20 August 2021

Company Announcements Office
ASX Limited
Exchange Office
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

APPENDIX 4E AND CONSOLIDATED FINANCIAL REPORT

In accordance with the ASX Listing Rule 4.3A, attached is Cleanaway's Appendix 4E and Consolidated Financial Report for the full year ended 30 June 2021.

The following associated documents will be provided separately:

- Media Release; and
- Investor Presentation

This announcement and the associated documents are authorised for release by the Board of Cleanaway in accordance with ASX Listing Rule 15.5.

Yours sincerely

Dan Last
Company Secretary

Cleanaway Waste Management Limited is Australia's leading total waste management, industrial and environmental services company. Our team of more than 6,000 highly trained staff are supported by a fleet of over 4,000 specialist vehicles working from approximately 250 locations across Australia. With the largest waste, recycling and liquids collections fleets on the road - and supported by a network of recycling facilities, transfer stations, engineered landfills, liquids treatment plants and refineries - we are working hard to deliver on our mission of making a sustainable future possible for all our stakeholders.

Cleanaway Waste Management Limited
ABN 74 101 155 220
(ASX: CWY)

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

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

cleanaway.com.au

Appendix 4E

Results for announcement to the market for the financial year ended 30 June 2021.

ASX Listing Rule 4.3A.

Reporting period

Reporting period: 30 June 2021

Previous corresponding period: 30 June 2020

Results for announcement to the market

	2021 $'M	2020 $'M	UP/(DOWN)	MOVEMENT
Revenue from ordinary activities	**2,406.4**	2,332.1	Up	3.2%
Profit after income tax	**147.7**	112.6	Up	31.2%
Attributable to:				
Ordinary equity holders of the parent	**145.3**	112.9	Up	28.7%
Non-controlling interest	**2.4**	(0.3)	Up	n/a
Profit after income tax	**147.7**	112.6	Up	31.2%

Dividends

DIVIDEND INFORMATION	AMOUNT PER SHARE (CENTS)	TAX RATE FOR FRANKING CREDIT
Interim 2021 fully franked dividend (paid 7 April 2021)	**2.25**	30%
Final 2021 fully franked dividend (to be paid 5 October 2021)	**2.35**	30%
Final dividend dates:		
Record date		13 September 2021
Payment date		5 October 2021

A final dividend of 2.35 cents per share has been declared. The Dividend Reinvestment Plan (DRP) will be in operation for the final dividend. The DRP election date is 14 September 2021. 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 15 September to 21 September 2021. No discount will be applied to shares issued under the DRP.

Net Tangible Assets (NTA) per security

	2021 CENTS	2020 CENTS
NTA per security (including right-of-use assets)	**15.3**	12.9

Commentary on the results for the period

Refer to the 30 June 2021 Consolidated Financial Report, FY2021 Full Year Results Media Release and Investor Presentation.

Status of audit

The Consolidated Financial Report for the financial year ended 30 June 2021, which contains the Independent Auditor's Report, is attached.

D J F Last
Company Secretary
20 August 2021

Contents of Financial Statements

For the financial year ended 30 June 2021

Notes to the Consolidated Financial Statements

Directors' Report

The Directors present their Report (including the Remuneration Report) together with the Consolidated Financial Statements of the Group, consisting of Cleanaway Waste Management Limited (the Company) and its controlled entities (Cleanaway or the Group), for the financial year ended 30 June 2021 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	Executive Chairman
V Bansal	Chief Executive Officer and Managing Director (retired on 5 March 2021)
R M Smith	Non-Executive Director
E R Stein	Non-Executive Director (retired on 31 December 2020)
T A Sinclair	Non-Executive Director
R M Harding	Non-Executive Director
P G Etienne	Non-Executive Director
S L Hogg	Non-Executive Director
I A Player	Non-Executive Director (appointed Non-Executive Director on 1 March 2021)

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

On 10 May 2021, the Group announced the appointment of Mark Schubert as Chief Executive Officer and Managing Director. The appointment will be effective from 30 August 2021.

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

Principal activities

During the financial year the principal activities of Cleanaway were:

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

Dividends

The Company declared fully franked dividends on ordinary shares for the financial year ended 30 June 2021 of 4.60 cents per share, being an interim dividend of 2.25 cents per share and final dividend of 2.35 cents per share. The record date of the final dividend is 13 September 2021 with payment to be made 5 October 2021. The financial effect of the final dividend has not been brought to account in the Financial Statements for the financial year ended 30 June 2021 and will be recognised in a subsequent Financial Report.

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

RECOGNISED (PAID AMOUNTS)	2021 $'M	2020 $'M
Fully paid ordinary shares		
Final dividend for 2020: 2.10 cents per share (2019: 1.90 cents per share)	43.2	38.9
Interim dividend for 2021: 2.25 cents per share (2020: 2.00 cents per share)	46.4	41.0
Total dividends paid	**89.6**	**79.9**

Operating and financial review

Review of financial results

The Group's statutory profit after income tax (attributable to ordinary equity holders) for the financial year ended 30 June 2021 was $145.3 million (2020: $112.9 million). The Group has incurred acquisition and integration related expenses, (net of tax) of $5.2 million (2020: $27.9 million) during the year ended 30 June 2021, principally related to; the acquisitions of the Grasshopper Group and the Stawell landfill, the expected acquisition of the Suez Sydney assets and the integration of acquisitions completed in the current and prior periods.

Revenue from ordinary activities increased by 3.2% to $2,406.4 million (2020: $2,332.1 million). Excluding the collection of levies, net revenue increased by 4.7% to $2,198.9 million (2020: $2,100.1 million).

Total expenses increased marginally by 0.1% to $1,882.1 million (2020: $1,879.6 million). Excluding levies collected and paid, total expenses increased by 1.6% to $1,674.6 million (2020: $1,647.6 million). Depreciation and amortisation expense increased by $13.8 million to $276.4 million (2020: $262.6 million).

The Group's underlying profit after income tax (attributable to ordinary equity holders) for the year ended 30 June 2021 of $150.8 million was up marginally by 0.3% on the prior year (2020: $150.3 million). A reconciliation of underlying profit to statutory profit is set out below.

Group results for the financial year ended 30 June 2021

		UNDERLYING ADJUSTMENTS					
	STATUTORY[1] $'M	MRF FIRE[4] $'M	ACQUISITION & INTEGRATION COSTS[5] $'M	CEO TRANSITION COSTS[6]	CHANGE IN REMEDIATION PROVISION DISCOUNT RATE [7]	OTHER[8] $'M	UNDERLYING[1] $'M
Solid Waste Services							405.5
Industrial & Waste Services							48.0
Liquid Waste & Health Services							110.0
Equity accounted investments							(2.0)
Waste management							**561.5**
Corporate							(26.4)
EBITDA [2]	**528.8**	**7.0**	**5.2**	**4.3**	**(3.4)**	**(6.8)**	**535.1**
Depreciation and amortisation	(276.4)	–	–	–	–	–	(276.4)
Write-off of plant and equipment	(5.4)	–	2.7	–	–	2.7	–
Impairment of assets	(4.3)	–	–	–	–	4.3	–
EBIT[3]	**242.7**	**7.0**	**7.9**	**4.3**	**(3.4)**	**0.2**	**258.7**
Net finance costs [9]	(35.9)	–	0.1	–	–	(7.7)	(43.5)
Profit/(loss) before income tax	**206.8**	**7.0**	**8.0**	**4.3**	**(3.4)**	**(7.5)**	**215.2**
Income tax expense	(59.1)	(2.1)	(2.8)	(1.3)	1.0	2.3	(62.0)
Profit/(loss) after income tax	**147.7**	**4.9**	**5.2**	**3.0**	**(2.4)**	**(5.2)**	**153.2**
Attributable to:							
Ordinary equity holders	145.3	4.9	5.2	3.0	(2.4)	(5.2)	150.8
Non-controlling interest	2.4	–	–	–	–	–	2.4

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. Business interruption costs of $7.0 million have been incurred in the current period.

