Appendix 4E

Results for announcement to the market for the financial year ended 30 June 2018.

ASX Listing Rule 4.3A.

Reporting period

Reporting period: 30 June 2018

Previous corresponding period: 30 June 2017

Results for announcement to the market

	2018 $'M	2017 $'M	UP/DOWN	MOVEMENT
Revenue from ordinary activities	**1,714.3**	1,454.4	Up	17.9%
Profit after income tax	**103.3**	72.5	Up	42.5%
Attributable to:				
Ordinary equity holders of the parent	**103.5**	72.5	Up	42.8%
Non-controlling interest	**(0.2)**	–	Up	–
Profit after income tax	**103.3**	72.5	Up	42.5%

Dividends (distributions)

DIVIDEND INFORMATION	AMOUNT PER SHARE (CENTS)	TAX RATE FOR FRANKING CREDIT
Interim 2018 fully franked dividend (paid 6 April 2018)	**1.1**	30%
Final 2018 fully franked dividend (to be paid 4 October 2018)	**1.4**	30%
Final dividend dates:		
Record date		18 September 2018
Payment date		4 October 2018

A final dividend of 1.4 cents per share has been declared. The Dividend Reinvestment Plan (DRP) will be in operation for the final dividend. The DRP election date is 19 September 2018. Under the DRP, Cleanaway shares will be issued at the average of the daily Volume Weighted Average Price (VWAP) of all shares sold on the ASX over the period from 20 September to 26 September 2018. No discount will be applied to shares issued under the DRP.

Net Tangible Assets (NTA) per security

	2018 CENTS	2017 CENTS
NTA per security	**10.3**	15.0

Commentary on the results for the period

Refer to the 30 June 2018 Consolidated Financial Report, FY18 Full Year Results Media Release and Investor Presentation.

Status of audit

The Consolidated Financial Report for the year ended 30 June 2018, which contains the independent auditor's report, is attached.

Dan Last
Company Secretary

21 August 2018

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DIRECTORS' REPORT

The Directors present their Report (including the Remuneration Report) together with the Consolidated Financial Statements of the Group, consisting of Cleanaway Waste Management Limited (the Company) and its controlled entities (Cleanaway *or* the Group), for the financial year ended 30 June 2018 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.

On 11 May 2018 the Group acquired 100% of the shares on issue in Tox Free Solutions Limited (Toxfree). Further information on the acquisition is included in Note 26 to the Financial Statements and in the Significant changes in the state of affairs, on page 7 of this report. This acquisition has expanded the Group's activities, providing waste services to the healthcare and quarantine sectors.

Dividends

The Company declared a fully franked dividend on ordinary shares for the financial year ended 30 June 2018 of 2.5 cents per share, being an interim dividend of 1.1 cents per share and final dividend of 1.4 cents per share. The record date of the final dividend is 18 September 2018 with payment to be made 4 October 2018. The financial effect of the final dividend has not been brought to account in the Financial Statements for the year ended 30 June 2018 and will be recognised in a subsequent Financial Report.

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

RECOGNISED (PAID AMOUNTS)	2018 $'M	2017 $'M
Fully paid ordinary shares		
Final dividend for 2017: 1.1 cents per share (2016: 0.9 cents per share)	17.5	14.3
Interim dividend for 2018: 1.1 cents per share (2017: 1.0 cents per share)	22.4	15.9
Total dividends paid	**39.9**	**30.2**

Review of results

Financial Results

The Group's statutory profit after income tax (attributable to ordinary equity holders) for the year ended 30 June 2018 was $103.5 million (2017: $72.5 million) and includes the net benefit of $23.4 million related to a reduction in past and future tax liabilities as a result of favourable outcomes related to tax positions taken in previous reporting periods. The Group has incurred acquisition related expenses, net of tax of $16.6 million during the year ended 30 June 2018, 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 2018 of $98.0 million was up by 26.5% on the prior year (2017: $77.5 million).

Operating review

The Group comprises three operating segments being Solid Waste Services, Liquid Waste and Industrial Services, and Toxfree.

Toxfree has been identified as a single segment. Due to the proximity of the acquisition to the period end, there has been no regular reporting to the Group's Chief Operating Decision Maker of the results of the Toxfree business at a lower level.

Unallocated balances include the Group's share of profits from equity accounted investments and corporate balances. A description of the operating segments and a summary of the associated segment results for the year are set out below:

Solid Waste Services

Core business	**Collections** Commercial and industrial (C&I), municipal and residential collection services for all types of solid waste streams, including general waste, recyclables, construction and demolition waste and medical and washroom services, as well as resource recovery and recycling facilities, commodities trading and secure product destruction and quarantine treatment operations. **Post Collections** Ownership and management of waste transfer stations and landfills, including the generation and sale of electricity produced utilising landfill gas.
Financial metrics	Total revenue for the Solid Waste Services segment increased by 16.9% to $1,242.2 million. Underlying EBITDA [1] increased by 9.8% to $282.1 million. Underlying EBIT [2] increased by 14.2% to $157.2 million. The Collections business reported both increased revenues and earnings for the period. Revenue increased by 12.0% and underlying EBITDA increased by 2.9% compared to the previous corresponding period. The Post Collections business also reported increased revenue and earnings for the period. Revenue increased 32.4% and underlying EBITDA increased 21.3% compared to the previous corresponding period.
Performance	**Collections** Revenue has increased compared to the previous corresponding period mainly as a result of organic growth through both volume and pricing initiatives. Margins were impacted by ramp-up costs associated with new contracts and the impact of lower recycling earnings. **Post Collections** Earnings increases were mainly related to increased landfill volumes, especially along the east coast of Australia. Revenue and volumes were also assisted by the new South East Melbourne Transfer Station.
Market review and priorities	Market conditions in the 2018 financial year have remained consistent with the prior year and for the 2019 financial year are not expected to vary materially. Solids' main priorities in the 2019 financial year will revolve around continued focus on revenue growth through further improvements in customer service and operational improvements. Major new contracts are expected to underpin continued revenue growth into the 2019 financial year. Construction of a new transfer station at Erskine Park, Sydney is scheduled for completion in early calendar 2019.

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 and Industrial Services

Core business	Liquid Waste and Industrial Services is a leading operator in the areas of: • Liquid and Hazardous Waste – collection, treatment, processing, refining and recycling of liquid and hazardous waste, including hydrocarbons, for disposal or re-sale. • Industrial Services – services include plant and asset maintenance capabilities, high pressure cleaning, vacuum loading, hydro excavation/non-destructive digging, site remediation, sludge management, concrete remediation, CCTV, corrosion protection and emergency response services.
Financial metrics	Total revenue increased by 3.8% to $440.2 million and Underlying EBITDA increased by 7.0% from $58.9 million to $63.0 million.
Performance	Sustained improvement is continuing in this business, despite mixed market conditions. Revenue and earnings increases were driven by increased volumes of liquids collections and processing, together with higher oil sales.
Market review and priorities	Market conditions for Liquids and Industrial Services are mixed but Cleanaway remains positive about achieving medium to long-term growth. Liquids and Industrial Services' are focussing on the growth of the Industrial Services business with the pipeline of infrastructure work improving and will continue to make further improvements to the sales function.

Toxfree

Core business	Toxfree is a waste services provider with diversified operations across four areas: • Waste Services – solid waste management, bulk liquid waste management, resource recovery and recycling, and landfill management. • Technical and Environmental Services – hazardous and chemical waste, household hazardous waste, persistent organic pollutant management, industrial wastewater, contaminated site remediation, e-waste recycling, gas destruction, environmental services compliance, and waste tracking and reporting. • Industrial Services – high pressure cleaning, pipeline commissioning and servicing, tank cleaning, vacuum loading, non-destructive digging, industrial coatings, chemical cleaning, and emergency response. • Health Services – sharps management, medical waste, pharmaceutical waste, healthcare hazardous waste and quarantine waste.
Financial metrics	Since acquisition on 11 May 2018, Toxfree has contributed $70.7 million to revenue and $12.7 million to underlying EBITDA.
Performance	Results are consistent with management's expectations of earnings for the year ended 30 June 2018, prior to entering in the Scheme to acquire Toxfree.
Market review and priorities	Integration of the Toxfree business into Cleanaway has commenced with a view to achieving synergies of $35.0 million over two years by: integrating corporate and enterprise services, removing duplication in the operating structure, and optimising the footprint of Cleanaway and Toxfree sites.

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							282.1
Liquid Waste and Industrial Services							63.0
Toxfree							12.7
Equity accounted investments							(0.1)
Waste management							357.7
Corporate							(18.0)
EBITDA [2]	**323.1**	**2.5**	**16.3**	–	**(2.2)**	–	**339.7**
Depreciation and amortisation	(173.6)	–	0.3	–	–	–	(173.3)
Change in fair value 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)

Group results for the year ended 30 June 2017

		UNDERLYING ADJUSTMENTS						
	STATUTORY[1] $'M	RE-STRUCTURING COSTS[4] $'M	RE–BRANDING COSTS[5] $'M	ACQUISITION COSTS[6] $'M	REMEDIATION AND RECTIFICATION COSTS[7] $'M	GAIN ON SALE OF PROPERTIES[8] $'M	OTHER[9] $'M	UNDERLYING[1] $'M
Solid Waste Services								257.0
Liquid Waste and Industrial Services								58.9
Equity accounted investments								1.2
Waste management								317.1
Corporate								(15.8)
EBITDA[2]	**314.0**	**6.6**	**3.8**	**2.4**	**(3.5)**	**(22.0)**	–	**301.3**
Depreciation and amortisation	(165.9)	3.6	–	–	3.9	–	–	(158.4)
Impairment of assets	(4.4)	4.4	–	–	–	–	–	–
Change in fair value of non-landfill land and buildings	(0.6)	–	–	–	–	–	0.6	–
EBIT[3]	**143.1**	**14.6**	**3.8**	**2.4**	**0.4**	**(22.0)**	**0.6**	**142.9**
Net finance costs	(34.1)	–	–	–	–	–	0.3	(33.8)
Profit/(loss) before income tax	**109.0**	**14.6**	**3.8**	**2.4**	**0.4**	**(22.0)**	**0.9**	**109.1**
Income tax (expense)/benefit	(36.5)	(4.3)	(1.2)	2.0	(0.1)	8.5	–	(31.6)
Profit/(loss) after income tax	**72.5**	**10.3**	**2.6**	**4.4**	**0.3**	**(13.5)**	**0.9**	**77.5**
Attributable to:								
Ordinary equity holders	**72.5**	**10.3**	**2.6**	**4.4**	**0.3**	**(13.5)**	**0.9**	**77.5**

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, accelerated depreciation and impairment of assets associated with the organisational restructure activities, ceased projects and site closures.

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

6 Acquisition costs include transaction costs and other costs associated with the acquisition of businesses during the period. Tax expense on acquisition costs relates to the tax consequences of acquiring the 50% non-controlling interest in Cleanaway Refiners of $2.3 million less deductions available on acquisition costs of $0.3 million.

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

8 On 3 March 2017, the Group sold two closed landfill sites in Brooklyn, Melbourne for proceeds of $0.8 million.

9 Net finance costs relate to the foreign exchange gain on the USPP borrowings of $2.3 million offset by fair value changes on the mark-to-market valuation of derivative financial instruments of $2.6 million.

Operating review (continued)

Principal risks

The material business risks that could adversely impact the Group's financial prospects in future periods include, but are not limited to, 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 on 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 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 risks management are included in Note 31 to the Financial Statements.

Financial position review

Operating cash flows increased by 16.7% to $221.2 million (2017: decrease of 0.6% to $189.6 million) due mainly to higher profitability of the Group offset by increased tax payments of $25.0 million incurred in the current period compared with $8.6 million incurred during the year ended 30 June 2017.

The Group's net assets have increased from $1,825.0 million to $2,488.1 million.

At balance date the Group had total syndicated debt facilities of $900.0 million (2017: $600.0 million), USPP Notes of nil (2017: US$48.0 million), a financing arrangement with the Clean Energy Finance Corporation of $90.0 million (2017: nil) and an uncommitted bank guarantee facility of $60.0 million (2017: $60.0 million). Further information on the Group's financing facilities is provided in Note 15 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 2018, except as set out below.

On 17 August 2017, Cleanaway entered into a funding arrangement with the Clean Energy Finance Corporation. The agreement provides the Group with an unsecured loan of up to $90.0 million, on a fixed rate 8 year term.

On 11 December 2017, Cleanaway announced it had entered into a Scheme Implementation Deed to acquire 100% of the shares on issue in Tox Free Solutions Limited for $3.425 per share in cash, representing a value of $670.3 million (net of debt and minority interest). The acquisition of Tox Free Solutions Limited was funded by: a fully underwritten $590.4 million 1 for 3.65 pro-rata accelerated non-renounceable entitlement offer comprising an institutional component of $515.2 million and a retail component of $75.2 million; and debt drawn down from a new $900.0 million multi-tranche facility which replaced Cleanaway's $600.0 million multi-tranche syndicated debt facilities. The acquisition was completed on 25 May 2018, however Toxfree was deemed to be acquired by Cleanaway on 11 May 2018 following the court approval of the Scheme on 10 May 2018.

On 18 December 2017, the Group repurchased $62.9 million (US$48.0 million) of US Private Placement Notes (USPP).

On 21 December 2017, Cleanaway issued 381,623,662 shares to eligible institutional shareholders under the institutional component of the pro-rata accelerated non-renounceable offer, raising $515.2 million.

On 31 January 2018, Cleanaway issued 55,700,243 shares under the retail component of the pro-rata accelerated non-renounceable offer, raising $75.2 million.

Events subsequent to reporting date

On 12 July 2018, the Group entered into a binding agreement with Resource Co Holdings Pty Ltd (ResourceCo) to acquire a 50% interest in ResourceCo's new Resource Recovery facility located at Wetherill Park in Western Sydney. The purchase price for the 50% interest comprises a $25.0 million payment at completion, plus deferred consideration of up to a further $25.0 million, payable in two instalments over two years once the facility generates agreed earnings targets. Under the agreement, Cleanaway has control over the acquired entity post-acquisition and will apply the acquisition method to account for the business combination, whereby it will recognise and measure the assets and liabilities of the entity, plus the non-controlling interest related to ResourceCo's 50% interest in the entity, and recognise and measure any residual goodwill. The initial accounting for the business combination was incomplete at the time the Group's financial statements were authorised for issue, and accordingly details of the financial effect of the business combination have not been disclosed.

On 7 August 2018, Cleanaway announced that it had received $25.0 million, being the outstanding tax receivable in relation to total income tax refunds of $29.4 million related to amended tax assessments lodged in respect of the Group's 30 June 2013 to 30 June 2017 tax returns. Further information is provided in Note 9 to the Financial Statements.

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 $65,081 (2017: $142,004).

