Appendix 4D

Results for announcement to the market for the half-year ended 31 December 2019.

ASX Listing Rule 4.2A.3.

Reporting period

Reporting period: 31 December 2019

Previous corresponding period: 31 December 2018

The Half-Year Consolidated Financial Report should be read in conjunction with the 2019 Annual Report.

Results for announcement to the market

	31 DEC 2019 $'M	31 DEC 2018 $'M	UP/DOWN	MOVEMENT
Revenue from ordinary activities	**1,197.2**	1,149.7	Up	4.1%
Profit after income tax	**45.3**	60.8	Down	25.5%
Attributable to:				
Ordinary equity holders of the parent	**46.2**	60.7	Down	23.9%
Non-controlling interest	**(0.9)**	0.1	n/a	n/a
Profit after income tax	**45.3**	60.8	Down	25.5%

Dividends

DIVIDEND INFORMATION	AMOUNT PER SHARE (CENTS)	TAX RATE FOR FRANKING CREDIT
Final 2019 fully franked dividend (paid 3 October 2019)	**1.9**	30%
Interim 2020 fully franked dividend (to be paid 3 April 2020)	**2.0**	30%
Interim dividend dates:		
Record date		4 March 2020
Payment date		3 April 2020

An interim dividend of 2.0 cents per share has been declared. The Dividend Reinvestment Plan (DRP), will be in operation for the interim dividend. The DRP election date is 5 March 2020. 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 6 March 2020 to 12 March 2020. No discount will be applied to shares issued under the DRP.

Net Tangible Assets (NTA) per security

	31 DEC 2019 CENTS	30 JUNE 2019 CENTS
NTA per security (including right-of-use assets)	**10.2**	10.4

Commentary on the results for the period

Refer to the 31 December 2019 Half-Year Consolidated Financial Report, the Media Release and Investor Presentation.

Status of audit

The Consolidated Financial Report for the half-year ended 31 December 2019, which contains the independent auditor's report, is attached.

D J F Last
Company Secretary

18 February 2020

Cleanaway Waste Management Limited
ABN 74 101 155 220

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

+61 03 8397 5100
+61 03 8397 5180

cleanaway.com.au

Cleanaway Waste Management Limited

ABN 74 101 155 220

Consolidated Financial Report

For the half-year ended 31 December 2019

Contents of Financial Statements

This interim Consolidated Financial Report does not include all notes of the type normally included in an Annual Financial Report. Accordingly, this Report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by Cleanaway Waste Management Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

The Directors present their Report together with the Consolidated Financial Statements of the Group, consisting of Cleanaway Waste Management Limited (the Company) and its controlled entities (Cleanaway or the Group), for the half-year ended 31 December 2019.

Directors

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

M P Chellew	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
S L Hogg	Non-Executive Director (appointed Non-Executive Director on 1 November 2019)

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

Review of results

The Group's statutory profit after income tax (attributable to ordinary equity holders) for the half-year ended 31 December 2019 was $46.2 million (2018: $60.7 million).

The Group's underlying profit after income tax (attributable to ordinary equity holders) for the half-year ended 31 December 2019 of $75.1 million has increased by 12.3% on the prior period (2018: $66.9 million).

Operating cash flows decreased 10.5% to $157.1 million (2018: $175.6 million). During the half-year ended 31 December 2018 the Group received a one-off tax refund of $25.0 million. In the current period, operating cash flows are higher by $17.0 million as a result of the implementation of AASB 16 *Leases*. Operating lease costs of $21.8 million have been classified in the cash flow statement as interest payments of $4.8 million in operating cashflows and repayment of borrowings of $17.0 million in financing cashflows.

The Group's net assets increased from $2,536.6 million at 30 June 2019 to $2,540.0 million at 31 December 2019.

At 31 December 2019 the Group had a net current asset deficiency of $47.5 million (30 June 2019: net current asset surplus of $11.0 million). The net current asset deficiency arises mainly from the implementation of AASB 16. Current lease liabilities of $45.8 million, related to operating leases not previously recognised on balance sheet are now included on balance sheet in current interest-bearing liabilities, however the related right-of-use asset is classified as a non-current asset. As set out in note 6 to the Consolidated Financial Statements, the Group has unutilised committed debt facilities of $225.9 million at 31 December 2019 available to repay the Group's creditors as required and therefore the Directors are satisfied that the Group can meet its financial obligations as and when they fall due.

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.

Operating review

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

Solid Waste Services

	INCLUDING IMPACT OF AASB 16 31 DEC 2019 $'M	IMPACT OF AASB 16 31 DEC 2019 $'M	EXCLUDING IMPACT OF AASB 16 31 DEC 2019 $'M	31 DEC 2018 $'M
Underlying EBITDA [1]	193.0	(16.4)	176.6	175.7
Underlying EBIT [2]	104.4	(1.6)	102.8	102.1

Core business	The Solid Waste Services segment comprises the collection, recovery and disposal of all types of solid waste, including putrescible waste, inert waste, household waste and recovered waste. Waste streams are generally processed through our resource recovery and recycling facilities, transfer stations and landfills.
Financial metrics	Total revenue for the Solid Waste Services segment increased by 7.6% to $826.0 million. Underlying EBITDA excluding the impact of AASB 16 increased by 0.5% to $176.6 million. Underlying EBIT excluding the impact of AASB 16 increased by 0.7% to $102.8 million.
Performance	The result was impacted by lower commodity prices, partially offset by reduced rebates to customers. The introduction of a landfill levy in Queensland on 1 July 2019 resulted in reduced landfill volumes and was offset by higher collections and resource recovery volumes in Queensland. The Group maintained discipline with respect to the gate fees at the Queensland Landfill to ensure the Group did not give up valuable air space for poor quality volume. The acquisition of the SKM business was completed during the period. Upgrading of the plant has commenced to enable Cleanaway to produce higher quality commodities that will ultimately be reused in new products as we move further towards a circular economy. A fire occurred at the Perth Material Recycling Facility on 25 November 2019. The clean-up of the Facility is well advanced and Cleanaway is working with customers to develop alternative solutions. The intention remains to rebuild the facility to ensure delivery of a high quality recycling service in the Perth market.

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)

Industrial & Waste Services

	INCLUDING IMPACT OF AASB 16 31 DEC 2019 $'M	IMPACT OF AASB 16 31 DEC 2019 $'M	EXCLUDING IMPACT OF AASB 16 31 DEC 2019 $'M	31 DEC 2018 $'M
Underlying EBITDA	23.1	(0.3)	22.8	23.2
Underlying EBIT	10.8	0.1	10.9	10.5

Core business	The Industrial & Waste Services segment provides a wide variety of services to the Infrastructure, Industrial and Resources markets. Services include drain cleaning, non-destructive digging, vacuum loading, high pressure cleaning, pipeline maintenance and CCTV.
Financial metrics	Total revenue decreased by 6.4% to $165.7 million and underlying EBITDA, excluding the impact of AASB 16 decreased by 1.7% from $23.2 million to $22.8 million. Underlying EBIT, excluding the impact of AASB 16 increased by 3.8% from $10.5 million to $10.9 million.
Performance	Whilst revenues decreased in the Industrial & Waste Services segment, margins improved at both the EBITDA and EBIT levels as a result of a focus on higher margin contracts and exiting low margin contracts. This segment also benefited from the acceleration of the final phase of the Toxfree integration and improved performance in the parts of the segment exposed to the resource sector.