5 Acquisition and integration costs of $5.2 million include transaction costs and other costs associated with the acquisition of businesses during the period of $2.0 million, the ongoing integration costs related to acquisitions of $2.0 million, costs of $4.3 million incurred to date on the expected acquisition of the Suez Sydney assets, offset by $3.1 million related to the remeasurement of contingent consideration in relation to the acquisition of the Grasshopper Group (refer note 28 to the Financial Statements). The write-off of assets of $2.7 million relates to software assets acquired which, following integration activities, no longer have any use.

6 On 21 January 2021 the Group announced that Mr Vik Bansal would be stepping down from the role as CEO and as a Director of the Company. CEO transition costs of $4.3 million relate principally to expenses in relation to Mr Bansal's resignation and costs incurred to recruit Mr Mark Schubert.

7 Relates to the decrease in remediation provisions related to closed landfill sites and industrial properties as a result of the increase in the discount rate (refer note 26 to the Financial Statements).

8 Other EBIT adjustments of $0.2 million comprise $7.0 million reversal of employee entitlements expense as result of amendments to the Fair Work Act 2009 passed in March 2021 which clarifies a May 2020 court decision, offset by $4.5 million in costs incurred on the West Gate Tunnel spoils contract which is no longer considered probable of being awarded to the Group, including $4.3 million of impairment of assets, and $2.7 million write-off of plant and equipment destroyed in a fire at the Welshpool transfer station, Western Australia.

9 Underlying adjustments to net finance costs include the gain on modification of CEFC fixed rate borrowing of $7.9 million, the fair value gain on USPP Notes of $60.7 million, offset by the fair value loss on cross currency interest rate swaps of $60.9 million.

Operating and financial review (continued)

Review of financial results (continued)

Group results for the financial year ended 30 June 2020

		UNDERLYING ADJUSTMENTS				
	STATUTORY[1] $'M	MRF FIRE[4] $'M	ACQUISITION & INTEGRATION COSTS[5] $'M	GAIN ON SALE OF PROPERTIES[6] $'M	OTHER[7] $'M	UNDERLYING[1] $'M
Solid Waste Services						388.3
Industrial & Waste Services						45.9
Liquid Waste & Health Services						106.3
Equity accounted investments						(2.1)
Waste management						**538.4**
Corporate						(22.7)
EBITDA[2]	**487.1**	**(5.0)**	**32.8**	**(8.1)**	**8.9**	**515.7**
Depreciation and amortisation	(262.6)	–	3.5	–	–	(259.1)
Write-off of plant and equipment	(19.6)	19.6	–	–	–	–
EBIT[3]	**204.9**	**14.6**	**36.3**	**(8.1)**	**8.9**	**256.6**
Net finance costs[8]	(49.7)	0.3	0.1	–	1.9	(47.4)
Profit before income tax	**155.2**	**14.9**	**36.4**	**(8.1)**	**10.8**	**209.2**
Income tax expense	(42.6)	(4.5)	(8.5)	–	(3.6)	(59.2)
Profit after income tax	**112.6**	**10.4**	**27.9**	**(8.1)**	**7.2**	**150.0**
Attributable to:						
Ordinary equity holders	112.9	10.4	27.9	(8.1)	7.2	150.3
Non-controlling interest	(0.3)	–	–	–	–	(0.3)

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 $20.8 million has been recognised. This income is offset by business interruption and clean-up costs of $15.8 million expensed to date. In addition, $19.6 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 $8.5 million, the ongoing integration costs related to the acquisition of Toxfree which occurred on 11 May 2018 of $18.8 million and integration costs of other acquisitions of $5.5 million. The depreciation of $3.5 million relates to the depreciation of right-of-use assets on property leases which were vacated early as part of the integration activities.

6 On 15 April 2020 the buffer land surrounding the old Tullamarine landfill site was sold for consideration of $17.0 million.

7 Other adjustments of $8.9 million comprise $8.0 million following the reassessment of employee entitlements as result of a May 2020 court decision, $2.0 million of increase in remediation provisions related to closed landfill sites and industrial properties as a result of the reduction in the discount rate (refer note 26 to the Financial Statements), offset by a gain on loss of control of Cleanaway ResourceCo RRF Pty Ltd of $1.1 million, which occurred effective 1 January 2020 (refer note 28 to the Financial Statements).

8 Underlying adjustments to net finance costs of $2.3 million relate to the fair value loss on USPP borrowings of $34.0 million offset by the fair value gain on cross currency interest rate swaps of $33.4 million, the write-off of costs related to financing facilities closed out early of $1.3 million and interest costs of $0.4 million related to lease liabilities on vacated properties.

Review of financial position

Operating cash flows increased by 5.7% to $424.4 million (2020: increase of 14.5% to $401.5 million).

The Group's net assets have increased from $2,571.0 million to $2,636.3 million. At 30 June 2021 the Group had a net current asset deficiency of $71.5 million (30 June 2020: net current asset deficiency of $61.9 million). The Group has sufficient unutilised committed debt facilities at 30 June 2021 and therefore the Directors are satisfied that the Group can meet its financial obligations as and when they fall due.

At balance date the Group had total syndicated debt facilities of $1,150.0 million (2020: $650.0 million), US Private Placement Notes of $366.7 million (2020: $426.9 million), financing arrangements with the Clean Energy Finance Corporation of $90.0 million (2020: $90.0 million) and an uncommitted bank guarantee facility of $95.0 million (2020: $60.0 million). The headroom available in the Group's facilities at 30 June 2021 was $930.3 million (2020: $421.1 million) and cash on hand was $69.4 million (2020: $79.8 million). Further information on the Group's financing facilities is provided in note 15 to the Financial Statements.

Operating and financial review (continued)

Review of financial position (continued)

The Group's gearing ratio at period end, defined as net debt over net debt plus equity, was 28.2% (2020: 27.1%). During the financial year Cleanaway entered into an agreement with the banks, which are party to its Syndicated Facility Agreement, and one new bank, which commits the banks to providing a three-year $500.0 million term loan facility to fund the acquisition of the Sydney Suez assets. Refer to Key business strategies and prospects below. The weighted average debt maturity is 4.7 years (2020: 5.4 years).

Review of Operations

The Group comprises three operating segments, being Solid Waste Services, Industrial & Waste Services and Liquid Waste & Health Services. Unallocated items 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

	30 JUNE 2021 $'M	30 JUNE 2020 $'M
Underlying EBITDA[1]	405.5	388.3
Underlying EBIT[2]	213.0	212.7

Core business	The Solid Waste Services segment comprises the collection, recovery and disposal of solid waste, including putrescible waste, inert waste, household waste and recovered waste. Waste streams are generally processed through our resource recovery and recycling facilities, transfer stations and landfills.
Financial metrics	Total revenue for the Solid Waste Services segment increased by 4.9% to $1,683.8 million. Underlying EBITDA increased by 4.4% to $405.5 million. Underlying EBIT increased by 0.1% to $213.0 million.
Performance	Solid Waste Services benefited from full year contributions from Statewide Recycling and the VCRR businesses (former SKM assets) and initial contributions from the Stawell landfill, Grasshopper (NSW C&D collections) and the Pinkenba Recycling acquisitions. New municipal contracts including the City of Casey, Wyndham, Randwick and SA Council Solutions together with the WA regional CDS contract and national C&I customer account wins further benefited the segment. Headwinds included lower post collections volumes at Erskine Park in New South Wales, where work being undertaken to construct a mechanically stabilised earth (MSE) wall was delayed and impeded its ability to accept volumes, and lower Western Australian post collections volumes and prices at Dardanup as municipal councils seek to fill their airspace ahead of an Energy-from-Waste facility commencing operations in Perth. To a lesser extent there were some impacts from weather events and COVID-19 related restrictions. The airspace at the Erskine Park landfill is being increased through the construction of an MSE wall, which will be completed in the year ending 30 June 2022 and will extend its life by 1-2 years. Subject to completion of the transaction with Suez, the Kemps Creek landfill will provide a longer-term inert post collection landfill solution for NSW. The Perth MRF rebuild was completed during the year and commissioned towards the end of the financial year. The segment reported 9.6% higher depreciation and amortisation costs compared to the year ended 30 June 2020. The increase was due to new acquisitions (VCRR, Grasshopper, Pinkenba/ CDS Recycling, Stawell, Oilwise), new municipal contracts (incl. Casey, Wyndham, Randwick and SA Council Solutions), increased landfill asset depreciation largely due to increased volumes at Melbourne Regional Landfill attributable to the Metropolitan Waste and Resource Recovery Group contract, and a higher depreciation rate at Erskine Park, which was fully depreciated prior to the investment in the MSE wall.

