation and amortisation expense		(220.8)	(173.6)
Revaluation of non-landfill land and buildings	21	4.7	(0.2)
Profit from operations		**217.6**	**149.3**
Net finance costs	8	(47.8)	(31.5)
Profit before income tax		**169.8**	**117.8**
Income tax expense	9	(46.6)	(14.5)
Profit after income tax		**123.2**	**103.3**
Attributable to:			
Ordinary equity holders		123.1	103.5
Non-controlling interest		0.1	(0.2)
Profit after income tax		**123.2**	**103.3**

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

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	NOTES	2019 $'M	2018 $'M
Profit after income tax		**123.2**	**103.3**
Other comprehensive income (not to be reclassified to profit or loss in subsequent periods)			
Revaluation of non-landfill land and buildings (net of tax)		18.4	6.3
Net comprehensive income recognised directly in equity		**18.4**	**6.3**
Total comprehensive income for the year		**141.6**	**109.6**
Attributable to:			
Ordinary equity holders		141.5	109.8
Non-controlling interest		0.1	(0.2)
Total comprehensive income for the year		**141.6**	**109.6**
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	10	6.0	5.6
Diluted earnings per share (cents)	10	6.0	5.6

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

Consolidated Balance Sheet

As at 30 June 2019

	NOTES	2019 $'M	2018 $'M
Assets			
Current assets			
Cash and cash equivalents	11	56.2	52.0
Trade and other receivables	12	382.0	369.5
Inventories	13	19.9	21.0
Income tax receivable		–	8.2
Assets held for sale	15	8.8	8.8
Other assets	24	21.6	15.4
Total current assets		**488.5**	**474.9**
Non-current assets			
Property, plant and equipment	21	1,296.3	1,184.0
Intangible assets	22	2,341.8	2,310.1
Equity accounted investments	23	3.8	13.8
Net deferred tax assets	9	45.5	56.2
Other assets	24	17.3	8.1
Total non-current assets		**3,704.7**	**3,572.2**
Total assets		**4,193.2**	**4,047.1**
Liabilities			
Current liabilities			
Trade and other payables	14	257.5	235.8
Income tax payable		17.7	–
Interest-bearing liabilities	16	17.1	13.5
Employee entitlements	25	66.9	75.7
Provisions	26	86.1	75.9
Other liabilities	27	32.2	30.7
Total current liabilities		**477.5**	**431.6**
Non-current liabilities			
Interest-bearing liabilities	16	697.6	711.7
Employee entitlements	25	5.1	4.5
Provisions	26	295.8	280.0
Other liabilities	27	134.4	131.2
Total non-current liabilities		**1,132.9**	**1,127.4**
Total liabilities		**1,610.4**	**1,559.0**
Net assets		**2,582.8**	**2,488.1**
Equity			
Issued capital	17	2,678.2	2,671.0
Reserves	18	77.9	51.9
Retained earnings		(175.6)	(234.8)
Parent entity interest		2,580.5	2,488.1
Non-controlling interest		2.3	–
Total equity		**2,582.8**	**2,488.1**

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

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Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	PARENT ENTITY INTEREST				NON-	
	ORDINARY SHARES $'M	RESERVES $'M	RETAINED EARNINGS $'M	TOTAL $'M	CONTROLLING INTEREST $'M	TOTAL EQUITY $'M
At 1 July 2018	**2,671.0**	**51.9**	**(234.8)**	**2,488.1**	–	**2,488.1**
Adjustment on adoption of AASB 9	–	–	(1.7)	**(1.7)**	–	**(1.7)**
Restated balance at 1 July 2018	**2,671.0**	**51.9**	**(236.5)**	**2,486.4**	–	**2,486.4**
Profit for period	–	–	123.1	**123.1**	0.1	**123.2**
Other comprehensive income	–	18.4	–	**18.4**	–	**18.4**
Total comprehensive income for the year	–	18.4	123.1	**141.5**	0.1	**141.6**
Acquisition of non-controlling interest	–	–	–	–	2.2	**2.2**
Share-based payment expense	–	7.6	–	**7.6**	–	**7.6**
Dividends reinvested/(paid)	7.2	–	(62.2)	**(55.0)**	–	**(55.0)**
Balance at 30 June 2019	**2,678.2**	**77.9**	**(175.6)**	**2,580.5**	**2.3**	**2,582.8**

At 1 July 2017	**2,083.0**	**40.4**	**(298.4)**	**1,825.0**	–	**1,825.0**
Profit for period	–	–	103.5	**103.5**	(0.2)	**103.3**
Other comprehensive income	–	6.3	–	**6.3**	–	**6.3**
Total comprehensive income for the year	–	6.3	103.5	**109.8**	(0.2)	**109.6**
Acquisition of non-controlling interest	–	–	–	–	0.3	**0.3**
Issue of shares (net of transaction costs)	581.0	–	–	**581.0**	–	**581.0**
Share-based payment expense	–	5.2	–	**5.2**	–	**5.2**
Dividends reinvested/(paid)	7.0	–	(39.9)	**(32.9)**	(0.1)	**(33.0)**
Balance at 30 June 2018	**2,671.0**	**51.9**	**(234.8)**	**2,488.1**	–	**2,488.1**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	NOTES	2019 $'M	2018 $'M
Cash flows from operating activities			
Profit before income tax		169.8	117.8
Adjustments for:			
Depreciation and amortisation expense		220.8	173.6
Net finance costs		47.8	31.5
Share-based payment expense		5.5	3.8
Revaluation of non-landfill land and buildings		(4.7)	0.2
Remediation and rectification expense		9.1	–
Share of (profits)/losses from equity accounted investments		(0.7)	0.1
Net gain on disposal of property, plant and equipment		(3.2)	(4.6)
Net loss on disposal of investments		2.2	–
Other non-cash items		(0.5)	1.1
Net cash from operating activities before changes in assets and liabilities		**446.1**	**323.5**
Changes in assets and liabilities:			
Increase in receivables		(10.4)	(37.9)
(Increase)/decrease in other assets		(16.1)	2.1
Decrease/(increase) in inventories		4.2	(4.1)
Increase in payables		18.6	14.9
(Decrease)/increase in employee benefits		(8.9)	4.4
Increase/(decrease) in other liabilities		0.8	(2.4)
Decrease in provisions		(35.4)	(40.0)
Cash generated from operating activities		**398.9**	**260.5**
Net interest paid		(29.5)	(14.3)
Income taxes paid		(18.6)	(25.0)
Net cash from operating activities		**350.8**	**221.2**
Cash flows from investing activities			
Payments for property, plant and equipment		(186.6)	(135.8)
Payments for intangible assets		(5.9)	(7.7)
Payments for purchase of businesses (net of cash acquired)		(44.2)	(555.5)
Payment of special dividend to Toxfree shareholders	28	–	(113.5)
Proceeds from disposal of property, plant and equipment		11.2	7.3
Investment in equity accounted investments		(1.5)	(7.8)
Proceeds on divestment of equity accounted investments		6.1	–
Dividends received from equity accounted investments		4.0	1.6
Loans to customers repaid/(advanced)		0.4	(0.4)
Net cash used in investing activities		**(216.5)**	**(811.8)**
Cash flows from financing activities			
Proceeds from borrowings		95.3	885.0
Repayment of borrowings		(154.0)	(824.4)
Repayment of finance lease liabilities		(15.2)	(4.0)
Net proceeds from settlement of derivatives		–	8.7
Payment of debt and equity raising costs		(1.2)	(23.3)
Proceeds from issue of ordinary shares		–	590.4
Payment of dividends to ordinary equity holders		(55.0)	(32.9)
Payment of dividends to non-controlling interests		–	(0.1)
Net cash (used in)/from financing activities		**(130.1)**	**599.4**
Net increase in cash and cash equivalents		**4.2**	**8.8**
Cash and cash equivalents at the beginning of the year		52.0	43.2
Cash and cash equivalents at the end of the year	11	**56.2**	**52.0**

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

1. Corporate information

Cleanaway Waste Management Limited and its subsidiaries (the Group) is domiciled and incorporated in Australia. The Consolidated Financial Report of Cleanaway Waste Management Limited consists of the Consolidated Financial Statements of the Group and the Group's interests in equity accounted investments.

The Consolidated Financial Statements of the Group for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 14 August 2019.

2. Statement of compliance

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

3. Basis of preparation

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

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

Refer to note 39 for a summary of the Group's significant accounting policies.

4. Critical accounting estimates and judgements

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

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

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

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

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

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

Further details on the Group's impairment assessment and policy are disclosed in note 22 and note 39(e).

(b) Landfill asset depreciation

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

Further details on the Group's landfill asset accounting policy are disclosed in note 39(j).

4. Critical accounting estimates and judgements (continued)

(c) Provision for remediation and rectification

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

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

Remediation and makegood provisions in relation to the Group's owned and leased industrial properties are reviewed periodically and updated based on facts and circumstances known at the time, applying certain assumptions about the risk rating related to the relevant site and the timeframe of when the site may require remediation. Changes in estimates related to removing structures on leased sites and remediating those sites are recognised in the Consolidated Balance Sheet by adjusting the leasehold improvement asset and the remediation provision. For closed industrial sites or where subsurface remediation is identified, changes to the estimated costs are recognised in the Consolidated Income Statement.

Further details on the Group's remediation accounting policy are disclosed in note 39(n).

(d) Taxation

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

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

Further details on the Group's taxation accounting policy are disclosed in note 39(d).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

5. Segment reporting

Following the acquisition of Cleanaway Industries Pty Ltd (formerly Tox Free Solutions Limited) on 11 May 2018 and the continued integration of the Toxfree businesses into the new operating model, the Group has changed its operating segments. The revised operating segments are identified on the basis of how the Chief Operating Decision Maker reviews internal reports about components of the Group in order to assess the performance and allocation of resources to a particular segment. Information reported to the Group's Chief Executive Officer (Chief Operating Decision Maker) for the purpose of performance assessment and resource allocation is specifically focused on the following segments:

- **Solid Waste Services**

  Comprises the collection, recovery and disposal of all types of solid waste, including putrescible waste, inert waste, household waste and recovered waste. Waste streams are generally processed through our resource recovery and recycling facilities, transfer stations and landfills.

- **Liquid Waste & Health Services**

  Liquid Waste comprises the collection, treatment, processing, refining and recycling and destruction of hazardous and non-hazardous liquids, hydrocarbons and chemical waste, specialised product destruction, hazardous waste and e-waste.

  Health Services comprises the provision of services to the health sector for the safe treatment and disposal of health-related waste which includes sharps management, medical waste, pharmaceutical waste, healthcare hazardous waste and quarantine waste.

- **Industrial & Waste Services**

  Comprises a wide variety of services provided to the Infrastructure, Industrial and Resources markets. Services include drain cleaning, non-destructive digging, vacuum loading, high pressure cleaning, pipeline maintenance and CCTV.

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

No operating segments have been aggregated to form the reportable segments. Comparative information has been restated to reflect the revised operating segments.

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

The Group has the following allocation policies:

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

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

Net finance costs are not allocated to individual segments as the underlying instruments are managed on a Group basis. Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a Group basis.

Inter-segment revenues are eliminated on consolidation.

5. Segment reporting (continued)

2019	OPERATING SEGMENTS					UNALLOCATED		
	SOLID WASTE SERVICES $'M	LIQUID WASTE & HEALTH SERVICES $'M	INDUSTRIAL & WASTE SERVICES $'M	ELIMINATIONS $'M	TOTAL OPERATING SEGMENTS $'M	EQUITY ACCOUNTED INVESTMENTS $'M	CORPORATE $'M	GROUP $'M
Revenue								
Revenue from customers	1,490.6	434.2	324.6	–	2,249.4	–	–	2,249.4
Other revenue	12.7	20.8	0.2	–	33.7	–	–	33.7
Inter-segment sales	33.0	40.0	17.1	(90.1)	–	–	–	–
Total revenue	**1,536.3**	**495.0**	**341.9**	**(90.1)**	**2,283.1**	–	–	**2,283.1**
Underlying EBITDA	**352.8**	**86.9**	**46.6**	–	**486.3**	**0.7**	**(25.4)**	**461.6**
Depreciation and amortisation	(148.8)	(32.9)	(24.1)	–	(205.8)	–	(15.0)	(220.8)
Underlying EBIT	**204.0**	**54.0**	**22.5**	–	**280.5**	**0.7**	**(40.4)**	**240.8**
Loss on sale of investments								(2.2)
Acquisition and integration costs								(16.6)
Revaluation of non-landfill land and buildings								4.7
Change in discount rate on remediation provisions								(9.1)
Profit from operations (EBIT)								**217.6**
Net finance costs								(47.8)
Profit before income tax								**169.8**
Income tax expense								(46.6)
Profit after income tax								**123.2**
Capital expenditure:								
Property, plant and equipment	151.3	21.8	10.1	–	183.2	–	3.4	186.6
Intangible assets	1.0	0.1	0.1	–	1.2	–	4.7	5.9

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

5. Segment reporting (continued)

	OPERATING SEGMENTS					UNALLOCATED		
2018	SOLID WASTE SERVICES $'M	LIQUID WASTE & HEALTH SERVICES $'M	INDUSTRIAL & WASTE SERVICES $'M	ELIMINATIONS $'M	TOTAL OPERATING SEGMENTS $'M	EQUITY ACCOUNTED INVESTMENTS $'M	CORPORATE $'M	GROUP $'M
Revenue								
Revenue from customers	1,225.0	287.2	166.6	–	1,678.8	–	–	1,678.8
Other revenue	14.7	20.7	0.1	–	35.5	–	–	35.5
Inter-segment sales	17.0	14.5	19.1	(50.6)	–	–	–	–
Total revenue	**1,256.7**	**322.4**	**185.8**	**(50.6)**	**1,714.3**	–	–	**1,714.3**
Underlying EBITDA	**285.7**	**54.2**	**18.9**	–	**358.8**	**(0.1)**	**(19.0)**	**339.7**
Depreciation and amortisation	(126.5)	(17.4)	(13.8)	–	(157.7)	–	(15.6)	(173.3)
Underlying EBIT	**159.2**	**36.8**	**5.1**	–	**201.1**	**(0.1)**	**(34.6)**	**166.4**
Rebranding costs								(2.5)
Acquisition costs								(16.6)
Gain on sale of properties								2.2
Revaluation of non-landfill land and buildings								(0.2)
Profit from operations (EBIT)								**149.3**
Net finance costs								(31.5)
Profit before income tax								**117.8**
Income tax expense								(14.5)
Profit after income tax								**103.3**
Capital expenditure:								
Property, plant and equipment	124.3	7.8	3.2	–	135.3	–	0.5	135.8
Intangible assets	1.2	–	–	–	1.2	–	6.5	7.7

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6. Revenue

	2019 $'M	2018 $'M
Revenue from customers [1]	2,249.4	1,678.8
Other revenue	33.7	35.5
	2,283.1	**1,714.3**

1 Refer to note 5 for disaggregation of revenue.

The Group has a right to invoice all revenue to date, except those amounts disclosed as contract assets in note 12. The Group has chosen not to disclose the amount of remaining performance obligations under contracts, where it has a right to invoice as services are performed. Remaining performance obligations for work which is priced on a fixed basis where the right to invoice is conditional on the work being completed are set out in note 12.