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

Indemnification of auditors

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

Directors' meetings

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

	BOARD MEETINGS		AUDIT AND RISK COMMITTEE		HEALTH, SAFETY AND ENVIRONMENT COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE	
	MEETINGS HELD WHILE A DIRECTOR	NUMBER ATTENDED	MEETINGS HELD WHILE A MEMBER	NUMBER ATTENDED	MEETINGS HELD WHILE A MEMBER	NUMBER ATTENDED	MEETINGS HELD WHILE A MEMBER	NUMBER ATTENDED
Directors								
M P Chellew [1]	13	13	–	–	–	–	–	–
V Bansal	13	13	–	–	–	–	–	–
R M Smith [2]	13	13	4	4	–	–	3	3
E R Stein	13	12	4	4	4	4	–	–
T A Sinclair	13	13	4	4	–	–	3	3
R M Harding [3]	13	11	–	–	4	4	3	3
P G Etienne [4]	13	13	4	4	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.

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	95,548	–
V Bansal	980,029	6,584,947
R M Smith	83,720	–
E R Stein	103,179	–
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 2018 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 2018 and 2017 financial year are set out in the Remuneration Report. Total performance rights outstanding as at 30 June 2018 are 14,226,030 (2017: 13,971,599). Performance rights outstanding at the date of this report are 13,857,848.

Shares issued on the exercise of performance rights

During the financial year ended 30 June 2018 and up to the date of this report, the Company issued 2,003,894 shares as a result of the exercise of performance rights that vested during the year. During the financial year ended 30 June 2017 and up to the date of the 2017 report, the Company issued 1,622,355 ordinary shares as a result of the exercise of performance rights that vested on 30 June 2017.

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 2018 non-audit services included other advisory services.

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

- The value of non-audit services of $29,561 provided by Ernst & Young during the period was not significant, representing less than 2.0% of the total services;
- All non-audit services were subject to the corporate governance procedures adopted by the Company to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve the reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

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

	2018 $	2017 $
Ernst & Young:		
Audit services	1,191,401	968,625
Audit related services	280,418	82,235
Non-audit services:		
Other advisory services	29,561	20,600
Total	**1,501,380**	**1,071,460**

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 27.

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 11 to 26, 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, 21 August 2018

REMUNERATION REPORT *(AUDITED)*

Contents

The Report contains the following sections:

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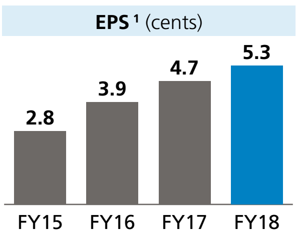
Introduction

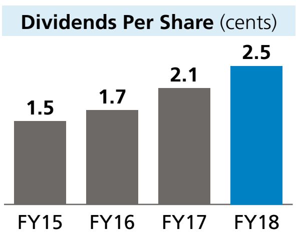
The Directors of Cleanaway Waste Management Limited present the Company's Remuneration Report (the Report) which forms part of the Directors' Report for the financial year ended 30 June 2018. This Report outlines the remuneration arrangements for Key Management Personnel (KMP) of the Group in accordance 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*.

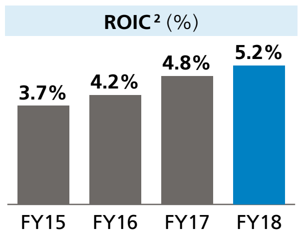
Alignment between company performance and remuneration outcomes

Over the last three years, including FY2018, Cleanaway shareholders have enjoyed improved performance across all key financial metrics as set out in the graphs below. During FY2018 underlying EPS increased 12.8% to 5.3 cents per share, dividends increased by 19.0% to 2.5 cents per share and ROIC increased from 4.8% to 5.2%. Consistent with the improvements in these metrics during FY2018 and over previous periods, Cleanaway has substantially outperformed the ASX200 Industrials Index over the last 3 years, as also set out in the chart below. In addition to the improvement in these financial metrics, there has also been a continued improvement in safety performance during FY2018 and over the last three years.

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 FY2018. In particular, the Directors consider that there is appropriate alignment between Cleanaway shareholders' experience over FY2018 and the outcomes for KMP set out in this Report.



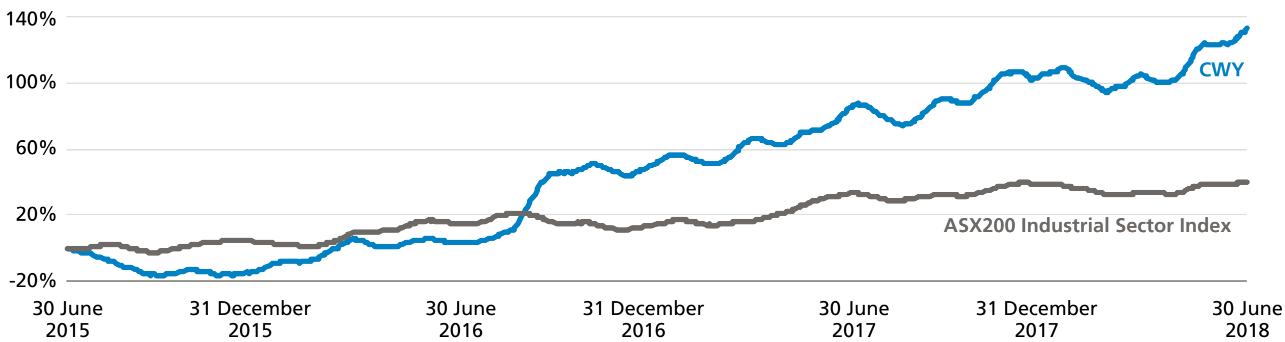




1 Underlying results adjusted for the bonus element of the entitlement offer.

2 Return on Invested Capital calculated as tax effected EBIT divided by average net assets plus net debt. FY2018 excludes impact of Toxfree acquisition.

TOTAL SHAREHOLDER RETURN: CWY VS ASX 200 INDUSTRIAL SECTOR INDEX (XNJ)



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.

KMP for the year ended 30 June 2018 includes the Non-Executive Directors, the Chief Executive Officer (CEO) and Managing Director, and the Chief Financial Officer (CFO). There were no changes to the KMP for the year ending 30 June 2018 and they were KMP for the full year.

The KMP disclosed in this Report for the year ended 30 June 2018 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)

2. *Governance and role of the Board*

2A. Remuneration and Nomination Committee

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

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

The Committee is comprised entirely of independent Non-Executive Directors: Mike Harding (Chairman), Ray Smith 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 2018.

During the year ended 30 June 2018, Remuneration Consultants were engaged to provide broad ranging services to the Company, including the provision of benchmarking data for the senior executive team and Non-Executive Directors, equity incentive design and employee share plans. The fees paid for these services were $141,400 (2017: $112,100).

3. Non-Executive Directors' remuneration

3A. Current Non-Executive Director fees

The remuneration received by Non-Executive Directors for the years ended 30 June 2018 and 30 June 2017 is set out in the following table:

	FINANCIAL YEAR	SALARY AND FEES $	SUPERANNUATION BENEFITS $	TOTAL $
NON-EXECUTIVE DIRECTORS				
M P Chellew	**2018**	**287,451**	**20,049**	**307,500**
	2017	247,108	18,040	265,148
R M Smith	**2018**	**154,492**	**14,677**	**169,169**
	2017	149,303	14,184	163,487
E R Stein	**2018**	**133,897**	**12,719**	**146,616**
	2017	126,414	12,009	138,423
T A Sinclair	**2018**	**133,881**	**12,719**	**146,600**
	2017	126,409	12,009	138,418
R M Harding	**2018**	**145,339**	**13,807**	**159,146**
	2017	140,149	13,314	153,463
P G Etienne	**2018**	**145,339**	**13,807**	**159,146**
	2017	136,714	12,988	149,702
FORMER NON-EXECUTIVE DIRECTOR				
M M Hudson	2017	78,214	5,675	83,889
Total	**2018**	**1,000,399**	**87,778**	**1,088,177**
	2017	1,004,311	88,219	1,092,530

3B. Aggregate fee limit

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

For the year ended 30 June 2018, the aggregate remuneration paid to all Non-Executive Directors was $1,088,177. This represents a decrease of 0.4% compared with FY2017 due to the reduction in the number of Non-Executive Directors that were on the Board.

The Board has conducted a review of the maximum aggregate fee limit for Non-Executive Directors and recommended that shareholders approve the proposed increase of $300,000 to $1,500,000. An increase in the aggregate fee limit will provide the Board with greater flexibility to implement succession planning strategies or increase the size of the Board if considered appropriate and will bring the aggregate fee limit in line with comparable companies. The increase in the aggregate fee limit will require the approval of shareholders at the Company's Annual General Meeting.

3C. Fee structure

The fee structure (inclusive of superannuation) for the year ended 30 June 2018 is detailed in the following table:

	BOARD $	AUDIT AND RISK COMMITTEE $	HEALTH, SAFETY AND ENVIRONMENT COMMITTEE $	REMUNERATION AND NOMINATION COMMITTEE $
Chairman	307,500	30,069	20,046	20,046
Non-Executive Director	131,629	7,500	7,500	7,500

The Board has conducted a review of Non-Executive Director fees and has approved, with effect from 1 July 2018, the following increases to the Non-Executive Director and Chairman base fees and Committee membership fees for each Committee membership. The Board took into consideration several factors including Cleanaway's growth in market capitalisation and increased scale and complexity through this growth and the need to ensure Non-Executive Director fees remain competitive with peer companies.

The fee structure (inclusive of superannuation) from 1 July 2018 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

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. To achieve this, the Group ensures its senior executive remuneration arrangements satisfy the following key criteria:

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

The Board, upon the recommendation of the Remuneration and Nomination Committee, has developed a structure driven by these key criteria which 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

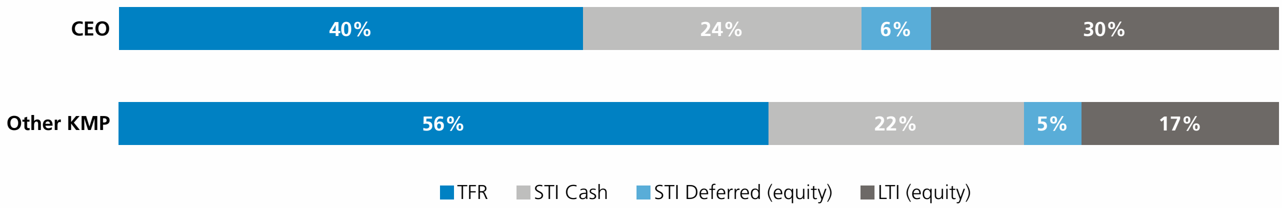
TFR Total Fixed Remuneration	**STI** Short-term Incentive (at risk)		**LTI** Long-term Incentive (at risk)
CASH		**EQUITY**	
Annual TFR (Base Salary plus superannuation) Set based on market and internal relativities, performance and experience	80% of STI outcome paid in September after financial year 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. The target remuneration mix for Executive KMP is illustrated below. For the year ended 30 June 2018, the target remuneration mix for Executive KMP remained unchanged from the previous year.

REMUNERATION MIX AT TARGET



4C. Shareholding guideline

The CEO and senior executive team are encouraged to build and maintain a shareholding in the Company equivalent to:

- CEO – 100% of TFR; and
- Senior executive team – 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 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 2018 and 30 June 2017 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 $	PERFOR-MANCE RELATED
V Bansal[2]	**2018**	**1,253,389**	**1,270,571**	**100,519**	**1,697,888**	**20,049**	**4,342,416**	**68%**
	2017	1,217,884	982,722	96,602	1,206,001	19,616	3,522,825	62%
B J Gill	**2018**	**632,296**	**433,918**	**–**	**388,849**	**20,049**	**1,475,112**	**56%**
	2017	616,061	335,614	–	93,835	19,616	1,065,126	40%
Total	**2018**	**1,885,685**	**1,704,489**	**100,519**	**2,086,737**	**40,098**	**5,817,528**	
	2017	1,833,945	1,318,336	96,602	1,299,836	39,232	4,587,951	

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 FY2018 outcomes is provided in the following sections.

5B. Total fixed remuneration

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

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

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

FY2018 total fixed remuneration outcomes

Executive KMP fixed remuneration was reviewed during the annual remuneration review with the following outcomes:

- Mr Bansal received a total increase in TFR of 2.5% from $1,250,000 to $1,281,250 effective 1 October 2017; and
- Mr Gill received a total increase in TFR of 2.5% from $640,339 to $656,347 effective 1 October 2017.

5C. FY2018 short-term incentive

For the year ended 30 June 2018, 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 2018:

	FY2018 TARGET	FY2018 MAXIMUM
EXECUTIVE KEY MANAGEMENT PERSONNEL		
V Bansal	75%	150%
B J Gill	50%	100%

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

5C. FY2018 short-term incentive (continued)

Key features of the FY2018 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 2017 to 30 June 2018
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. • Business Unit heads and other management roles also have gateways based on financial or key strategic non-financial objectives. • Two additional critical HSE metrics also act as gateway conditions: – That there are no work-related deaths; and – That there are no significant and major rated environmental incidents.
Key Performance Metrics	• Financial metrics – 80% weighting • HSE metrics – 20% weighting
Financial metrics	• Three financial metrics and their respective weightings are: – Group EBITDA – 30% weighting – Group Net Revenue – 20% weighting. Included as it reflects growth in our business. – Group Net Profit After Tax Return on Invested Capital (NPAT ROIC) – 30% weighting. Included as it is aligned with Cleanaway's focus on improving the returns from the net assets employed in our business.
Health, Safety & Environment (HSE) metrics	• Two HSE metrics and their respective weightings are: – Group Total Recordable Injury Frequency Rate (TRIFR) – 15% weighting. Included as it measures the outcome of our injury prevention strategies and programs. – Group Environmental Incidents – 5% weighting. Included as it measures the outcome effectiveness of our environmental risk management strategies and programs. • Each HSE metric has a threshold, target and stretch level of performance with a corresponding STI outcome set out below.
Performance outcomes	• Once gateways are achieved, performance against all financial and HSE metrics 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 senior executives is deferred for 12 months in the form of deferred performance rights. • Performance rights are granted at face value determined by the volume weighted average price of Cleanaway's shares on the ASX during the period 25 June to 29 June 2018. • Performance rights do not attract dividends during the deferral period.

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

5C. FY2018 short-term incentive (continued)

FY2018 short-term incentive outcomes

The following table details 2018 STI scorecard measures and assessment applied to Executive KMP and other executives.

ELEMENT	MEASURE	WEIGHTING	2018 PERFORMANCE ASSESSMENT
Gateway to STI [1]	Group EBITDA - Threshold of on-target budgeted	Gateway	Achieved
Scorecard KPIs	Group Net Revenue	20%	Stretch
	Group EBITDA	30%	Above Target
	Group ROIC	30%	Stretch
	Group TRIFR	15%	Above Threshold
	Group Environmental Incidents	5%	At Target

1 Two additional HSE metrics also act as gateway conditions: That there are no work-related fatalities; and that there are no significant rated environmental incidents.