Liquid Waste & Health Services

	INCLUDING IMPACT OF AASB 16 31 DEC 2019 $'M	IMPACT OF AASB 16 31 DEC 2019 $'M	EXCLUDING IMPACT OF AASB 16 31 DEC 2019 $'M	31 DEC 2018 $'M
Underlying EBITDA	52.8	(3.7)	49.1	42.7
Underlying EBIT	32.5	(0.5)	32.0	26.3

Core business	The Liquid Waste & Health Services segment comprises: • Liquid Waste – the collection, treatment, processing, refining and recycling and destruction of hazardous and non-hazardous liquids, hydrocarbons and chemical waste, specialised packaged and hazardous waste and e-waste. • Health Services – the provision of services to the health sector for the safe treatment and disposal of health-related waste which includes sharps management, medical waste, pharmaceutical waste, healthcare hazardous waste and quarantine waste.
Financial metrics	Total revenue increased by 3.0% to $258.6 million and underlying EBITDA, excluding the impact of AASB 16 increased by 15.0% from $42.7 million to $49.1 million. Underlying EBIT increased by 21.7% from $26.3 million to $32.0 million.
Performance	Hydrocarbons performed strongly on the back of improved volume and production efficiencies following recent plant upgrades. Health Services continues to grow with the re-signing of some of its major customers for a further 3-5 years. This business remains on track to deliver on our strategic expectations. Hazardous and non-hazardous liquids have started to show improvement following the implementation of the final phase of the integration of Toxfree and the amalgamation of the two businesses that had both operated in this segment. Packaged waste services continue to grow both revenue and earnings as new hazardous waste stream markets are identified.

Operating review (continued)

Group results for the half-year ended 31 December 2019

		UNDERLYING ADJUSTMENTS					
	STATUTORY [1] $'M	MRF FIRE [4] $'M	ACQUISITION & INTEGRATION COSTS [5] $'M	OTHER [6] $'M	UNDERLYING [1] $'M	IMPACT OF AASB 16 $'M	UNDERLYING EXCLUDING IMPACT OF AASB 16 [1] $'M
Solid Waste Services					193.0	(16.4)	176.6
Industrial & Waste Services					23.1	(0.3)	22.8
Liquid Waste & Health Services					52.8	(3.7)	49.1
Equity accounted investments					(0.3)	–	(0.3)
Waste management					**268.6**	**(20.4)**	**248.2**
Corporate					(12.2)	(1.4)	(13.6)
EBITDA [2]	**236.4**	**(1.8)**	**21.8**	–	**256.4**	**(21.8)**	**234.6**
Depreciation and amortisation	(129.2)	–	–	–	(129.2)	19.8	(109.4)
Write-off of plant and equipment	(19.8)	19.8	–	–	–	–	–
EBIT [3]	**87.4**	**18.0**	**21.8**	–	**127.2**	**(2.0)**	**125.2**
Net finance costs	(24.2)	–	–	0.2	(24.0)	4.8	(19.2)
Profit before income tax	**63.2**	**18.0**	**21.8**	**0.2**	**103.2**	**2.8**	**106.0**
Income tax expense	(17.9)	(5.4)	(5.6)	(0.1)	(29.0)	(0.8)	(29.8)
Profit after income tax	**45.3**	**12.6**	**16.2**	**0.1**	**74.2**	**2.0**	**76.2**
Attributable to:							
Ordinary equity holders	**46.2**	**12.6**	**16.2**	**0.1**	**75.1**	**2.0**	**77.1**
Non-controlling interest	**(0.9)**	–	–	–	**(0.9)**	–	**(0.9)**

1 The use of the term 'Statutory' refers to IFRS financial information and 'Underlying' refers to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information. The exclusion of underlying adjustments provides a result which, in the Directors' view, more closely reflects the ongoing operations of the Group. The non-IFRS financial information 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 On 25 November 2019 a fire occurred at the Materials Recycling Facility in Guildford, Western Australia. Insurance recovery income of $6.7 million relating to a portion of claim has been recognised. Refer to note 12 to the Consolidated Financial Statements. This income is offset by business interruption and clean-up costs of $4.9 million expensed to date. In addition, $19.8 million of plant and equipment has been written off.

5 Acquisition and integration costs include transaction costs and other costs associated with the acquisition of businesses during the period of $7.4 million and the ongoing integration costs related to the acquisition of Toxfree which occurred on 11 May 2018 of $14.4 million.

6 Net finance costs relate to the fair value gain on USPP borrowings of $6.1 million offset by the change in fair value of cross currency interest rate swaps (CCIRS) of $6.3 million.

Operating review (continued)

Group results for the half-year ended 31 December 2018

	STATUTORY [1] $'M	UNDERLYING ADJUSTMENTS LOSS ON SALE OF INVESTMENTS [4] $'M	ACQUISITION & INTEGRATION COSTS [5] $'M	UNDERLYING [1] $'M
Solid Waste Services				175.7
Industrial & Waste Services				23.2
Liquid Waste & Health Services				42.7
Equity accounted investments				0.8
Waste management				**242.4**
Corporate				(13.5)
EBITDA [2]	**220.8**	**2.4**	**5.7**	**228.9**
Depreciation and amortisation	(111.7)	–	–	(111.7)
EBIT [3]	**109.1**	**2.4**	**5.7**	**117.2**
Net finance costs	(23.4)	–	–	(23.4)
Profit before income tax	**85.7**	**2.4**	**5.7**	**93.8**
Income tax expense	(24.9)	–	(1.9)	(26.8)
Profit after income tax	**60.8**	**2.4**	**3.8**	**67.0**
Attributable to:				
Ordinary equity holders	**60.7**	**2.4**	**3.8**	**66.9**
Non-controlling interest	**0.1**	–	–	**0.1**

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

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

3 EBIT represents earnings before interest and income tax.

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

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

Directors' Report

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 half-year under review.

Environmental regulation

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

The Group is committed to achieving the highest standards of environmental performance. There were no material breaches of environmental statutory requirements and no material prosecutions during the half-year under review.

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

Events subsequent to reporting date

Other than as noted below there have been no matters or circumstances that have arisen since the end of the half-year that have affected the Group's operations not otherwise disclosed in this report.

On 11 February 2020 proceeds were received in relation to the issuance of US$270.0 million (A$397.6 million) notes (USPP Notes) to US domiciled insurance companies. These proceeds were then used to repay Facility D under the Group's Syndicated Facility which was then subsequently cancelled. The balance of the proceeds received have been applied against the Group's other borrowings. Refer to note 6 to the Consolidated Financial Statements.