7. Other income

	2019 $'M	2018 $'M
Gain on disposal of property, plant and equipment [1]	3.2	4.6
Other	3.8	0.5
	7.0	**5.1**

1 Gain on disposal of property, plant and equipment in the year ended 30 June 2018 includes disposal of remediation and rectification provisions of $5.4 million. Refer to note 26.

8. Net finance costs

	2019 $'M	2018 $'M
Finance costs		
Interest on borrowings	(24.6)	(15.4)
Interest on finance leases	(5.8)	(1.5)
Amortisation of capitalised borrowing costs	(2.9)	(2.4)
Unwind of discount on provisions and other liabilities	(15.2)	(15.1)
Foreign currency exchange loss on USPP borrowings	–	(0.5)
Change in fair value of derivative instruments related to USPP borrowings	–	0.4
	(48.5)	**(34.5)**
Finance income		
Interest revenue	0.7	3.0
	0.7	**3.0**
Net finance costs	**(47.8)**	**(31.5)**

Refer to note 39(c) for the Group's accounting policy on finance costs.

9. Income tax

(a) Amounts recognised in the Consolidated Income Statement

	2019 $'M	2018 $'M
Current tax expense		
Current year	45.4	32.3
Adjustments in respect of prior years	(1.1)	(28.7)
	44.3	3.6
Deferred tax expense		
Origination and reversal of temporary differences	2.3	0.6
Adjustments in respect of prior years	–	10.3
	2.3	10.9
Income tax expense	**46.6**	**14.5**

(b) Amounts recognised directly in other comprehensive income or equity

Deferred income tax expense recognised directly in other comprehensive income of $8.0 million (2018: $2.7 million expense) relates to the tax effect of items recognised in the asset revaluation reserve.

Deferred income tax benefit recognised directly in equity for the year of $2.1 million (2018: $5.3 million benefit) relates to the tax effect of items recognised in the employee equity benefits reserve of $2.1 million (2018: $1.4 million), and the tax effect of capital raising costs recognised directly in equity of nil (2018: $3.9 million).

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

	2019 $'M	2018 $'M
Profit before tax	169.8	117.8
Income tax using the corporation tax rate of 30% (2018: 30%)	50.9	35.3
Decrease in income tax expense due to:		
Share of losses from equity accounted investments	0.4	0.1
Non-deductible expenses	0.3	0.3
Business acquisition costs	(0.1)	3.8
Adjustments in respect of prior years – landfill depreciation adjustment [1]	–	(17.9)
Adjustments in respect of prior years	(1.1)	(0.5)
Research and development tax credits	(3.1)	(2.4)
Non-assessable gain on sale of properties	(0.5)	–
Non-deductible CGT loss on sale of properties	–	1.0
Non-deductible loss on sale of equity accounted investments [2]	0.7	–
Employee share plan expenses	(0.5)	(0.2)
New Zealand tax review [3]	–	(5.0)
Other	(0.4)	–
Income tax expense	**46.6**	**14.5**

1 During the period ended 30 June 2018, the Australian Taxation Office (ATO) allowed an objection to the tax return for the year ended 30 June 2013 and the Group has lodged amended assessments for the tax returns for the years ended 30 June 2013 to 30 June 2017 inclusive. The objection and the amended assessments relate to depreciation deductions in respect of previous landfill acquisitions.
2 The Group divested its interest in Total Waste Management Pty Ltd and Western Resource Recovery Pty Ltd on 10 December 2018.
3 During the period ended 30 June 2018, the Group received advice from New Zealand Inland Revenue that their review of various matters, which related to the Group's ownership of the New Zealand business, was complete and no tax liability would arise in respect of certain matters. Accordingly, the Group released a tax provision of $5.0 million in this regard.

9. Income tax (continued)

(d) Deferred tax

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

2019	OPENING BALANCE $'M	RECOGNISED IN PROFIT OR LOSS $'M	RECOGNISED IN OTHER COMPREHENSIVE INCOME $'M	RECOGNISED DIRECTLY IN EQUITY $'M	ACQUIRED IN BUSINESS COMBINATION $'M	OTHER [1] $'M	CLOSING BALANCE $'M
Deferred tax assets							
PP&E	34.7	(15.5)	(8.0)	–	–	–	11.2
Employee benefits	24.5	(1.5)	–	–	0.2	–	23.2
Provisions	105.5	7.3	–	–	–	0.8	113.6
Tax losses	–	0.2	–	–	–	–	0.2
Other	14.9	0.1	–	2.1	–	–	17.1
Deferred tax liabilities							
Intangible assets	(111.8)	7.9	–	–	(2.1)	–	(106.0)
Other	(11.6)	(0.8)	–	–	(1.4)	–	(13.8)
Net deferred tax assets	**56.2**	**(2.3)**	**(8.0)**	**2.1**	**(3.3)**	**0.8**	**45.5**

1 Includes tax effect of the initial application of AASB 9 of $0.7 million. Refer to note 40.

2018	OPENING BALANCE $'M	RECOGNISED IN PROFIT OR LOSS $'M	RECOGNISED IN OTHER COMPREHENSIVE INCOME $'M	RECOGNISED DIRECTLY IN EQUITY $'M	ACQUIRED IN BUSINESS COMBINATION $'M	OTHER $'M	CLOSING BALANCE $'M
Deferred tax assets							
PP&E	43.8	(6.7)	(2.7)	–	0.3	–	34.7
Employee benefits	17.1	2.3	–	–	5.1	–	24.5
Provisions	107.5	(15.0)	–	–	13.0	–	105.5
Other	8.5	(3.3)	–	5.3	4.5	(0.1)	14.9
Deferred tax liabilities							
Intangible assets	(67.9)	3.5	–	–	(47.4)	–	(111.8)
Other	(19.5)	8.3	–	–	(0.4)	–	(11.6)
Net deferred tax assets	**89.5**	**(10.9)**	**(2.7)**	**5.3**	**(24.9)**	**(0.1)**	**56.2**

10. Earnings per share

	2019	2018
Basic earnings per share (cents)	6.0	5.6
Diluted earnings per share (cents)	6.0	5.6

(i) Basic earnings per share

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

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

	2019 $'M	2018 $'M
Profit after income tax	123.2	103.3
Net (profit)/loss attributable to non-controlling interests	(0.1)	0.2
Profit after tax attributable to ordinary equity holders	**123.1**	**103.5**

Reconciliation of weighted average number of ordinary shares:

	2019	2018
Weighted average number of ordinary shares used as the denominator in calculating earnings per share		
Number for basic earnings per share	2,041,572,028	1,843,122,437
Effect of potential ordinary shares	12,651,069	14,307,587
Number for diluted earnings per share	**2,054,223,097**	**1,857,430,024**

(ii) Diluted earnings per share

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

Dilutive potential ordinary shares are limited to performance rights issued under the Group's long-term and short-term incentive plans. Refer to note 35 for details. The dilutive effect of the performance rights on basic earnings per share reported above is not material.

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11. Cash and cash equivalents

Composition of cash and cash equivalents

	2019 $'M	2018 $'M
Cash at bank and on hand	56.2	52.0
	56.2	**52.0**

The Group has pledged $0.3 million (2018: $1.6 million) of its short-term deposits to fulfil collateral requirements in relation to contingent liabilities and corporate credit card facilities.

Refer to note 39(g) for the Group's accounting policy on cash and cash equivalents.

12. Trade and other receivables

	2019 $'M	2018 $'M
Trade receivables	380.0	363.8
Contract assets [1]	1.4	0.4
Other receivables	6.4	7.9
Provision for expected credit losses	(5.8)	(2.6)
	382.0	**369.5**

1 Contract assets arise when the Group has performed work but does not yet have the right to invoice. This is the case in the Industrial & Waste Services operating segment when work is performed on a fixed price quote.

Refer to note 39(h) for the Group's accounting policy on trade and other receivables.

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

	2019 $'M	2018 $'M
Not past due	271.8	257.1
Past due 1 – 30 days	65.3	63.7
Past due 31 – 120 days	29.8	33.8
Past due 121 days or more	13.1	9.2
	380.0	**363.8**

The movement in the provision for expected credit losses during the year was as follows:

	2019 $'M	2018 $'M
Opening balance	2.6	3.1
Adjustment on adoption of AASB 9 [1]	2.4	–
Provisions acquired	–	0.6
Provisions recognised	5.8	8.4
Reversal of provisions	(1.8)	(3.0)
Utilisation of provisions	(3.2)	(6.5)
Closing balance	**5.8**	**2.6**

1 Refer to note 40 for description of new standards adopted.

No single customer's annual revenue is greater than 1.9% (2018: 2.1%) of the Group's total revenue. Trade and other receivables that are neither past due or impaired are considered to be of a high credit quality.

13. Inventories

	2019 $'M	2018 $'M
Raw materials and consumables – at cost	7.5	6.0
Work in progress – at cost	2.2	4.5
Finished goods – at cost	10.2	10.5
	19.9	**21.0**

Refer to note 39(i) for the Group's accounting policy on inventories.

14. Trade and other payables

	2019 $'M	2018 $'M
Trade payables	123.1	112.9
Other payables and accruals	134.4	122.9
	257.5	**235.8**

Refer to note 39(l) for the Group's accounting policy on trade and other payables.

15. Assets held for sale

On 27 June 2019, the Group entered into an agreement to sell the buffer land surrounding the old Tullamarine landfill site in Victoria. As title of the land does not pass until April 2020, the sale has not been recognised during the year ended 30 June 2019. A profit on sale of approximately $8.0 million will be recognised during the year ended 30 June 2020.

16. Interest-bearing liabilities

	UNSECURED			SECURED	
	BANK LOANS $'M	CLEAN ENERGY FINANCE CORPORATION $'M	OTHER $'M	LEASE LIABILITIES $'M	TOTAL INTEREST-BEARING LIABILITIES $'M
Opening balance at 1 July 2018	534.2	89.3	–	101.7	725.2
Proceeds/(repayment) of borrowings	(59.0)	–	0.3	(15.2)	(73.9)
Borrowing costs paid	(0.8)	–	–	–	(0.8)
Cash flows	(59.8)	–	0.3	(15.2)	(74.7)
Lease drawdowns	–	–	–	47.9	47.9
Non-cash drawdowns	2.6	–	–	–	2.6
Interest-bearing liabilities acquired	–	10.0	0.5	–	10.5
Borrowing costs reversed/(accrued)	0.3	–	–	–	0.3
Amortisation of borrowing costs	2.8	0.1	–	–	2.9
Closing balance at 30 June 2019	**480.1**	**99.4**	**0.8**	**134.4**	**714.7**

	UNSECURED			SECURED	
	US PRIVATE PLACEMENT NOTES $'M	BANK LOANS $'M	CLEAN ENERGY FINANCE CORPORATION $'M	LEASE LIABILITIES $'M	TOTAL INTEREST-BEARING LIABILITIES $'M
Opening balance at 1 July 2017	62.4	307.8	–	–	370.2
Proceeds/(repayment) of borrowings	(62.9)	33.5	90.0	(4.0)	56.6
Borrowing costs paid	–	(9.7)	(0.8)	–	(10.5)
Cash flows	(62.9)	23.8	89.2	(4.0)	46.1
Lease drawdowns	–	–	–	90.8	90.8
Non-cash drawdowns	–	4.8	–	–	4.8
Interest-bearing liabilities acquired	–	196.3	–	14.9	211.2
Foreign currency loss	0.5	–	–	–	0.5
Amortisation of capitalised transaction costs	–	2.3	0.1	–	2.4
Transaction costs accrued	–	(0.8)	–	–	(0.8)
Closing balance at 30 June 2018	–	**534.2**	**89.3**	**101.7**	**725.2**

Refer to note 39(m) for the Group's accounting policy on borrowings.

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16. Interest-bearing liabilities (continued)

Financing facilities

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

FACILITY			AMOUNT	MATURITY
Syndicated Facility Agreement	Facility A	working capital tranche	$135 million	31 July 2021
	Facility B	4 year revolver	$200 million	31 July 2023
	Facility C	5 year revolver	$315 million	31 July 2024
	Facility D	3 year term loan	$250 million	31 July 2021
Clean Energy Finance Corporation		8 year term loan	$90 million	17 August 2025
Clean Energy Finance Corporation		8 year term loan	$10 million	30 April 2025
Uncommitted bank guarantee facility			$60 million	31 December 2019

The headroom available in the Group's facilities at 30 June 2019 is summarised below:

		AVAILABLE $'M	UTILISED $'M	NOT UTILISED $'M
Syndicated Facility Agreement	Facility A [1,2,3]	135.0	(106.4)	28.6
	Facility B [3]	200.0	(200.0)	–
	Facility C [3]	315.0	(30.0)	285.0
	Facility D [3]	250.0	(250.0)	–
Clean Energy Finance Corporation [4]		100.0	(100.0)	–
Bank guarantee facilities [1]		60.0	(55.7)	4.3
		1,060.0	**(742.1)**	**317.9**

1 These facilities include $141.5 million (2018: $122.8 million) in guarantees and letters of credit which only give rise to a liability where the Group fails to perform its contractual obligations.

2 This facility includes $6.5 million (2018: $6.5 million) of corporate credit card limit utilisation and $7.3 million (2018: $8.6 million) of outstanding finance lease commitments.

3 Amounts utilised exclude capitalised transaction costs of $7.4 million (2018: $9.7 million) and $0.7 million (2018: nil) of bank loans advanced under uncommitted facilities.