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

2 EBIT represents earnings before interest and income tax.

Operating and financial review (continued)

Review of Operations (continued)

Industrial & Waste Services

	30 JUNE 2021 $'M	30 JUNE 2020 $'M
Underlying EBITDA	48.0	45.9
Underlying EBIT	22.6	21.4

Core business	The Industrial & Waste Services (I&WS) 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 2.5% to $305.6 million and Underlying EBITDA increased by 4.6% from $45.9 million to $48.0 million. Underlying EBIT increased by 5.6% from $21.4 million to $22.6 million.
Performance	The I&WS segment performed strongly and consolidated the quality of earnings delivered on from previous years. It was particularly strong in the mining sector in the Western Australian market despite the challenges of COVID-19 and the labour shortages resulting from border closures. Building on its leading market position in the mining sector in WA, the segment is expanding its platform for growth also across the oil and gas and infrastructure markets. The segment experienced challenging business conditions in Queensland during the year but with some focussed strategies it has developed a strong pipeline of activity in the region. The Industrial Services market remains extremely competitive across all markets, and particularly in infrastructure where our focus is on major road and rail infrastructure projects, along with a targeted market plan for the oil and gas segment. During the year I&WS renewed several customer contracts including South32, Eurobodalla Shire Council and BHP Olympic Dam, and commenced its contract with FMG, with most contracts having a three-year tenor. We also secured contracts with Southern Ports Authority and ASC Sullage Services. I&WS undertook significant project activity with Beach Energy, Lochard Energy, Viva Energy, Roy Hill, Santos and Rio Tinto throughout the year ended 30 June 2021.

Operating and financial review (continued)

Review of Operations (continued)

Liquid Waste & Health Services

	30 JUNE 2021 $'M	30 JUNE 2020 $'M
Underlying EBITDA	110.0	106.3
Underlying EBIT	67.6	64.3

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 product destruction, hazardous waste and e-waste. • Health Services – the provision of services to the health sector for the safe treatment and disposal of health-related waste which includes sharps management, medical waste, pharmaceutical waste, healthcare hazardous waste and quarantine waste.
Financial metrics	Total revenue decreased by 0.2% to $512.7 million and underlying EBITDA increased by 3.5% from $106.3 million to $110.0 million. Underlying EBIT increased by 5.1% from $64.3 million to $67.6 million.
Performance	In the Hydrocarbons business the lingering effects of COVID-19 lockdowns resulted in lower East coast oil collections volumes, particularly Victoria and Southeast Queensland. A COVID-19 relief payment for high quality recycled base oil offset the lower first half benchmark oil commodity prices. Pricing, service improvements and business efficiency initiatives helped to improve margins in the equipment services (industrial cleaning) part of the business. The Health Services business realised higher earnings from COVID-19 related activity at aged care facilities (in Victoria in particular), hotel quarantine, and mass testing and vaccination centres. This waste was predominantly light and bulky and introduced increased service requirements of customers and transport challenges that the business worked through. Lower elective surgeries resulted in lower sharps and related medical waste and the international border closures has resulted in substantially lower quarantine work from airlines and cruise ships. During the year, the Health Services business upgraded its incinerator at Laverton (Victoria), commenced the redevelopment of its Queensland site and commissioned a shredder to handle product destruction at its Sydney site. The Liquids and Technical Services (LTS) business realised higher earnings than the prior comparative year notwithstanding lower volumes from tourist heavy states, hospitality (grease trap), cruise ships and automotive sectors resulting from COVID-19. Competition remained stable throughout the year. Increased regulatory pressures impacted interstate waste movements across the market. New technology was developed at our Dandenong site to handle asbestos contaminated soils, while WA has started to handle NORMs (Naturally Occurring Radioactive Material) waste, which is an emerging waste stream. The segment benefitted from the Parramatta Light Rail project and two large clean-up projects in Victoria. Seasonally high rain events in NSW and Queensland resulted in an increase in leachate volumes across the network. The Victorian EPA implemented a waste tracking system for hazardous waste that went live in July 2021, which has resulted in an increase in resources (Health Services and LTS) required for both Cleanaway and its customers to remain compliant. We expect to see increased regulatory controls and monitoring across the board, including interstate, across dangerous goods storage and transport, composting and PFAS, but Cleanaway is well positioned to invest and take advantage of the changing market.

Operating and financial review (continued)

Key business strategies and prospects

Our Cleanaway Way, which has been refined over the years, is the Group's strategy on a page and it represents the business that Cleanaway is today. It was designed to create a common language and narrative across the organisation and ensure all employees are aligned in their efforts to execute the following strategic business objectives:

Delivering Footprint 2025

Cleanaway's Footprint 2025 strategy, which was developed in 2016, is a plan to optimise the waste value chain from collection to disposal, with a particular focus on resource recovery. Through that strategy, Cleanaway continues to strengthen its network of prized infrastructure assets that are key parts of the infrastructure necessary to sustainably manage the waste generated across Australia. These infrastructure assets also provide a strategic moat to the business. During the financial year the Group announced that it had entered into an agreement with Suez to acquire two landfills and five transfer stations in Sydney (the Sydney Assets). We expect to complete that transaction in the second quarter of the year ending 30 June 2022. The Group also acquired the Stawell landfill in regional Victoria and the Grasshopper C&D collections business in NSW. The construction of a PET plastic pelletising facility in Albury, NSW is well underway and expected to be completed by the end of calendar year 2021. The location of the plant will provide access to both the New South Wales and Victorian markets for feedstock and customers. The Group completed the rebuild of the Perth MRF, which reopened towards the end of the financial year.

Cleanaway expects further investment opportunities to emerge as state and federal waste policies, strategies and goals are developed and enhanced. These will complement the opportunities the Group continues to investigate with its customers in helping them achieve their sustainability goals.

The pursuit of a circular economy

The Group's journey in pursuit of a circular economy continues and in the coming years Cleanaway is pursuing several key projects that are strategically important for its business. The Group's energy-from-waste project in western Sydney provides a more environmentally friendly solution to Sydney's growing waste disposal needs. It also supports Cleanaway's preference for internalisation of waste and enhances the service offering to our customers in that region. During the financial year the project team responded to the submissions it received following the public exhibition of the project's Environmental Impact Statement. The project will now be assessed by the Independent Planning Commission. Subject to planning approval and a final investment decision, it will be Cleanaway's largest single asset investment to date. Opportunities for energy-from-waste projects in Melbourne and Brisbane are also being explored to support the expected transition away from putrescible landfill over time.

The Group is also pursuing several other circular economy opportunities including, the development of HDPE and PP plastic flaking and pelletising facilities with the possibility of including LDPE plastic and the development of a glass beneficiation facility. The plastic pellets will be used in the production of new milk bottles, household and personal care containers and other industrial applications, while the glass facility will create furnace-ready cullets to be used in glass manufacturing as a substitute to virgin materials. These facilities will provide an opportunity to extract greater value from the raw materials that Cleanaway currently recovers.

Data and automation

Cleanaway's strategy is most successful when it is complemented by a strong customer service culture. The Group has commenced a data and automation project that seeks to improve the customer and employee experience from 'call to cash'. The project aims to simplify and streamline systems and processes. Over the coming years Cleanaway will also be looking to harvest the wealth of data that it has generated over many years to develop greater insights that can support and improve the profitability of the business.

Optimisation of margins across the business

Understanding our customers' needs and improved customer satisfaction, internalisation of waste, synergies through acquisitions and continuous improvement in the Group's operations should result in an improvement in the quality of its earnings and the long-term profitability of the business.