The STI payments received or receivable by Executive KMP for the year ended 30 June 2018 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	**2018**	**1,588,214**	**1,270,571**	**317,643**	**165.3%**	**87.0%**
	2017	1,228,403	982,722	245,681	131.0%	65.5%
B J Gill	**2018**	**542,397**	**433,918**	**108,479**	**165.3%**	**87.0%**
	2017	419,517	335,614	83,903	131.0%	65.5%

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.

5D. Prior year short-term incentive awards

As participants in the FY2017 STI, Mr Bansal and Mr Gill 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 FY2017 STI deferred component performance rights vested on 30 June 2018 (175,901); and
- Mr Gill's FY2017 STI deferred component performance rights vested on 30 June 2018 (60,072).

5E. FY2018 long-term incentive

Offers under the Cleanaway Long Term Incentive (LTI) Plan are made on an annual basis. During the year ended 30 June 2018, an LTI offer was made to Mr Bansal following shareholder approval at the Company's 2017 AGM as well as to other senior executives including Mr Gill.

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

	FY2018 TARGET	FY2018 MAXIMUM
EXECUTIVE KEY MANAGEMENT PERSONNEL		
V Bansal	75%	150%
B J Gill	30%	60%

The details of the FY2018 LTI offer are summarised in the table below. The number of performance rights granted to each Executive KMP for the year ended 30 June 2018 is outlined in section 7A. The number of performance rights each Executive KMP has on issue as at 30 June 2018 is outlined in section 7B.

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

5E. FY2018 long-term incentive (continued)

Key features of the FY2018 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 2017 to 30 June 2020
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 26 June to 30 June 2017.
Performance hurdles	Performance rights issued under the FY2018 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 peer group of industrial companies of similar size (being the constituents of the S&P/ASX200 Industrial Sector Index); • 25% of the performance rights will be subject to Return On Invested Capital (ROIC) for the year ending 30 June 2020. 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 2020.
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 and with the approval of the Chairman of the Board.
Forfeiture and Lapsing Conditions	Where a participant resigns or is terminated 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 2018	3,311,304

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

5E. FY2018 long-term incentive (continued)

FY2018 LTI performance hurdle vesting conditions

Performance rights issued under the FY2018 plan are subject to three performance measures with the following performance vesting schedules:

Relative TSR performance measured over 3 years from 1 July 2017 to 30 June 2020	**Cleanaway TSR rank against the constituents of the S&P/ASX200 Industrial Sector Index**	**Percentage of TSR performance rights that vest**
	Less than 50th percentile	Nil
	Equal to 50th percentile	50%
	Greater than 50th percentile and up to 75th percentile	Straight line pro rata vesting between 50% and 100%
	At or above 75th percentile	100%
NPAT ROIC performance as measured for the year ending 30 June 2020	**Cleanaway NPAT ROIC**	**Percentage of NPAT ROIC performance rights that vest**
	Less than 5.25%	Nil
	At 5.25%	20%
	Greater than 5.25% and up to 5.75%	Straight line pro rata vesting between 20% and 50%
	Greater than 5.75% and up to 6.5%	Straight line pro rata vesting between 50% and 100%
	At or above 6.5%	100%
EPS CAGR performance measured over 3 years from 1 July 2017 to 30 June 2020	**Cleanaway EPS CAGR**	**Percentage of EPS CAGR performance rights that vest**
	Less than 7.5%	Nil
	At 7.5%	20%
	Greater than 7.5% and up to and including 10%	Straight line pro rata vesting between 20% and 50%
	Greater than 10% and up to and including 12.5%	Straight line pro rata vesting between 50% and 100%
	At or above 12.5%	100%

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

5F. Prior long-term incentive awards

The following table outlines the terms of the outstanding LTI offers made from FY2015 to FY2017:

	FY2015 LTI AWARD [1, 2]	FY2016 LTI AWARD [2]	FY2017 LTI AWARD [2]
Performance period	4 years: 1 July 2014 to 30 June 2018	3 years: 1 July 2015 to 30 June 2018	3 years: 1 July 2016 to 30 June 2019
Overview	Performance rights vesting subject to: • Relative TSR (25%) • ROIC (25%) • Strategic Initiatives (50%)	Performance rights. vesting subject to: • Relative TSR (50%) • ROIC (50%)	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 4.29% – 0% vesting • 4.29% – 20% vesting • 4.29% to 5.29% – straight line vesting between 20% and 50% • 5.29% to 7.29% – straight line vesting between 50% and 100% • 7.29% – 100% vesting	ROIC [3]: • Below 4.6% – 0% vesting • 4.6% – 20% vesting • 4.6% to 5.6% – straight line vesting between 20% and 50% • 5.6% to 7.6% – straight line vesting between 50% and 100% • 7.6% – 100% vesting	ROIC: • Below 4.5% – 0% vesting • 4.5% – 20% vesting • 4.5% to 5.5% – straight line vesting between 20% and 50% • 5.5% to 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% to 10% – straight line vesting between 20% and 50% • 10% to 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 2018	909,964	5,118,910	4,463,902

1 A three-year performance period applied to the relative TSR and ROIC performance measures of the FY2015 LTI and these were tested on 30 June 2017 and partially vested. The remaining strategic initiatives tranche was assessed over four years ending 30 June 2018. Details of the vesting outcomes are contained in Section 5F.

2 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 34 to the Consolidated Financial Statements.

3 Following the commencement of the current CEO in August 2015 the Board adopted a revised calculation of ROIC for the purposes of the LTI Plan consistent with its new Strategy Plan. For the FY2016 LTI and subsequent LTI grants, ROIC performance will be measured as (i) consolidated net profit after tax (excluding interest expense net of tax calculated at the corporate tax rate) of the Group (adjusted for material or other items so as to be expressed on an underlying basis) divided by (ii) Average Invested Capital, as determined by the Board in each case in its sole discretion.

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

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

Prior long-term incentive outcomes

FY2015 LTI

Two tranches of the FY2015 LTI were tested at 30 June 2017 and were partially vested as reported last year. The remaining tranche was subject to strategic initiatives relevant at the time of the offer. Performance against these targets was assessed after 30 June 2018 and the Board determined to lapse the tranche in full given the strategic initiatives were not implemented.

Executive KMP

Mr Gill is the only current or former Executive KMP to participate in the FY2015 LTI. Therefore, 335,570 (100%) of his performance rights will lapse in relation to the strategic initiative tranche.

FY2016 LTI

The FY2016 LTI was tested as at 30 June 2018. Based on Cleanaway's relative TSR and ROIC performance over the performance period from 1 July 2015 to 30 June 2018, the offer will partially vest – with the relative TSR tranche vesting at 100% and the ROIC tranche vesting at 54.50%.

Executive KMP

Both Mr Bansal and Mr Gill participate in the FY2016 LTI. Therefore, 1,419,110 performance rights (100%) of Mr Bansal's TSR tranche and 245,067 performance rights (100%) of Mr Gill's TSR tranche will vest and 773,415 performance rights (54.50%) of Mr Bansal's ROIC tranche and 133,562 performance rights (54.50%) of Mr Gill's ROIC tranche will vest.

5G. FY2019-2020 Toxfree Integration Incentive

The Company completed the acquisition of Tox Free Solutions Limited (Toxfree) 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 the end of FY2020.

In order 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 Board has approved a one-off Toxfree Integration Incentive (TII) offer to be made after the Company's 2018 Annual General Meeting. The TII is an offer of performance rights that will be made to certain executives (including Executive KMP) which will be equivalent to 50% of their STI opportunity. The key performance condition for the TII will relate to achievement of Cleanaway EBITDA in FY2020 that exceeds our internal targets which includes the initial $35.0 million of synergies identified from the Toxfree acquisition. 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.

Further information in relation to the TII will be included in the Company's Notice of Meeting for the 2018 Annual General Meeting.

6. *Executive key management personnel – contract terms*

6A. Current Executive KMP

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

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

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

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

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

In addition, Mr Bansal was entitled to accommodation support, with the Company covering the costs associated with Mr Bansal’s temporary 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 2018 is summarised 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 2018 is set out in the following table:

YEAR ENDED 30 JUNE 2017	BALANCE AT 1 JULY 2017 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 2018 NUMBER
EXECUTIVE KEY MANAGEMENT PERSONNEL							
V Bansal	5,840,133	1,551,912	1,966,260	(631,197)	822,466	–	6,760,848
B J Gill	1,714,951	342,028	436,193	(171,522)	235,571	(231,945)	1,653,512

1 Performance rights were granted to Mr Bansal and Mr Gill under the FY2018 LTI Offer and FY2017 STI on 3 November 2017.

2 The fair value of performance rights granted to Mr Bansal calculated using Monte Carlo simulation and the Black Scholes Model, is $1.03 to $1.48 per Performance Right under the FY2018 LTI Offer. The fair value of performance rights granted to other Executive KMP calculated using Monte Carlo simulation method and the Black Scholes Model, is $1.03 to $1.48 per Performance Right under the FY2018 LTI Offer.

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

7B. Performance rights as at 30 June 2018

The number of performance rights included in the balance at 30 June 2018 for the Executive KMP is set out in the following table:

ISSUED	2015 LTI	2016 LTI	2017 STI	2017 LTI	2018 LTI	BALANCE AT 30 JUNE 2018	VESTED & EXERCISABLE AT THE END OF THE YEAR
EXECUTIVE KEY MANAGEMENT PERSONNEL							
V Bansal	–	2,838,220	175,901	2,370,716	1,376,011	6,760,848	175,901
B Gill	335,570	490,134	60,072	485,780	281,956	1,653,512	60,072

No terms of performance rights transactions 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 5 years. For further explanation of details on Cleanaway performance see the Operating review Section of Director's Report.

	FY2014	FY2015	FY2016	FY2017	FY2018
Profit/(Loss) attributable to ordinary equity holders – $'M	11.5[1]	(23.6)[2]	44.8[3]	72.5[4]	103.5[5]
EPS – cents[6]	0.7	(1.4)	2.8	4.4	5.6
Underlying EPS – cents[6]	5.7	2.8	3.9	4.7	5.3
Dividends per share – cents	1.5	1.5	1.7	2.1	2.5
Shares on issue – number	1,579,323,967	1,579,914,690	1,586,344,605	1,592,889,317	2,036,684,232
Market capitalisation – $'M	$1,595.1	$1,216.5	$1,269.1	$2,198.2	$3,442.0
Share price at 30 June	$1.01	$0.77	$0.80	$1.38	$1.69
Change in share price	$0.21	($0.24)	$0.03	$0.58	$0.31

1 Includes underlying adjustments of $80.5 million after tax.
2 Includes underlying adjustments of $69.3 million after tax.
3 Includes underlying adjustments of $18.5 million after tax.
4 Includes underlying adjustments of $5.0 million after tax.
5 Includes underlying adjustments of $(5.5) million after tax.
6 The calculation of EPS for the current and comparative periods has 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 2018 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	75,000	–	20,548	95,548
R M Smith	65,715	–	18,005	83,720
E R Stein	80,989	–	22,190	103,179
T A Sinclair	38,789	–	10,628	49,417
R M Harding	12,644	–	3,465	16,109
P G Etienne	13,737	–	24,019	37,756
EXECUTIVE KEY MANAGEMENT PERSONNEL				
V Bansal	–	631,197	172,931	804,128
B J Gill	–	171,522	46,993	218,515

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

Building a better
working world

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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 2018, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Brett Croft
Partner

21 August 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2018

	NOTES	2018 $'M	2017 $'M
Revenue	6	1,714.3	1,454.4
Other income	7	5.1	22.4
Labour related expenses		(642.0)	(589.4)
Collection, recycling and waste disposal expenses		(472.7)	(359.0)
Fleet operating expenses		(168.4)	(131.8)
Property expenses		(49.1)	(40.1)
Other expenses		(64.0)	(43.7)
Share of profits from equity accounted investments	22	(0.1)	1.2
Profit from operations before depreciation and amortisation		**323.1**	**314.0**
Depreciation and amortisation expense		(173.6)	(165.9)
Impairment of assets	20	–	(4.4)
Change in fair value of non-landfill land and buildings		(0.2)	(0.6)
Profit from operations		**149.3**	**143.1**
Net finance costs	8	(31.5)	(34.1)
Profit before income tax		**117.8**	**109.0**
Income tax expense	9	(14.5)	(36.5)
Profit after income tax		**103.3**	**72.5**
Attributable to:			
Ordinary equity holders		103.5	72.5
Non-controlling interest		(0.2)	–
Profit after income tax		**103.3**	**72.5**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	NOTES	2018 $'M	2017 $'M
Profit after income tax		**103.3**	**72.5**
Other comprehensive income (not to be reclassified to profit or loss in subsequent periods)			
Revaluation of non-landfill land and buildings (net of tax)		6.3	(5.7)
Net comprehensive (loss)/income recognised directly in equity		**6.3**	**(5.7)**
Total comprehensive income for the year		**109.6**	**66.8**
Attributable to:			
Ordinary equity holders		109.8	66.8
Non-controlling interest		(0.2)	–
Total comprehensive income for the year		**109.6**	**66.8**
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	10	5.6	4.4
Diluted earnings per share (cents)	10	5.6	4.4

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	NOTES	2018 $'M	2017 $'M
Assets			
Current assets			
Cash and cash equivalents	11	52.0	43.2
Trade and other receivables	12	369.5	247.9
Inventories	13	21.0	11.1
Income tax receivable		7.4	–
Derivative financial instruments	30	–	8.3
Assets held for sale		8.8	8.8
Other assets		15.4	15.5
Total current assets		**474.1**	**334.8**
Non-current assets			
Property, plant and equipment	20	1,200.2	936.5
Intangible assets	21	2,279.0	1,585.3
Equity accounted investments	22	13.8	11.5
Net deferred tax assets	9	53.6	89.5
Other financial assets	31	4.2	–
Other assets		3.9	–
Total non-current assets		**3,554.7**	**2,622.8**
Total assets		**4,028.8**	**2,957.6**
Liabilities			
Current liabilities			
Trade and other payables	14	246.2	177.6
Income tax payable		–	16.7
Interest-bearing liabilities	15	13.5	62.4
Employee entitlements	23	75.7	46.0
Provisions	24	61.6	55.6
Other liabilities	25	25.0	22.1
Total current liabilities		**422.0**	**380.4**
Non-current liabilities			
Interest-bearing liabilities	15	711.7	307.8
Employee entitlements	23	4.5	8.4
Provisions	24	271.3	302.6
Other liabilities	25	131.2	133.4
Total non-current liabilities		**1,118.7**	**752.2**
Total liabilities		**1,540.7**	**1,132.6**
Net assets		**2,488.1**	**1,825.0**
Equity			
Issued capital	16	2,671.0	2,083.0
Reserves	17	51.9	40.4
Retained earnings		(234.8)	(298.4)
Parent entity interest		2,488.1	1,825.0
Total equity		**2,488.1**	**1,825.0**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	PARENT ENTITY INTEREST				NON-CONTROLLING INTEREST $'M	TOTAL EQUITY $'M
	ORDINARY SHARES $'M	RESERVES $'M	RETAINED EARNINGS $'M	TOTAL $'M		
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**
At 1 July 2016	**2,076.4**	**43.3**	**(344.8)**	**1,774.9**	**6.6**	**1,781.5**
Profit for period	–	–	72.5	**72.5**	–	**72.5**
Other comprehensive income	–	(5.7)	–	**(5.7)**	–	**(5.7)**
Total comprehensive income for the year	–	(5.7)	72.5	**66.8**	–	**66.8**
Share-based payment expense	–	2.8	–	**2.8**	–	**2.8**
Dividends reinvested/(paid)	6.6	–	(30.2)	**(23.6)**	–	**(23.6)**
Acquisition of non-controlling interest	–	–	4.1	**4.1**	(6.6)	**(2.5)**
Balance at 30 June 2017	**2,083.0**	**40.4**	**(298.4)**	**1,825.0**	–	**1,825.0**