4 Amount utilised excludes capitalised transaction costs of $0.6 million (2018: $0.7 million).

The headroom available in the Group's facilities at 30 June 2018 is summarised below:

		AVAILABLE $'M	UTILISED $'M	NOT UTILISED $'M
Syndicated Facility Agreement	Facility A	135.0	(86.1)	48.9
	Facility B	200.0	(200.0)	–
	Facility C	315.0	(89.0)	226.0
	Facility D	250.0	(250.0)	–
Clean Energy Finance Corporation		90.0	(90.0)	–
Bank guarantee facilities		61.6	(56.7)	4.9
		1,051.6	**(771.8)**	**279.8**

17. Issued capital

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

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

	2019		2018	
	NUMBER OF SHARES	$'M	NUMBER OF SHARES	$'M
Opening balance	2,036,684,232	2,671.0	1,592,889,317	2,083.0
Issue of shares under dividend reinvestment plan	3,446,846	7.2	4,835,298	7.0
Issue of shares under employee incentive plans	4,376,313	–	1,635,712	–
Issue of shares under entitlement offer [1]	–	–	437,323,905	590.4
Costs related to share issue, net of tax [2]	–	–	–	(9.4)
Closing balance	**2,044,507,391**	**2,678.2**	**2,036,684,232**	**2,671.0**

1 Relates to shares issued in December 2017 and January 2018 under the non-renounceable entitlement offer as part of the acquisition of Tox Free Solutions Limited. Under the entitlement offer, one new share was offered at the discounted price of $1.35 per share, for every 3.65 shares held.

2 Costs related to the share issue were $13.3 million (after tax $9.4 million) of which $0.4 million was paid during 30 June 2019 (2018: $12.8 million).

18. Reserves

	2019 $'M	2018 $'M
Asset revaluation reserve	53.9	35.5
Employee equity benefits reserve	24.0	16.4
	77.9	**51.9**

(a) Asset revaluation reserve

The asset revaluation reserve is used to record revaluations of non-landfill land and buildings. Refer to note 39(j) for further details on the Group's non-landfill land and buildings valuation policy.

	2019 $'M	2018 $'M
Opening balance	35.5	29.2
Revaluation of land and buildings (net of tax)	18.4	6.3
Closing balance	**53.9**	**35.5**

(b) Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of equity benefits provided to employees as part of their remuneration. Refer to note 35 for further details on these share-based payment plans.

	2019 $'M	2018 $'M
Opening balance	16.4	11.2
Share-based payment expense (net of tax)	7.6	5.2
Closing balance	**24.0**	**16.4**

19. Dividends

The Company declared a fully franked dividend on ordinary shares for the financial year ended 30 June 2019 of 3.55 cents per share, being an interim dividend of 1.65 cents per share and final dividend of 1.90 cents per share. The record date of the final dividend is 10 September 2019 with payment to be made on 3 October 2019.

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

	2019 CENTS PER SHARE	2018 CENTS PER SHARE	2019 $'M	2018 $'M
Dividends paid during the period				
Final dividend relating to prior period	1.40	1.10	28.5	17.5
Interim dividend relating to current period	1.65	1.10	33.7	22.4
	3.05	**2.20**	**62.2**	**39.9**
Dividends determined in respect of the period				
Interim dividend relating to current period	1.65	1.10	33.7	22.4
Final dividend relating to current period	1.90	1.40	38.9	28.5
	3.55	**2.50**	**72.6**	**50.9**

Franking credit balance

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

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

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

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

	2019 $'M	2018 $'M
30% franking credits available for subsequent financial years [1]	21.4	1.4

1 The payment of the final 2019 dividend determined after 30 June 2019 will reduce the franking account by $16.7 million.

The unadjusted balance of the franking account at 30 June 2019 was $4.1 million (2018: $10.5 million).

20. Capital management

When managing capital, the Group's objective is to ensure that it uses a mix of funding options, to optimise returns to equity holders and manage risk. The facility limits and maturity profile of the Group's main financing facilities are contained in note 16.

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

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

	2019 $'M	2018 $'M
Current interest-bearing liabilities	17.1	13.5
Non-current interest-bearing liabilities	697.6	711.7
Less cash and cash equivalents	(56.2)	(52.0)
Net debt	**658.5**	**673.2**
Total equity	**2,580.5**	**2,488.1**
Gearing ratio [1]	**20.3%**	**21.3%**

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

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21. Property, plant and equipment

2019	NON-LANDFILL LAND AND BUILDINGS $'M	LANDFILL ASSETS $'M	LEASEHOLD IMPROVEMENTS $'M	PLANT AND EQUIPMENT[1] $'M	CAPITAL WORK IN PROGRESS $'M	TOTAL $'M
Opening net book value	160.4	208.6	62.0	682.5	70.5	1,184.0
Additions	–	–	–	–	220.0	220.0
Acquisitions of businesses	–	–	0.9	3.3	11.6	15.8
Net movement in remediation assets[2]	–	43.2	1.2	–	–	44.4
Disposals	(4.8)	–	(0.1)	(3.3)	–	(8.2)
Transfer of assets	32.8	33.7	4.5	163.0	(236.0)	(2.0)
Revaluations	31.1	–	–	–	–	31.1
Depreciation	(2.3)	(48.3)	(4.2)	(134.0)	–	(188.8)
Closing net book value	**217.2**	**237.2**	**64.3**	**711.5**	**66.1**	**1,296.3**
Cost or fair value	224.6	651.5	79.8	1,846.7	66.1	2,868.7
Accumulated depreciation	(7.4)	(414.3)	(15.5)	(1,135.2)	–	(1,572.4)
Net book value	**217.2**	**237.2**	**64.3**	**711.5**	**66.1**	**1,296.3**

1 The carrying value of plant and equipment held under finance leases at 30 June 2019 was $132.3 million (2018: $98.8 million).

2 Net movement in remediation assets reflects adjustments to the remediation provision for open landfill sites and leasehold improvements. Refer to accounting policy note 39(j).

2018	NON-LANDFILL LAND AND BUILDINGS $'M	LANDFILL ASSETS $'M	LEASEHOLD IMPROVEMENTS $'M	PLANT AND EQUIPMENT $'M	CAPITAL WORK IN PROGRESS $'M	TOTAL $'M
Opening net book value	143.3	241.7	43.7	447.3	60.5	936.5
Additions	–	–	–	–	231.1	231.1
Acquisitions of businesses	3.8	–	13.1	165.4	1.6	183.9
Net movement in remediation assets	–	(10.1)	–	–	–	(10.1)
Disposals	–	(5.8)	–	(2.6)	–	(8.4)
Transfer of assets	6.6	26.9	8.9	179.0	(222.7)	(1.3)
Revaluations	8.8	–	–	–	–	8.8
Depreciation	(2.1)	(44.1)	(3.7)	(106.6)	–	(156.5)
Closing net book value	**160.4**	**208.6**	**62.0**	**682.5**	**70.5**	**1,184.0**
Cost or fair value	166.9	575.5	73.2	1,725.3	70.5	2,611.4
Accumulated depreciation	(6.5)	(366.9)	(11.2)	(1,042.8)	–	(1,427.4)
Net book value	**160.4**	**208.6**	**62.0**	**682.5**	**70.5**	**1,184.0**

21. Property, plant and equipment (continued)

Accounting for landfill assets

The Group is responsible for a total of 14 landfills (2018: 14 landfills). Of the 14 landfills, eight are closed. Those that are open are expected to close between 2020 and 2063. The Group's remediation provisions are based on an average 30 year post-closure period.

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

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

(b) Capitalise the cost of purchased landfill assets;

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

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

Refer to note 39(j) for further details on the Group's accounting policy on landfill assets.

Valuations of non-landfill land and buildings

Non-landfill land and buildings are shown at fair value in the Consolidated Balance Sheet, based on periodic valuations by external independent valuers, less subsequent depreciation of buildings. The current valuation selection process ensures that each property is valued at least every three years. The latest independent valuations were completed at 30 June 2019. Land and buildings are combined for the purposes of determining fair value as this is how management view its property portfolio. The fair values are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different to their fair values.

Any revaluation increment (net of tax) is credited to the income statement, to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, and any balance is then credited to the asset revaluation reserve, included in the equity section of the Consolidated Balance Sheet. Any revaluation decrement directly offsetting a previous increment in the same asset is directly offset against the surplus in the asset revaluation reserve, otherwise it is charged to the Consolidated Income Statement.

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

2019	LEVEL 1 $'M	LEVEL 2 $'M	LEVEL 3 $'M	TOTAL [1] $'M	PROFIT AND LOSS INCREMENT/ (DECREMENT) $'M
Residential	–	0.2	–	0.2	–
Regional industrial	–	–	76.4	76.4	–
Metropolitan industrial	–	–	140.6	140.6	4.7
Total	–	**0.2**	**217.0**	**217.2**	**4.7**

2018					
Residential	–	0.2	–	0.2	–
Regional industrial	–	–	50.4	50.4	–
Metropolitan industrial	–	–	109.8	109.8	(0.2)
Total	–	**0.2**	**160.2**	**160.4**	**(0.2)**

1 The amounts in this table are based on the most recent valuation for each property and include subsequent accumulated depreciation recognised.

Amounts taken to the Consolidated Income Statement are shown in revaluation of non-landfill land and buildings.

There were no transfers between levels during the year.

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

21. Property, plant and equipment (continued)

Valuations of non-landfill land and buildings (continued)

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

	VALUATION TECHNIQUE	KEY UNOBSERVABLE INPUTS	RANGE 2019	RANGE 2018
Regional industrial	**Summation**	Price per square metre	\$2–260	\$2–260
		Depreciation replacement cost	\$172–791	\$172–1019
	Capitalisation	Capitalisation rate	8%–10%	9.75%
		Leased income per square metre	\$113–116	\$125
	Direct comparison	Price per square metre	\$100–1509	\$100–1401
Metropolitan industrial	**Summation**	Price per square metre	\$14–575	\$15–575
		Depreciation replacement cost	\$35–974	\$35–974
	Capitalisation	Capitalisation rate	5%–10%	7%–10%
		Leased income per square metre	\$40–153	\$40–153
	Direct comparison	Price per square metre	\$70–3157	\$70–1831

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

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

	2019 \$'M	2018 \$'M
Land		
Cost	76.2	77.8
Buildings		
Cost	99.1	70.9
Accumulated depreciation	(24.2)	(23.4)
	74.9	**47.5**
Total net book value	**151.1**	**125.3**

22. Intangible assets

2019	GOODWILL $'M	LANDFILL AIRSPACE $'M	BRAND NAMES $'M	CUSTOMER INTANGIBLES AND LICENCES $'M	OTHER INTANGIBLES $'M	TOTAL $'M
Opening net book value	1,796.6	239.9	78.6	165.6	29.4	2,310.1
Additions	–	1.0	–	–	4.7	5.7
Acquisitions of businesses	47.6	–	–	7.0	–	54.6
Transfers from PP&E	–	–	–	–	3.4	3.4
Amortisation	–	(7.4)	–	(16.0)	(8.6)	(32.0)
Closing net book value	**1,844.2**	**233.5**	**78.6**	**156.6**	**28.9**	**2,341.8**
Cost or fair value	1,844.2	256.1	78.6	209.8	74.5	2,463.2
Accumulated amortisation	–	(22.6)	–	(53.2)	(45.6)	(121.4)
Net book value	**1,844.2**	**233.5**	**78.6**	**156.6**	**28.9**	**2,341.8**

2018	GOODWILL $'M	LANDFILL AIRSPACE $'M	BRAND NAMES $'M	CUSTOMER INTANGIBLES AND LICENCES $'M	OTHER INTANGIBLES $'M	TOTAL $'M
Opening net book value	1,229.4	245.3	78.6	11.2	20.8	1,585.3
Additions	–	0.9	–	–	5.7	6.6
Acquisitions of businesses	567.2	–	–	158.7	7.2	733.1
Transfers from PP&E	–	–	–	–	2.2	2.2
Amortisation	–	(6.3)	–	(4.3)	(6.5)	(17.1)
Closing net book value	**1,796.6**	**239.9**	**78.6**	**165.6**	**29.4**	**2,310.1**
Cost or fair value	1,796.6	255.1	78.6	202.8	66.4	2,399.5
Accumulated amortisation	–	(15.2)	–	(37.2)	(37.0)	(89.4)
Net book value	**1,796.6**	**239.9**	**78.6**	**165.6**	**29.4**	**2,310.1**

Following the acquisition of Toxfree, goodwill and brand name are monitored at an operating segment level. In 2018, goodwill and brand name were monitored at an operating segment level for the Solids and Toxfree operating segments, and at a cash-generating unit (CGU) level for the Liquids and Industrial Services operating segment. CGUs for the Liquids and Industrial Services operating segment in 2018 consisted of:

- Liquids & Hazardous Waste, excluding Hydrocarbons;
- Hydrocarbons; and
- Industrial Services.

22. Intangible assets (continued)

The carrying amount of goodwill and non-amortising intangible assets (brand name) are allocated to operating segments or CGUs as follows:

2019	SOLID WASTE SERVICES $'M	LIQUID WASTE & HEALTH SERVICES $'M	INDUSTRIAL & WASTE SERVICES $'M	TOTAL $'M
Goodwill	1,303.6	372.4	168.2	1,844.2
Brand names	78.6	–	–	78.6
Total	**1,382.2**	**372.4**	**168.2**	**1,922.8**

2018	SOLIDS $'M	LIQUIDS & HAZARDOUS WASTE $'M	INDUSTRIAL SERVICES $'M	TOXFREE $'M	CORPORATE $'M	TOTAL $'M
Goodwill	1,132.3	68.1	38.2	558.0	–	1,796.6
Brand names	78.6	–	–	–	–	78.6
Total	**1,210.9**	**68.1**	**38.2**	**558.0**	–	**1,875.2**

Annual impairment testing

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

Results of impairment testing

Based on impairment testing performed, the recoverable amounts of each CGU exceed the carrying amounts at 30 June 2019.

Key assumptions used for annual impairment testing

The recoverable amount of each operating segment or CGU is determined based on value-in-use calculations using five-year forecasted cash flows of the CGUs and a terminal value calculation, other than those associated with landfill assets. Cash flows from the landfill assets are limited to the available airspace of the landfill. These calculations use cash flow projections based on actual operating results, the 2020 budget approved by the Board and the latest five-year strategic plan adjusted for known developments and changes in information since the plan was formulated.

The terminal value growth rate has been based on published long-term growth rates. The terminal growth rate for Solid Waste Services was reduced to 2.5% (2018: 3.0%). The terminal growth rate for Industrial & Waste Services and Liquid Waste & Health Services remains at 2.0% (2018: 2.0%). The discount rate has been based on an industry Weighted Average Cost of Capital (WACC) with cash flow projections being adjusted for CGU specific risks.

Forecast revenue, EBITDA and capital spend assumptions used in 30 June 2019 impairment testing have been adjusted for known and anticipated future operational changes and additional potential risk identified since 30 June 2018. These changes are reflected in the following summary of key assumptions table. Based on these key assumptions the recoverable amount of each CGU exceeded the carrying amounts at 30 June 2019.