During February 2020 Cleanaway received the outstanding indemnity from the remaining insurers on the insurance panel, in relation to the claim for losses incurred related to the fire which occurred at the Perth Material Recycling Facility in November 2019. This indemnity provides virtual certainty of receipt of the full claim and accordingly the contingent asset of $14.0 million, set out in note 12 to the Consolidated Financial Statements, will be recognised in the second half of the year ended 30 June 2020.

Auditor's independence declaration

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

This Report 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,

18 February 2020

Auditor's Independence Declaration

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

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

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

As lead auditor for the review of the half-year financial report of Cleanaway Waste Management Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Brett Croft
Partner
18 February 2020

Consolidated Income Statement

For the half-year ended 31 December 2019

	NOTES	31 DEC 2019 $'M	31 DEC 2018 $'M
Revenue	3	1,197.2	1,149.7
Other income		11.2	1.3
Labour related expenses		(439.5)	(428.0)
Collection, recycling and waste disposal expenses		(346.8)	(309.3)
Fleet operating expenses		(119.4)	(118.6)
Property expenses		(21.7)	(34.8)
Other expenses		(44.3)	(37.9)
Loss on sale of investments		–	(2.4)
Share of (losses)/profits from equity accounted investments	4	(0.3)	0.8
Depreciation and amortisation expense		(129.2)	(111.7)
Write-off of plant and equipment		(19.8)	–
Profit from operations		**87.4**	**109.1**
Net finance costs	5	(24.2)	(23.4)
Profit before income tax		**63.2**	**85.7**
Income tax expense		(17.9)	(24.9)
Profit after income tax		**45.3**	**60.8**
Attributable to:			
Ordinary equity holders		46.2	60.7
Non-controlling interest		(0.9)	0.1
Profit after income tax		**45.3**	**60.8**

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

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2019

	NOTES	31 DEC 2019 $'M	31 DEC 2018 $'M
Profit after income tax		**45.3**	**60.8**
Other comprehensive income (to be reclassified to profit or loss in subsequent periods)			
Net gain on currency basis on cross currency interest rate swaps (net of tax)		1.0	–
Net comprehensive income recognised directly in equity		**1.0**	–
Total comprehensive income for the period		**46.3**	**60.8**
Attributable to:			
Ordinary equity holders		47.2	60.7
Non-controlling interest		(0.9)	0.1
Total comprehensive income for the period		**46.3**	**60.8**
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	7	2.3	3.0
Diluted earnings per share (cents)	7	2.2	3.0

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

Consolidated Balance Sheet

As at 31 December 2019

	NOTES	31 DEC 2019 $'M	30 JUNE 2019 $'M
Assets			
Current assets			
Cash and cash equivalents		37.8	56.2
Trade and other receivables		404.4	382.0
Inventories		20.9	19.9
Assets held for sale		8.8	8.8
Other assets		20.3	21.6
Total current assets		**492.2**	**488.5**
Non-current assets			
Property, plant and equipment		1,167.8	1,232.0
Right-of-use assets	1	420.6	–
Intangible assets		2,330.0	2,324.9
Equity accounted investments	4	14.1	3.8
Net deferred tax assets		76.0	62.7
Other assets		17.2	17.3
Total non-current assets		**4,025.7**	**3,640.7**
Total assets		**4,517.9**	**4,129.2**
Liabilities			
Current liabilities			
Trade and other payables		274.4	257.5
Income tax payable		13.2	17.7
Interest-bearing liabilities	1,6	65.2	17.1
Employee entitlements		65.3	66.9
Provisions		85.1	86.1
Other liabilities		36.5	32.2
Total current liabilities		**539.7**	**477.5**
Non-current liabilities			
Interest-bearing liabilities	1,6	1,017.6	697.6
Employee entitlements		7.1	5.1
Provisions		283.2	295.8
Other liabilities		130.3	116.6
Total non-current liabilities		**1,438.2**	**1,115.1**
Total liabilities		**1,977.9**	**1,592.6**
Net assets		**2,540.0**	**2,536.6**
Equity			
Issued capital	8	2,683.3	2,678.2
Reserves		23.9	24.0
Retained earnings		(168.2)	(167.9)
Parent entity interest		2,539.0	2,534.3
Non-controlling interest		1.0	2.3
Total equity		**2,540.0**	**2,536.6**

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2019

	PARENT ENTITY INTEREST					
	ORDINARY SHARES $'M	RESERVES $'M	RETAINED EARNINGS $'M	TOTAL $'M	NON-CONTROLLING INTEREST $'M	TOTAL EQUITY $'M
At 1 July 2019	**2,678.2**	**24.0**	**(167.9)**	**2,534.3**	**2.3**	**2,536.6**
Adjustment on adoption of AASB 16	–	–	(7.6)	**(7.6)**	–	**(7.6)**
Restated balance at 1 July 2019	**2,678.2**	**24.0**	**(175.5)**	**2,526.7**	**2.3**	**2,529.0**
Profit for period	–	–	46.2	**46.2**	(0.9)	**45.3**
Other comprehensive income	–	1.0	–	**1.0**	–	**1.0**
Total comprehensive income for the period	–	1.0	46.2	**47.2**	(0.9)	**46.3**
Disposal of non-controlling interests	–	–	–	–	(0.2)	**(0.2)**
Share-based payment expense	–	(1.1)	–	**(1.1)**	–	**(1.1)**
Dividends reinvested/(paid)	5.1	–	(38.9)	**(33.8)**	(0.2)	**(34.0)**
Balance at 31 December 2019	**2,683.3**	**23.9**	**(168.2)**	**2,539.0**	**1.0**	**2,540.0**
At 1 July 2018	**2,671.0**	**51.9**	**(236.5)**	**2,486.4**	–	**2,486.4**
Adjustment for change in accounting policy	–	(35.5)	10.4	**(25.1)**	–	**(25.1)**
Restated balance at 1 July 2018	**2,671.0**	**16.4**	**(226.1)**	**2,461.3**	–	**2,461.3**
Profit for period	–	–	60.7	**60.7**	0.1	**60.8**
Total comprehensive income for the period	–	–	60.7	**60.7**	0.1	**60.8**
Acquisition of non-controlling interests	–	–	–	–	2.2	**2.2**
Share-based payment expense	–	3.2	–	**3.2**	–	**3.2**
Dividends reinvested/(paid)	2.1	–	(28.5)	**(26.4)**	–	**(26.4)**
Balance at 31 December 2018	**2,673.1**	**19.6**	**(193.9)**	**2,498.8**	**2.3**	**2,501.1**