A strong balance sheet

The Group's balance sheet remains strong and Cleanaway will continue to maintain its culture of financial discipline. The Group's debt and gearing levels are within target levels, with a net debt to underlying EBITDA ratio of 1.61 times (measured on a pre AASB 16 basis in line with our banking covenants). This is a level that provides the Group the flexibility to fund selected earnings accretive projects and acquisitions. The Group has secured additional debt facilities to support the acquisition of the Sydney Assets, with the final funding structure of that acquisition to be determined closer to completion.

Operating and financial review (continued)

Principal risks

The Board has adopted a Risk Management, Compliance and Assurance Policy that sets out Cleanaway's commitment to proactive enterprise risk management and compliance. The policy is supplemented by an Enterprise Risk Management Framework that seeks to embed risk management processes into Cleanaway's business activities. The material business risks that could adversely impact the Group's financial prospects in future periods and the broad approach Cleanaway takes to manage these risks are outlined below. These risks are not to be taken to be a complete or exhaustive list of the risks Cleanaway is exposed to nor are they listed in order of significance.

RISK	DESCRIPTION	MITIGATION
Economic growth	Cleanaway provides its services and products to individuals, companies and government across a range of economic sectors in Australia. Changes in the state of the economy and the sectors of the economy to which the Group is exposed may have an adverse impact on the demand and pricing for Cleanaway's services and products and the Group's operating and financial performance. 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.	To the extent possible, the Group manages these risks by incorporating a consideration of economic conditions and future expectations into its corporate and financial plans.
Regulatory environment	Cleanaway's operations are subject to a variety of federal, state and local laws and regulations in Australia. These laws and regulations establish various standards about the types of operations that can be undertaken and the manner in which they are undertaken. Regulatory requirements which have impacted historical results include state-based waste levies, carbon tax, environmental regulation and planning regulations. Changes in regulatory requirements or failure to comply with conditions of permits and licences could adversely affect Cleanaway's ability to continue operations on a site and in turn the Group's financial performance.	Cleanaway manages these risks by developing and implementing appropriate systems, policies and procedures to ensure compliance with applicable regulatory requirements. Furthermore, to the extent possible, the Group incorporates consideration of changes in regulatory requirements into its corporate and financial plans and forecasts.
Health and Safety	Cleanaway's operations involve risks to both property and personnel. A health and safety incident may lead to serious injury or death, which may result in reputational damage and adverse operating impacts with consequential effects to Cleanaway's financial performance and position.	Cleanaway manages these risks by developing and implementing appropriate strategies, systems, policies and procedures in respect of operational health and safety matters to ensure compliance with legal and regulatory obligations. Cleanaway embraces fit for purpose technologies which enhance fleet and equipment safety.
Attract and retain key management	Cleanaway's operations are dependent upon the continued performance, efforts, abilities and expertise of its senior management. The loss of services of such personnel may have an adverse effect on the operations of Cleanaway as the Company may be unable to recruit suitable replacements within a short time frame.	Cleanaway has in place human resource strategies and remuneration and employment policies to attract, retain and motivate executives and align their interests with those of stakeholders.

Operating and financial review (continued)

Principal risks (continued)

RISK	DESCRIPTION	MITIGATION
Operational risks	A prolonged and unplanned interruption to Cleanaway's operations could significantly impact the Company's financial performance and reputation. Cleanaway is exposed to a variety of operational risks, including risk of site loss or damage, environmental and climatic events, global pandemic risks, industrial disputes, technology failure or incompetency and systems security or data breaches. Operational risks also include the ability of Cleanaway to continue to build a strong customer service culture to ensure we service and retain our customers.	Cleanaway has a range of controls and strategies in place to manage such risks, including site business continuity and crisis management plans, inspection and maintenance procedures, compliance programs, training, site and business interruption insurance and systems security testing and improvements. Customer requirements and service levels for the treatment and recycling of waste are constantly changing. There is a heightened expectation from customers for waste providers to fulfil requirements for appropriate disposal/recycling of waste once collected. By understanding our customers needs and executing on this, Cleanaway can use our capability as a differentiator to drive growth and value.
Industry consolidation	Cleanaway believes the waste industry will continue to consolidate as evidenced by recent corporate activity. Risks of industry consolidation include a more aggressive competitive landscape in the medium term, potential loss of market share and new market entrants.	Cleanaway mitigates these risks by maintaining a strong understanding of the industry, key drivers of success, improving business performance and identifying potential acquisitions. Maintaining a strong balance sheet also allows Cleanaway to respond decisively to emerging opportunities.
Integration of acquisitions	There are potential integration risks associated with any acquisition, including due diligence risks, 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 acquisitions are lower than anticipated. Any failure to fully integrate the operations of an acquired business, or failure to achieve anticipated synergies, could adversely impact the operational performance and profitability of the Group.	Cleanaway manages these risks by putting in place dedicated resources to manage and monitor the integration process and closely monitors the timing, quantum and cost to achieve synergies from acquisitions.
Financial risks	Cleanaway is exposed to a variety of financial risks, including credit risk, adverse movements in interest rates and foreign currency exchange rates, as well as liquidity risk. These risks may have an adverse effect on the Company's operating and financial performance.	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). Information on how Cleanaway manages financial risks is included in note 32 to the Financial Statements.

Operating and financial review (continued)

Principal risks (continued)

RISK	DESCRIPTION	MITIGATION
Sustainability risks	Cleanaway faces a variety of risks that could impact on its sustainability. How risk is managed is integral to ensuring the Group achieves its vision of making a sustainable future possible. Sustainability encompasses building a resilient business focussed on sustainable performance, investing in people and relationships with customers and the communities in which Cleanaway work, and leading industry to leave the planet in better shape for future generations. Managing these risks effectively is critical to ensuring that Cleanaway maintains its social licence to operate in the communities in which it has significant operations.	Cleanaway manages these risks in accordance with its *Enterprise Risk Management Framework* which is aligned to the international Standard *AS/NZS ISO 31000* and industry-leading practice. This includes regularly reviewing risk tolerance, the risks that have been identified and how these risks are controlled and mitigated. Cleanaway has bolstered its focus on Environmental, Social and Governance (ESG) risks and has enhanced its disclosures in relation to ESG matters.
Environment risks	There is potential for damage to the environment arising from Cleanaway's operations. If mishandled, waste can pose hazards to the environment, such as contaminating waterways, harmful air emissions, and fires. Failing to operate in accordance with environmental standards not only has the potential to result in environmental harm but also increases compliance costs, jeopardises our social license to operate, and causes reputational damage with our stakeholders and investors.	Upholding the highest standards in environmental performance is crucial to the success and sustainability of our business. Our collection, sorting, treatment and disposal processes are designed to mitigate the risk of these hazards. Our approach to managing environment risk is aligned to the Cleanaway Way and there are various internal systems, processes and toolkits that support our approach to compliance with environmental regulations, standards and requirements. Our Environmental Policy sets out our commitment to achieving our mission, and to continually improve our environmental standards for the benefit of the environment, our employees, stakeholders and the community.
Climate change	Climate change is an emerging risk and presents complex challenges for companies, governments and society. We believe that the transition to a zero-carbon economy presents opportunities for our business as well as risks. These risks include de-carbonisation of the economy leading to contraction in carbon-intensive industries; the introduction of a carbon price; and an increase of frequency and severity of extreme weather events. Opportunities for Cleanaway may include increased regulation to reduce embodied carbon emissions favouring the domestic recycling industry, and increased incentives to invest in energy-from-waste plants.	Cleanaway has committed to align with the Task-force on Climate-Related Financial Disclosures (TCFD) framework. The TCFD recommends companies assess and disclose the financial impacts of climate-related risks and opportunities. Our Sustainability Report sets out our response to the TCFD recommendations. Cleanaway has developed a multi-year plan to improve our management and disclosure of climate-related risks and opportunities. A major part of this will be to incorporate climate change into our ongoing strategic decision making. We will continue to strengthen our governance capability and perform deep-dive analysis into key climate-related risks to better understand how to mitigate or manage these impacts.