22. Intangible assets (continued)

The table below provides a summary of the key assumptions used in the impairment testing at 30 June 2019.

ASSUMPTIONS	SOLID WASTE SERVICES JUNE 2019	LIQUID WASTE & HEALTH SERVICES JUNE 2019	INDUSTRIAL & WASTE SERVICES JUNE 2019
EBITDA growth [1]	5.1%	8.4%	8.6%
Capital spend rate [2]	10.3%	7.5%	6.4%
Terminal value growth rate	2.5%	2.0%	2.0%
Post-tax discount rate	7.3%	7.3%	7.3%
Pre-tax discount rate	10.4%	10.4%	10.4%

1 Growth rates have been calculated with 30 June 2019 revenue and underlying normalised EBITDA as a base.
2 Reflects capital spend as a percentage of revenue, calculated as the five-year average of forecast spend.

The table below provides a summary of the key assumptions used in the impairment testing at 30 June 2018, as they related to the CGUs and Operating Segments to which goodwill had been allocated at that date.

ASSUMPTIONS	SOLIDS JUNE 2018	LIQUIDS & HAZARDOUS WASTE JUNE 2018	HYDROCARBONS JUNE 2018	INDUSTRIAL SERVICES JUNE 2018
EBITDA growth [1]	7.7%	8.8%	4.1%	10.2%
Capital spend rate [2]	10.3%	6.2%	7.5%	5.5%
Terminal value growth rate	3.0%	2.0%	2.0%	2.0%
Post-tax discount rate	7.7%	7.7%	7.7%	7.7%
Pre-tax discount rate	11.0%	11.0%	11.0%	11.0%

1 Growth rates have been calculated with 30 June 2018 revenue and underlying normalised EBITDA as a base.
2 Reflects capital spend as a percentage of revenue, calculated as the five-year average of forecast spend.

5

EBITDA growth assumptions

Solid Waste Services EBITDA growth is primarily the result of changes in the revenue growth assumptions outlined above and improved operating leverage.

Liquid Waste & Health Services EBITDA growth is largely driven by revenue growth and integration synergies from the Toxfree acquisition and right sizing of the combined businesses.

Industrial & Waste Services EBITDA growth of 8.6% is mainly a result of revenue growth and integration synergies from the acquisition of Toxfree.

Capital spend assumptions

Capital spend incorporates consideration of industry benchmarks but also reflects continued capital discipline together with specific business requirements. The Solid Waste Services segment is the most capital intensive part of the business and the Industrial & Waste Services CGU is the least as its primary source of revenue is technical labour services.

22. Intangible assets (continued)

Impact of possible changes in key assumptions

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

Estimated reasonably possible changes (absolute numbers) in the key assumptions would have the following approximate impact on impairment of each CGU as at 30 June 2019:

	REASONABLY POSSIBLE CHANGE	SOLID WASTE SERVICES $'M	LIQUID WASTE & HEALTH SERVICES $'M	INDUSTRIAL & WASTE SERVICES $'M
Decrease in CAGR% – EBITDA	1% to 2%	Nil	Nil	Nil
Increase in capital spend rate	0.5% to 1%	Nil	Nil	Nil
Decrease in terminal value growth rate	1%	Nil	Nil	Nil
Increase in post-tax discount rate	0.3% to 1%	Nil	Nil	Nil

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

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

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

	SOLID WASTE SERVICES	LIQUID WASTE & HEALTH SERVICES	INDUSTRIAL & WASTE SERVICES
Headroom $'M	**468.6**	**202.2**	**197.2**
Decrease in CAGR% – EBITDA [1]	2.6%	3.0%	5.6%
Increase in capital spend rate [1]	2.0%	1.8%	2.6%
Decrease in terminal value growth rate [1,2]	1.7%	2.1%	4.7%
Increase in post-tax discount rate [1]	1.3%	1.5%	3.2%

1 Percentage changes presented above represent the absolute change in the assumption value (for example post-tax discount rate increasing by 1.3% from 7.3% to 8.6%).

2 Terminal value for Liquid Waste & Health Services and Industrial & Waste Services would reflect negative value as it is currently modelled at 2%.

Refer to note 39(k) for further details on the Group's intangible assets accounting policy.

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For the year ended 30 June 2019

23. Equity accounted investments

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

			OWNERSHIP INTEREST		CARRYING VALUE OF INVESTMENT	
NAME OF ENTITY	COUNTRY	REPORTING DATE	2019 %	2018 %	2019 $'M	2018 $'M
Joint ventures:						
Wonthaggi Recyclers Pty Ltd	Australia	30 June	50	50	0.9	–
Earthpower Technologies Sydney Pty Ltd	Australia	30 June	50	50	–	–
Tomra Cleanaway Pty Ltd	Australia	30 June	50	50	2.9	2.5
Associates:						
Total Waste Management Pty Ltd [1]	Australia	31 December	–	50	–	5.5
Western Resource Recovery Pty Ltd [1]	Australia	31 December	–	50	–	5.8
					3.8	**13.8**

1 The Group divested its interest in Total Waste Management Pty Ltd and Western Resource Recovery Pty Ltd on 10 December 2018.

(a) Share of profit/(loss) from joint ventures

	2019 $'M	2018 $'M
Revenues	161.9	19.0
Expenses	(161.7)	(22.6)
Profit/(loss) before income tax (100%)	**0.2**	**(3.6)**
Share of profit/(loss) before income tax	0.1	(1.8)
Income tax benefit	0.5	0.5
Share of profit/(loss) after tax	0.6	(1.3)
Dividend received in excess of carrying value	–	0.2
Share of net profit/(loss) recognised	**0.6**	**(1.1)**

(b) Share of profit from associates

	2019 $'M	2018 $'M
Revenues	5.1	27.5
Expenses	(4.7)	(24.7)
Profit before income tax (100%)	**0.4**	**2.8**
Share of profit before income tax	0.2	1.4
Income tax expense	(0.1)	(0.4)
Share of net profit recognised	**0.1**	**1.0**

23. Equity accounted investments (continued)

(c) Transactions with equity accounted investments

The following table provides the total amount of transactions with equity accounted investments during the year ended 30 June 2019.

	SERVICES TO EQUITY ACCOUNTED INVESTMENTS		PURCHASES FROM EQUITY ACCOUNTED INVESTMENTS		INTEREST REVENUE FROM EQUITY ACCOUNTED INVESTMENTS	
	2019 $'M	2018 $'M	2019 $'M	2018 $'M	2019 $'M	2018 $'M
Joint ventures	61.7	18.0	2.2	1.9	0.2	0.1
Associates	0.6	2.2	2.0	3.4	–	–
	62.3	**20.2**	**4.2**	**5.3**	**0.2**	**0.1**

	TRADE AMOUNTS OWED BY EQUITY ACCOUNTED INVESTMENTS		TRADE AMOUNTS OWED TO EQUITY ACCOUNTED INVESTMENTS		LOANS TO EQUITY ACCOUNTED INVESTMENTS [1]	
	2019 $'M	2018 $'M	2019 $'M	2018 $'M	2019 $'M	2018 $'M
Joint ventures	0.1	0.1	1.2	–	3.8	3.8
Associates	–	0.3	–	–	–	–
	0.1	**0.4**	**1.2**	–	**3.8**	**3.8**

1 This represents an unsecured loan to Tomra Cleanaway Pty Ltd. The loan is repayable in full on 22 November 2022.

(d) Share of equity accounted investments' balance sheet

	2019 $'M	2018 $'M
Total assets	39.9	63.7
Total liabilities	(32.4)	(36.1)
Net assets as reported by equity accounted investments	7.5	27.6
Share of net assets equity accounted	**3.8**	**13.8**

(e) Impairment losses and commitments

During the year the equity accounted investments were tested for impairment and no adjustments were made as a result (2018: nil). As at the reporting date the Group had no contractual obligation to provide funding for capital commitments of equity accounted investments (2018: nil).

24. Other assets

	2019 $'M	2018 $'M
Current		
Finance lease receivable [1]	4.3	–
Prepayments	17.3	15.4
Total current other assets	**21.6**	**15.4**
Non-current		
Finance lease receivable [1]	8.4	–
Costs to fulfil contracts [2]	4.2	3.0
Prepayments	0.9	0.9
Loan to joint venture	3.8	3.8
Other financial assets	–	0.4
Total non-current other assets	**17.3**	**8.1**

1 The Group has constructed a dedicated landfill cell for a customer. The cell will be paid for at an agreed fixed amount. The lease receivable has been recognised at an implicit rate of 3.28%.
2 The Group incurs costs to mobilise and set up significant new contracts. These costs are amortised over the life of the contract.

25. Employee entitlements

	2019 $'M	2018 $'M
Current		
Annual leave	34.5	33.8
Long service leave	23.6	22.6
Other	8.8	19.3
Total current employee entitlements	**66.9**	**75.7**
Non-current		
Long service leave	5.1	4.5
Total non-current employee entitlements	**5.1**	**4.5**

Refer to note 39(p) for the Group's accounting policy on employee entitlements.

During the year the Group contributed $41.5 million (2018: $29.4 million) to defined contribution plans. These contributions are expensed as incurred.

26. Provisions

	2019 $'M	2018 $'M
Current		
Rectification provisions	14.5	14.7
Remediation provisions	43.5	37.4
Other	28.1	23.8
Total current provisions	**86.1**	**75.9**
Non-current		
Rectification provisions	13.8	17.5
Remediation provisions	264.6	248.5
Other	17.4	14.0
Total non-current provisions	**295.8**	**280.0**

Included in other provisions is an amount of $16.2 million (2018: $14.3 million) in relation to workers compensation self-insurance of the Group under the Comcare scheme. This amount is comprised of $6.0 million (2018: $4.0 million) classified as current and $10.2 million (2018: $10.3 million) classified as non-current. The provision for workers compensation represents the future claim payments required under the *Safety, Rehabilitation and Compensation Act 1998*, and associated expenses, in respect of claims incurred from 1 July 2006, being the commencement of the self-insurance arrangements, up to 30 June 2019. The provision has been calculated using a claim inflation rate of 2.50% (2018: 3.01%) and a discount rate of 1.53% (2018: 2.73%). The workers compensation self-insurance provision is reassessed annually based on actuarial advice.

The table below provides a roll forward of provisions:

	RECTIFICATION		REMEDIATION		OTHER		TOTAL	
	2019 $'M	2018 $'M	2019 $'M	2018 $'M	2019 $'M	2018 $'M	2019 $'M	2018 $'M
Opening balance	32.2	39.3	285.9	293.5	37.8	32.4	355.9	365.2
Provisions acquired	–	–	–	27.2	0.3	10.4	0.3	37.6
Provisions made	–	–	8.1	4.2	48.7	40.6	56.8	44.8
Provisions used or reversed	–	–	–	–	(41.3)	(45.6)	(41.3)	(45.6)
Provisions disposed	–	(0.1)	–	(5.3)	–	–	–	(5.4)
Unwinding of discount	0.5	0.7	6.8	7.0	–	–	7.3	7.7
Change in discount rate	0.7	–	43.2	–	–	–	43.9	–
Change in assumptions [1]	(0.2)	(3.2)	(4.8)	(8.2)	–	–	(5.0)	(11.4)
Rectification and remediation spend	(4.9)	(4.5)	(31.1)	(32.5)	–	–	(36.0)	(37.0)
Closing balance	**28.3**	**32.2**	**308.1**	**285.9**	**45.5**	**37.8**	**381.9**	**355.9**

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

The provision for remediation has been estimated using current expected costs. These costs have been adjusted for the future value of the expected costs at the time of works being required. These costs have then been discounted to estimate the required provision at a rate of 1.47% (2018: 2.81%) for landfill remediation and rectification of landfills and 1.31% (2018: 2.04%) for industrial property remediation. Refer to note 39(n) for a summary of the accounting policy for provisions for remediation and rectification.

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27. Other liabilities

	2019 $'M	2018 $'M
Current		
Deferred settlement liabilities [1]	5.3	5.2
Landfill creation liability [3]	19.6	17.3
Contract liabilities [4]	7.2	8.1
Other liabilities	0.1	0.1
Total current other liabilities	**32.2**	**30.7**
Non-current		
Deferred settlement liabilities [1]	76.6	76.4
Contingent consideration [2]	17.8	–
Landfill creation liability [3]	37.9	54.5
Other liabilities	2.1	0.3
Total non-current other liabilities	**134.4**	**131.2**

1 Includes $81.9 million (2018: $81.0 million) relating to the acquisition of Melbourne Regional Landfill, acquired on 28 February 2015. The deferred consideration was recognised at the acquisition date resulting from transaction payments for site preparation and operation under the agreement to be paid to Boral over the life of the landfill and was determined using a discount rate of 7.0%.

2 Contingent consideration of $17.8 million relates to the acquisition of Cleanaway ResourceCo RRF Pty Ltd. The contingent consideration is measured utilising Level 3 inputs and assumes a discount rate of 8.0%. The undiscounted range of potential payments is $8.0 million to $25.0 million and comprises two separate payments based on potential earnings targets. The first payment of $8.0 million will be made when earnings reach a certain level. The second payment will be made based on the earnings of the newly built resource recovery facility in the year ended 30 June 2021. The Group expects a payment of $12.1 million to be paid based on current expected earnings. A 5% increase/(decrease) in the earnings target would increase/(decrease) this expected payment by $2.5 million.

3 The landfill creation liability relates to Melbourne Regional Landfill and is the amount payable to Boral in relation to airspace progressively made available by Boral. Cleanaway pay Boral for the airspace as the airspace is consumed, however the liability arises as Cleanaway takes control of the airspace.

4 A contract liability is the obligation to provide services to a customer for which the Group has received consideration from the customer. These liabilities generally arise when a customer is invoiced upon delivery of a container or bin, but Cleanaway still has the obligation to pick up the container or bin and dispose of the waste collected. Revenue for the period included $8.1 million which was included in contract liabilities at the beginning of the year.