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

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2019

	31 DEC 2019 $'M	31 DEC 2018 $'M
Cash flows from operating activities		
Profit before income tax	63.2	85.7
Adjustments for:		
Depreciation and amortisation expense	129.2	111.7
Write-off of plant and equipment	19.8	–
Net finance costs	24.2	23.4
Share-based payment (benefit)/expense	(0.5)	2.8
Share of losses/(profits) from equity accounted investments	0.3	(0.8)
Net gain on disposal of property, plant and equipment	(4.3)	(0.5)
Net loss on disposal of investments	–	2.4
Other non-cash items	(1.2)	(1.8)
Net cash from operating activities before changes in assets and liabilities	**230.7**	**222.9**
Changes in assets and liabilities:		
Increase in receivables	(18.4)	(14.4)
Decrease in other assets	0.9	0.1
Increase in inventories	(1.1)	(3.7)
Increase in payables	15.3	14.5
Decrease in employee entitlements	(0.5)	(8.3)
(Decrease)/increase in other liabilities	(0.6)	0.7
Decrease in provisions	(20.6)	(14.0)
Cash generated from operating activities	**205.7**	**197.8**
Net interest paid	(16.9)	(15.0)
Income taxes paid	(31.7)	(7.2)
Net cash from operating activities	**157.1**	**175.6**
Cash flows from investing activities		
Payments for property, plant and equipment	(96.8)	(84.4)
Payments for intangible assets	(3.9)	(1.3)
Payments for purchase of businesses (net of cash acquired)	(82.3)	(26.9)
Proceeds from disposal of property, plant and equipment	3.6	3.5
Investment in equity accounted investments	(11.3)	–
Proceeds on divestment of equity accounted investments	0.1	6.5
Dividends received from equity accounted investments	0.7	3.5
Loans to customers repaid	–	0.4
Net cash used in investing activities	**(189.9)**	**(98.7)**
Cash flows from financing activities		
Proceeds from borrowings	312.0	90.3
Repayment of borrowings	(236.3)	(139.0)
Repayment of lease liabilities	(26.1)	(7.6)
Payment of debt and equity raising costs	(1.2)	(1.3)
Payment of dividends to ordinary equity holders	(33.8)	(26.4)
Payment of dividends to non-controlling interests	(0.2)	–
Net cash from/(used in) financing activities	**14.4**	**(84.0)**
Net decrease in cash and cash equivalents	**(18.4)**	**(7.1)**
Cash and cash equivalents at the beginning of the period	56.2	52.0
Cash and cash equivalents at 31 December	**37.8**	**44.9**

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

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2019

1. *Summary of significant accounting policies*

Statement of compliance

The Half-Year Consolidated Financial Report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include all the notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report. It is also recommended that the half-year report be considered together with any public announcements made by the Group during the half-year ended 31 December 2019 in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*.

Basis of preparation

The Half-Year Consolidated Financial Report has been prepared on the basis of historical cost except derivative financial instruments, which are measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets.

The Half-Year Consolidated 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.

The accounting policies and methods of computation adopted in the preparation of the Half-Year Consolidated Financial Report are consistent with those adopted and disclosed in the Group's Annual Financial Report for the financial year ended 30 June 2019, except for the change in accounting policy set out below and the impact of new and revised standards also noted below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group's net assets increased from $2,536.6 million at 30 June 2019 to $2,540.0 million at 31 December 2019.

At 31 December 2019 the Group had a net current asset deficiency of $47.5 million (30 June 2019: net current asset surplus of $11.0 million). The net current asset deficiency arises mainly from the implementation of AASB 16. Current lease liabilities of $45.8 million, related to operating leases not previously recognised on balance sheet are now included on balance sheet in current interest-bearing liabilities, however the related right-of-use asset is classified as a non-current asset. As set out in note 6 to the Financial Statements, the Group has unutilised committed debt facilities of $225.9 million at 31 December 2019 available to repay the Group's creditors as required and therefore the Directors are satisfied that the Group can meet its financial obligations as and when they fall due.

Change in accounting policy

The Group re-assessed its accounting for property, plant and equipment with respect to measurement of a certain class of property, plant and equipment after initial recognition. The Group had previously measured all property, plant and equipment using the cost model except for non-landfill land and buildings which were measured using the revaluation model. The Group has elected to change the method of accounting for non-landfill land and buildings to the cost model to align the accounting method used with the Group's method for accounting for landfill land and to align the accounting with practices adopted by its industry peers. In doing so the Group believes applying the cost model to non-landfill and buildings will be more relevant and comparable to its industry peers. The Group has applied the cost model retrospectively.

After initial recognition, all non-landfill land and buildings are measured at cost less accumulated depreciation. Land is not depreciated.

1. *Summary of significant accounting policies* (continued)

Change in accounting policy (continued)

Impact of change on the Consolidated Balance sheet at the earliest period presented and as at 30 June 2019:

	30 JUNE 2019 $'M	30 JUNE 2018 $'M
Increase/(decrease) of previously reported balances:		
Assets		
Property, plant and equipment	(64.3)	(33.2)
Net deferred tax assets	17.5	8.1
	(46.8)	**(25.1)**
Equity		
Asset revaluation reserve	(53.9)	(35.5)
Retained earnings	7.1	10.4
	(46.8)	**(25.1)**

The change did not have an impact on the six months ended 31 December 2018 reported in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Cash Flows, as all revaluations in the year ended 30 June 2019 occurred in the second half of that financial year.

New and revised standards

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

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

- AASB 16 *Leases*

  AASB 16 supersedes AASB 117 *Leases* and AASB Interpretation 4 *Determining whether an Arrangement contains a Lease* and sets out the principles for recognition, measurement, presentation and disclosure of leases. On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.3%.

  Adjustments recognised on adoption

  For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date. The below table shows the reconciliation between operating lease commitments at 30 June 2019 and the lease liability recognised at 1 July 2019.

	1 JULY 2019 $'M
Operating lease commitments as at 30 June 2019	259.6
Discounted operating lease commitments using the incremental borrowing rate at 1 July 2019	215.5
Add: Finance lease liabilities recognised as at 30 June 2019	134.4
Less: Short-term leases	(1.6)
Less: Low-value leases	(1.8)
Add: Differences related to inclusion of extension and termination options	96.7
Less: Differences related to CPI increases not included in the lease liability	(11.8)
Lease liability recognised at 1 July 2019	**431.4**

1. Summary of significant accounting policies *(continued)*

New and revised standards (continued)

Lease liabilities recognised at 1 July 2019 were classified as summarised below:

	1 JULY 2019 $'M
Current lease liabilities	60.9
Non-current lease liabilities	370.5
	431.4

The associated right-of-use assets for significant property leases were measured as if AASB 16 had always been applied. Other right-of use assets were measured at the amount equal to the lease liability. Under this approach the Group does not restate its comparative figures but recognises the cumulative effect of adopting AASB 16 as an adjustment to retained earnings at the beginning of the current period.