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 2018

	NOTES	2018 $'M	2017 $'M
Cash flows from operating activities			
Profit before income tax		117.8	109.0
Adjustments for:			
Depreciation and amortisation expense		173.6	165.9
Impairment of assets		–	4.4
Write back of remediation provision related to closed sites		–	(3.1)
Net finance costs		31.5	34.1
Share-based payment expense		3.8	1.9
Change in fair value of non-landfill land and buildings		0.2	0.6
Share of losses/(profits) from equity accounted investments		0.1	(1.2)
Net gain on disposal of property, plant and equipment		(4.6)	(22.5)
Other non-cash items		1.1	(0.9)
Net cash from operating activities before changes in assets and liabilities		**323.5**	**288.2**
Changes in assets and liabilities:			
Increase in receivables		(37.9)	(23.3)
Decrease/(increase) in other assets		2.1	(1.3)
(Increase)/decrease in inventories		(4.1)	0.7
Increase/(decrease) in payables		14.9	(1.0)
Increase in employee entitlements		4.4	5.4
Decrease in other liabilities		(2.4)	(6.6)
Decrease in provisions		(40.0)	(44.1)
Cash generated from operating activities		**260.5**	**218.0**
Net interest paid		(14.3)	(19.8)
Income taxes paid		(25.0)	(8.6)
Net cash from operating activities		**221.2**	**189.6**
Cash flows from investing activities			
Payments for property, plant and equipment		(135.8)	(144.1)
Payments for intangible assets		(7.7)	(11.2)
Payments for purchase of businesses and non-controlling interest		(582.3)	(31.7)
Payment of special dividend to Toxfree shareholders	26	(113.5)	–
Proceeds from disposal of property, plant and equipment		7.3	2.4
Payments for equity accounted investments		(7.8)	–
Dividends received from equity accounted investments		1.6	0.8
Loans advanced		(0.4)	–
Net cash used in investing activities		**(838.6)**	**(183.8)**
Cash flows from financing activities			
Proceeds from borrowings		885.0	72.0
Repayment of borrowings		(824.4)	(58.2)
Repayment of finance lease liabilities		(4.0)	–
Net proceeds from settlement of derivatives		8.7	–
Payment of debt and equity raising costs		(23.3)	(0.6)
Proceeds from issue of ordinary shares		590.4	–
Payment of dividends to ordinary equity holders		(32.9)	(23.6)
Payment of dividends to non-controlling interests		(0.1)	–
Repayment of loan to related parties		–	(0.5)
Net cash from/(used in) financing activities		**599.4**	**(10.9)**
Net decrease in cash and cash equivalents		**(18.0)**	**(5.1)**
Cash and cash equivalents at the beginning of the year		43.2	48.3
Cash acquired		26.8	–
Cash and cash equivalents at the end of the year	11	**52.0**	**43.2**

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 2018

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 2018 were authorised for issue in accordance with a resolution of the Directors on 21 August 2018.

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 38 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, oil prices (in relation to oil recycling activities) 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 21 and note 38(e).

4. Critical accounting estimates and judgements (continued)

(b) Landfill asset depreciation

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

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

(c) Provision for landfill remediation and rectification

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

The provisions for remediation and rectification for each landfill site are periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for remediating open sites, still accepting waste, are recognised in the 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.

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

(d) Taxation

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

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

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

(e) Acquisition of Toxfree

On 11 May 2018, the Group completed the acquisition of Tox Free Solutions Limited (refer note 26 of the financial statements).

The valuation of identified intangible assets acquired have been based on the preliminary assessment undertaken by a valuation expert engaged by Cleanaway. This preliminary assessment incorporates certain judgements and estimates in relation to number of factors to derive fair values for customer intangibles including revenue growth rates, EBITDA margins, customer attrition rates, contributory asset charges and other key assumptions applied in the valuation process.

The valuation of the remediation liabilities identified at the acquisition date was based on a preliminary assessment undertaken by an external valuation expert engaged by Cleanaway. This assessment involved making certain assumptions about the risk rating related to each of the sites and the timeframe of when the sites may require remediation.

5. Segment reporting

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

- **Solid Waste Services**

  Solid Waste Services operates in the areas of:

  - Collections – commercial and industrial (C&I), municipal and residential collection services for all types of solid waste streams, including general waste, recyclables, construction and demolition waste and medical and washroom services, as well as resource recovery and recycling facilities, commodities trading and secure product destruction and quarantine treatment operations.
  - Post Collections – ownership and management of waste transfer stations and landfills, including the generation and sale of electricity produced utilising landfill gas.

- **Liquid Waste and Industrial Services**

  Liquid Waste and Industrial Services is a leading operator in the areas of:

  - Liquid and Hazardous Waste – collection, treatment, processing, refining and recycling of liquid and hazardous waste, including hydrocarbons, for disposal and re-sale.
  - Industrial Services – services include plant and asset maintenance capabilities, high pressure cleaning, vacuum loading, hydro excavation/non-destructive digging, site remediation, sludge management, concrete remediation, CCTV, corrosion protection and emergency response services.

- **Toxfree**

  Toxfree has been identified as a single segment. Due to the proximity of the acquisition to the period end, there has been no regular reporting to the Group's Chief Executive Officer (Chief Operating Decision Maker) of the results of the Toxfree business at a lower level.

  Toxfree is a waste services provider with diversified operations across four areas:

  - Waste Services – solid waste management, bulk liquid waste management, resource recovery and recycling, and landfill management.
  - Technical and Environmental Services – hazardous and chemical waste, household hazardous waste, persistent organic pollutant management, industrial wastewater, contaminated site remediation, e-waste recycling, gas destruction, environmental services compliance, and waste tracking and reporting.
  - Industrial Services – high pressure cleaning, pipeline commissioning and servicing, tank cleaning, vacuum loading, non-destructive digging, industrial coatings, chemical cleaning, and emergency response.
  - Health Services – sharps management, medical waste, pharmaceutical waste, healthcare hazardous waste and quarantine waste.

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.

5. Segment reporting (continued)

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

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

The Group has the following allocation policies:

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

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

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.

	OPERATING SEGMENTS					UNALLOCATED		
2018	SOLID WASTE SERVICES $'M	LIQUID WASTE AND INDUSTRIAL SERVICES $'M	TOXFREE $'M	ELIMINATIONS $'M	TOTAL OPERATING SEGMENTS $'M	EQUITY ACCOUNTED INVESTMENTS $'M	CORPORATE $'M	GROUP $'M
Revenue								
Sales of goods and services	1,210.3	399.0	69.5	–	1,678.8	–	–	1,678.8
PSO benefits [1]	–	19.4	–	–	19.4	–	–	19.4
Other revenue	14.6	1.2	0.3	–	16.1	–	–	16.1
Inter-segment sales	17.3	20.6	0.9	(38.8)	–	–	–	–
Total revenue	**1,242.2**	**440.2**	**70.7**	**(38.8)**	**1,714.3**	–	–	**1,714.3**
Underlying EBITDA	**282.1**	**63.0**	**12.7**	–	**357.8**	**(0.1)**	**(18.0)**	**339.7**
Depreciation and amortisation	(124.9)	(27.5)	(6.6)	–	(159.0)	–	(14.3)	(173.3)
Underlying EBIT	**157.2**	**35.5**	**6.1**	–	**198.8**	**(0.1)**	**(32.3)**	**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	124.2	9.3	1.9	–	135.4	–	0.4	135.8
Intangible assets	1.2	–	–	–	1.2	–	6.5	7.7

1 Product Stewardship for Oil benefits.

5. Segment reporting (continued)

2017	OPERATING SEGMENTS				UNALLOCATED		
	SOLID WASTE SERVICES $'M	LIQUID WASTE AND INDUSTRIAL SERVICES $'M	ELIMINATIONS $'M	TOTAL OPERATING SEGMENTS $'M	EQUITY ACCOUNTED INVESTMENTS $'M	CORPORATE $'M	GROUP $'M
Revenue							
Sales of goods and services	1,034.9	384.2	–	1,419.1	–	–	1,419.1
PSO benefits [1]	–	16.6	–	16.6	–	–	16.6
Other revenue	16.0	2.5	–	18.5	–	0.2	18.7
Inter-segment sales	11.6	20.7	(32.3)	–	–	–	–
Total revenue	**1,062.5**	**424.0**	**(32.3)**	**1,454.2**	–	**0.2**	**1,454.4**
Underlying EBITDA	**257.0**	**58.9**	–	**315.9**	**1.2**	**(15.8)**	**301.3**
Depreciation and amortisation	(119.4)	(26.8)	–	(146.2)	–	(12.2)	(158.4)
Underlying EBIT	**137.6**	**32.1**	–	**169.7**	**1.2**	**(28.0)**	**142.9**
Restructuring costs [2]							(14.6)
Rebranding costs							(3.8)
Acquisition costs							(2.4)
Remediation and rectification costs							(0.4)
Gain on sale of properties							22.0
Revaluation of non-landfill land and buildings							(0.6)
Profit from operations (EBIT)							**143.1**
Net finance costs							(34.1)
Profit before income tax							**109.0**
Income tax expense							(36.5)
Profit after income tax							**72.5**
Capital expenditure:							
Property, plant and equipment	128.1	14.1	–	142.2	–	1.9	144.1
Intangible assets	2.1	–	–	2.1	–	9.1	11.2

1 Product Stewardship for Oil benefits.

2 Includes accelerated depreciation of $3.6 million and impairment of assets of $4.4 million.

6. Revenue

	2018 $'M	2017 $'M
Sale of goods and services	1,678.8	1,419.1
Product Stewardship for Oil (PSO) benefits	19.4	16.6
Other revenue	16.1	18.7
	1,714.3	**1,454.4**

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

7. Other income

	2018 $'M	2017 $'M
Gain on disposal of property, plant and equipment [1]	4.6	22.5
Other	0.5	(0.1)
	5.1	**22.4**

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 (2017: $28.0 million). Refer to note 24.

8. Net finance costs

	2018 $'M	2017 $'M
Finance costs		
Interest on borrowings	(15.4)	(18.8)
Interest on finance leases	(1.5)	–
Amortisation of capitalised borrowing costs	(2.4)	(0.5)
Unwind of discount on provisions and other liabilities	(15.1)	(14.9)
Foreign currency exchange (loss)/gain on USPP borrowings	(0.5)	2.3
Change in fair value of derivative instruments related to USPP borrowings	0.4	(2.6)
	(34.5)	**(34.5)**
Finance income		
Interest revenue	3.0	0.4
	3.0	**0.4**
Net finance costs	**(31.5)**	**(34.1)**

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

9. Income tax

(a) Amounts recognised in the Consolidated Income Statement

	2018 $'M	2017 $'M
Current tax expense		
Current year	32.3	19.0
Adjustments in respect of prior years	(28.7)	(4.3)
	3.6	14.7
Deferred tax expense		
Origination and reversal of temporary differences	0.6	16.8
Adjustments in respect of prior years	10.3	5.0
	10.9	21.8
Income tax expense	**14.5**	**36.5**

(b) Amounts recognised directly in equity

Deferred income tax benefit on items charged directly to equity for the year totalled $2.6 million (2017: $3.5 million), which relate to the tax effect of items recognised in the asset revaluation reserve of $2.7 million expense (2017: $2.6 million benefit), the employee equity benefits reserve of $1.4 million benefit (2017: $0.9 million benefit), and ordinary shares in relation to capital raising costs of $3.9 million benefit (2017: nil).

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

	2018 $'M	2017 $'M
Profit before tax	117.8	109.0
Income tax using the corporation tax rate of 30% (2017: 30%)	35.3	32.7
Decrease in income tax expense due to:		
Share of losses/(profits) from equity accounted investments	0.1	(0.5)
Non-deductible expenses	0.3	0.8
Business acquisition costs	3.8	–
Adjustments in respect of prior years – Landfill depreciation adjustment [1]	(17.9)	–
Adjustments in respect of prior years	(0.5)	0.7
Research and development tax credits	(2.4)	(2.2)
Entry of subsidiary into the Tax Consolidated Group	–	2.3
Non-deductible CGT loss on sale of properties	1.0	1.9
Employee share plan expenses	(0.2)	–
New Zealand tax review [2]	(5.0)	–
Other	–	0.8
Income tax expense	**14.5**	**36.5**

1 The Australian Taxation Office (ATO) has 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 During the period, 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 has 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:

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)	–	3.7	–	38.1
Employee benefits	17.1	2.3	–	–	6.5	–	25.9
Provisions	107.5	(15.0)	–	–	9.1	–	101.6
Other	8.5	(3.3)	–	5.3	2.8	(0.1)	13.2
Deferred tax liabilities							
Intangible assets	(67.9)	3.5	–	–	(45.3)	–	(109.7)
Other	(19.5)	8.3	–	–	(4.3)	–	(15.5)
Net deferred tax assets	**89.5**	**(10.9)**	**(2.7)**	**5.3**	**(27.5)**	**(0.1)**	**53.6**

2017	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	50.6	(9.4)	2.6	–	–	–	43.8
Employee benefits	17.1	(0.2)	–	–	0.2	–	17.1
Provisions	123.1	(15.6)	–	–	–	–	107.5
Other	6.8	1.0	–	0.9	–	(0.2)	8.5
Deferred tax liabilities							
Intangible assets	(67.9)	2.5	–	–	(2.5)	–	(67.9)
Other	(19.4)	(0.1)	–	–	–	–	(19.5)
Net deferred tax assets	**110.3**	**(21.8)**	**2.6**	**0.9**	**(2.3)**	**(0.2)**	**89.5**

10. Earnings per share

	2018	2017 Restated
Basic earnings per share (cents)	5.6	4.4
Diluted earnings per share (cents)	5.6	4.4

(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:

	2018 $'M	2017 $'M
Profit after income tax	103.3	72.5
Net loss attributable to non-controlling interests	0.2	–
Profit after tax attributable to ordinary equity holders	**103.5**	**72.5**

The calculation of weighted average number of ordinary shares for the current and comparative periods have been adjusted to reflect the bonus element in the non-renounceable entitlement offer which occurred during December 2017 and January 2018.