28. Business combinations

Year ended 30 June 2019

Business combinations

During the year ended 30 June 2019, the Group completed two business combinations. The Group acquired a 50% interest in Cleanaway ResourceCo RRF Pty Ltd (formerly ResourceCo RRF Pty Ltd) and 100% interest in ASP Consolidated Group which comprises ASP Plastics Pty Limited and ASP Healthcare Pty Limited. The Group has control over the relevant activities of the two businesses and accordingly will consolidate its interests in the entities. Details of the business combinations are provided below:

BUSINESS ACQUIRED	DATE OF ACQUISITION	DESCRIPTION OF THE BUSINESS	OPERATING SEGMENTS
ResourceCo RRF Pty Ltd	30 October 2018	Resource Recovery Facility based in Wetherill Park in New South Wales	Solid Waste Services
ASP Consolidated Group	28 February 2019	ASP is a plastics manufacturing business, with a focus on the medical waste sector	Liquid Waste & Health Services

28. Business combinations (continued)

Year ended 30 June 2019 (continued)

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

	2019 $'M
Assets	
Cash and cash equivalents	2.0
Trade and other receivables	4.5
Inventories	2.6
Property, plant and equipment	15.8
Prepayments	0.8
Intangible assets	7.0
	32.7
Liabilities	
Trade and other payables	5.2
Employee entitlements	0.7
Provisions	0.3
Interest-bearing liabilities	10.5
Deferred tax liabilities	3.3
	20.0
Total identifiable net assets at fair value	**12.7**
Non-controlling interest	(2.2)
Goodwill arising on acquisition	47.6
Purchase consideration	**58.1**

The intangible assets identified as part of the acquisitions included customer contract and customer relationship intangibles. These intangible assets were valued based on the expected cash flows from the customers of the acquired businesses, applying the existing contracted terms for the customer contracts and an expected attrition rate of the customer base for the customer relationship intangible. Goodwill acquired in Cleanaway ResourceCo RRF Pty Ltd was $39.7 million and in the ASP Consolidated Group was $7.9 million and comprises the value of expected synergies arising from integration of the acquired businesses and is non-deductible for income tax purposes.

	2019 $'M
Cash	41.2
Contingent consideration	16.9
Total purchase consideration	**58.1**

Contingent consideration will be paid if certain earnings targets are met by a certain date, by the acquired entity. The contingent consideration has been determined based on the expected amount and timing of these targets being met.

	2019 $'M
Net cash acquired (included in cash flows from investing activities)	2.0
Cash consideration paid (included in cash flows from investing activities)	(41.2)
Transaction costs of the acquisition (included in cash flows from operating activities)	(0.3)
Net cash flow on acquisition	**(39.5)**

From the dates of acquisition to 30 June 2019, the Cleanaway ResourceCo RRF Pty Ltd and ASP Consolidated Group acquisitions contributed $19.1 million of revenue and $0.7 million loss to profit before tax to the Group, after amortisation of customer intangibles of $0.6 million. If both businesses had been acquired at the beginning of the reporting period, revenue of $33.2 million and loss before tax of $1.4 million, after amortisation of customer intangibles of $1.2 million, would have been contributed to the Group. The losses relate to the ResourceCo acquisition and have arisen during the commissioning phase of the newly built resource recovery facility.

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28. Business combinations (continued)

Year ended 30 June 2018

Toxfree

The Group completed the acquisition of 100% of the shares on issue in Cleanaway Industries Pty Ltd (formerly Tox Free Solutions Limited)' a major waste management company with a national footprint in Australia on 11 May 2018.

At 30 June 2018 provisionally determined fair values were reported. Subsequent to 30 June 2018, final fair values for the business combination were determined. Comparative amounts for 30 June 2018 have been restated in this financial report for final determined fair values.

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

	PROVISIONAL FAIR VALUE REPORTED AT 30 JUNE 2018 $'M	ADJUSTMENTS TO PROVISIONAL FAIR VALUE $'M	FINAL FAIR VALUE $'M
Assets			
Cash and cash equivalents	26.8	–	26.8
Trade and other receivables	86.2	–	86.2
Current tax receivable [1]	3.0	0.8	3.8
Inventories	3.4	–	3.4
Other current assets	6.4	–	6.4
Property, plant and equipment [2]	191.5	(16.2)	175.3
Intangible assets [3]	152.9	7.6	160.5
	470.2	(7.8)	462.4
Liabilities			
Trade and other payables	165.2	–	165.2
Interest-bearing liabilities	211.2	–	211.2
Employee entitlements	20.5	–	20.5
Provisions [4]	24.4	12.6	37.0
Other liabilities [5]	–	5.7	5.7
Net deferred tax liabilities [6]	26.3	(2.6)	23.7
	447.6	15.7	463.3
Total identifiable net assets at fair value	**22.6**	**(23.5)**	**(0.9)**
Non-controlling interest	(0.3)	–	(0.3)
Goodwill arising on acquisition	534.5	23.5	558.0
Purchase consideration [7]	**556.8**	–	**556.8**

1 Following completion of the tax return for the year ended 30 June 2018, an additional tax receivable of $0.8 million was recognised.

2 A detailed review of the values placed on property, plant and equipment in the preliminary valuation has resulted in a net reduction in their fair values by $16.2 million.

3 Given the methodology for valuing customer assets and licenses, described below, the change in fair value of property plant and equipment has affected the valuation of these intangibles as the property plant and equipment values are inputs into the intangible valuation models.

4 The increase in the fair value of provisions of $12.6 million comprises; $8.9 million, related to remediation of industrial properties, mainly related to future costs of removing structures from leased properties, and $3.7 million of identified unfavourable contracts and waste disposal provisions.

5 Other liabilities relate to contract liabilities whereby Toxfree had invoiced a customer for services but the service was not yet completed.

6 Net deferred tax liabilities were reduced by $2.6 million following the finalisation of the allocable cost amount (ACA) tax calculation required in a business combination when shares, as opposed to assets are acquired.

7 Cleanaway entered into a Scheme Implementation Deed with Toxfree shareholders, under which Cleanaway acquired the share capital of Toxfree for a total cash payment of $3.425 per share, totalling $670.3 million. The cash consideration comprised:
- A fully franked Special Dividend of $0.58 per Toxfree share, totalling $113.5 million, which was paid on 23 May 2018, after the acquisition date. The dividend payable was included in the net assets acquired and was subsequently settled by Toxfree. The record date of the Special Dividend was 16 May 2018.
- Scheme consideration of $2.845 per Toxfree share, totalling the purchase consideration of $556.8 million.

5

28. Business combinations (continued)

Year ended 30 June 2018 (continued)

Toxfree contributed the following to the Group:

	FROM ACQUISITION DATE TO 30 JUNE 2018 $'M	IF TOXFREE HAD BEEN ACQUIRED AT THE BEGINNING OF THE REPORTING PERIOD $'M
Revenue	**70.7**	**495.5**
Profit from operations before depreciation and amortisation	**12.7**	**56.6**
Depreciation and amortisation expense	(6.6)	(47.8)
Profit from operations	**6.1**	**8.8**
Net finance costs	(1.0)	(8.6)
Profit before tax	**5.1**	**0.2**

The intangible assets identified as part of the acquisition include customer intangibles, licenses to operate and software. Customer assets relate to the expected future revenue from existing contracts and the ongoing relationship between Toxfree and its customers as at the date of acquisition. The multi-period excess earnings method has been adopted to value customer assets.

Toxfree have various development approvals and licences across all operating states and territories of Australia. The cost replication approach has been applied to value licences in the Technical and Environmental Services business of Toxfree. A variation of the income approach, referred to as the "with and without" approach, has been applied to value licences in the Health Services business of Toxfree.

Goodwill acquired reflects the synergies expected from the acquisition, in that Toxfree provides a highly complementary set of business streams for the Group and provides opportunities for future revenue growth and site consolidation. Goodwill is non-deductible for income tax purposes.

	2018 $'M
Net cash acquired (included in cash flows from investing activities)	26.8
Cash consideration paid (included in cash flows from investing activities)	(556.8)
Transaction costs of the acquisition (included in cash flows from operating activities)	(10.3)
Net cash flow on acquisition	**(540.3)**

28. Business combinations (continued)

Other business combinations

In addition to the acquisition of Toxfree, the Group completed two other business combinations during the year ended 30 June 2018. Details of these business combinations are provided below:

BUSINESS ACQUIRED	DATE OF ACQUISITION	DESCRIPTION OF THE BUSINESS
SA Waste	3 July 2017	Waste collection and resource recovery business based in Adelaide, South Australia.
Tip Top ‘n’ Tidy	1 February 2018	Waste management business based in Beresfield, New South Wales.

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

	2018 $'M
Assets	
Inventories	0.1
Property, plant and equipment	8.6
Intangible assets	5.4
	14.1
Liabilities	
Trade and other payables	0.3
Employee entitlements	0.6
Provisions	0.6
Net deferred tax liabilities	1.2
	2.7
Total identifiable net assets at fair value	**11.4**
Goodwill arising on acquisition	9.2
Purchase consideration	**20.6**

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

	2018 $'M
Cash consideration paid (included in cash flows from investing activities)	(20.6)
Transaction costs of the acquisitions (included in cash flows from operating activities)	(0.1)
Net cash flow on acquisition	**(20.7)**

From the dates of acquisition to 30 June 2018, the SA Waste and Tip Top ‘n’ Tidy acquisitions contributed $16.6 million of revenue and $0.6 million to profit before tax to the Group, after amortisation of customer intangibles of $0.6 million. If both businesses had been acquired at the beginning of the reporting period, revenue of $20.2 million and profit before tax of $1.0 million, after amortisation of customers intangibles of $0.8 million, would have been contributed to the Group.

29. Subsidiaries

The Group's principal subsidiaries at 30 June 2019 are set out below.

	EFFECTIVE INTEREST [3]	
	2019 %	2018 %
Active Industrial Solutions Pty Ltd [2]	100	100
AJ Baxter Pty Ltd [2]	100	100
ASP Plastics Pty Limited	100	–
ASP Healthcare Pty Limited	100	–
Baxter Business Pty Ltd [2]	100	100
Baxter Recyclers Pty Ltd [2]	100	100
Cleanaway Co Pty Ltd (formerly Tox Free Australia Pty Ltd) [2]	100	100
Cleanaway Equipment Services Pty Ltd [2]	100	100
Cleanaway Hygiene Pty Ltd [2]	100	100
Cleanaway Industrial Solutions Pty Ltd [2]	100	100
Cleanaway Industries Pty Ltd (formerly Tox Free Solutions Limited) [2]	100	100
Cleanaway Landfill Holdings Pty Ltd [2]	100	100
Cleanaway (No. 1) Pty Ltd [2]	100	100
Cleanaway Operations Pty Ltd [2]	100	100
Cleanaway Organics Pty Ltd [2]	100	100
Cleanaway Pty Ltd [2]	100	100
Cleanaway Recycling Pty Ltd [2]	100	100
Cleanaway Refiners Pty Ltd [2]	100	100
Cleanaway ResourceCo RRF Pty Ltd (formerly ResourceCo RRF Pty Ltd) [1]	50	–
Cleanaway Resource Recycling Pty Ltd [2]	100	100
Cleanaway Solid Waste Pty Ltd [2]	100	100
Cleanaway Superior Pak Pty Ltd [2]	100	100
Cleanaway Waste Management Limited (Parent entity)	100	100
Daniels FMD Pty Ltd [2]	100	100
Daniels Health Australia Pty Ltd [2]	100	100
Daniels Health Laboratory Products Pty Ltd [2]	100	100
Daniels Health NSW Pty Ltd [2]	100	100
Daniels Health Pty Ltd [2]	100	100
Daniels Health Services Pty Ltd [2]	100	100
Daniels Health VIC Pty Ltd [2]	100	100
Daniels Health Wollongong Pty Ltd [2]	100	100
Daniels Manufacturing Australia Pty Ltd [2]	100	100
Enviroguard Pty Ltd [2]	100	100
Environmental Recovery Services Pty Ltd [2]	100	100
Landfill Land Holdings Pty Ltd [2]	100	100
Landfill Operations Pty Ltd [2]	100	100
Mann Waste Management Pty Ltd [2]	100	100
Max T Pty Ltd [2]	100	100
Nationwide Oil Pty Ltd [2]	100	100
NQ Resource Recovery Pty Ltd [2]	100	100
Oil & Fuel Salvaging Queensland Pty Ltd [2]	100	100
Pilbara Logistics Pty Ltd [2]	100	100
PT Environmental Services Pty Ltd [2]	100	100
PTK Environmental Services Pty Ltd	70	70
PTW Environmental Pty Ltd [1]	50	50
PTW Environmental Services Pty Ltd	75	75
QORS Pty Ltd	100	100
Redlam Waste Services Pty Ltd [2]	100	100

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

29 Subsidiaries (continued)

	EFFECTIVE INTEREST [3] 2019 %	2018 %
Rubus Holdings Pty Ltd [2]	100	100
Rubus Intermediate One Pty Ltd [2]	100	100
Rubus Intermediate Two Pty Ltd [2]	100	100
RWS Admin Pty Ltd [2]	100	100
Sterihealth Sharpsmart Pty Ltd [2]	100	100
T Environmental Services Pty Ltd [2]	100	100
Transpacific Baxter Pty Ltd [2]	100	100
Transpacific Cleanaway Holdings Pty Ltd [2]	100	100
Transpacific Co Pty Ltd [2]	100	100
Transpacific Environmental Services Pty Ltd [2]	100	100
Transpacific Paramount Service Pty Ltd	100	100
Transpacific Resources Pty Ltd [2]	100	100
Transwaste Technologies Pty Ltd [2]	100	100
Transwaste Technologies (1) Pty Ltd [2]	100	100
Waste Management Pacific (SA) Pty Ltd [2]	100	100
Waste Management Pacific Pty Ltd [2]	100	100

1 Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As subsidiaries, the Group has power over the investees through management control and the casting vote. The Group has the capacity to dominate decision-making in relation to the relevant activities so as to enable those entities to operate as part of the Group in pursuing its objectives.

2 These subsidiaries are parties to a Deed of Cross Guarantee with Cleanaway Waste Management Limited created on 25 June 2018 pursuant to ASIC Class Order 2016/785 and are relieved from the requirement to prepare and lodge an audited Financial Report. Refer to note 30 for Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Balance Sheet of the entities who are a party to the Deed of Cross Guarantee.