The recognised right-of-use assets relate to the following types of assets:

	1 JULY 2019 $'M
Properties	265.8
Plant and equipment	151.5
	417.3

The change in accounting policy impacted the following balance sheet items at 1 July 2019:

	1 JULY 2019 $'M
Increase/(decrease) of previously reported balances:	
Assets	
Other current assets	(0.3)
Right-of-use assets	417.3
Property, plant and equipment	(132.3)
Net deferred tax assets	3.3
	288.0
Liabilities	
Provisions	(1.4)
Lease liabilities	297.0
	295.6
Equity	
Retained earnings	(7.6)
	(7.6)

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether contracts are onerous;
- the accounting for operating leases with a remaining term of less than 12 months as at 1 July 2019 as short-term leases;
- the Group has not applied the requirements of AASB 16 to short-term leases and those where the underlying asset is of low value;
- the Group has not separated non-lease components from lease components for the plant and equipment asset class;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

1. *Summary of significant accounting policies (continued)*

New and revised standards (continued)

Revised accounting policy - Leases

The Group leases various property, equipment and vehicles. These leases typically do not exceed 10 years, but in some cases contain further renewal rights. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on a fixed index or a rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value, in a similar economic environment, with similar terms and conditions.

Short-term leases and those where the underlying asset is of low value are recognised as an expense on a straight-line basis over the lease term.

The Group has elected for the plant and equipment asset class, not to separate non-lease components from lease components, and instead accounts for all payments under the lease together as a single component.

(i) Variable lease payments
Some leases contain lease payments that are linked to variable components such as volumes of waste collected or landfill revenue. Lease payments which are variable in nature are recognised in profit or loss in the period in which they relate.

(ii) Extension and termination options
Extension and termination options are included in several property leases and owner driver arrangements across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, all facts and circumstances are considered that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In determining the lease term, the Group has applied judgement over the facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). All property leases on which a prized asset is situated are considered reasonably certain to exercise an extension option.

Standards issued not yet effective

New standards are effective for annual periods beginning after 1 July 2020 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.

- *Conceptual Framework for Financial Reporting* (expected to be initially applied in the financial year ending 30 June 2021)

  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.

2. *Segment reporting*

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

- **Solid Waste Services**

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

- **Industrial & Waste Services**

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

- **Liquid Waste & Health Services**

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

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

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

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

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

The Group has the following allocation policies:

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

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

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.

From 1 July 2019 the Group has applied AASB 16 *Leases* which has impacted the way in which operating lease expenditure is classified in the income statement. To provide comparability with the corresponding financial results, segment reporting has been prepared both with the impact of the new accounting standard and without, consistent with how the results have been presented to the Chief Operating Decision Maker.

2. Segment reporting *(continued)*

31 DECEMBER 2019	OPERATING SEGMENTS					UNALLOCATED		
	SOLID WASTE SERVICES $'M	INDUSTRIAL & WASTE SERVICES $'M	LIQUID WASTE & HEALTH SERVICES $'M	ELIMINATIONS $'M	TOTAL OPERATING SEGMENTS $'M	EQUITY ACCOUNTED INVESTMENTS $'M	CORPORATE $'M	GROUP $'M
Revenue								
Revenue from customers	796.9	159.0	225.2	–	1,181.1	–	–	1,181.1
Other revenue	5.9	–	10.2	–	16.1	–	–	16.1
Inter-segment sales	23.2	6.7	23.2	(53.1)	–	–	–	–
Total revenue	**826.0**	**165.7**	**258.6**	**(53.1)**	**1,197.2**	–	–	**1,197.2**
Underlying EBITDA	**193.0**	**23.1**	**52.8**	–	**268.9**	**(0.3)**	**(12.2)**	**256.4**
Depreciation and amortisation	(88.6)	(12.3)	(20.3)	–	(121.2)	–	(8.0)	(129.2)
Underlying EBIT	**104.4**	**10.8**	**32.5**	–	**147.7**	**(0.3)**	**(20.2)**	**127.2**
Acquisition and integration costs								(21.8)
Material recycling facility fire [1]								(18.0)
Profit from operations (EBIT)								**87.4**
Net finance costs								(24.2)
Profit before income tax								**63.2**
Income tax expense								(17.9)
Profit after income tax								**45.3**
Capital expenditure:								
Property, plant and equipment	73.8	6.9	15.6	–	96.3	–	0.5	96.8
Intangible assets	0.2	–	–	–	0.2	–	3.7	3.9

Excluding the impact of AASB 16

31 DECEMBER 2019	OPERATING SEGMENTS					UNALLOCATED		
	SOLID WASTE SERVICES $'M	INDUSTRIAL & WASTE SERVICES $'M	LIQUID WASTE & HEALTH SERVICES $'M	ELIMINATIONS $'M	TOTAL OPERATING SEGMENTS $'M	EQUITY ACCOUNTED INVESTMENTS $'M	CORPORATE $'M	GROUP $'M
Revenue								
Revenue from customers	796.9	159.0	225.2	–	1,181.1	–	–	1,181.1
Other revenue	5.9	–	10.2	–	16.1	–	–	16.1
Inter-segment sales	23.2	6.7	23.2	(53.1)	–	–	–	–
Total revenue	**826.0**	**165.7**	**258.6**	**(53.1)**	**1,197.2**	–	–	**1,197.2**
Underlying EBITDA	**176.6**	**22.8**	**49.1**	–	**248.5**	**(0.3)**	**(13.6)**	**234.6**
Depreciation and amortisation	(73.8)	(11.9)	(17.1)	–	(102.8)	–	(6.6)	(109.4)
Underlying EBIT	**102.8**	**10.9**	**32.0**	–	**145.7**	**(0.3)**	**(20.2)**	**125.2**
Acquisition and integration costs								(21.8)
Material recycling facility fire [1]								(18.0)
Profit from operations (EBIT)								**85.4**
Net finance costs								(19.4)
Profit before income tax								**66.0**
Income tax expense								(18.7)
Profit after income tax								**47.3**

1 On 25 November 2019 a fire occurred at the Materials Recycling Facility in Guildford, Western Australia. Insurance recovery income of $6.7 million relating to a portion of claim has been recognised. Refer to note 12. This income is offset by business interruption and clean-up costs of $4.9 million expensed to date. In addition, $19.8 million of plant and equipment has been written off.

2. Segment reporting (continued)

31 DECEMBER 2018	OPERATING SEGMENTS: SOLID WASTE SERVICES $'M	OPERATING SEGMENTS: INDUSTRIAL & WASTE SERVICES $' M	OPERATING SEGMENTS: LIQUID WASTE & HEALTH SERVICES $'M	OPERATING SEGMENTS: ELIMINATIONS $'M	TOTAL OPERATING SEGMENTS $'M	UNALLOCATED: EQUITY ACCOUNTED INVESTMENTS $'M	UNALLOCATED: CORPORATE $'M	GROUP $'M
Revenue								
Revenue from customers	744.3	169.4	218.3	–	1,132.0	–	–	1,132.0
Other revenue	7.2	0.1	10.2	–	17.5	–	0.2	17.7
Inter-segment sales	16.0	7.5	22.5	(46.0)	–	–	–	–
Total revenue	**767.5**	**177.0**	**251.0**	**(46.0)**	**1,149.5**	–	**0.2**	**1,149.7**
Underlying EBITDA	**175.7**	**23.2**	**42.7**	–	**241.6**	**0.8**	**(13.5)**	**228.9**
Depreciation and amortisation	(73.6)	(12.7)	(16.4)	–	(102.7)	–	(9.0)	(111.7)
Underlying EBIT	**102.1**	**10.5**	**26.3**	–	**138.9**	**0.8**	**(22.5)**	**117.2**
Loss on sale of investments								(2.4)
Acquisition and integration costs								(5.7)
Profit from operations (EBIT)								**109.1**
Net finance costs								(23.4)
Profit before income tax								**85.7**
Income tax expense								(24.9)
Profit after income tax								**60.8**
Capital expenditure:								
Property, plant and equipment	71.3	1.8	9.2	–	82.3	–	2.1	84.4
Intangible assets	1.0	–	–	–	1.0	–	0.3	1.3