Operating and financial review (continued)

Principal risks (continued)

RISK	DESCRIPTION	MITIGATION
Commodity risks	Cleanaway is exposed to changes in the prices of commodities, particularly paper, cardboard, glass and plastics from recycling activities. The demand for, and the price of, commodities is highly dependent on a variety of factors, including international supply and demand, the price and availability of substitutes, actions taken by governments such as the Council of Australian Governments' (COAG) decision to ban waste exports, and global economic and political developments.	Cleanaway closely monitors global commodity markets and market conditions relating to production of commodities to minimise potential exposures to commodity risks. Collection contracts are also economically hedged via the use of rebates linked to underlying commodity prices.
Cyber risks	Cleanaway, like any large organisation faces an ever-changing cyber security threat, and needs to prevent, detect and respond to cyber security threats by maintaining a high standard of information security control.	Cleanaway has a range of user access controls that restrict and contain the ability for a user to have wide-reaching access. We utilise extensive technology-based controls and undertake both in-house and independent technology controls testing, validation and maintenance to actively prepare for, monitor and respond to potential threats. Business continuity plans are in place and assessed on an ongoing basis.

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 financial year ended 30 June 2021.

Events subsequent to reporting date

There have been no matters or circumstances that have arisen since 30 June 2021 that have affected the Group's operations not otherwise disclosed in this Report.

Likely developments and expected results of operations

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

Disclosures of information regarding the likely developments in the operations of the Group and the expected results of those operations in future financial years have been included in the Operating and Financial 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 $144,883 (2020: $65,276).

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' 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 or the Company 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.

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		SUSTAINABILITY COMMITTEE		HUMAN RESOURCES COMMITTEE	
	MEETINGS HELD WHILE A DIRECTOR	NUMBER ATTENDED	MEETINGS HELD WHILE A DIRECTOR	NUMBER ATTENDED	MEETINGS HELD WHILE A DIRECTOR	NUMBER ATTENDED	MEETINGS HELD WHILE A DIRECTOR	NUMBER ATTENDED
Directors								
M P Chellew[1]	28	28	–	–	–	–	–	–
V Bansal[2]	19	10	–	–	–	–	–	–
R M Smith[3]	28	28	4	4	–	–	4	4
E R Stein[4]	13	12	1	1	2	2	–	–
T A Sinclair	28	27	4	4	–	–	4	4
R M Harding[5]	28	23	–	–	4	4	4	4
P G Etienne[6]	28	28	4	4	4	4	–	–
S L Hogg	28	27	4	4	–	–	4	4
I A Player[7]	9	9	–	–	1	1	–	–

1 Executive Chairman of the Board.
2 Retired as Managing Director and CEO on 5 March 2021.
3 Chairman of the Audit and Risk Committee.
4 Retired as Director on 31 December 2020.
5 Chairman of the Human Resources Committee.
6 Chairman of the Sustainability Committee.
7 Appointed Non-Executive Director on 1 March 2021.

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	156,548	–
R M Smith	126,120	–
T A Sinclair	49,417	–
R M Harding	29,696	–
P G Etienne	82,715	–
S L Hogg	–	–
I A Player	–	–

Shares under option and performance rights

During the financial year ended 30 June 2021 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 2021 and 2020 financial years are set out in the Remuneration Report. Total performance rights outstanding as at 30 June 2021 are 6,904,473 (2020: 10,315,392). Performance rights outstanding at the date of this report are 6,812,706.

Shares issued on the exercise of performance rights

During the financial year ended 30 June 2021 and up to the date of this report, the Company issued 2,469,025 shares as a result of the exercise of performance rights that vested during the year. During the financial year ended 30 June 2020 and up to the date of the 2020 report, the Company issued 4,604,526 ordinary shares as a result of the exercise of performance rights that vested on 30 June 2020.

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 2021, non-audit services provided by Ernst & Young included services relating to the Group's Sustainability Report.

The Directors have considered the position and in accordance with written advice provided by resolution from the Audit and Risk 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 $208,842 provided by Ernst & Young during the period was not significant, representing less than 12.9% 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.

	2021 $	2020 $
Ernst & Young:		
Audit services	1,335,657	1,315,526
Audit related services	83,945	277,585
Non-audit services:		
Other advisory services	208,842	248,068
Total	**1,628,444**	**1,841,179**

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 35.

Auditor rotation

On 30 June 2020, on the recommendation of the Audit and Risk Committee, the Directors granted an approval for the extension of the Group's audit partner, Brett Croft, for a further one year when the initial five years as permitted under the *Corporations Act 2001* (the Corporations Act) expired in June 2020. The Audit and Risk Committee's recommendation was based on the following reasons:

- The Committee was satisfied that it would not give rise to a conflict of interest situation as defined in section 324CD of the Corporations Act due to the auditor independence policies operated by Ernst & Young and the Company;
- The Committee was satisfied with the skills and personal qualities of the audit partner which were consistent with maintaining the quality of the audit provided to the Company;
- The Committee was satisfied that the audit partner's knowledge of the Company would assist to provide the Board with an appropriate level of independent assurance given the significant projects and transactions that were underway; and
- Given the potential impact of COVID-19 on audit activities, processes and planning, in particular that the June 2020 audit was executed remotely, the Committee considered that continuity of the existing audit partner was prudent and appropriate.

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 16 to 34, is made in accordance with a resolution of the Board.

M P Chellew
Executive Chairman

Melbourne, 19 August 2021

Remuneration Report *(Audited)*

Contents

The Report contains the following sections:

Introduction

The Directors of Cleanaway Waste Management Limited present the Company's Remuneration Report (the Report) which forms part of the Directors' Report for the financial year ended 30 June 2021. 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*.

Overview and context for the remuneration outcomes set out in this Report

Over the last financial year, Cleanaway continued its growth trajectory, with increases in: Net revenue; Underlying Net Profit after Tax (NPAT); Underlying Earnings before Interest and Tax (EBIT); Underlying Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA); and Dividend payments.

Cleanaway has continued to progress key initiatives in line with our Footprint 2025 Strategy including strengthening our network of prized infrastructure assets. During the financial year we announced that we had entered into an agreement with Suez to acquire two landfills and five transfer stations in Sydney. Additionally, we have made significant progress on several infrastructure projects that support a circular economy. Our PET plastic pelletising facility that we are developing with Pact and Asahi Beverages in Albury, NSW is well advanced as well as our proposed Energy-from-Waste facility that we are developing with Macquarie Capital. These financial and strategic outcomes were delivered in the context of ongoing challenging market and operating conditions, in particular the impact of the COVID-19 pandemic.

During the year Cleanaway has demonstrated resilience as the business has operated through varied restrictions and movement orders imposed to reduce the spread of COVID-19. The pandemic has disrupted the Group's operations and reduced the demand for services in some segments and locations, and likewise increased demand in other segments such as for medical waste and municipal collections. Our priority has been to ensure that we provide reliable and consistent services to our customers in our capacity as an essential service provider.

In response to these challenges, our priority has remained the health and safety of our employees, continuity of employment for team members and the servicing of our customers. Cleanaway did not receive any direct assistance from government and did not benefit from the federal government's Job Keeper program.

With this context, the Directors have sought to ensure that the remuneration outcomes set out in this Report align with shareholders' experience and market expectations.

Whilst Cleanaway continued to improve its performance across most financial metrics during the year, the impact of COVID-19 resulted in slightly below target outcomes for KMP who participate in the Company's STI program. Pleasingly the health and safety performance was better than our minimum improvement goal, as measured by the Group's Total Recordable Injury Frequency Rate (TRIFR) and the Group did not have any significant or major rated environmental incidents. For the year ended 30 June 2021, the Board included two people and culture measures in the STI program relating to employee engagement and voluntary turnover. Cleanaway conducted two employee engagement surveys during the financial year, both recording improved employee experience from prior years. The engagement score in the second engagement survey resulted in an outcome that was slightly above target. Whilst the voluntary turnover performance improved during the course of the year, it did not meet the Company's target and hence Executive KMPs were not eligible for STI payments related to this metric.