Reconciliation of weighted average number of ordinary shares:

	2018	2017 Restated
Weighted average number of ordinary shares used as the denominator in calculating earnings per share		
Number for basic earnings per share	1,843,122,437	1,639,473,055
Effect of potential ordinary shares	14,307,587	12,917,446
Number for diluted earnings per share	**1,857,430,024**	**1,652,390,501**

(ii) Diluted earnings per share

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

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

11. Cash and cash equivalents

Composition of cash and cash equivalents

	2018 $'M	2017 $'M
Cash at bank and on hand	52.0	43.2
	52.0	**43.2**

The Group has pledged $1.6 million (2017: nil) of its short-term deposits to fulfil collateral requirements in relation to contingent liabilities and corporate credit card facilities.

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

12. Trade and other receivables

	2018 $'M	2017 $'M
Trade receivables	364.2	245.0
Provision for doubtful debts	(2.6)	(3.1)
	361.6	241.9
Other receivables	7.9	6.0
	369.5	**247.9**

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

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

	2018 $'M	2017 $'M
Not past due	257.5	175.0
Past due 1 – 30 days	63.7	40.2
Past due 31 – 120 days	33.8	17.1
Past due 121 days or more	9.2	12.7
	364.2	**245.0**

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

	2018 $'M	2017 $'M
Opening balance	3.1	7.8
Provisions acquired	0.6	–
Provisions recognised	8.4	2.6
Reversal of provisions	(3.0)	(2.4)
Utilisation of provisions	(6.5)	(4.9)
Closing balance	**2.6**	**3.1**

No single customer's annual revenue is greater than 2.1% (2017: 2.3%) 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

	2018 $'M	2017 $'M
Raw materials and consumables – at cost	6.0	4.3
Work in progress – at cost	4.5	–
Finished goods – at cost	10.5	6.8
	21.0	**11.1**

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

14. *Trade and other payables*

	2018 $'M	2017 $'M
Trade payables	112.9	91.0
Other payables and accruals	133.3	86.6
	246.2	**177.6**

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

15. *Interest-bearing liabilities*

	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 [1]	–	–	–	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**

1 Finance leases have been utilised to fund the purchase of fleet for new and renewed contracts.

Bank loans and the Clean Energy Finance Corporation loan are net of capitalised transaction costs of $10.4 million (2017: $1.2 million). Refer to note 38(n) for the Group's accounting policy on borrowings.

Financing facilities

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

FACILITY			AMOUNT	MATURITY
Syndicated Facility Agreement	Facility A	working capital tranche	$135 million	31 July 2020
	Facility B	4 year revolver	$200 million	31 July 2022
	Facility C	5 year revolver	$315 million	31 July 2023
	Facility D	3 year term loan	$250 million	31 July 2021
Clean Energy Finance Corporation		8 year term loan	$90 million	17 August 2025
Uncommitted bank guarantee facility			$60 million	31 December 2018

15. Interest-bearing liabilities (continued)

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 [1, 2]	135.0	(86.1)	48.9
	Facility B [3]	200.0	(200.0)	–
	Facility C [3]	315.0	(89.0)	226.0
	Facility D [3]	250.0	(250.0)	–
Clean Energy Finance Corporation [4]		90.0	(90.0)	–
Bank guarantee facilities [1]		61.6	(56.7)	4.9
		1,051.6	**(771.8)**	**279.8**

1 These facilities include $122.8 million (2017: $123.7 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 (2017: nil) of corporate credit card limit utilisation and $8.6 million (2017: nil) of outstanding finance lease commitments.

3 These facilities represent the amount drawn down as 'bank loans' excluding the capitalised transaction costs of $9.7 million (2017: $1.2 million). Capitalised transaction costs of $0.3 million (2017: nil) were acquired during the period.

4 The CEFC facility was entered into on 17 August 2017. The amount utilised excludes capitalised transaction costs of $0.7 million (30 June 2017: nil).

The headroom available in the Group's facilities at 30 June 2017 is summarised below:

		AVAILABLE $'M	UTILISED $'M	NOT UTILISED $'M
Syndicated Facility Agreement	Facility A	135.0	(79.1)	55.9
	Facility B	130.0	(130.0)	–
	Facility C	335.0	(165.0)	170.0
US Private Placement Notes (USPP)		62.4	(62.4)	–
Bank guarantee facilities		62.9	(58.6)	4.3
		725.3	**(495.1)**	**230.2**

16. Issued capital

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

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

	2018		2017	
	NUMBER OF SHARES	$'M	NUMBER OF SHARES	$'M
Opening balance	1,592,889,317	2,083.0	1,586,344,605	2,076.4
Issue of shares under dividend reinvestment plan	4,835,298	7.0	5,760,784	6.6
Issue of shares under employee incentive plan	1,635,712	–	783,928	–
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	**2,036,684,232**	**2,671.0**	**1,592,889,317**	**2,083.0**

1 Relates to shares issued in December 2017 and January 2018 under the non-renounceable entitlement offer announced 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 $12.8 million was paid at 30 June 2018.

17. Reserves

	2018 $'M	2017 $'M
Asset revaluation reserve	35.5	29.2
Employee equity benefits reserve	16.4	11.2
	51.9	**40.4**

(a) Asset revaluation reserve

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

	2018 $'M	2017 $'M
Opening balance	29.2	34.9
Revaluation of land and buildings (net of tax)	6.3	(5.7)
Closing balance	**35.5**	**29.2**

(b) Employee equity benefits reserve

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

	2018 $'M	2017 $'M
Opening balance	11.2	8.4
Share-based payment expense (net of tax)	5.2	2.8
Closing balance	**16.4**	**11.2**

18. Dividends

The Company declared a fully franked dividend on ordinary shares for the financial year ended 30 June 2018 of 2.5 cents per share, being an interim dividend of 1.1 cents per share and final dividend of 1.4 cents per share. The record date of the final dividend is 18 September 2018 with payment to be made on 4 October 2018.

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

	2018 $'M	2017 $'M
Dividends paid during the period		
Final dividend relating to prior period	17.5	14.3
Interim dividend relating to current period	22.4	15.9
	39.9	**30.2**
Dividends determined in respect of the period		
Interim dividend relating to current period	22.4	15.9
Final dividend relating to current period	28.5	17.5
	50.9	**33.4**

	2018 CENTS PER SHARE	2017 CENTS PER SHARE
Dividends paid during the period		
Final dividend relating to prior period	1.1	0.9
Interim dividend relating to current period	1.1	1.0
	2.2	**1.9**
Dividends determined in respect of the period		
Interim dividend relating to current period	1.1	1.0
Final dividend relating to current period	1.4	1.1
	2.5	**2.1**

Franking credit balance

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

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

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

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

	2018 $'M	2017 $'M
30% franking credits available for subsequent financial years [1]	1.4	17.9

1 The payment of the final 2018 dividend determined after 30 June 2018 will reduce the franking account by $12.2 million.

19. 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 15.

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:

	2018 $'M	2017 $'M
Current interest-bearing liabilities	13.5	62.4
Non-current interest-bearing liabilities	711.7	307.8
Less cash and cash equivalents	(52.0)	(43.2)
Net debt	**673.2**	**327.0**
Total equity	**2,488.1**	**1,825.0**
Gearing ratio [1]	**21.3%**	**15.2%**

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

20. Property, plant and equipment

2018	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	143.3	241.7	43.7	447.3	60.5	936.5
Additions	–	–	–	–	231.1	231.1
Acquisitions of businesses	6.5	–	2.3	184.3	7.0	200.1
Net movement in landfill assets [2]	–	(10.1)	–	–	–	(10.1)
Disposals	–	(5.8)	–	(2.6)	–	(8.4)
Transfer of assets	6.6	26.9	8.8	177.5	(221.1)	(1.3)
Revaluations	8.8	–	–	–	–	8.8
Depreciation	(2.3)	(44.1)	(3.4)	(106.7)	–	(156.5)
Closing net book value	**162.9**	**208.6**	**51.4**	**699.8**	**77.5**	**1,200.2**
Cost or fair value	169.6	575.5	62.3	1,742.7	77.5	2,627.6
Accumulated depreciation	(6.7)	(366.9)	(10.9)	(1,042.9)	–	(1,427.4)
Net book value	**162.9**	**208.6**	**51.4**	**699.8**	**77.5**	**1,200.2**

1 The carrying value of plant and equipment held under finance leases at 30 June 2018 was $98.8 million (2017: nil).
2 Net movement in landfill assets reflects adjustments to the remediation provision for open landfill sites. Refer to accounting policy note 38(k).

2017	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	160.2	198.6	32.0	447.2	59.1	897.1
Additions	–	–	–	–	175.5	175.5
Acquisitions of businesses	–	–	–	9.2	–	9.2
Net movement in landfill assets	–	23.4	–	–	–	23.4
Disposals	–	(5.2)	(0.1)	(1.2)	–	(6.5)
Transfer of assets	(5.8)	75.7	14.5	94.1	(174.1)	4.4
Revaluations	(8.9)	–	–	–	–	(8.9)
Impairment of assets	–	(1.9)	–	(2.5)	–	(4.4)
Depreciation	(2.2)	(48.9)	(2.7)	(99.5)	–	(153.3)
Closing net book value	**143.3**	**241.7**	**43.7**	**447.3**	**60.5**	**936.5**
Cost or fair value	150.0	564.8	51.1	1,434.9	60.5	2,261.3
Accumulated depreciation	(6.7)	(323.1)	(7.4)	(987.6)	–	(1,324.8)
Net book value	**143.3**	**241.7**	**43.7**	**447.3**	**60.5**	**936.5**

20. Property, plant and equipment (continued)

Accounting for landfill assets

The Group is responsible for a total of 14 landfills (2017: 15 landfills). Of the 14 landfills, eight are closed. Those that are open are expected to close between 2019 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 38(k) for further details on the Group's accounting policy on landfill assets.

Valuations of non-landfill land and buildings

Non-landfill land and buildings are shown at fair value in the Consolidated Balance Sheet, based on periodic valuations by external independent valuers, less subsequent depreciation of buildings. The current valuation selection process ensures that each property is valued at least every three years. The latest independent valuations were completed at 30 June 2018. Land and buildings are combined for the purposes of determining fair value as this is how management view its property and associated value. The fair values are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different to their fair values.

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

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

2018	LEVEL 1 $'M	LEVEL 2 $'M	LEVEL 3 $'M	TOTAL [1] $'M	AMOUNT EXPENSED $'M
Residential	–	0.6	–	0.6	–
Regional industrial	–	–	52.0	52.0	–
Metropolitan industrial	–	–	110.3	110.3	(0.2)
Total	–	**0.6**	**162.3**	**162.9**	**(0.2)**

2017	LEVEL 1 $'M	LEVEL 2 $'M	LEVEL 3 $'M	TOTAL [1] $'M	AMOUNT EXPENSED $'M
Residential	–	0.2	–	0.2	(0.2)
Regional industrial	–	–	40.5	40.5	(0.4)
Metropolitan industrial	–	–	102.6	102.6	–
Total	–	**0.2**	**143.1**	**143.3**	**(0.6)**

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 change in fair value 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).

20. Property, plant and equipment (continued)

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

	VALUATION TECHNIQUE	KEY UNOBSERVABLE INPUTS	RANGE 2018	RANGE 2017
Regional industrial	**Summation**	Price per square metre	$2-260	$2-250
		Depreciation replacement cost	$172-1019	$172-1019
	Capitalisation	Capitalisation rate	9.75%	9.75%
		Leased income per square metre	$125	$125
	Direct comparison	Price per square metre	$100-1401	$60-1401
Metropolitan industrial	**Summation**	Price per square metre	$15-575	$15-360
		Depreciation replacement cost	$35-974	$35-726
	Capitalisation	Capitalisation rate	7%-10%	7%-10%
		Leased income per square metre	$40-153	$40-153
	Direct comparison	Price per square metre	$70-1831	$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:

	2018 $'M	2017 $'M
Land		
Cost	77.8	75.2
Buildings		
Cost	73.6	72.4
Accumulated depreciation	(23.6)	(23.6)
	50.0	**48.8**
Total net book value	**127.8**	**124.0**

21. Intangible assets

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	543.7	–	–	151.1	7.2	702.0
Transfers from PPE	–	–	–	–	2.2	2.2
Amortisation	–	(6.3)	–	(4.3)	(6.5)	(17.1)
Closing net book value	**1,773.1**	**239.9**	**78.6**	**158.0**	**29.4**	**2,279.0**
Cost or fair value	1,773.1	255.1	78.6	195.2	66.4	2,368.4
Accumulated amortisation	–	(15.2)	–	(37.2)	(37.0)	(89.4)
Net book value	**1,773.1**	**239.9**	**78.6**	**158.0**	**29.4**	**2,279.0**

2017	GOODWILL $'M	LANDFILL AIRSPACE $'M	BRAND NAMES $'M	CUSTOMER INTANGIBLES AND LICENCES $'M	OTHER INTANGIBLES $'M	TOTAL $'M
Opening net book value	1,219.9	247.3	78.6	7.1	15.1	1,568.0
Additions	–	2.1	–	–	10.0	12.1
Acquisitions of businesses	9.5	–	–	8.3	–	17.8
Amortisation	–	(4.1)	–	(4.2)	(4.3)	(12.6)
Closing net book value	**1,229.4**	**245.3**	**78.6**	**11.2**	**20.8**	**1,585.3**
Cost or fair value	1,229.4	254.2	78.6	44.1	51.3	1,657.6
Accumulated amortisation	–	(8.9)	–	(32.9)	(30.5)	(72.3)
Net book value	**1,229.4**	**245.3**	**78.6**	**11.2**	**20.8**	**1,585.3**

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

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

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

2018	SOLIDS $'M	LIQUIDS & HAZARDOUS WASTE $'M	INDUSTRIAL SERVICES $'M	TOXFREE $'M	CORPORATE $'M	TOTAL $'M
Goodwill	1,132.3	68.1	38.2	534.5	–	1,773.1
Brand names	78.6	–	–	–	–	78.6
Other intangible assets	257.1	2.7	–	151.0	16.5	427.3
Total	**1,468.0**	**70.8**	**38.2**	**685.5**	**16.5**	**2,279.0**
2017 Restated						
Goodwill	1,123.1	68.1	38.2	–	–	1,229.4
Brand names	78.6	–	–	–	–	78.6
Other intangible assets	260.7	0.9	–	–	15.7	277.3
Total	**1,462.4**	**69.0**	**38.2**	–	**15.7**	**1,585.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

21. Intangible assets (continued)

Annual impairment testing

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill 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 2018.

Key assumptions used for annual impairment testing

As Toxfree has only recently been acquired, the recoverable value of the Toxfree group is assessed as the fair value of the assets acquired less costs to sell. Fair value has been determined by reference to the acquisition price. There have been no events subsequent to the acquisition that would result in an impairment.