3. Revenue

	31 DEC 2019 $'M	31 DEC 2018 $'M
Revenue from customers [1]	1,181.1	1,132.0
Other revenue	16.1	17.7
Total Revenue	**1,197.2**	**1,149.7**

1 Refer to the segment note for disaggregation of revenue.

4. Equity accounted investments

The Group holds an 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	31 DEC 2019 %	30 JUNE 2019 %	31 DEC 2019 $'M	30 JUNE 2019 $'M
Joint ventures:						
Wonthaggi Recyclers Pty Ltd	Australia	30 June	50	50	0.6	0.9
Earthpower Technologies Sydney Pty Ltd	Australia	30 June	50	50	–	–
Tomra Cleanaway Pty Ltd	Australia	30 June	50	50	3.0	2.9
A.C.N. 635 427 262 Pty Ltd [1]	Australia	30 June	51	–	10.5	–
Associates						
Total Waste Management Pty Ltd [2]	Australia	30 June	–	–	–	–
Western Resource Recovery Pty Ltd [2]	Australia	30 June	–	–	–	–
					14.1	**3.8**

1 During the period, the Group acquired a 51% interest in this entity which holds the investment in the Energy from Waste Project in Western Sydney.
2 The Group divested its interest in Total Waste Management Pty Ltd and Western Resource Recovery Pty Ltd on 10 December 2018.

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

	31 DEC 2019 $'M	31 DEC 2018 $'M
Revenues	90.5	67.2
Expenses	(91.1)	(66.2)
(Loss)/profit before income tax (100%)	**(0.6)**	**1.0**
Share of (loss)/profit before income tax	(0.3)	0.5
Income tax benefit	–	0.2
Share of net (loss)/profit recognised	**(0.3)**	**0.7**

4. Equity accounted investments *(continued)*

(b) Share of profit from associates

	31 DEC 2019 $'M	31 DEC 2018 $'M
Revenues	–	5.1
Expenses	–	(4.7)
Profit before income tax (100%)	–	**0.4**
Share of profit before income tax	–	0.2
Income tax expense	–	(0.1)
Share of net profit recognised	–	**0.1**

(c) Transactions with equity accounted investments

The following table provides the total amount of transactions with equity accounted investments during the half-year ended 31 December 2019.

	SALES TO EQUITY ACCOUNTED INVESTMENTS		PURCHASES FROM EQUITY ACCOUNTED INVESTMENTS		INTEREST REVENUE FROM EQUITY ACCOUNTED INVESTMENTS	
	31 DEC 2019 $'M	31 DEC 2018 $'M	31 DEC 2019 $'M	31 DEC 2018 $'M	31 DEC 2019 $'M	31 DEC 2018 $'M
Joint ventures	36.2	27.2	1.4	0.9	0.1	0.1
Associates	–	0.6	–	2.0	–	–
	36.2	**27.8**	**1.4**	**2.9**	**0.1**	**0.1**

	TRADE AMOUNTS OWED BY EQUITY ACCOUNTED INVESTMENTS		TRADE AMOUNTS OWED TO EQUITY ACCOUNTED INVESTMENTS		LOANS TO EQUITY ACCOUNTED INVESTMENTS	
	31 DEC 2019 $'M	30 JUNE 2019 $'M	31 DEC 2019 $'M	30 JUNE 2019 $'M	31 DEC 2019 $'M	30 JUNE 2019 $'M
Joint ventures	0.1	0.1	1.4	1.2	5.4	3.8
	0.1	**0.1**	**1.4**	**1.2**	**5.4**	**3.8**

5. Net finance costs

	31 DEC 2019 $'M	31 DEC 2018 $'M
Finance costs		
Interest on borrowings	(10.2)	(12.4)
Interest on leases	(8.1)	(2.9)
Amortisation of capitalised transaction costs	(1.6)	(1.4)
Unwind of discount on provisions and other liabilities	(5.2)	(7.1)
Fair value gain on USPP borrowings	6.1	–
Change in fair value of cross currency interest rate swaps (CCIRS)	(6.3)	–
	(25.3)	**(23.8)**
Finance income		
Interest income	1.1	0.4
	1.1	**0.4**
Net finance costs	**(24.2)**	**(23.4)**

6. Interest-bearing liabilities

	UNSECURED				SECURED	
	BANK LOANS $'M	CLEAN ENERGY FINANCE CORPORATION $'M	USPP NOTES $'M	OTHER $'M	LEASE LIABILITIES $'M	TOTAL INTEREST-BEARING LIABILITIES $'M
Opening balance at 1 July 2019	480.1	99.4	–	0.8	134.4	**714.7**
AASB 16 opening balance adjustment	–	–	–	–	297.0	**297.0**
Restated balance at 1 July 2019	**480.1**	**99.4**	–	**0.8**	**431.4**	**1,011.7**
Proceeds/(repayment) of borrowings	76.0	–	–	(0.3)	(26.1)	**49.6**
Borrowing costs paid	(0.9)	–	(0.3)	–	–	**(1.2)**
Cash flows	**75.1**	–	**(0.3)**	**(0.3)**	**(26.1)**	**48.4**
Lease drawdowns	–	–	–	–	31.4	**31.4**
Non-cash drawdowns	0.2	–	–	–	–	**0.2**
Fair value changes	–	–	(6.1)	–	–	**(6.1)**
Lease variations	–	–	–	–	(0.3)	**(0.3)**
Borrowing costs reversed/(accrued)	0.4	–	(4.5)	–	–	**(4.1)**
Amortisation of borrowing costs	1.5	0.1	–	–	–	**1.6**
Closing balance at 31 December 2019	**557.3**	**99.5**	**(10.9)**	**0.5**	**436.4**	**1,082.8**

On 15 November 2019 the Group committed to issuing US$270.0 million (A$397.6 million) notes (USPP Notes) to US domiciled life insurance companies. The USPP Notes were issued and proceeds received on 11 February 2020. Fair value changes represent the interest and currency movements from commitment date to 31 December 2019.

On 15 November 2019 Cleanaway also entered into forward starting cross currency interest rate swaps (CCIRS) with matching terms to the USPP Notes. The CCIRS swap the fixed rate USD debt into floating rate AUD debt. Under the CCIRS the Group pays variable BBSW + a fixed margin against A$397.6 million and receives a fixed rate of interest against US$270.0 million. The fixed amount of interest the Group receives under the CCIRS is equal to the fixed rate of interest it pays on the USPP Notes. The fair value of the CCIRS is disclosed in note 11.