Introduction (continued)

The Group's TSR, EPS and ROIC outcomes, measured over a three-year period for the purpose of assessing LTIs, resulted in it achieving its relative TSR metric hurdle at target however the EPS and ROIC metric hurdles were not reached. This led to a below target outcome for Executive KMP that participated in the LTI Plan. The Group's performance in relation to these metrics is set out in the tables below and detailed elsewhere in this Report.

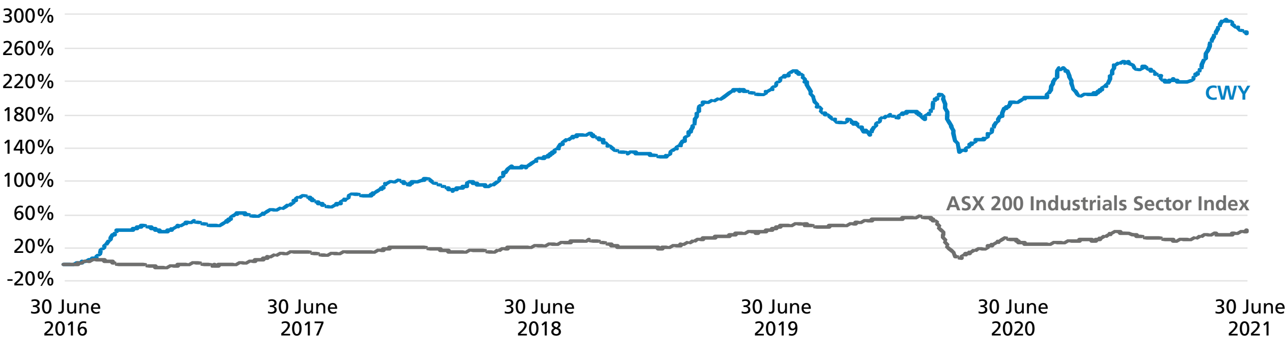
As announced on 21 January 2021, the Board and former CEO Vik Bansal reached a mutual agreement whereby Mr Bansal agreed to step down from the position of CEO. Following an extensive search, on 10 May 2021, Mark Schubert was appointed as the Chief Executive Officer and Managing Director, and will commence in the role on 30 August 2021. To support the leadership transition, Mark Chellew assumed the role of Executive Chairman and Brendan Gill was appointed to the role of Chief Operating Officer. Details around the arrangements with Mr Bansal, Mr Schubert, Mr Chellew and Mr Gill are detailed in section 6B.

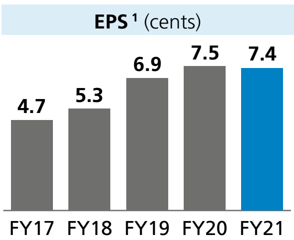
Special exertion fees were agreed with two Non-Executive Directors, Mr Etienne and Mr Sinclair, to recognise additional support provided to the Executive management team during the leadership transition and in maintaining momentum to progress strategic initiatives mentioned within this Report. Details of the special fees are outlined in section 3A.

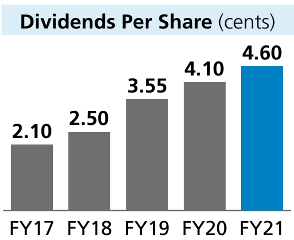
During the year, the Board introduced shareholding guidelines for Non-Executive Directors. These guidelines are set out in section 4C.

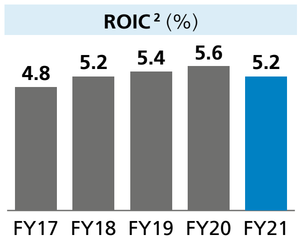
Given the Group's overall performance for the year ended 30 June 2021 (FY21), as set out above, Directors of Cleanaway consider that there is appropriate alignment between Cleanaway shareholders' experience over FY21 and the remuneration outcomes for KMP as set out in this Report.

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









1 Basic EPS on Underlying results. FY20 and FY21 excludes the impact of AASB 16 to enable consistent comparison.

2 Return on Invested Capital is calculated as tax effected EBIT divided by average net assets plus net debt. FY20 and FY21 excludes the impact of AASB 16 reflecting the way in which the FY2019 LTI plan has been assessed to enable consistent comparison.

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 2021 are the Non-Executive Directors, the Chief Executive Officer (CEO) and Managing Director, the Chief Operating Officer (COO), the Chief Financial Officer (CFO), the Executive General Manager – Solid Waste Services and the Executive General Manager – Liquid Waste & Health Services and Industrial & Waste Services.

The KMP disclosed in this Report for the year ended 30 June 2021 are detailed in the following table:

NAME	TITLE
NON-EXECUTIVE DIRECTORS	
M P Chellew [1]	Chairman and Non-Executive Director
R M Smith	Non-Executive Director
E R Stein [2]	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
I A Player [3]	Non-Executive Director
EXECUTIVES	
V Bansal [4]	Chief Executive Officer (CEO) and Managing Director
B J Gill [5]	Chief Operating Officer (COO)
P A Binfield [6]	Chief Financial Officer (CFO)
M Crawford	Executive General Manager – Solid Waste Services
T Richards	Executive General Manager – Liquid Waste & Health Services and Industrial & Waste Services

1 Mr Chellew was appointed Executive Chairman on 21 January 2021. Further details regarding the terms of Mr Chellew's appointment as Executive Chairman are set out in section 6B below.

2 Ms Stein retired as Non-Executive Director on 31 December 2020.

3 Ms Player was appointed Non-Executive Director on 1 March 2021.

4 Mr Bansal stepped down from his role as CEO as part of the leadership transition announced by the Company on 21 January 2021. Details of the terms of Mr Bansal's separation from the Company are set out in section 6B below.

5 Mr Gill was appointed Chief Operating Officer as part of the leadership transition announced by the Company on 21 January 2021. Details of the terms of Mr Gill's appointment are set out in section 6B below.

6 Mr Binfield commenced with Cleanaway on 1 February 2021.

2 Governance and role of the Board

2A. Human Resources Committee

The Human Resources 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, Terry Sinclair and Samantha Hogg. 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 received and approved 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. During the year ended 30 June 2021, remuneration consultants were engaged to provide services to the Group, including the provision of benchmarking data for the senior executive team and Non-Executive Directors, equity incentive design and LTI target setting. The fees paid for these services were $83,472 (2020: $57,500). The services include advising in relation to the Separation Agreement entered into with Vik Bansal, terms of appointment of Mark Schubert, terms of appointment of Mark Chellew as Executive Chairman, base fees and special exertion fees for Non-Executive Directors, benchmarking data for the Executive Committee and equity incentive design and target setting.

3 Non-Executive Directors' remuneration

3A. Current Non-Executive Director fees

The remuneration received by Non-Executive Directors for the years ended 30 June 2021 and 30 June 2020 is set out in the following table:

	FINANCIAL YEAR	SALARY AND FEES $	ADDITIONAL FEES $	SUPERANNUATION BENEFITS $	TOTAL $
NON-EXECUTIVE DIRECTORS					
M P Chellew [1]	**2021**	**348,306**	**325,000**	**21,694**	**695,000**
	2020	348,997	–	21,003	370,000
R M Smith	**2021**	**184,018**	–	**17,482**	**201,500**
	2020	184,018	–	17,482	201,500
E R Stein [2]	**2021**	**110,198**	–	**10,469**	**120,667**
	2020	165,297	–	15,703	181,000
T A Sinclair [3]	**2021**	**165,297**	**15,000**	**15,703**	**196,000**
	2020	165,297	–	15,703	181,000
R M Harding	**2021**	**175,799**	–	**16,701**	**192,500**
	2020	175,799	–	16,701	192,500
P G Etienne [4]	**2021**	**192,500**	**25,000**	–	**217,500**
	2020	184,150	–	8,350	192,500
S L Hogg	**2021**	**165,297**	–	**15,703**	**181,000**
	2020	106,088	–	10,078	116,166
I A Player [5]	**2021**	**50,989**	–	**4,844**	**55,833**
Total	**2021**	**1,392,404**	**365,000**	**102,596**	**1,860,000**
	2020	1,329,646	–	105,020	1,434,666

1 Following his appointment as Executive Chairman on 21 January 2021, Mr Chellew receives an additional fee of $54,167 per month.