For the remainder of the CGUs, recoverable amount 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 2019 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 growth and discount rate assumptions used in the 30 June 2017 impairment testing were reviewed and have been determined to remain valid for the 30 June 2018 testing. The terminal value growth rate has been based on published long-term growth rates. The discount rate has been based on an industry Weighted Average Cost of Capital (WACC) with cash flow projections being adjusted for CGU specific risks.

Forecast revenue, EBITDA and capital spend assumptions used in the 30 June 2018 impairment testing have been adjusted for known and anticipated future operational changes and additional potential risk identified since 30 June 2017. These changes are reflected in the summary of key assumptions table below. Based on these key assumptions the recoverable amount of each CGU continues to exceed the carrying amounts at 30 June 2018.

The table below provides a summary of the key assumptions used in the impairment testing at 30 June 2018 and the corresponding percentages for 30 June 2017:

	SOLIDS		LIQUIDS & HAZARDOUS WASTE		HYDROCARBONS		INDUSTRIAL SERVICES	
ASSUMPTIONS	JUNE 2018	JUNE 2017	JUNE 2018	JUNE 2017	JUNE 2018	JUNE 2017	JUNE 2018	JUNE 2017
Revenue growth [1]	5.0%	4.8%	4.2%	5.5%	2.6%	2.9%	3.0%	1.9%
EBITDA growth [1]	7.7%	7.0%	8.8%	11.4%	4.1%	3.6%	10.2%	7.3%
Capital spend rate [2]	10.3%	10.2%	6.2%	6.2%	7.5%	7.3%	5.5%	5.3%
Terminal value growth rate	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Post-tax discount rate	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
Pre-tax discount rate	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%

1 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.

21. Intangible assets (continued)

Revenue growth assumptions

Solids' forecast revenue growth is based on expected volume and price growth considering current business performance, benefits from acquired businesses and growth from targeted initiatives implemented across major markets in order to increase sales revenue. Growth rates have been determined with reference to external sources including the Reserve Bank of Australia GDP growth and CPI forecast, and industry specific forecasts that are closely linked to waste generation. The forecast revenue growth as at 30 June 2018 has been adjusted given an increase in forecast CPI and GDP growth. Growth in the short term also reflects recent major new commercial and municipal contract wins.

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

EBITDA growth assumptions

Solids' forecast EBITDA growth is primarily based on changes in the revenue growth assumptions outlined above, together with improved operating leverage associated with major contract wins.

The Liquid & Hazardous Waste CGU EBITDA growth of 8.8% reflects internalisation benefits, as well as the continued gains from improved market conditions and performance experienced in the second half of the year ended 30 June 2018.

EBITDA growth in the Hydrocarbons CGU is driven by higher base oil volumes and stronger pricing. This is further supported by expected improved production yields in the refineries.

The Industrial Services CGU reflects an increase in EBITDA growth which is driven by strategic pricing initiatives and the expected improved sales pipeline in the infrastructure business.

Capital spend assumptions

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

21. 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 2018:

	REASONABLY POSSIBLE CHANGE	SOLIDS $'M	LIQUIDS & HAZARDOUS WASTE $'M	HYDROCARBONS $'M	INDUSTRIAL SERVICES $'M
Decrease in CAGR% – Revenue	1% to 2%	Nil – (444.6)	(19.2) – (114.4)	Nil	Nil – (7.0)
Decrease in CAGR% – EBITDA	2% to 3%	Nil	Nil	Nil	Nil
Increase in capital spend rate	0.5% to 1%	Nil	Nil	Nil	Nil
Decrease in terminal value growth rate	1%	Nil	Nil	Nil	Nil
Increase in post-tax discount rate	0.3% to 1%	Nil	Nil	Nil	Nil

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

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

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

	SOLIDS $'M	LIQUIDS & HAZARDOUS WASTE $'M	HYDROCARBONS $'M	INDUSTRIAL SERVICES $'M
Headroom $'M	**626.2**	**79.1**	**34.1**	**42.3**
Decrease in CAGR% – Revenue [1]	1.1%	0.8%	3.6%	1.7%
Decrease in CAGR% – EBITDA [1]	3.0%	3.6%	5.9%	4.0%
Increase in capital spend rate [1]	2.0%	1.5%	2.4%	1.3%
Decrease in terminal value growth rate [1,2]	3.0%	3.4%	8.0%	2.6%
Increase in post-tax discount rate [1]	1.6%	2.6%	5.3%	2.0%

1 Percentage changes presented above represents the absolute change in the assumption value (for example post-tax discount rate increasing by 1.6% from 7.7% to 9.3%).

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

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

22. Equity accounted investments

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

			OWNERSHIP INTEREST		CARRYING VALUE OF INVESTMENT	
NAME OF ENTITY	COUNTRY	REPORTING DATE	2018 %	2017 %	2018 $'M	2017 $'M
Joint ventures:						
Wonthaggi Recyclers Pty Ltd	Australia	30 June	50	50	–	0.7
Earthpower Technologies Sydney Pty Ltd	Australia	30 June	50	50	–	–
Tomra Cleanaway Pty Ltd [1]	Australia	30 June	50	–	2.5	–
Associates:						
Total Waste Management Pty Ltd	Australia	31 December	50	50	5.5	5.5
Western Resource Recovery Pty Ltd	Australia	31 December	50	50	5.8	5.3
					13.8	**11.5**

1 The Group acquired a 50% interest in Tomra Cleanaway on 17 July 2017.

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

	2018 $'M	2017 $'M
Revenues	19.0	9.0
Expenses	(22.6)	(7.4)
(Loss)/profit before income tax (100%)	**(3.6)**	**1.6**
Share of (loss)/profit before income tax	(1.8)	0.8
Income tax benefit/(expense)	0.5	(0.2)
Share of (loss)/profit after tax	(1.3)	0.6
Dividend received in excess of carrying value	0.2	–
Share of net (loss)/profit recognised	**(1.1)**	**0.6**

(b) Share of profit from associates

	2018 $'M	2017 $'M
Revenues	27.5	27.5
Expenses	(24.7)	(25.8)
Profit before income tax (100%)	**2.8**	**1.7**
Share of profit before income tax	1.4	0.9
Income tax expense	(0.4)	(0.3)
Share of net profit recognised	**1.0**	**0.6**

22. 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 2018.

	SALES TO EQUITY ACCOUNTED INVESTMENTS		PURCHASES FROM EQUITY ACCOUNTED INVESTMENTS		INTEREST REVENUE FROM EQUITY ACCOUNTED INVESTMENTS	
	2018 $'M	2017 $'M	2018 $'M	2017 $'M	2018 $'M	2017 $'M
Joint ventures	18.0	–	1.9	1.3	0.1	–
Associates	2.2	1.4	3.4	3.6	–	–
	20.2	**1.4**	**5.3**	**4.9**	**0.1**	–

	TRADE AMOUNTS OWED BY EQUITY ACCOUNTED INVESTMENTS		TRADE AMOUNTS OWED TO EQUITY ACCOUNTED INVESTMENTS		LOANS TO EQUITY ACCOUNTED INVESTMENTS [1]	
	2018 $'M	2017 $'M	2018 $'M	2017 $'M	2018 $'M	2017 $'M
Joint ventures	0.1	–	–	–	3.8	–
Associates	0.3	0.2	–	0.1	–	–
	0.4	**0.2**	–	**0.1**	**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

	2018 $'M	2017 $'M
Total assets	63.7	39.6
Total liabilities	(36.1)	(16.7)
Net assets as reported by equity accounted investments	27.6	22.9
Share of net assets equity accounted	**13.8**	11.5

(e) Impairment losses and commitments

During the year the equity accounted investments were tested for impairment and no adjustments were made as a result (2017: nil). As at the reporting date the Group had no contractual obligation to provide funding for capital commitments of equity accounted investments (2017: nil).

23. Employee entitlements

	2018 $'M	2017 $'M
Current		
Annual leave	33.8	23.2
Long service leave	22.6	11.5
Other	19.3	11.3
Total current employee entitlements	**75.7**	**46.0**
Non-current		
Long service leave	4.5	8.4
Total non-current employee entitlements	**4.5**	**8.4**

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

During the year the Group contributed $29.4 million (2017: $28.1 million) to defined contribution plans. These contributions are expensed as incurred.

24. Provisions

	2018 $'M	2017 $'M
Current		
Rectification provisions	14.7	13.6
Remediation provisions	35.6	29.5
Other	11.3	12.5
Total current provisions	**61.6**	**55.6**
Non-current		
Rectification provisions	17.5	25.7
Remediation provisions	241.4	264.0
Other	12.4	12.9
Total non-current provisions	**271.3**	**302.6**

Included in other provisions is an amount of $14.3 million (2017: $12.9 million) in relation to workers compensation self-insurance of the Group under the Comcare scheme. This amount is comprised of $4.0 million (2017: $3.9 million) classified as current and $10.3 million (2017: $9.0 million) classified and 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 2018. The provision has been calculated using a claim inflation rate of 3.01% (2017: 2.90%) and a discount rate of 2.73% (2017: 2.82%). The workers compensation self-insurance provision is reassessed annually based on actuarial advice.

24. Provisions (continued)

The table below provides a roll forward of the provisions:

	RECTIFICATION		REMEDIATION		OTHER		TOTAL	
	2018 $'M	2017 $'M	2018 $'M	2017 $'M	2018 $'M	2017 $'M	2018 $'M	2017 $'M
Opening balance	39.3	54.5	293.5	319.6	25.4	27.2	358.2	401.3
Provisions acquired	–	–	18.3	–	1.8	–	20.1	–
Provisions made	–	–	4.2	9.3	13.2	16.5	17.4	25.8
Provisions used or reversed	–	–	–	–	(16.7)	(18.3)	(16.7)	(18.3)
Provisions disposed	(0.1)	(6.3)	(5.3)	(21.7)	–	–	(5.4)	(28.0)
Unwinding of discount	0.7	1.1	7.0	7.9	–	–	7.7	9.0
Change in assumptions [1]	(3.2)	(0.6)	(8.2)	11.5	–	–	(11.4)	10.9
Rectification and remediation spend	(4.5)	(9.4)	(32.5)	(33.1)	–	–	(37.0)	(42.5)
Closing balance	**32.2**	**39.3**	**277.0**	**293.5**	**23.7**	**25.4**	**332.9**	**358.2**

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

The provision for remediation has been estimated using current expected costs and techniques applicable to the operation of each landfill and the disturbed area. These costs have been adjusted for the future value of the expected costs at the time of works being required. These costs have then been discounted to estimate the required provision at a rate of 2.81% (2017: 2.81%). Refer to note 38(o) for a summary of the accounting policy for provisions for landfill remediation and rectification.

25. Other liabilities

	2018 $'M	2017 $'M
Current		
Deferred settlement liabilities [1]	5.2	5.7
Landfill creation liability [2]	17.3	13.6
Deferred revenue	2.4	0.7
Other liabilities	0.1	2.1
Total current other liabilities	**25.0**	**22.1**
Non-current		
Deferred settlement liabilities [1]	76.4	74.9
Landfill creation liability [2]	54.5	58.5
Other liabilities	0.3	–
Total non-current other liabilities	**131.2**	**133.4**

1 Of the total deferred settlement liabilities of $81.6 million (2017: $80.6 million), $81.0 million (2017: $80.1 million) relates 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%.

2 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.

26. Acquisition of businesses and non-controlling interest

Year ended 30 June 2018

Tox Free Solutions Limited

On 11 May 2018, the Group completed the acquisition of 100% of the shares on issue in Tox Free Solutions Limited (Toxfree), a major waste management company with a national footprint in Australia.

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 expense	(4.7)	(32.9)
Amortisation of intangibles	(1.9)	(14.9)
Profit from operations	**6.1**	**8.8**
Net finance costs	(1.0)	(8.6)
Profit before tax	**5.1**	**0.2**

The provisional fair values of the identifiable assets and liabilities as at the date of acquisition were:

	$'M
Assets	
Cash and cash equivalents	26.8
Trade and other receivables	86.2
Current tax receivable	3.0
Inventories	3.4
Other current assets	6.4
Property, plant and equipment	191.5
Intangible assets	152.9
Deferred tax assets	21.7
	491.9
Liabilities	
Trade and other payables	170.1
Interest bearing liabilities	211.2
Employee entitlements	20.5
Provisions	19.5
Deferred tax liabilities	48.0
	469.3
Total identifiable net assets at fair value	**22.6**
Non-controlling interest	(0.3)
Goodwill arising on acquisition	534.5
Purchase consideration [1]	**556.8**

1 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.

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.

26. Acquisition of businesses and non-controlling interest (continued)

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 site consolidation. Goodwill is non-deductible for income tax purposes.

	2018 $'M
Net cash acquired (included in cash flows from financing activities)	26.8
Cash paid (included in cash flows from financing activities)	(556.8)
Transaction costs of the acquisition (included in cash flows from operating activities)	(11.5)
Net cash flow on acquisition	**(541.5)**

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

	$'M
Assets	
Inventories	0.1
Property, plant and equipment	8.6
Intangible assets	5.4
Deferred tax assets	0.4
	14.5
Liabilities	
Trade and other payables	0.3
Employee entitlements	0.6
Provisions	0.6
Deferred tax liability	1.6
	3.1
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.

26. Acquisition of businesses and non-controlling interest (continued)

	2018 $'M
Cash	20.6
Total purchase consideration	**20.6**

	2018 $'M
Transaction costs of the acquisitions (included in cash flows from operating activities)	(0.1)
Cash consideration paid (included in cash flows from investing activities)	(20.6)
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 customer intangibles of $0.8 million, would have been contributed to the Group.

Year ended 30 June 2017

Business combinations

During the year ended 30 June 2017, the Group completed four business combinations. Details of these business combinations are provided below:

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

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

	2017 $'M
Assets	
Property, plant and equipment	9.2
Intangible assets	8.3
	17.5
Liabilities	
Employee entitlements	0.7
Deferred tax liability	2.3
	3.0
Total identifiable net assets at fair value	**14.5**
Goodwill arising on acquisition	9.5
Purchase consideration	**24.0**

26. Acquisition of businesses and non-controlling interest (continued)

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.

	2017 $'M
Cash	23.5
Contingent consideration	0.5
Total purchase consideration	**24.0**

	2017 $'M
Transaction costs of the acquisitions (included in cash flows from operating activities)	(1.6)
Cash consideration paid (included in cash flows from investing activities)	(23.5)
Net cash flow on acquisition	**(25.1)**

From the dates of acquisition to 30 June 2017, the businesses contributed $20.8 million of revenue and $1.2 million to profit before tax to the Group, after amortisation of customer intangibles of $1.0 million. If the businesses had all been acquired at the beginning of the reporting period, revenue of $24.1 million and profit before tax of $1.3 million, after amortisation of customer intangibles of $1.2 million would have been contributed to the Group.

Acquisition of additional interest in Cleanaway Refiners Pty Ltd

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

	2017 $'M
Cash consideration paid to non-controlling shareholders	2.5
Carrying value of the additional interest in Cleanaway Refiners Pty Ltd	(6.6)
Gain recognised in retained earnings	**(4.1)**

27. Subsidiaries

The Group's principal subsidiaries at 30 June 2018 are set out below.