6. *Interest-bearing liabilities (continued)*

	UNSECURED			SECURED	
	BANK LOANS $'M	CLEAN ENERGY FINANCE CORPORATION $'M	OTHER $'M	LEASE LIABILITIES $'M	TOTAL INTEREST-BEARING LIABILITIES $'M
Opening balance at 1 July 2018	534.2	89.3	–	101.7	**752.2**
(Repayment)/proceeds from borrowings	(49.0)	–	0.3	(7.6)	**(56.3)**
Borrowing costs paid	(0.8)	–	–	–	**(0.8)**
Cash flows	**(49.8)**	–	**0.3**	**(7.6)**	**(57.1)**
Lease drawdowns	–	–	–	27.8	**27.8**
Non-cash drawdowns	0.8	–	–	–	**0.8**
Interest-bearing liabilities acquired	–	10.0	0.5	–	**10.5**
Borrowing costs accrual reversed	0.7	–	–	–	**0.7**
Amortisation of borrowing costs	1.4	–	–	–	**1.4**
Closing balance at 31 December 2018	**487.3**	**99.3**	**0.8**	**121.9**	**709.3**

The headroom available in the Group's facilities at 31 December 2019 is summarised below:

		AVAILABLE $'M	UTILISED $'M	NOT UTILISED $'M
Syndicated Facility Agreement	Facility A [1,2,3]	135.0	(122.4)	12.6
	Facility B [3]	200.0	(200.0)	–
	Facility C [3]	315.0	(106.0)	209.0
	Facility D [3]	250.0	(250.0)	–
Clean Energy Finance Corporation [4]		100.0	(100.0)	–
Bank guarantee facilities [1]		60.0	(55.7)	4.3
		1,060.0	**(834.1)**	**225.9**

1 These facilities include $142.4 million (30 June 2019: $141.5 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 (30 June 2019: $6.5 million) of corporate credit card limit utilisation, $15.0 million of overdraft utilisation (30 June 2019: Nil) and $7.0 million (30 June 2019: $7.3 million) of outstanding finance lease commitments.

3 Amounts utilised exclude capitalised transaction costs of $6.4 million (30 June 2019: $7.4 million), and $0.5 million (30 June 2019: $0.7 million) of bank loans advanced under uncommitted facilities.

4 The amount utilised excludes capitalised transaction costs of $0.5 million (30 June 2019: $0.6 million).

7. Earnings per share

	31 DEC 2019	31 DEC 2018
Basic earnings per share (cents)	2.3	3.0
Diluted earnings per share (cents)	2.2	3.0

	31 DEC 2019 $'M	31 DEC 2018 $'M
Profit after income tax	45.3	60.8
Loss/(profit) attributable to non-controlling interests	0.9	(0.1)
Profit after income tax attributable to ordinary equity holders	**46.2**	**60.7**

A reconciliation of weighted average number of ordinary shares is provided in the table below:

	31 DEC 2019	31 DEC 2018
Weighted average number of ordinary shares used as the denominator		
Number for basic earnings per share	2,048,652,255	2,039,846,936
Effect of potential ordinary shares	12,143,060	12,122,016
Number for diluted earnings per share	**2,060,795,315**	**2,051,968,952**

8. Issued capital

	31 DEC 2019		30 JUNE 2019	
	NUMBER OF SHARES	$'M	NUMBER OF SHARES	$'M
Opening balance	2,044,507,391	2,678.2	2,036,684,232	2,671.0
Issue of shares under dividend reinvestment plan	2,526,988	5.1	3,446,846	7.2
Issue of shares under employee incentive plan	4,383,551	–	4,376,313	–
Closing balance	**2,051,417,930**	**2,683.3**	**2,044,507,391**	**2,678.2**

9. Dividends

	31 DEC 2019 CENTS PER SHARE	31 DEC 2018 CENTS PER SHARE	31 DEC 2019 $'M	31 DEC 2018 $'M
Dividends paid during the period				
Final dividend relating to prior period	1.90	1.40	38.9	28.5
Dividends determined in respect of the period				
Interim dividend relating to current period	2.00	1.65	41.0	33.7

10. Business combinations

Half-year ended 31 December 2019

During the half-year ended 31 December 2019, the Group acquired a business from various entities in the SKM Recycling Group (receivers and managers appointed) (SKM). Details of the business combination are provided below:

BUSINESS ACQUIRED	DATE OF ACQUISITION	DESCRIPTION OF THE BUSINESS
SKM Recycling Group	31 October 2019	Recycling business based in Victoria, Tasmania and South Australia

As the acquisition occurred close to the end of the half-year ended 31 December 2019 the fair values are preliminary and subject to possible change. The provisional fair values of the identifiable assets and liabilities of the business combination at the date of acquisition were:

	31 DEC 2019 $'M
Assets	
Property, plant and equipment	68.3
Deferred tax assets	3.0
	71.3
Liabilities	
Trade and other payables	1.6
Employee entitlements	0.7
Provisions	7.7
	10.0
Total identifiable net assets at fair value	**61.3**
Goodwill arising on acquisition	4.7
Purchase consideration	**66.0**

	31 DEC 2019 $'M
Cash paid (included in cash flows from investing activities)	66.0
Transaction costs of the acquisition (included in cash flows from operating activities)	7.3
Net cash flow on acquisition	**73.3**

From the date of acquisition to 31 December 2019, the business contributed $4.5 million of revenue and $0.3 million to profit before tax to the Group. Prior to acquisition the business was under receivership and was being managed by Korda Mentha as Receivers and Managers.

10. Business Combinations (continued)

Half-year ended 31 December 2019 (continued)

During the half-year ended 31 December 2019, the Group acquired a business from Statewide Recycling Services Pty Ltd (Statewide). Details of the business combination are provided below:

BUSINESS ACQUIRED	DATE OF ACQUISITION	DESCRIPTION OF THE BUSINESS
Statewide	16 December 2019	Waste disposal and recycling business based in Warrnambool, Victoria

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

	31 DEC 2019 $'M
Assets	
Property, plant and equipment	4.4
Deferred tax assets	0.1
Intangible assets	4.5
	9.0
Liabilities	
Employee entitlements	0.2
Deferred tax liabilities	1.4
	1.6
Total identifiable net assets at fair value	**7.4**
Goodwill arising on acquisition	6.1
Purchase consideration	**13.5**

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

	31 DEC 2019 $'M
Cash consideration paid (included in cash flows from investing activities)	13.5
Transaction costs of the acquisition (included in cash flows from operating activities)	0.1
Net cash flow on acquisition	**13.6**

From the date of acquisition to 31 December 2019, the business contributed $0.4 million of revenue and $0.1 million to profit before tax to the Group. If the business had been acquired at the beginning of the reporting period, revenue of $4.2 million and profit before tax of $1.3 million would have been contributed to the Group.

10. Business Combinations *(continued)*

Year ended 30 June 2019

During the year ended 30 June 2019, the Group acquired a 50% interest in Cleanaway ResourceCo RRF Pty Ltd (formerly ResourceCo RRF Pty Ltd).