3 All entities were incorporated in Australia.

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30. Deed of cross guarantee

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2019 $'M	2018 $'M
Revenue	2,247.9	1,711.9
Other income	7.0	5.1
Labour related expenses	(840.3)	(641.8)
Collection, recycling and waste disposal expenses	(601.3)	(469.8)
Fleet operating expenses	(231.7)	(168.4)
Property expenses	(71.6)	(49.1)
Other expenses	(78.0)	(64.0)
Loss on sale of investments	(2.2)	–
Share of profits/(losses) from equity accounted investments	0.7	(0.1)
Profit from operations before depreciation and amortisation	**430.5**	**323.8**
Depreciation and amortisation expense	(219.7)	(173.6)
Revaluation of non-landfill land and buildings	4.7	(0.2)
Profit from operations	**215.5**	**150.0**
Net finance costs	(47.3)	(31.5)
Profit before income tax	**168.2**	**118.5**
Income tax expense	(46.3)	(14.5)
Profit after income tax	**121.9**	**104.0**
Other comprehensive income		
Revaluation of non-landfill land and buildings	18.4	6.3
Net comprehensive income recognised directly in equity	**18.4**	**6.3**
Total comprehensive income for the year	**140.3**	**110.3**

Refer to note 29 for details of subsidiaries who are a party to the Deed of Cross Guarantee.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

30. Deed of cross guarantee (continued)

BALANCE SHEET	2019 $'M	2018 $'M
Assets		
Current assets		
Cash and cash equivalents	51.0	50.9
Trade and other receivables	374.3	368.7
Inventories	17.2	21.0
Income tax receivable	–	8.5
Other assets	30.0	24.2
Total current assets	**472.5**	**473.3**
Non-current assets		
Property, plant and equipment	1,280.7	1,184.0
Intangible assets	2,287.1	2,309.9
Equity accounted investments	3.8	13.8
Net deferred tax assets	46.8	54.5
Other assets	78.9	15.4
Total non-current assets	**3,697.3**	**3,577.6**
Total assets	**4,169.8**	**4,050.9**
Liabilities		
Current liabilities		
Trade and other payables	248.6	234.5
Income tax payable	17.3	–
Interest-bearing liabilities	17.1	13.5
Employee entitlements	66.5	75.7
Provisions	86.0	75.9
Other liabilities	33.7	30.7
Total current liabilities	**469.2**	**430.3**
Non-current liabilities		
Interest-bearing liabilities	686.8	711.7
Employee entitlements	4.8	4.5
Provisions	295.8	280.0
Other liabilities	132.9	135.2
Total non-current liabilities	**1,120.3**	**1,131.4**
Total liabilities	**1,589.5**	**1,561.7**
Net assets	**2,580.3**	**2,489.2**
Equity		
Issued capital	2,678.2	2,671.0
Reserves	77.5	51.5
Retained earnings	(175.4)	(233.3)
Total equity	**2,580.3**	**2,489.2**

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

31. Parent entity

	2019 $'M	2018 $'M
Current assets	0.1	7.4
Total assets	3,596.1	3,433.4
Current liabilities	19.9	5.7
Total liabilities	589.4	629.1
Issued capital	2,678.2	2,671.0
Retained earnings	304.1	116.9
Reserves	24.4	16.4
Total equity	**3,006.7**	**2,804.3**
Profit/(loss) for the period	249.3	(8.1)
Total comprehensive income/(loss) for the period	249.3	(8.1)

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

32. Financial risk management

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

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

(a) Market risk

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

Foreign currency risk

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

Interest rate risk

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

At 30 June 2019, there were no interest rate swaps in place.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

32. Financial risk management (continued)

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

	30 JUNE 2019		30 JUNE 2018	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'M	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'M
Fixed rate instruments				
CEFC facilities	4.8	(99.4)	4.5	(89.3)
Lease liabilities	4.7	(134.4)	4.9	(101.7)
		(233.8)		**(191.0)**
Variable rate instruments				
Bank and other loans	2.7	(480.9)	3.5	(534.2)
		(480.9)		**(534.2)**

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

An analysis of the interest rates over the 12-month period was performed to determine a reasonable possible change in interest rates on the variable rate borrowings. A change of 100 basis points in interest rates, based on borrowings at the reporting date would have increased/(decreased) net finance costs by $4.8 million (2018: $5.3 million).

(b) Credit risk

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

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

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

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

CARRYING AMOUNT	NOTES	2019 $'M	2018 $'M
Cash and cash equivalents	11	56.2	52.0
Trade and other receivables	12	382.0	369.5
Other financial assets		16.5	4.2
		454.7	**425.7**

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

(c) Liquidity risk

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

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

The headroom in the Group's syndicated facilities at 30 June 2019 is $317.9 million (2018: $279.8 million). The current portion of the Group's borrowings at 30 June 2019 is nil (2018: nil). The Group considers liquidity risk to be low due to the level of unutilised facilities available, the level of headroom in each covenant measure and the maturity profile of existing facilities.

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32. *Financial risk management (continued)*

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

2019	< 1 YEAR $'M	1 – 2 YEARS $'M	2 – 5 YEARS $'M	> 5 YEARS $'M	CONTRACTUAL CASH FLOWS $'M	CARRYING AMOUNT $'M
Unsecured borrowings	20.6	20.6	584.0	130.4	755.6	580.3
Lease liabilities	23.0	21.9	64.4	49.2	158.5	134.4
Trade and other payables	257.5	–	–	–	257.5	257.5
Other financial liabilities	24.9	46.4	34.9	192.6	298.8	157.2
Total	**326.0**	**88.9**	**683.3**	**372.2**	**1,470.4**	**1,129.4**

2018						
Unsecured borrowings	26.0	26.0	580.4	187.7	820.1	623.5
Lease liabilities	17.6	16.4	58.2	29.4	121.6	101.7
Trade and other payables	235.8	–	–	–	235.8	235.8
Other financial liabilities	22.5	25.4	55.0	198.4	301.3	153.4
Total	**301.9**	**67.8**	**693.6**	**415.5**	**1,478.8**	**1,114.4**

The Group has bank guarantees and insurance bonds in place in respect of its contractual performance related obligations. These guarantees and indemnities only give rise to a liability where the Group fails to perform its contractual obligations. In the event that the Group does not meet its contractual obligations, these instruments are immediately callable and have a maximum exposure of $173.3 million (2018: $153.4 million) in relation to these bank guarantees and insurance bonds. Refer to note 34(d) for details of the Group's guarantees.

(d) Financial assets and liabilities measured at fair value

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

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

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset 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.

There were no transfers between levels during the year.

The carrying value of all financial assets and liabilities other than lease liabilities and CEFC facilities approximate fair value. The fair value of the CEFC facilities using the Level 2 fair value measurement hierarchy was $109.9 million (2018: $90.9 million).

33. *Contingent liabilities*

On 18 August 2014, a Cleanaway vehicle was involved in a motor vehicle accident on the South Eastern Freeway in Glen Osmond, South Australia. The incident resulted in the death of two members of the public, and two other persons were seriously injured. During the year ended 30 June 2017, Cleanaway was charged with work health and safety offences in relation to the incident and there is a potential that other claims may emerge in due course. The extent of Cleanaway's liability and the timing for these matters to be resolved is not known at this time.

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

34. Commitments

(a) Operating lease commitments

The Group leases property, plant and equipment under operating leases expiring over terms generally not exceeding 10 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Future minimum rentals payable under non-cancellable operating lease rentals are payable as follows:

	2019 $'M	2018 $'M
Within one year	41.6	38.1
Between one and five years	104.9	96.3
More than five years	113.1	85.1
	259.6	**219.5**

(b) Finance lease commitments

The Group has finance leases for various items of property, plant and equipment. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases, together with the net present value of minimum lease payments are as follows:

	MINIMUM LEASE PAYMENTS		PRESENT VALUE OF PAYMENTS	
	2019 $'M	2018 $'M	2019 $'M	2018 $'M
Within one year	23.0	17.6	17.1	13.5
Between one and five years	86.4	74.5	71.0	60.9
More than five years	49.2	29.4	46.3	27.3
Total	**158.6**	**121.5**	**134.4**	**101.7**
Amounts representing future finance charges	(24.2)	(19.8)	–	–
	134.4	**101.7**	**134.4**	**101.7**

(c) Capital expenditure and other commitments

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

	2019 $'M	2018 $'M
Property, plant and equipment	35.8	28.4
Intangible assets	0.8	0.5
	36.6	**28.9**

(d) Guarantees

The Group is, in the normal course of business, required to provide guarantees and letters of credit on behalf of subsidiaries, joint ventures 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.

	2019 $'M	2018 $'M
Bank guarantees outstanding at balance date in respect of contractual performance	141.5	122.8
Insurance bonds outstanding at balance date in respect of contractual performance	31.8	30.6
	173.3	**153.4**

35. Share-based payments

Total share-based payment expense included in the Consolidated Income Statement is set out in note 18(b).

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

OFFER	GRANT DATE	END OF PERFORMANCE OR SERVICE PERIOD	PERFORMANCE RIGHTS AT 30 JUNE 2018	GRANTED DURING THE PERIOD	VESTED DURING THE PERIOD	FORFEITED/ EXPIRED DURING THE PERIOD	PERFORMANCE RIGHTS AT 30 JUNE 2019
LONG-TERM INCENTIVE PLAN							
2015 LTI	10 Mar 2015	30 Jun 2017	909,964	–	–	(909,964)	–
2016 LTI (A)	30 Oct 2015	30 Jun 2018	2,838,220	–	(2,192,525)	(645,695)	–
2016 LTI (B)	16 Mar 2016	30 Jun 2018	2,280,690	–	(1,761,838)	(518,852)	–
2017 LTI (A)	7 Oct 2016	30 Jun 2019	2,093,186	–	–	–	2,093,186
2017 LTI (B)	2 Nov 2016	30 Jun 2019	2,370,716	–	–	–	2,370,716
2018 LTI	3 Nov 2017	30 Jun 2020	3,311,304	–	–	(120,002)	3,191,302
2019 LTI	2 Nov 2018	30 Jun 2021	–	3,228,141	–	(49,377)	3,178,764
SHORT-TERM INCENTIVE PLAN							
2017 STI	9 Oct 2017	30 Jun 2018	421,950	–	(421,950)	–	–
2018 STI	26 Oct 2018	30 Jun 2019	–	504,416	–	–	504,416
OTHER GRANTS							
2019 TII	26 Oct 2018	30 Jun 2020	–	1,740,971	–	(54,314)	1,686,657
Total			**14,226,030**	**5,473,528**	**(4,376,313)**	**(2,298,204)**	**13,025,041**
Vested and exercisable at 30 June 2019							504,416

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

35. Share-based payments (continued)

(a) Long-term incentive (LTI) plan

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

Offers made in previous reporting periods

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

PERFORMANCE PERIOD	2017 LTI AWARD UP TO 3 YEARS: 1 JULY 2016 TO 30 JUNE 2019	2018 LTI AWARD UP TO 3 YEARS: 1 JULY 2017 TO 30 JUNE 2020
Overview	Performance rights, of which: *Measured over three years to 30 June 2019* • Up to 50% vest if a certain relative TSR ranking is achieved against the constituents of the S&P/ASX 200 Industrial Sector Index • Up to 25% vest if a certain Return on Invested Capital target is achieved • Up to 25% vest if a certain Earnings per share Compound Annual Growth Rate target is achieved	Performance rights, of which: *Measured over three years to 30 June 2020* • Up to 50% vest if a certain relative TSR ranking is achieved against the constituents of the S&P/ASX 200 Industrial Sector Index • Up to 25% vest if a certain Return on Invested Capital target is achieved • Up to 25% vest if a certain Earnings per share Compound Annual Growth Rate target is achieved

Offer made in current reporting period – 2019 LTI award

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

- Tranche 1 – Up to 50% of the performance rights vest if a certain relative TSR ranking is achieved against constituents of the S&P/ASX 200 Industrial Sector Index.
- Tranche 2 – Up to 25% of performance rights vest if a certain Return on Invested Capital (ROIC) target is achieved.
- Tranche 3 – Up to 25% of performance rights vest if a certain underlying earnings per share (EPS) compound annual growth rate (CAGR) target is achieved.

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

35. Share-based payments (continued)

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

SCHEME	2019 LTI
Number of rights	3,228,141
Grant date	2 November 2018
Performance period	1 July 2018–30 June 2021
Risk free interest rate (%)	2.06%
Volatility [1] (%)	30.0%
Fair value – Relative TSR tranche	$1.09
Fair value – ROIC tranche	$1.64
Fair value – EPS CAGR tranche	$1.64

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

The performance targets of the 2019 LTI award are set out in the table below.

Relative TSR performance measured over three years from 1 July 2018 to 30 June 2021	Relative Total Shareholder Return (TSR) Ranking against the constituents of the S&P/ASX200 Industrial Sector Index: • Below 50th percentile – 0% vesting • At 50th percentile – 50% vesting • 50th to 75th percentile – straight line vesting between 50% and 100% • Above 75th percentile – 100% vesting
ROIC performance as measured for the year ending 30 June 2021	Return On Invested Capital (ROIC) to be achieved: • < 6.25% – 0% vesting • 6.25% – 20% vesting • > 6.25% – ≤ 6.75% – straight line vesting between 20% and 50% • > 6.75% – ≤ 7.25% – straight line vesting between 50% and 100% • > 7.25% – 100% vesting
EPS CAGR performance measured over three years from 1 July 2018 to 30 June 2021	Earnings per Share Compound Annual Growth Rate (EPS CAGR) to be achieved: • < 13.0% – 0% vesting • 13.0% – 20% vesting • > 13.0% – ≤ 15.0% – straight line vesting between 20% and 50% • > 15.0% – ≤ 18.0% – straight line vesting between 50% and 100% • > 18.0% – 100% vesting

35. Share-based payments (continued)

(b) Short-term incentive (STI) plan

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

(c) Toxfree Integration Incentive (TII) plan

The Company completed the acquisition of Cleanaway Industries Pty Ltd (formerly Tox Free Solutions Limited), a leading integrated waste management company on 11 May 2018. The key benefits of the acquisition of Toxfree, in particular the $35.0 million of initially identified synergies, are targeted to be realised by 30 June 2020.

The one-off TII offer was offered to executives to ensure that executives (including Executive KMP) involved in the acquisition and integration of Toxfree are focussed on exceeding the synergy benefits from this acquisition beyond the synergies initially identified in our business case for acquisition and announced to the market. The TII is an offer of performance rights that was made to certain executives (including Executive KMP) which is equivalent to 50% of their STI opportunity. The key performance condition for the TII plan relates to the achievement of Cleanaway EBITDA in the year ending 30 June 2020 that exceeds our internal targets which includes the initial $35.0 million of synergies identified from the Toxfree acquisition. The performance period under the plan is from 1 July 2018 to 30 June 2020. This plan does not reward the achievement of the forecast synergy benefits, it is designed to reward the delivery of additional savings and outperformance that enhances EBITDA.

36. Auditor's remuneration

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

	2019 $	2018 $
Ernst & Young:		
Audit services	1,301,343	1,191,401
Audit related services	81,891	280,418
Non-audit services:		
Other advisory services	–	29,561
	1,383,234	**1,501,380**

37. Events occurring after the reporting date

There have been no matters or circumstances that have arisen since 30 June 2019 that have significantly affected the Group's operations not otherwise disclosed in this report.

38. Related party transactions

(a) Key management personnel

Disclosures relating to Key Management Personnel (KMP) are set out in the Remuneration Report on pages 47 to 63.