2 Non-Executive Director Ms Stein retired from the Cleanaway Board on 31 December 2020.

3 Mr Sinclair received a special exertion fee for additional services provided in connection with the Company's proposed energy from waste project, following the leadership transition of the Company announced in January 2021.

4 Mr Etienne received a special exertion fee for additional services provided in connection with the Company's acquisition of Suez's Sydney post-collection assets, following the leadership transition of the Company announced in January 2021.

5 Ms Player was appointed as an Independent Non-Executive Director of the Company from 1 March 2021.

3B. Aggregate fee limit

The current aggregate amount of remuneration that can be paid to Non-Executive Directors of $1,900,000 was approved by shareholders at the Company's 2020 Annual General Meeting.

For the year ended 30 June 2021, the aggregate remuneration paid to all Non-Executive Directors was $1,860,000. This represents an increase of 29.6% compared with the year ended 30 June 2020. This is due to additional fees paid to Directors and the Executive Chairman.

3C. Fee structure

The fee structure (inclusive of superannuation) for the year ended 30 June 2021 is detailed in the following table:

	BOARD $	AUDIT AND RISK COMMITTEE $	SUSTAINABILITY COMMITTEE $	HUMAN RESOURCES COMMITTEE $
Chairman	370,000	34,000	25,000	25,000
Non-Executive Director	154,000	13,500	13,500	13,500

4 Executive reward strategy and framework

4A. Strategy and framework

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

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

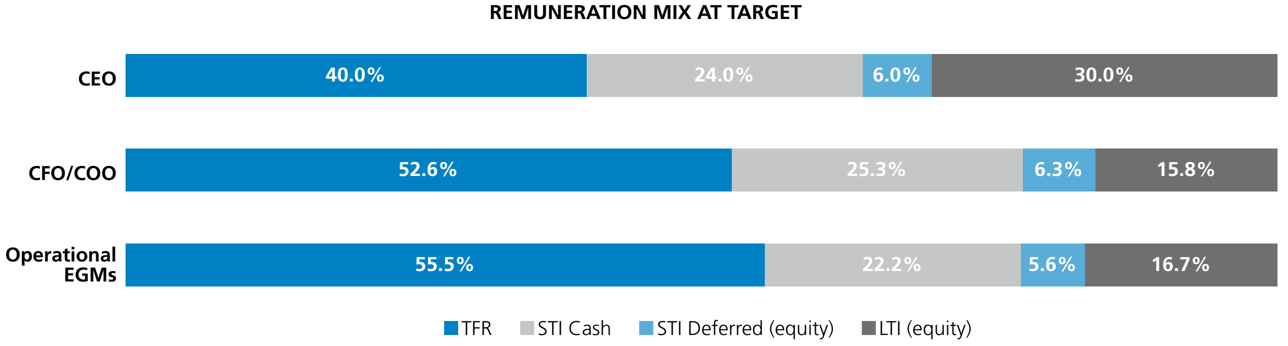
CLEANAWAY REMUNERATION STRATEGY			
Remunerate competitively to attract, motivate and retain talent	Align remuneration to CWY's business strategy	Link outcomes to CWY's financial performance and individual strategic objectives	Align to long term shareholder value

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

4 Executive reward strategy and framework (continued)

4B. Remuneration elements and mix

Cleanaway aims to provide a competitive mix of remuneration components that reflect the Board's commitment to performance-based reward. For the year ended 30 June 2021, the target remuneration mix for Executive KMP is illustrated below.



Under the terms of his appointment, the Executive Chairman does not participate in the LTI or STI Plans.

4C. Shareholding guideline

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

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

It is expected that this shareholding will be accumulated within five years from the date of their appointment to the Executive Committee. The KMP that have served five years from the initial appointment date have all accumulated shareholdings in line with this guideline. The number of performance rights and ordinary shares in the Company held by each Executive KMP is set out in sections 7A, 7B and 8A.

During the year, the Board introduced guidelines regarding shareholdings for Non-Executive Directors. Under the guidelines, Non-Executive Directors will have 5 years from the later of 1 July 2021 or the date of their appointment to accumulate a shareholding in the Company equivalent to one year of their base fee.

5 Executive key management personnel – reward outcomes

5A. Remuneration received

The remuneration received or receivable by Executive KMP for the years ended 30 June 2021 and 30 June 2020 is set out in the following table:

	FINANCIAL YEAR	SALARY AND FEES $	STI CASH $	NON-MONETARY BENEFITS $	TERMINATION BENEFITS $	SHARE-BASED PAYMENTS [1] $	POST EMPLOYMENT BENEFITS $	TOTAL$	PERFORM-ANCE RELATED
V Bansal [2]	**2021**	**1,478,306**	**979,362**	**24,720**	**1,500,000**	**(55,272)**	**21,694**	**3,948,810**	**23.4%**
	2020	1,447,747	339,769	90,402	–	709,207	21,003	2,608,128	40.2%
B J Gill [3]	**2021**	**816,062**	**469,290**	**1,686**	–	**191,577**	**21,694**	**1,500,309**	**44.0%**
	2020	696,463	145,344	–	–	123,714	21,003	986,524	27.3%
P A Binfield	**2021**	**324,294**	**154,287**	**1,490**	–	**79,069**	**9,039**	**568,179**	**41.1%**
M Crawford	**2021**	**596,381**	**246,287**	**196**	–	**146,698**	**21,694**	**1,011,256**	**38.9%**
	2020	590,139	126,801	–	–	108,975	21,003	846,918	27.8%
T Richards	**2021**	**489,243**	**201,403**	–	–	**119,805**	**21,694**	**832,145**	**38.6%**
	2020	471,810	100,421	–	–	23,836	21,003	617,070	20.1%
Total	**2021**	**3,704,286**	**2,050,629**	**28,092**	**1,500,000**	**481,877**	**95,815**	**7,860,699**	
	2020	3,206,159	712,335	90,402	–	965,732	84,012	5,058,640	

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 Mr Bansal's remuneration and termination benefits are further detailed in section 6B. Non-monetary benefits comprise costs associated with Mr Bansal's accommodation in Melbourne and travel between Sydney and Melbourne. Share Based Payments expense includes the acceleration of expenses in relation to 2020 LTI which does not vest until 14 days after the release of the financial results for the financial year ending 30 June 2022.

3 Remuneration received by Mr Gill in FY21 in his capacity as CFO and COO.

An explanation of the key remuneration elements (TFR, STI and LTI), as well as outcomes for the year ended 30 June 2021, is provided in the following sections.

5B. Total Fixed Remuneration

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

Executive KMP TFR was reviewed during the annual remuneration review and no TFR increase was recommended for any KMP's except Mr Richards. Effective 1 October 2020, Mr Richards' TFR was increased from $498,750 to $514,999.

As set out in section 6B, Mr Gill's TFR increased to $1,000,000 following his appointment as COO to reflect his broader operational responsibilities.