	EFFECTIVE INTEREST [4]	
	2018 %	2017 %
Active Industrial Solutions Pty Ltd [2, 3]	100	–
AJ Baxter Pty Ltd [2]	100	100
Baxter Business Pty Ltd [2]	100	100
Baxter Recyclers 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 Landfill Holdings Pty Ltd [2]	100	100
Cleanaway (No. 1) Pty Ltd [2, 3]	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 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, 3]	100	–
Daniels Health Australia Pty Ltd [2, 3]	100	–
Daniels Health Laboratory Products Pty Ltd [2, 3]	100	–
Daniels Health NSW Pty Ltd [2, 3]	100	–
Daniels Health Pty Ltd [2, 3]	100	–
Daniels Health Services Pty Ltd [2, 3]	100	–
Daniels Health VIC Pty Ltd [2, 3]	100	–
Daniels Health Wollongong Pty Ltd [2, 3]	100	–
Daniels Manufacturing Australia Pty Ltd [2, 3]	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	–
Nationwide Oil Pty Ltd [2]	100	100
NQ Resource Recovery Pty Ltd [2]	100	100
Olmway Pty Ltd [1]	50	50
Oil & Fuel Salvaging Queensland Pty Ltd [2]	100	100
Pilbara Logistics Pty Ltd [2, 3]	100	–
PT Environmental Services Pty Ltd [2, 3]	100	–
PTK Environmental Services Pty Ltd	70	–
PTW Environmental Pty Ltd [1]	50	–
PTW Environmental Services Pty Ltd	75	–
Redlam Waste Services Pty Ltd [2, 3]	100	–
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, 3]	100	–
Sterihealth Sharpsmart Pty Ltd [2, 3]	100	–

27. Subsidiaries (continued)

	EFFECTIVE INTEREST [4]	
	2018 %	2017 %
T Environmental Services Pty Ltd [2, 3]	100	–
Tox Free Australia Pty Ltd [2, 3]	100	–
Tox Free Solutions Limited [2, 3]	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 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 new 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 28 for Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Balance Sheet of the entities who are a party to the Deed of Cross Guarantee.

3 These subsidiaries became party to the Deed of Cross Guarantee with Cleanaway Waste Management Limited during the period.

4 All entities were incorporated in Australia.

28. Deed of cross guarantee

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2018 $'M	2017 $'M
Revenue	1,711.9	1,460.8
Other income	5.1	22.4
Labour related expenses	(641.8)	(589.4)
Collection, recycling and waste disposal expenses	(469.8)	(359.0)
Fleet operating expenses	(168.4)	(131.8)
Property expenses	(49.1)	(40.1)
Other expenses	(64.0)	(70.0)
Share of (losses)/profits from equity accounted investments	(0.1)	1.2
Profit from operations before depreciation and amortisation	**323.8**	**294.1**
Depreciation and amortisation expense	(173.6)	(165.9)
Impairment of assets	–	(4.4)
Change in fair value of non-landfill land and buildings	(0.2)	(0.6)
Profit from operations	**150.0**	**123.2**
Net finance costs	(31.5)	(34.1)
Profit before income tax	**118.5**	**89.1**
Income tax expense	(14.5)	(30.4)
Profit after income tax	**104.0**	**58.7**
Other comprehensive income		
Revaluation of land and buildings	6.3	(5.7)
Net comprehensive income recognised directly in equity	**6.3**	**(5.7)**
Total comprehensive income for the year	**110.3**	**53.0**

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

28. Deed of cross guarantee (continued)

BALANCE SHEET	2018 $'M	2017 $'M
Assets		
Current assets		
Cash and cash equivalents	50.9	43.2
Trade and other receivables	368.7	247.9
Inventories	21.0	11.1
Income tax receivable	7.7	–
Other assets	24.2	32.6
Total current assets	**472.5**	**334.8**
Non-current assets		
Property, plant and equipment	1,200.2	936.5
Intangible assets	2,278.8	1,585.1
Equity accounted investments	13.8	11.5
Deferred tax assets	51.9	87.7
Other financial assets	11.5	2.6
Other assets	3.9	–
Total non-current assets	**3,560.1**	**2,623.4**
Total assets	**4,032.6**	**2,958.2**
Liabilities		
Current liabilities		
Trade and other payables	244.9	177.6
Income tax payable	–	10.7
Interest-bearing liabilities	13.5	62.4
Employee entitlements	75.7	46.0
Provisions	61.6	55.6
Other liabilities	25.0	22.1
Total current liabilities	**420.7**	**374.4**
Non-current liabilities		
Interest-bearing liabilities	711.7	307.8
Employee entitlements	4.5	8.4
Provisions	271.3	302.6
Other liabilities	135.2	133.6
Total non-current liabilities	**1,122.7**	**752.4**
Total liabilities	**1,543.4**	**1,126.8**
Net assets	**2,489.2**	**1,831.4**
Equity		
Issued capital	2,671.0	2,083.0
Reserves	51.5	40.0
Retained earnings	(233.3)	(291.6)
Total equity	**2,489.2**	**1,831.4**

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

29. Parent entity

	2018 $'M	2017 $'M
Current assets	7.4	17.6
Total assets	3,433.4	2,648.1
Current liabilities	5.7	80.0
Total liabilities	629.1	389.0
Issued capital	2,671.0	2,083.0
Retained earnings	116.9	164.9
Reserves	16.4	11.2
Total equity	**2,804.3**	**2,259.1**
(Loss)/profit for the period	(8.1)	124.0
Total comprehensive (loss)/income for the period	(8.1)	124.0

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

30. Derivative financial instruments

	2018 $'M	2017 $'M
Derivatives – at fair value	–	8.3
	–	**8.3**

In December 2017, the Group settled the foreign currency swap it held to hedge against foreign currency movements in the USPP Notes. Refer to note 38(j) for the Group's accounting policy on derivative financial instruments.

31. Financial risk management

The Group is exposed to market risk, credit risk and liquidity risk. 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.

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

31. Financial risk management (continued)

The value of the USPP Notes at 30 June 2018 and 30 June 2017 is shown in the table below:

US PRIVATE PLACEMENT NOTES	USD $'M	AUD $'M
30 June 2018	–	–
30 June 2017	48.0	62.4

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 2018, there were no interest rate swaps in place.

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

	30 JUNE 2018		30 JUNE 2017	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'M	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'M
Fixed rate instruments				
USPP borrowings (USD)	–	–	10.8	(62.4)
CEFC Facility	4.5	(89.3)	–	–
Lease liabilities	4.9	(101.7)	–	–
		(191.0)		**(62.4)**
Variable rate instruments				
Borrowings	3.5	(534.2)	3.1	(307.8)
		(534.2)		**(307.8)**

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) profit by $5.3 million (2017: $3.1 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.

31. Financial risk management (continued)

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

CARRYING AMOUNT	NOTES	2018 $'M	2017 $'M
Cash and cash equivalents	11	52.0	43.2
Trade and other receivables	12	369.5	247.9
Derivative financial instruments	30	–	8.3
Other financial assets [1]		4.2	–
		425.7	**299.4**

1 Financial assets include a loan to joint ventures of $3.8 million (2017: nil). Refer to note 22.

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 2018 is $279.8 million (2017: $230.2 million). The current portion of the Group's borrowings at 30 June 2018 is nil (2017: $62.4 million). 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.

To meet the ongoing requirements for sufficient guarantor coverage under the Group's main unsecured finance facilities, the Group plans to have certain Toxfree legal entities become guarantors. Prior to this occurring it is a requirement of the *Corporations Act 2001* for the shareholders of Cleanaway Waste Management Limited, as the ultimate listed company, to approve the accession of the Toxfree entities as guarantors. There is a risk that shareholders do not pass the resolution approving the accession of the Toxfree entities which would result in a default under the terms of the Group's finance agreements, and subject to counterparties exercising their rights, may lead to amounts under these facilities becoming due and payable. This approval will be sought at the October 2018 annual general meeting.

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

2018	< 1 YEAR $'M	1 – 2 YEARS $'M	2 – 5 YEARS $'M	> 5 YEARS $'M	CONTRACTUAL CASH FLOWS $'M	CARRYING AMOUNT $'M
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	246.2	–	–	–	246.2	246.2
Other financial liabilities	22.5	25.4	55.0	198.4	301.3	153.4
Total	**312.3**	**67.8**	**693.6**	**415.5**	**1,489.2**	**1,124.8**

2017	< 1 YEAR $'M	1 – 2 YEARS $'M	2 – 5 YEARS $'M	> 5 YEARS $'M	CONTRACTUAL CASH FLOWS $'M	CARRYING AMOUNT $'M
US Private Placement Notes	65.1	–	–	–	65.1	62.4
Unsecured bank loans	9.7	23.2	309.4	–	342.3	307.8
Trade and other payables	177.6	–	–	–	177.6	177.6
Other financial liabilities	21.4	22.1	65.1	119.3	227.9	154.8
Total	**273.8**	**45.3**	**374.5**	**119.3**	**812.9**	**702.6**

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 $153.4 million (2017: $135.3 million) in relation to these bank guarantees and insurance bonds. Refer to note 33(d) for details of the Group's guarantees.

31. Financial risk management (continued)

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

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

2018	LEVEL 1 $'M	LEVEL 2 $'M	LEVEL 3 $'M	TOTAL $'M
Assets				
Derivative financial instruments – USD foreign currency swap	–	–	–	–

2017				
Assets				
Derivative financial instruments – USD foreign currency swap	–	8.3	–	8.3

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

32. Contingent liabilities

Taxation authority reviews

New Zealand Inland Revenue has completed its review of certain taxation matters which arose during the period of the Group's ownership of the New Zealand business. The review of one matter is still outstanding however the Group had previously determined the potential amount of tax payable for this outstanding matter, and included this amount in the tax liability provision. The Group intends to vigorously defend the remaining outstanding matter. No contingent liabilities are outstanding following the finalisation of the New Zealand Inland Revenue review in December 2017.

Other claims

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.

33. 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:

	2018 $'M	2017 $'M
Within one year	38.1	24.4
Between one and five years	96.3	61.9
More than five years	85.1	54.5
	219.5	**140.8**

(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	
	2018 $'M	2017 $'M	2018 $'M	2017 $'M
Within one year	17.6	–	13.5	–
Between one and five years	74.5	–	60.9	–
More than five years	29.4	–	27.3	–
Total	**121.5**	–	**101.7**	–
Amounts representing future finance charges	(19.8)	–	–	–
	101.7	–	**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:

	2018 $'M	2017 $'M
Property, plant and equipment	28.4	70.2
Intangible assets	0.5	5.5
	28.9	**75.7**

(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.

	2018 $'M	2017 $'M
Bank guarantees outstanding at balance date in respect of contractual performance	122.8	123.7
Insurance bonds outstanding at balance date in respect of contractual performance	30.6	11.6
	153.4	**135.3**

34. *Share-based payments*

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

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

OFFER	GRANT DATE	END OF PERFORMANCE OR SERVICE PERIOD	PERFORMANCE RIGHTS AT 30 JUNE 2017	GRANTED DURING THE PERIOD	VESTED DURING THE PERIOD	FORFEITED/ EXPIRED DURING THE PERIOD	PERFORMANCE RIGHTS AT 30 JUNE 2018
LONG TERM INCENTIVE PLAN							
2014 LTI	24 Mar 2014	30 Jun 2017	1,278,240	–	(516,286)	(761,954)	–
2015 LTI	10 Mar 2015	30 Jun 2017	1,819,928	–	(280,999)	(628,965)	909,964
2016 LTI (A)	30 Oct 2015	30 Jun 2018	2,838,220	–	–	–	2,838,220
2016 LTI (B)	16 Mar 2016	30 Jun 2018	2,524,116	–	–	(243,426)	2,280,690
2017 LTI (A)	7 Oct 2016	30 Jun 2019	2,301,952	–	–	(208,766)	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	–	3,371,419	–	(60,115)	3,311,304
SHORT TERM INCENTIVE PLAN							
2016 STI	7 Oct & 2 Nov 2016	30 Jun 2017	509,480		(509,480)	–	–
2017 STI	9 Oct 2017	30 Jun 2018	–	421,950	–	–	421,950
OTHER GRANTS							
One-off (A)	20 Aug 2015	3 Aug 2017	328,947	–	(328,947)	–	–
Total			**13,971,599**	**3,793,369**	**(1,635,712)**	**(1,903,226)**	**14,226,030**
Vested and exercisable at 30 June 2018							421,950

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.

34. Share-based payments (continued)

(a) Long term incentive (LTI) plan

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

Offers made in previous reporting periods

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

PERFORMANCE PERIOD	2015 LTI AWARD UP TO 4 YEARS: 1 JULY 2014 TO 30 JUNE 2018	2016 LTI AWARD UP TO 3 YEARS: 1 JULY 2015 TO 30 JUNE 2018	2017 LTI AWARD UP TO 3 YEARS: 1 JULY 2016 TO 30 JUNE 2019
Overview	Performance rights, of which: *Measured over 3 years to 30 June 2017* • Up to 25% vest if a certain relative TSR ranking is achieved against constituents of the S&P/ASX 200 Industrial Sector Index • Up to 25% vest if a certain Return on Invested Capital target is achieved *Measured over 4 years to 30 June 2018* • Up to 50% vest if certain strategic initiatives are achieved	Performance rights, of which: *Measured over 3 years to 30 June 2018* • Up to 50% vest if a certain relative TSR ranking is achieved against the constituents of the S&P/ASX 200 Industrial Sector Index • Up to 50% vest if a certain Return on Invested Capital target is achieved	Performance rights, of which: *Measured over 3 years to 30 June 2018* • 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 – 2018 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.

34. Share-based payments (continued)

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

SCHEME	2018 LTI
Number of rights	3,371,419
Grant date	3 November 2017
Performance period	1 July 2017 – 30 June 2020
Risk free interest rate (%)	1.92%
Volatility [1] (%)	35.0%
Fair value – Relative TSR tranche	$1.03
Fair value – ROIC tranche	$1.48
Fair value – EPS CAGR tranche	$1.48

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

The performance targets of the 2018 LTI award are set out in the table below.

Relative TSR performance measured over 3 years from 1 July 2017 to 30 June 2020	Relative Total Shareholder Return (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 as measured for the year ending 30 June 2020	Return On Invested Capital (ROIC) to be achieved: • < 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 measured over 3 years from 1 July 2017 to 30 June 2020	Earnings per Share Compound Annual Growth Rate (EPS CAGR) to be achieved: • < 7.5% – 0% vesting • 7.5% – 20% vesting • > 7.5% – ≤ 10.0% – straight line vesting between 20% and 50% • > 10.0% – ≤ 12.5% – straight line vesting between 50% and 100% • > 12.5% – 100% vesting

(b) Short term incentive (STI) plan

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

(c) Other grants

One-off grant A

On joining Cleanaway, the CEO was entitled to a one-off allocation of 328,947 performance rights to the value of $250,000 at the grant date with vesting subject to a two-year service condition. The service condition has been met and these performance rights vested on 3 August 2017.