The KMP compensation included in employee expenses are as follows:

	2019 $	2018 $
Short-term employee benefits	5,698,413	4,691,092
Post-employment benefits	175,728	127,876
Equity compensation benefits	3,240,120	2,086,737
	9,114,261	**6,905,705**

Some of the Directors hold, or have previously held, positions in companies with which Cleanaway has commercial relationships which are based on normal terms and conditions on an arm's length basis. Transactions with entities where the relationship is limited to a common Non-Executive Directorship, including any Chairperson roles, are not considered related party transactions. The Board has assessed all of the relationships between the Group and companies in which Directors hold or held positions and has concluded that in all cases the relationships do not interfere with the Directors' exercise of objective, unfettered or independent judgement or their ability to act in the best interest of the Group.

(b) Wholly-owned Group transactions

The wholly-owned Group consists of Cleanaway Waste Management Limited and its subsidiaries listed at note 29. Transactions between Cleanaway Waste Management Limited and other entities in the wholly-owned Group during the years ended 30 June 2019 and 30 June 2018 consisted of:

(i) Loans advanced by Cleanaway Waste Management Limited and other subsidiaries;

(ii) Loans repaid to Cleanaway Waste Management Limited and other subsidiaries;

(iii) The payment of interest on the above loans;

(iv) The payment of dividends to Cleanaway Waste Management Limited and other subsidiaries;

(v) Management fees charged to subsidiaries; and

(vi) Sales between subsidiaries.

The above transactions are all eliminated on consolidation.

(c) Other related parties

There were no material transactions with, or amounts receivable from or payable to, other related parties during the years ended 30 June 2019 and 30 June 2018, except as presented in note 23.

39. Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the Consolidated Financial Report. These policies have been consistently applied to all years presented unless otherwise stated.

(a) Revenue

Revenue from sale of commodities

Sale of commodities produced from recycling waste and processing used mineral oils, and the sale of electricity and gas produced from landfills, generally include one performance obligation. Revenue from the sale of commodities is recognised at the point in time when the product is transferred to the customer.

Rendering of services

- **Solid Waste Services**

  Revenue from collection and disposal of waste is recognised when the performance obligation to the customer has been fulfilled, which is generally when the waste has been collected from the customer. Costs to dispose of the waste are generally incurred at, or close to the time of collection.

  Variable consideration

  Some contracts for the collection of waste or acceptance of waste into the Group's landfills provide the customer with volume rebates. For the majority of contracts, the variability in the contract price is resolved at each reporting date. Where the variability is not resolved at a reporting date the variable consideration is estimated and where applicable, revenue will be deferred and reflected in contract liabilities.

  Non-cash consideration

  In some of the Group's contracts, rebates are provided to customers or collection is provided at a reduced rate where waste is collected that has a value as a commodity to the Group. In these circumstances the Group allocates a fair value to the commodity collected, generally equal to the rebate paid and the value of the collection service and recognises this as revenue.

- **Liquid Waste & Health Services**

  Revenue from collection and treatment of liquid and health waste is recognised when the performance obligation to the customer has been performed, which is generally when the waste has been collected from the customer and Cleanaway takes title to the waste.

  In some circumstances the Group will charge the customer on delivery of a waste container. Under these circumstances the Group assigns a value to the separate performance obligations, being the provision of a container and the subsequent collection of the full container. Revenue received for the collection of the container where the service has not yet been performed, will be deferred and is reflected in contract liabilities.

- **Industrial & Waste Services**

  Contract revenue is recognised over time and is measured using the input method by reference to labour hours and actual costs incurred, relative to the total expected inputs required to satisfy the individual performance obligations.

Costs to fulfil a contract

For some larger long-term contracts the Group incurs costs up front to mobilise equipment and organise the workforce in order to commence performing under the contract. This is often the case when larger municipal council contracts, or industrial & waste services contracts in remote areas, are entered into. In these circumstances the upfront costs associated with the contract are capitalised as contract costs and amortised over the term of the contract.

Interest

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

Dividends

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

39. Significant accounting policies (continued)

(b) Repairs and maintenance

Plant and equipment of the Group is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The cost of this maintenance is recognised as an expense as incurred, except where it relates to the replacement of a component of an asset, or where it extends the useful life of the asset, in which case the costs are capitalised and depreciated in accordance with the Group's policy. Other routine operating maintenance, repair and minor renewal costs are also recognised as expenses as incurred.

(c) Finance costs

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

(d) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred income asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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

(e) Impairment of assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. Impairment losses on financial assets are directly written off to the Consolidated Income Statement. Impairment of loans and receivables is recognised when it is probable that the carrying amount will not be recovered in full due to significant financial difficulty or other loss event of the debtor.

Goodwill and intangible assets that have an indefinite useful life are not amortised but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that previously suffered an impairment loss are reviewed for possible reversal of the impairment loss at each subsequent reporting date.

39. Significant accounting policies (continued)

(f) Foreign currency

Foreign currency transactions are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Income Statement and are reported on a net basis. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, short-term deposits and petty cash balances. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are at call, and earn interest at the respective short-term deposit rates.

(h) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known as uncollectable are written off when identified. The Group accounts for impairment losses relating to financial assets by applying a forward-looking expected credit loss (ECL) approach. The Group has applied a simplified approach to determining ECLs and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit losses against the debtors ageing profile.

The Group's exposure to credit risk related to trade and other receivables is disclosed in note 32(b).

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the method most appropriate to each particular class of inventory and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

(j) Property, plant and equipment

Landfill assets

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

Landfill assets comprise the acquisition of landfill land, cell development costs, site infrastructure and landfill site improvement costs and the asset related to future landfill site restoration and aftercare costs (landfill remediation asset).

Landfill land will be recognised separately from other landfill related assets when it is considered to have value at the end of the landfill site's useful life for housing or commercial development. This land is not depreciated; it is carried at its original cost and tested for impairment.

Cell development costs include excavation costs, cell lining costs and leachate collection costs. Cell development costs are capitalised as incurred. Closed cells are capped and may return a future revenue stream to the Group, such as from the sale of landfill gas.

The landfill remediation assets comprises capping costs and costs to remediate and monitor the site over the life of the landfill including post closure. Capping costs together with cost of aftercare (see Provision for landfill remediation in note 39(n)) are recognised upon commencement of cell development. The depreciation, for cell development costs and the remediation asset, is calculated by the tonnes of airspace consumed during the reporting period divided into the total airspace available at the beginning of the reporting period, such that all costs are fully depreciated upon receiving last waste into the landfill. A landfill is deemed full when its permitted airspace is consumed and it cannot legally accept any more waste. Alternatively, a landfill may be deemed full earlier should other factors exist, for example, if it is not economically viable to continue accepting waste.

Site infrastructure and landfill site improvement costs include capital works such as site access roads and other capital costs relating to multiple cells on the landfill site. These costs are capitalised as incurred and depreciated using the useful life of the asset or the life of the landfill up until receiving last waste.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

39. Significant accounting policies (continued)

(j) Property, plant and equipment (continued)

Landfill sales

A landfill may be disposed of as an operating landfill or it may be retained until post-closure and then sold. The Group's policy on landfill sales is as follows:

- If the landfill is sold as an operating landfill, recognise the profit on sale of an asset; or
- If the completed landfill is intended to be sold and meet the relevant requirements, transfer the landfill balance to non-current assets held for sale.

Non-landfill land and buildings

Non-landfill land and buildings are shown at fair value, based on periodic valuations (at least every three years) by external independent valuers, less subsequent depreciation of buildings. The fair values are recognised in the Consolidated Financial Statements of the Group, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different to their fair values.

Movements in market prices and the level of transactions impact the ability of the Group to estimate fair value.

Any revaluation increase arising on the revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the Consolidated Income Statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in the Consolidated Income Statement to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to the Consolidated Income Statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for its intended use. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Depreciation

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

Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

Buildings and site improvements	15 to 40 years
Plant and equipment	2.5 to 20 years
Leasehold improvements	5 to 10 years
Landfill assets	1 to 50 years

39. Significant accounting policies (continued)

(k) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business, subsidiary or associate at the date of acquisition. Goodwill on the acquisition of businesses or subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is not amortised. Instead goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold.

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

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the Consolidated Income Statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the costs of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are also capitalised. Other development expenditure is recognised in the Consolidated Income Statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Other intangible assets

Other intangible assets include customer contracts recognised on business combinations and licences. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite (e.g. brand names). Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives of customer contracts are 3 to 10 years.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Other payables and accruals includes tipping and disposal costs accruals as well as general accruals.

(m) Borrowings

Borrowings are initially recognised at fair value of the consideration received net of issue costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis. Foreign exchange gains and losses arising on borrowings are reflected in finance costs in the Consolidated Income Statement.

Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

39. Significant accounting policies (continued)

(n) Provision for remediation and rectification

Landfill remediation and rectification

Landfill sites are constructed to receive waste in accordance with a licence. These licences generally require that once a landfill is full, it is left in a condition as specified by the Environmental Protection Authority (EPA) or other government authorities and monitored for a defined period of time (usually 30 years).

Therefore remediation occurs on an ongoing basis, as the landfill is operating, at the time the landfill closes and through post-closure. Remediation comprises:

- the costs associated with capping landfills (covering the waste within the landfill); and
- costs associated with remediating and monitoring the landfill in accordance with the licence or environmental requirements.

The constructive obligation to remediate the landfill sites is triggered upon commencement of cell development. Accordingly landfill remediation costs are provided for when development commences and at the same time a landfill remediation asset is recognised.

The provision is stated at the present value of the future cash outflows expected to be incurred, which increases each period due to the passage of time and is recognised in current and non-current provisions in the Consolidated Balance Sheet. The annual change in the net present value of the provision due to the passage of time is recognised in the Consolidated Income Statement as a time value adjustment in net finance costs.

Due to the long-term nature of remediation obligations, changes in estimates occur over time. Any change in the provision for future landfill site restoration and aftercare costs arising from a change in estimate of those costs, and related to landfill sites which are still accepting waste, is recognised as an addition or reduction to the remediation asset in the Consolidated Balance Sheet. Changes to the remediation provision once last customer waste is received are expensed to the Consolidated Income Statement.

Rectification provisions differ to remediation. Rectification costs must be provided for at a reporting period end when there is an obligation to bring an asset back to the normal operating standard required under the licence and EPA or council requirements. Rectification provisions are calculated based on the net present value of all costs expected to rectify the site. All rectification costs are expensed to the Consolidated Income Statement.

Industrial property remediation

The Group leases and owns industrial properties and operates these sites under license and in accordance with the requirements of the EPA or other government authorities. In addition, under lease agreements, the Group is required to remove infrastructure placed on a site, during the tenancy, and in most cases, return the leased site to its original condition upon entering into the lease, taking into consideration usual wear and tear on the property.

The constructive obligation to remediate industrial properties is triggered upon erecting leasehold improvements to leased sites, or upon any event occurring which has given rise to contamination requiring remediation.

The provision is stated at the present value of the future cash outflows expected to be incurred, which increases each period due to the passage of time and is recognised in current and non-current provisions in the Consolidated Balance Sheet. The annual change in the net present value of the provision due to the passage of time is recognised in the Consolidated Income Statement as a time value adjustment in net finance costs.

Changes in estimates can occur over time as industrial properties are operated over a long period. Any change in the provision related to site restoration will be adjusted against any related assets on the site. If there is no related asset, changes to the remediation provision are recognised through the Consolidated Income Statement.

39. Significant accounting policies (continued)

(o) Provisions

A provision is recognised in the Consolidated Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The costs of treating and disposing of waste collected, in accordance with government regulation, are provided for if they have not yet been incurred. These liabilities were previously classified as accruals, however given the uncertainty regarding the timing and amount of the liability $14.5 million has been presented in current provisions on the Consolidated Balance Sheet. As at 30 June 2018 $10.4 million was presented in trade payables and accruals. This amount has been reclassified from current trade and other payables to current provisions to align the presentation of these liabilities with the current period.

(p) Employee entitlements

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vesting sick leave expected to be settled within 12 months of the reporting date are recognised in other payables and employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in employee benefits and is measured in accordance with the other employee benefits described above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on the corporate bond rate with terms to maturity and currency that match, as closely as possible, the timing of estimated future cash outflows.

Short-term incentive (STI) compensation plans

A liability for employee benefits in the form of STI's is recognised when it is probable that STI criteria has been achieved and an amount is payable in accordance with the terms of the STI plan. Liabilities for STI's are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Share-based payment transactions

Share-based payments are provided to Executives and employees via the Cleanaway Waste Management Limited Annual Incentive Plan and the Long-Term Incentive Plan.

Share-based compensation payments are measured at fair value at the date of grant and expensed to employee benefit expense with a corresponding increase in the employee benefits reserve over the period in which the service and, where applicable, performance conditions are fulfilled. Fair value is measured by using the Monte Carlo simulation or the Black-Scholes option pricing model, the term of the Performance Right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the Performance Right.

(q) Fair value measurement

The Group measures financial instruments, such as derivatives, and non-financial assets, such as land and buildings, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principle market for the asset or liability, or
- In the absence of a principle market, in the most advantageous market for the asset or liability.

The principle or the most advantageous market must be accessible by the Group.

39. Significant accounting policies (continued)

(q) Fair value measurement (continued)

The fair value of an asset or liability is measured using the assumptions that the market participants act in their economic best interest. A fair value measurement of non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

The Group uses the following valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(r) Basis of consolidation

(i) Subsidiaries

The Consolidated Financial Report comprises the financial statements of the Group and its subsidiaries as at 30 June 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from the contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Income Statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the Consolidated Income Statement and within equity in the Consolidated Balance Sheet, separately from parent shareholders' equity.

If the Group loses control over a subsidiary it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the Consolidated Income Statement. Any investment retained is recognised at fair value.

(ii) Equity accounted investments

Equity accounted investments are those entities over which the Group has either significant influence (associate entities) or joint control and has rights to the net assets of the entity (joint venture entities). The Group does not have power over these entities either through management control or voting rights. Investments in associates and joint ventures are accounted for using the equity method of accounting and are collectively referred to as "equity accounted investments" in this report.

Under the equity method of accounting, the investments in associates and joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate or joint venture in the Consolidated Income Statement. Dividends received from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

39. Significant accounting policies (continued)

(ii) Equity accounted investments (continued)

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

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

(s) Business combinations

Business combinations are accounted for using the acquisition method, whereby the identifiable assets, liabilities and contingent liabilities (identifiable net assets) are measured using their fair values at the date of acquisition. Goodwill arises in a business combination when the consideration transferred to the acquiree is greater than the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Acquisition related costs, incurred in a business combination transaction, are expensed as incurred.