BUSINESS ACQUIRED	DATE OF ACQUISITION	DESCRIPTION OF THE BUSINESS
ResourceCo RRF Pty Ltd	30 October 2018	Resource Recovery Facility based in Wetherill Park in New South Wales

At 30 June 2019, provisionally determined values were reported. Subsequent to 30 June 2019, final fair values for the business combination were determined. Comparative amounts for 30 June 2019 have been restated in this financial report for final determined fair values. The restated aggregated fair value of the identifiable assets and liabilities as at the date of acquisition were:

	PROVISIONAL FAIR VALUE REPORTED AT 30 JUNE 2019 $'M	ADJUSTMENTS TO PROVISIONAL FAIR VALUE $'M	FINAL FAIR VALUE $'M
Assets			
Cash and cash equivalents	0.6	–	0.6
Trade and other receivables	2.5	–	2.5
Inventories	0.5	–	0.5
Property, plant and equipment	14.4	–	14.4
Prepayments	0.5	–	0.5
Intangible assets	2.0	–	2.0
	20.5	–	**20.5**
Liabilities			
Trade and other payables	3.3	–	3.3
Employee entitlements	0.2	–	0.2
Provisions	0.1	–	0.1
Interest-bearing liabilities	10.5	–	10.5
Deferred tax liabilities	2.0	–	2.0
	16.1	–	**16.1**
Total identifiable net assets at fair value	**4.4**	–	**4.4**
Non-controlling interest	(2.2)	–	(2.2)
Goodwill arising on acquisition [1]	39.7	(16.9)	22.8
Purchase consideration [1]	**41.9**	**(16.9)**	**25.0**

1 Contingent consideration would be paid if certain earnings targets were met by a certain date. The value of contingent consideration has been revised based on further information which is available related to conditions which existed at the time of acquisition. The interest expense related to the unwind of the discounted deferred consideration, which was recognised in the second half of the year ended 30 June 2019 of $0.8 million ($0.6 million after tax) has been adjusted against opening retained earnings.

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

	PROVISIONAL FAIR VALUE REPORTED AT 30 JUNE 2019 $'M	ADJUSTMENTS TO PROVISIONAL FAIR VALUE $'M	FINAL FAIR VALUE $'M
Cash paid (included in cash flows from investing activities)	25.0	–	25.0
Contingent consideration	16.9	(16.9)	–
Total purchase consideration	**41.9**	**(16.9)**	**25.0**

10. Business Combinations *(continued)*

Year ended 30 June 2019 (continued)

	30 JUNE 2019 $'M
Net cash acquired	0.6
Cash consideration paid	(25.0)
Net cash flow on acquisition (included in cash flows from investing activities)	**(24.4)**

From the date of acquisition to 30 June 2019, the ResourceCo RRF Pty Ltd acquisition contributed $13.9 million of revenue and a $0.8 million loss to profit before tax to the Group, after amortisation of customer intangibles of $0.4 million. If the business had been acquired at the beginning of the reporting period, revenue of $17.4 million and a loss before tax of $2.6 million, after amortisation of customer intangibles of $0.7 million, would have been contributed to the Group.

11. Financial assets and liabilities 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 half-year.

Derivative financial instruments – measured at fair value

The Group has entered into cross currency interest rate swaps (CCIRS) 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:

31 DECEMBER 2019	LEVEL 1 $'M	LEVEL 2 $'M	LEVEL 3 $'M	TOTAL $'M
Liabilities measured at fair value				
Derivative financial instruments – CCIRS	–	8.0	–	8.0

30 JUNE 2019				
Liabilities measured at fair value				
Derivative financial instruments – CCIRS	–	–	–	–

11. Financial assets and liabilities at fair value (continued)

Fixed rate borrowings measured at amortised cost – fair value disclosure

Fixed rate long term borrowings with the Clean Energy Finance Corporation are measured at amortised cost. These borrowings are valued using techniques with market observable inputs. The valuation techniques include current market interest rate models using present value calculations.

The following table provides the fair value measurement hierarchy of the Group's fixed rate borrowings:

31 DECEMBER 2019	LEVEL 1 $'M	LEVEL 2 $'M	LEVEL 3 $'M	TOTAL $'M
Liabilities for which fair value is disclosed				
Clean Energy Finance Corporation fixed rate borrowings	–	110.7	–	110.7

30 JUNE 2019	LEVEL 1 $'M	LEVEL 2 $'M	LEVEL 3 $'M	TOTAL $'M
Liabilities for which fair value is disclosed				
Clean Energy Finance Corporation fixed rate borrowings	–	109.9	–	109.9

12. Contingent assets and liabilities

Other than as set out below there have been no material changes to the contingent assets and liabilities which were disclosed in the 30 June 2019 Annual Report.

Perth Material Recycling Facility (MRF) insurance claim – contingent asset

Following the fire that took place on 25 November 2019 at the Perth MRF facility, the Group lodged an insurance claim under its insurance policy. Insurance recovery income can only be recognised when its receipt is virtually certain. The Group has insurance with a panel of insurers. The lead insurer and other insurers on the panel have assessed and provided indemnity for their share of the claim. The Group has not recognised a contingent asset to the value of $14.0 million related to the remaining insurers.

Perth Material Recycling Facility (MRF) contracts – contingent liability

Cleanaway is exposed to potential claims from various customers of the Perth MRF facility following the fire that took place on 25 November 2019. The Group is currently in discussions with a number of these parties. Given the incident only recently occurred and the discussions are preliminary, the amount of Cleanaway's liability is not known at this stage.

13. Events occurring after the reporting date

There have been no matters or circumstances that have arisen since the end of the half-year that have significantly affected the Group's operations not otherwise disclosed in this report except:

On 11 February 2020 proceeds were received in relation to the issuance of US$270.0 million (A$397.6 million) notes (USPP Notes) to US domiciled insurance companies. These proceeds were then used to repay Facility D under the Group's Syndicated Facility which was then subsequently cancelled. The balance of the proceeds received have been applied against the Group's other borrowings. Refer to note 6.

During February 2020 Cleanaway received the outstanding indemnity from the remaining insurers on the insurance panel, in relation to the claim for losses incurred related to the fire which occurred at the Perth MRF in November 2019. This indemnity provides virtual certainty of receipt of the full claim and accordingly the contingent asset of $14.0 million, set out in note 12, will be recognised in the second half of the year ended 30 June 2020.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes for the half-year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

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

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

M P Chellew
Chairman and Non-Executive Director

V Bansal
Chief Executive Officer and Managing Director

Melbourne, 18 February 2020

Independent Auditor's Review Report

to the members of Cleanaway Waste Management Limited

EY
Building a better working world

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

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Cleanaway Waste Management Limited (the Company) and its subsidiaries (collectively the Group), which comprises the Consolidated Balance Sheet as at 31 December 2019, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' Responsibility for the Half-Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the Annual Financial Report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Ernst & Young

Ernst & Young

Brett Croft
Partner
Melbourne, 18 February 2020