35. Auditor's remuneration

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

	2018 $	2017 $
Ernst & Young:		
Audit services	1,191,401	968,625
Audit related services	280,418	82,235
Non-audit services:		
Other advisory services	29,561	20,600
	1,501,380	**1,071,460**

36. Events occurring after the reporting date

On 12 July 2018, the Group entered into a binding agreement with Resource Co Holdings Pty Ltd (ResourceCo) to acquire a 50% interest in ResourceCo's new Resource Recovery facility located at Wetherill Park in Western Sydney. The purchase price for the 50% interest comprises a $25.0 million payment at completion, plus deferred consideration of up to a further $25.0 million, payable in two instalments over two years once the facility generates agreed earnings targets. Under the agreement, Cleanaway has control over the acquired entity post-acquisition and will apply the acquisition method to account for the business combination, whereby it will recognise and measure the assets and liabilities of the entity, plus the non-controlling interest related to ResourceCo's 50% interest in the entity, and recognise and measure any residual goodwill. The initial accounting for the business combination was incomplete at the time the Group's financial statements were authorised for issue, and accordingly details of the financial effect of the business combination have not been disclosed.

On 7 August 2018, Cleanaway announced that it had received $25.0 million, being the outstanding tax receivable in relation to total income tax refunds of $29.4 million related to amended tax assessments lodged in respect of the Group's 30 June 2013 to 30 June 2017 tax returns. Further information is provided in Note 9 to the Financial Statements.

37. Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel (KMP) are set out in the Remuneration Report on pages 11 to 26.

The KMP compensation included in employee expenses are as follows:

	2018 $	2017 $
Short-term employee benefits	4,691,092	4,253,194
Post-employment benefits	127,876	127,451
Equity compensation benefits	2,086,737	1,299,836
	6,905,705	**5,680,481**

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 27. Transactions between Cleanaway Waste Management Limited and other entities in the wholly-owned Group during the years ended 30 June 2018 and 30 June 2017 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 2018 and 30 June 2017, except as presented in note 22.

38. Significant accounting policies

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

(a) Revenue

Amounts disclosed as revenue represent the fair value of consideration received or receivable, including environmental levies but excluding goods and services taxes paid. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of goods to customers. Revenue from the rendering of services is recognised upon completion of performing the services. Revenue is recognised for the major business activities as follows:

Solids

Revenue from collection and disposal of waste is recognised when the service has been performed. In some circumstances, revenue may be earned from the collection of the waste, however costs related to the treatment and disposal of that waste is yet to be incurred. Unprocessed waste may give rise to deferred revenue, where invoices to customers are raised in advance of performance obligations being completed, or require an accrual for the costs of disposing of residual waste to be created once the Group has an obligation for disposal. These amounts are reflected as deferred revenue or accruals in the financial statements as appropriate.

Liquids and Industrial Services

Revenue from collection and treatment of liquid waste is recognised when the waste has been collected and treated. Contract revenue is measured by reference to labour hours incurred to date and actual costs incurred. Revenue from sale of oil and by-products is recognised on shipment or passing of control of the goods.

Interest

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

Dividends

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

(b) Repairs and maintenance

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

(c) Finance costs

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

Finance costs include foreign exchange movements of the US Private Placement (USPP) borrowings which are offset by a corresponding foreign currency swap agreement. This foreign currency swap has not been formally designated as a hedge and therefore does not qualify for hedge accounting. The derivative financial instrument is carried at fair value on the Consolidated Balance Sheet with any changes in fair value being recognised in finance costs in the Consolidated Income Statement.

38. Significant accounting policies (continued)

(d) Income tax

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

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

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

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

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

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

(e) Impairment of assets

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

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

(f) Foreign currency

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

38. Significant accounting policies (continued)

(g) Cash and cash equivalents

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

(h) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known as uncollectable are written off when identified. A provision for impairment is raised when collection of an amount is no longer probable.

The Group's exposure to credit risk related to trade and other receivables is disclosed in note 31(b).

(i) Inventories

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

(j) Derivative financial instruments

During the year, the Group had a derivative financial instrument in place to manage its exposure to foreign exchange movements in the value of the USPP borrowings which are denominated in USD.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. As noted in note 31(a), this derivative is not designated as a hedge and therefore all fair value movements are recorded in finance costs in the Consolidated Income Statement.

(k) Property, plant and equipment

Landfill assets

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

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

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

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

The landfill remediation assets comprises capping costs and costs to remediate and monitor the site over the life of the landfill including post closure. Capping costs together with cost of aftercare (see Provision for landfill remediation in note 38(o)) are recognised upon commencement of cell development. The depreciation, for cell development costs and the remediation asset, is calculated by the tonnes of airspace consumed during the reporting period divided into the total airspace available at the beginning of the reporting period, such that all costs are fully depreciated upon receiving last waste into the landfill. A landfill is deemed full when its permitted airspace is consumed and it cannot legally accept any more waste. Alternatively, a landfill may be deemed full earlier should other factors exist, for example, if it is not economically viable to continue accepting waste.

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

38. Significant accounting policies (continued)

Landfill sales

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

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

Non-landfill land and buildings

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

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

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

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

Plant and equipment

Plant and equipment 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

38. Significant accounting policies (continued)

(l) Intangible assets

Goodwill

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

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

Research and development

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

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

Other intangible assets

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

Amortisation

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

(m) Trade and other payables

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

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

38. Significant accounting policies (continued)

(n) Borrowings

Borrowings are initially recognised at fair value of the consideration received net of issue costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between 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.

(o) Provision for landfill remediation and rectification

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

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

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

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

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

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

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

38. Significant accounting policies (continued)

(p) Provisions

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

(q) Employee 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.

38. Significant accounting policies (continued)

(r) Fair value measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principle market for the asset or liability, or
- In the absence of a principle market, in the most advantageous market for the asset or liability.

The principle or the most advantageous market must be accessible by the Group.

The fair value of an asset or liability is measured using the assumptions that the market participants act in their economic best interest.

A fair value measurement of non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

The Group uses the following valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(s) Basis of consolidation

(i) Subsidiaries

The Consolidated Financial Report comprises the financial statements of the Group and its subsidiaries as at 30 June 2018. 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.

38. Significant accounting policies (continued)

(ii) Equity accounted investments

Equity accounted investments are those entities over which the Group has either significant influence (associate entities) or joint control and has rights to the net assets of the entity (joint venture entities). The Group does not have power over these entities either through management control or voting rights. Investments in associates and joint ventures are accounted for using the equity method of accounting and are collectively referred to as "equity accounted investments" in this report.

Under the equity method of accounting, the investments in associates and joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate or joint venture in the Consolidated Income Statement. Dividends received from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

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

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

(t) Business combinations

Business combinations are accounted for using the acquisition method, whereby the identifiable assets, liabilities and contingent liabilities (identifiable net assets) are measured using their fair values at the date of acquisition. Goodwill arises in a business combination when the consideration transferred to the acquiree is greater than the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Acquisition related costs, incurred in a business combination transaction, are expensed as incurred.

39. New standards adopted

The Group has adopted 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 issued by the Australian Accounting Standards Board that are relevant to the Group include:

- *AASB 2016-2 Amendments to Australian Accounting standards – Disclosure Initiative: amendments to AASB 107*

  This amendment requires the Group to provide disclosures about changes in borrowings, including both changes arising from cash flows and non-cash changes. Note 15 to the financial statements provides this information for the year ended 30 June 2018.

40. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018 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 15 *Revenue from Contracts with Customers*, and the relevant amending standards AASB 15 replaces the existing revenue recognition standards AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations. AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Cleanaway established a team comprising AASB 15 specialists working together with the business units. Work was segregated into revenue streams with activity focussing on larger revenue streams. Contracts from each large revenue stream have been analysed against the AASB 15 five-step model. The Group's review of selected contracts in the Group has confirmed that the new standard is not expected to significantly impact the quantum of revenue recognition or the treatment of contract costs of the Group, however implementation of the standard is expected to result in timing impacts of revenue recognition over a financial year but not at the beginning or end of the annual reporting period. In some contracts, pricing elements have been identified as variable consideration. In most cases the uncertainty that gives rise to the variability is resolved by, or at, the reporting date. Variable consideration takes many forms in the Group's contracts as follows: • Incentives are provided to some customers based on certain volumes being collected or disposed of over a specified period of time. Where that time period is over an interim reporting period, any future discount expected to be applied to future services may be required to be reflected in the transaction price and the transaction price is to be allocated to the services performed over the period of the contract. Cleanaway currently applies discounts when the threshold is reached. ▪ Penalties may be applied if certain volumes priced in a contract over a specified period of time are not met. Cleanaway currently only recognises additional revenue at the end of the contracted period when the volumes are not met. The standard permits two methods of adoption: full retrospective – by retrospectively adjusting each prior reporting period presented and recognising the cumulative effect of initially applying the new requirements at the start of the earliest period presented, which would be 1 July 2017 for Cleanaway; or modified retrospective – by recognising the cumulative effect of initially applying the new requirements at the date of initial application, which would be 1 July 2018 for Cleanaway. Given the recent acquisition of Toxfree Solutions Limited the final assessment of the impact of AASB 15 has not been completed on the newly acquired business. Work on assessing the contracts within the Toxfree business has commenced and Cleanaway will adopt the new standard on the required effective date.	1 January 2018	30 June 2019

40. New standards and interpretations not yet adopted (continued)

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 9 *Financial Instruments*, and the relevant amending standards AASB 9 replaces AASB 139. This standard includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. Based on an initial impact assessment, the new standard is not expected to significantly impact the Group's determination of doubtful debts or the accounting for derivative financial instruments. Further assessment will be undertaken to finalise the impact of the new standard.	1 January 2018	30 June 2019
AASB 16 *Leases*, and the relevant amending standards AASB 16 supersedes AASB 117 Leases. The key features of AASB 16 from a lessee perspective are as follows: • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • The Group has entered into various operating leases to rent properties and specialised equipment. Undiscounted lease commitments related to operating leases total $219.5 million as at 30 June 2018. Under AASB 16, to the extent that these leases are longer than 12 months, they will be brought onto the balance sheet as right to use assets with the liability measured at the net present value of the payments to be made under the contract, adjusted for optional periods to extend the leases and any inflation-linked payments. The Group is currently assessing the transition impact of this standard.	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 2018 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 2018; and

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the closed Consolidated Group identified in note 27 will be able to meet any obligation or liabilities to which they are or may become subject to, by virtue of the deed of cross guarantee.

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

M P Chellew
Chairman and Non-Executive Director

V Bansal
Chief Executive Officer and Managing Director

Melbourne, 21 August 2018

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 2018, 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 Director's 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 2018 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 Tox Free Solutions Limited*

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
On 11 May 2018, Cleanaway completed the acquisition of Tox Free 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). This acquisition is material to the entity and given the judgements involved in the purchase accounting exercise, this was considered to be a key audit matter. The acquisition has been accounted for in accordance with AASB 3 *Business Combinations* and has involved consideration of the acquisition date and the recognition and measurement of both the identifiable assets acquired (tangible and intangible) and liabilities assumed at that date on a preliminary basis. Goodwill arising from the acquisition was $534.5 million. The valuation of identified intangible assets acquired (including the fair values of customer contracts and licenses) was based on the preliminary assessment undertaken by an external valuation expert engaged by Cleanaway. This preliminary assessment incorporates certain judgements and estimates in relation to a number of factors including revenue growth rates, EBITDA margins, customer attrition rates, contributory asset charges and other key assumptions applied in the valuation process. The valuation of the remediation liabilities identified at the acquisition date were based on the preliminary assessment undertaken by an external valuation expert engaged by Cleanaway. The external valuation expert undertook a preliminary assessment of the risk rating and timeframes to remediate identified contamination at each selected site. Refer to note 26 to the financial report for the disclosures related to the acquisition.	The audit procedures we performed included assessment of the consideration for the transaction, the acquisition date and the preliminary recognition and measurement of both the identifiable assets acquired (tangible and intangible) and liabilities assumed at acquisition date. We involved our valuation specialists to assist in the execution of these audit procedures. In considering the acquisition date, we assessed the satisfaction of the conditions precedent in the Scheme Implementation Deed. In undertaking the audit procedures on the preliminary recognition and measurement of identifiable assets acquired (tangible and intangible), liabilities assumed, and goodwill arising, we: • Assessed the purchase consideration in accordance with the Scheme Implementation Deed; • Assessed the revenue growth rates used against the board approved forecast and prior year actual results; • Assessed the achievability of EBITDA margins in comparison to other market participants; • Assessed customer attrition assumptions based on historical customer contract wins and losses; • Assessed the reasonableness of the contributory asset charges; • Assessed the profitability of certain assets/licenses in comparison to current year actual results; • Assessed the remediation cost estimates used with reference to available external data and relevant Environment Protection Authority (EPA) regulations; • Assessed the discount rates applied with reference to observable market inputs and involvement from our valuation specialists; • Assessed the competence, independence and objectivity of the external valuation experts engaged by the Group; and • Used the work of the client's external valuation experts in respect of valuation of tangible and intangible assets and certain liabilities. The adequacy of the Group's disclosures in the financial report regarding these acquisitions were also assessed.

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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 2018, the Group (excluding Toxfree) held \$1,317.2 million in intangible assets with indefinite useful lives. These intangible assets comprise goodwill and brand names and are monitored at an operating segment or group of cash generating units (CGU) level respectively for the Solids and Liquids businesses. 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 and inflation rates as well as expected outcomes from the execution of operational efficiencies. As such, this is a key audit matter. Note 21 to the financial report provides disclosure on the Group's impairment tests and highlights the impact of reasonably possible changes to key assumptions.	The audit procedures we performed 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 independent economic and industry forecasts; • Assessed the assumptions for terminal growth rates; • Considered the achievability of cost saving targets and associated initiatives; • Considered the capital expenditure forecasts; • Assessed the discount rates through comparing the cost of capital for the Group with comparable businesses; • Considered comparable businesses valuation multiples as a cross-check of the Group's cash flow models outcomes; and • Performed 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 have the most significant effect on the determination of the recoverable amount of the intangible assets.

EY
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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 – AASB 137 *Provisions, Contingent Liabilities, and Contingent Assets*. At 30 June 2018, the Group (excluding Toxfree) held $290.9 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. Because of the subjective nature of the estimates involved in accounting for remediation obligations, this is a key audit matter. 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. Note 24 to the financial report provides further detail on the rectification and remediation provisions.	The audit procedures we performed 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, independence and objectivity of the external expert and used their work with respect to our audit of the rectification and remediation models; • 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; • Assessed the inputs (i.e. airspace and tonnage) used in the recognition of landfill amortization; 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 remediation obligations.

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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 2018 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 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 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 Group to cease to continue as a going concern.

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- 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 11 to 26 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Cleanaway Waste Management Limited for the year ended 30 June 2018 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

21 August 2018