40. New standards adopted

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

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

- AASB 15 *Revenue from Contracts with Customers*

  AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers (referred to as 'revenue from customers'). Under AASB 15, revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for the goods or services to a customer.

  The Group adopted AASB 15 using the full retrospective method of adoption. The adoption of AASB 15 has not had a material impact on the Group.

  i. Sale of goods

  Sale of commodities produced from recycling waste and processing used mineral oils and the sale of electricity and gas produced from landfills generally includes one performance obligation. Revenue from sales of commodities is recognised at the point in time when the product is transferred to the customer. The adoption of AASB 15 did not have an impact on the timing of revenue recognition.

  ii. Rendering of services

  Solid Waste Services

  Revenue from collection and disposal of waste is recognised when the performance obligation to the customer has been fulfilled, which is generally when the waste has been collected from the customer. Costs to dispose of the waste are generally incurred at, or close to the time of collection. The adoption of AASB 15 did not have a material impact on the timing of revenue recognition.

  Variable consideration

  Some contracts for the collection of waste or acceptance of waste into the Group's landfills provide the customer with volume rebates. For the majority of contracts, the variability in the contract price is resolved at each reporting date therefore the adoption of AASB 15 does not have an impact on these arrangements. Where the variability is not resolved at a reporting date the variable consideration is estimated and where applicable, revenue will be deferred and reflected in other liabilities.

  Non-cash consideration

  In some of the Group's contracts, rebates are provided to customers or collection is provided at a reduced rate where waste is collected that has a value as a commodity to the Group. In these circumstances the Group allocates a fair value to the commodity collected, generally equal to the rebate paid and the value of the collection service and recognises this as revenue. The adoption of AASB 15 did not have an impact on the recognition of revenue.

  Liquid Waste & Health Services

  Revenue from collection and treatment of liquid and health waste is recognised when the performance obligation to the customer has been performed, which is generally when the waste has been collected from the customer and Cleanaway takes title to the waste.

  In some circumstances the Group will charge the customer on delivery of a waste container. Under these circumstances the Group assigns value to the separate performance obligations, being the provision of a container and the subsequent collection of the full container. Revenue received for the collection of the container where the service has not yet been performed, is deferred and is reflected in other liabilities on the balance sheet. This accounting aligns with the requirements of AASB 15.

40. New standards adopted (continued)

Industrial & Waste Services

Contract revenue is recognised over time and is measured using the input method by reference to labour hours incurred and actual costs incurred, relative to the total expected inputs to the satisfaction of the individual performance obligations. This accounting aligns with the requirements of AASB 15.

- AASB 9 Financial Instruments

  AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group has applied AASB 9 retrospectively, effective 1 July 2018 by adjusting opening retained earnings at 1 July 2018.

Impact on the Consolidated Balance Sheet as at:

	1 JULY 2018 $'M
Increase/(decrease) of previously reported balances	
Trade and other receivables	(2.4)
Net deferred tax assets	0.7
Retained earnings	(1.7)

Adoption of AASB 9 has had no impact on the existing classification and measurement of the Group's financial assets and liabilities. The adoption of AASB 9 has however changed the Group's accounting for impairment losses relating to financial assets by replacing the incurred loss approach of AASB 139 with a forward-looking expected credit loss (ECL) approach.

For trade receivables the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit losses against the debtors ageing profile. The adoption of the ECL requirements of AASB 9 resulted in increases in doubtful debt provisions related to the Group's trade debtors and an adjustment to retained earnings.

41. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

New standards

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 16 *Leases*, and the relevant amending standards AASB 16 supersedes AASB 117 *Leases*. The key features of AASB 16 from a lessee perspective are as follows: • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities; and • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The Group is well progressed in determining the transition impacts of the new standard on the following arrangements: • Property leases; • Yellow gear and equipment leases; and • Owner driver arrangements. Applying the modified retrospective transition approach, whereby all lease liabilities are measured using an incremental borrowing rate on the date of transition, results in recognition of lease liabilities of approximately $300 million and right of use assets of approximately $285 million being brought onto the Consolidated Balance Sheet at 1 July 2019, with the difference to be recognised in retained earnings.	1 January 2019	30 June 2020
Conceptual Framework for Financial Reporting The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The changes to the Conceptual Framework may affect the application of Australian Accounting Standards in situations where no standard applies to a particular transaction or event. The likely impact on the Group of adopting the new Conceptual Framework has not been determined.	1 January 2020	30 June 2021

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes together with the additional disclosures included in the Directors' Report designated as audited, are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2;

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

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section s295A of the *Corporations Act 2001* for the financial year ended 30 June 2019; 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 29 will be able to meet any obligation or liabilities to which they are or may become subject to, by virtue of the deed of cross guarantee.

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

M P Chellew
Chairman and Non-Executive Director

V Bansal
Chief Executive Officer and Managing Director

Melbourne, 14 August 2019

Independent Auditor's Report

to the Members of Cleanaway Waste Management Limited

Building a better working world

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Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cleanaway Waste Management Limited (the Company) and its subsidiaries (collectively the Group), which comprises the Consolidated Balance Sheet as at 30 June 2019, the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, notes to the consolidated financial statements including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. *Accounting for the acquisition of Toxfree*

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
On 11 May 2018, Cleanaway completed the acquisition of Cleanaway Industries Pty Ltd (formerly Toxfree Solutions Limited) for a total purchase consideration of $556.8 million (after payment of a special dividend of $0.58 per share in accordance with schedule 5.5 of the Scheme Implementation Deed). The purchase price accounting for the acquisition was finalised during the current financial year. This resulted in an overall increase to the goodwill of $23.5 million reported in the prior period on a preliminary basis. This acquisition is significant to the entity and given the judgements involved in the finalisation of the purchase price accounting exercise, this was considered to be a key audit matter. Refer to Note 28 of the financial report for all relevant disclosures in relation to the acquisition.	Our audit procedures included the following: • Our valuations specialists assessed the reasonableness of the valuation approach and methodology applied to property, plant and equipment; • Our environmental specialists assessed the reasonableness of the assumptions used in determining estimated cost to remediate and make good each acquired site; • Assessed rates used to discount the remediation and make good provision with reference to observable market inputs; • Assessed the reasonableness of the deferred revenue and unfavourable contract provisions recognised; • Assessed the competence, qualifications and objectivity of the external valuation experts engaged by the Group; • Our tax specialists assessed the Tax Allocable Cost Amount (ACA) applied; and • Assessed the adequacy of the disclosures made in the financial report.

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2. *Carrying value of existing non-current assets, including brand name and goodwill*

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
At 30 June 2019, the Group held $1,922.8 million in intangible assets with indefinite useful lives. These intangible assets comprise goodwill and brand names and are monitored by the Group at an operating segment level. In accordance with the requirements of Australian Accounting Standards, the Group tests these indefinite useful life assets for impairment at least annually using a discounted cash flow model to determine value in use. The assessment of the carrying value of the intangible assets (the impairment test) incorporates judgements and estimates relating to discount rates, forecast revenue, EBITDA growth rates and levels of capital expenditure. In addition, various assumptions have been made for economic variables such as commodity prices, GDP growth rates and inflation rates as well as expected outcomes from the execution of operational efficiencies. Given these judgements, this was a key audit matter. Note 22 of the financial report provides disclosure related to the Group's impairment testing and highlights the impact of reasonably possible changes to key assumptions.	Our audit procedures included testing the integrity of the discounted cash flow models and evaluation of the assumptions and methodologies used by the Group. We involved our valuation specialists to assist in the execution of these audit procedures. In respect of the Group's discounted cash flow models, we: • Assessed the assumptions in the Group's board approved forecasts; • Considered the current year actual results in comparison to prior year forecasts in order to assess forecast accuracy; • Assessed the key assumptions in comparison to available independent economic and industry forecasts; • Assessed the assumptions for terminal growth rates; • Considered whether cost savings were reasonable; • Considered the capital expenditure forecasts; • Assessed the discount rates through comparison with the weighted average cost of capital of comparable businesses; • Considered comparable businesses valuation multiples as a cross-check of the Group's cash flow model outcomes; and • Performed a sensitivity analysis in respect of the key assumptions which would be required for the intangible assets to be impaired and assessed the likelihood of those changes arising. We also assessed the adequacy of the disclosures made in the financial report, in particular those that had the most significant effect on the determination of the recoverable amount of the intangible assets.

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3. *Valuation and completeness of the rectification and remediation provisions*

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Under the National Environment Protection Council Act 1994 the Group has an obligation and responsibility to rectify and remediate the land in which landfill activities occur. These obligations must be accounted for in accordance with Australian Accounting Standards. At 30 June 2019, the Group held $336.4 million in rectification and remediation provisions. The rectification and remediation provisions were based on discounted cash flow models and incorporated critical estimates in relation to capping, post closure and rectification costs and an appropriate cost escalation rate, the timing of expected expenditure, the possibility of new practices and methodologies being available in the future and the determination of an appropriate discount rate. These estimates were developed based on the specific plans for each site, taking into consideration historical experience and emerging practice in relation to rectification and remediation activities. Because of the subjective nature of the estimates involved in accounting for remediation obligations, this is a key audit matter. Note 26 of the financial report provides further detail on the rectification and remediation provisions.	Our audit procedures included testing the mathematical integrity of the discounted cash flow model and evaluation of the assumptions and methodologies used. We involved our land remediation specialists to assist in the execution of these procedures. With respect to the Group's rectification and remediation provisions, we: • Assessed the competence, qualifications and objectivity of both the Group's internal and external experts used in the determination of the provisions; • Assessed the cost estimates for capping, post closure and rectification activities with reference to available external data and relevant Environment Protection Authority regulations and correspondence; and • Assessed discount rates with reference to observable market inputs. We also assessed the adequacy of the Group's disclosures in the financial report regarding rectification and remediation obligations.

Independent Auditor's Report

to the Members of Cleanaway Waste Management Limited

Information other than the Financial Report and Auditor's Report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the 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 control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

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Auditor's Responsibilities for the Audit of the Financial Report (continued)

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 47 to 63 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Cleanaway Waste Management Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Ernst & Young

Ernst & Young

Brett Croft
Partner
Melbourne

14 August 2019

Other Information

Top 20 Shareholders as at 14 August 2019

RANK	NAME	UNITS	% OF UNITS
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	718,002,997	35.11
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	401,061,511	19.61
3	CITICORP NOMINEES PTY LIMITED	292,410,616	14.30
4	NATIONAL NOMINEES LIMITED	183,300,322	8.96
5	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	59,763,710	2.92
6	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	46,806,647	2.29
7	BNP PARIBAS NOMS PTY LTD <DRP>	34,128,058	1.67
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	32,375,285	1.58
9	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	18,031,927	0.88
10	PETER & LYNDY WHITE FOUNDATION PTY LTD <P & L WHITE FOUNDATION A/C>	13,685,519	0.67
11	JJ RICHARDS & SONS PTY LTD	11,327,813	0.55
12	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	11,276,163	0.55
13	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	9,355,866	0.46
14	PELMAVIGEL PTY LTD	8,584,837	0.42
15	BNP PARIBAS NOMS (NZ) LTD <DRP>	8,576,744	0.42
16	AMP LIFE LIMITED	6,149,953	0.30
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	6,035,032	0.30
18	MILTON CORPORATION LIMITED	5,500,000	0.27
19	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	3,812,974	0.19
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,751,828	0.18
Top 20 Holders of Fully Paid Ordinary Shares		**1,873,937,802**	**91.63**
Total Remaining Holders Balance		**171,074,005**	**8.37**
Total Fully Paid Ordinary Shares on Issue		**2,045,011,807**	**100.00**

Substantial Shareholders

Substantial shareholders as shown in shareholding notices received by the Company as at 14 August 2019 are:

FIL Limited	161,420,983
Marathon Asset Management LLP	122,508,936
Cooper Investors Pty Ltd	118,624,322
Paradice Investment Management Pty Ltd	104,656,253
CBA	104,373,470
Dimensional Fund Advisors	94,987,449

An entity has a substantial shareholding if the total votes attaching to shares in which the entity and their associates have a relevant interest is 5% or more. The list of the 20 largest shareholders is based on the number of shares held in the name of each shareholder on the register of members, even if the shareholder holds the share as a nominee (i.e. no beneficial or relevant interest in the shares). The list of the 20 largest shareholders of the Company and the list of substantial shareholders of the Company differ for this reason.

Statement of Quoted Securities

The Company's total number of shares on issue as at 14 August 2019 was 2,045,011,807 ordinary fully paid shares.

As at 14 August 2019, the total number of shareholders owning these shares was 11,566 on the register of members maintained by Computershare Investor Services Pty Ltd.

91.63% of total issued capital is held by or on behalf of the 20 largest shareholders.

Other Information

Voting Rights

Under the Company's Constitution, every member present is entitled to vote at a general meeting of the Company in person or by proxy or by attorney or, in the case of a corporation, by representative, and shall, upon a show of hands, have one vote only.

Proxies – Where a member is entitled to cast two or more votes it may appoint not more than two proxies or attorneys. Where a member appoints two proxies, neither proxy is entitled to a vote on a show of hands.

Poll – On a poll, every member entitled to vote shall, whether present in person or by proxy or attorney or, in the case of a corporation, by representative, has one vote for every share held by the member.

At 14 August 2019, there were 12,520,625 performance rights on issue to 40 executives under the Company's incentive schemes. Voting rights are not attached to the performance rights unless they have been exercised into ordinary shares.

Distribution Schedule of Shareholders

NO. OF SHARES	1-1,000	1,001-5,000	5,001-10,000	10,001-100,000	100,001 AND OVER	TOTAL
	2,471	4,008	1,962	2,912	213	11,566

The number of shareholders each holding less than a marketable parcel of the Company's ordinary shares ($500 in value) based on the closing price of $2.38 on 14 August 2019 was 295.

Securities Exchange Listing

The shares of the Company are listed on the Australian Securities Exchange under the code CWY.

Company Secretary

Dan Last

Registered Office and Principal Office

Level 4, 441 St Kilda Road, Melbourne, VIC 3004. Telephone: +61 3 8397 5100

Share Registry

Computershare Investor Services Pty Limited, 452 Johnston Street, Abbotsford, VIC 3067. Telephone: 1300 850 505 (within Australia) and +61 3 9415 4000 (outside Australia)

Please contact the Share Registry if you have any questions in relation to your shareholding or wish to update your contact details, banking details, communication preference or DRP election. You can also update your details online by visiting http://www.computershare.com.au/easyupdate/CWY.

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CLEANAWAY
Making a sustainable future possible