5C. FY2021 Short-term Incentive

For the year ended 30 June 2021, 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 2021:

	FY2021 TARGET	FY2021 MAXIMUM
EXECUTIVE KEY MANAGEMENT PERSONNEL		
V Bansal	75%	150%
B J Gill	60%	120%
P A Binfield	60%	120%
M Crawford	50%	100%
T Richards	50%	100%

5 Executive key management personnel – reward outcomes (continued)

5C. FY2021 Short-term Incentive (continued)

Key features of the FY2021 STI plan

Purpose of the STI plan	Reward the achievement of key financial, People and Culture, Health, Safety & Environment (HSE) and if applicable, individual KPI metrics that are key to the sustainable success of Cleanaway.
Performance period	1 July 2020 to 30 June 2021.
Gateway	• Achievement of a gateway based on budgeted Group EBIT for Executive KMP. The use of EBIT as a gateway performance measure aligns senior executives' focus on annual financial objectives related to their area of control. • Business Unit heads and other management roles also have gateways based on financial or key strategic non-financial objectives.
Key performance metrics	• Financial metrics: 70% weighting. • HSE metrics: 20% weighting. • People and Culture Metrics: 10% weighting.
Financial metrics	• Financial metrics and their respective weightings are: – Group EBIT: 30% weighting. – Group Net Revenue: 20% weighting. Included as it reflects growth in our business. – Group Net Profit After Tax Return on Invested Capital (ROIC): 20% weighting. Included as it aligns with Cleanaway's focus on improving the returns from the net assets employed in our business.
Health, Safety & Environment (HSE) metrics and gateways	• HSE metrics and their respective weightings are: – Group Total Recordable Injury Frequency Rate (TRIFR): 15% weighting. Included as it measures the outcome of our injury prevention strategies and programs. – Group Environmental Incidents: 5% weighting. Included as it measures the outcome effectiveness of our environmental risk management strategies and programs. • TRIFR metric has a threshold, target and stretch level of performance with a corresponding STI outcome set out below. • There is a gateway condition for the TRIFR metric, which is that there are no at fault work-related fatalities. • Group Environment Incident metric has a target level performance and outcome only, which is that there are no significant or major rated environmental incidents.
People and Culture metrics and gateways	• People and their respective weightings are: – Group Engagement: 5% weighting. – Group Voluntary Turnover: 5% weighting. • There is a gateway condition for People metric, which is No breach of the Code of Conduct policy.
Performance outcomes	• Once gateways are achieved, performance against the financial and health & safety 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 certain senior executives is deferred for 12 months in the form of deferred performance rights. • Performance rights are granted at face value determined by the five-day volume weighted average price of Cleanaway's shares on the ASX during the period 24 June to 30 June 2021. • Performance rights do not attract dividends during the deferral period.

5 Executive key management personnel – reward outcomes (continued)

5C. FY2021 Short-term Incentive (continued)

FY2021 Short-term Incentive outcomes

The following table details 2021 STI scorecard measures and assessment applied to Executive KMP.

ELEMENT	MEASURE	2021 PERFORMANCE ASSESSMENT
Gateway to STI	Group EBIT – Threshold of on-target budget	Slightly Above Threshold
Scorecard KPIs	Group Net Revenue	Between Target and Stretch
	Group ROIC	Slightly Above Threshold
	Group TRIFR	Slightly Above Target
	Group Environmental Incidents	Target
	Group Engagement	Slightly Above Target
	Group Voluntary Turnover	Not Met

The STI payments received or receivable by Executive KMP for the year ended 30 June 2021 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 [3]	**2021**	**979,362**	**979,362**	–	**87%**	**45%**
	2020	424,711	339,769	84,942	38%	19%
B J Gill	**2021**	**586,613**	**469,290**	**117,323**	**98%**	**50%**
	2020	181,680	145,344	36,336	50%	26%
P A Binfield	**2021**	**192,859**	**154,287**	**38,572**	**40%**	**21%**
M Crawford	**2021**	**307,859**	**246,287**	**61,572**	**98%**	**50%**
	2020	158,501	126,801	31,700	50%	26%
T Richards	**2021**	**251,754**	**201,403**	**50,351**	**98%**	**50%**
	2020	125,526	100,421	25,105	50%	26%

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.
3 Mr Bansal's FY21 STI award was assessed against the December 2020 half-year financial results and pro rated to 31 March 2021. His short term incentive award will not be subject to any STI deferral. The deferred component of Mr Bansal's FY20 STI was withdrawn and not granted during FY21.

5D. Prior year Short-term Incentive awards

As participants in the FY2020 STI, Executives considered KMP during the year ended 30 June 2020 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 Gill's FY2020 STI deferred component performance rights vested on 30 June 2021 (16,818);
- Mr Crawford's FY2020 STI deferred component performance rights vested on 30 June 2021 (14,673); and
- Mr Richard's FY2020 STI deferred component performance rights vested on 30 June 2021 (11,620).

5E. FY2021 Long-term Incentive

Offers under the Cleanaway Long-Term Incentive (LTI) Plan are made on an annual basis. During the year ended 30 June 2021, LTI offer was made to Executive KMP, including Mr Gill, Mr Crawford, Mr Binfield and Mr Richards.

The table below represents the target and maximum annual LTI opportunity as a percentage of TFR for Mr Gill, Mr Binfield, Mr Crawford and Mr Richards:

	FY2021 TARGET	FY2021 MAXIMUM
EXECUTIVE KEY MANAGEMENT PERSONNEL		
B J Gill	30%	60%
P A Binfield	30%	60%
M Crawford	30%	60%
T Richards	30%	60%

5 Executive key management personnel – reward outcomes (continued)

5E. FY2021 Long-term Incentive (continued)

The details of the FY2021 LTI offer are summarised in the table below. The number of performance rights granted to each Executive KMP for the year ended 30 June 2021 is outlined in section 7A. The number of performance rights each Executive KMP had on issue as at 30 June 2021 is outlined in section 7B.

Key features of the FY2021 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 2020 to 30 June 2023.
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 24 June 2020 to 30 June 2020.
Performance hurdles	Performance rights issued under the FY2021 plan are subject to two performance hurdles: • 50% of the performance rights will be subject to relative Total Shareholder Return (TSR) targets over the performance period. The Board considers relative TSR to be an appropriate performance measure for Executive KMP reward as it focuses on the extent to which shareholder returns (being income and capital gain) are generated relative to the performance of a comparator group of companies. The comparator group is the constituent companies that remain listed in the S&P/ASX 200 Index (excluding companies classified as mining, financial services and overseas domiciled companies) for the duration of the performance period. • 50% 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. The Return On Invested Capital (ROIC) for year ending 30 June 2023 acts as a gateway to EPS CAGR.
Vesting date	14 days after the release of the financial results for the financial year ending 30 June 2023.
Retesting	No retesting is available. LTI performance rights are only tested once at the end of the relevant performance period and unvested rights lapse.
Dividends	LTI performance rights do not attract dividends.
Restriction on trading	Vested shares arising from performance rights may only be traded during trading windows as stipulated in the Company's Securities Trading Policy.
Forfeiture and lapsing conditions	Where a participant resigns or is terminated by the Company prior to the end of the performance period, the performance rights are forfeited unless the Board applies its discretion. The Board also has discretion to determine the extent of vesting in the event of a change of control, or where a participant dies, becomes permanently disabled, retires or is made redundant. Performance rights lapse when performance hurdles are not met.
Number of performance rights remaining on issue as at 30 June 2021	1,991,571

5 Executive key management personnel – reward outcomes (continued)

5E. FY2021 Long-term Incentive (continued)

FY2021 LTI performance hurdle vesting conditions

Performance rights issued under the FY2021 plan are subject to two performance measures with the following performance vesting schedules:

<table>
<tr><td rowspan="5">Relative TSR performance measured over three years from 1 July 2020 to 30 June 2023</td><td>Cleanaway's relative TSR rank compared with the TSR comparator group</td><td>Percentage of TSR performance rights that vest</td></tr>
<tr><td>Less than 50th percentile</td><td>Nil</td></tr>
<tr><td>Equal to 50th percentile</td><td>50%</td></tr>
<tr><td>Greater than 50th percentile and up to (and including) 75th percentile</td><td>Straight line pro rata vesting between 50% and 100%</td></tr>
<tr><td>Above 75th percentile</td><td>100%</td></tr>
<tr><td rowspan="7">EPS CAGR performance measured over three years from 1 July 2020 to 30 June 2023</td><td colspan="2">Gateway: Performance Rights under EPS CAGR will only vest if ROIC is at least 5.5% or more for the Financial Year ending 30 June 2023</td></tr>
<tr><td>Cleanaway EPS CAGR</td><td>Percentage of EPS CAGR performance rights that vest</td></tr>
<tr><td>Less than 4%</td><td>Nil</td></tr>
<tr><td>At 4%</td><td>40%</td></tr>
<tr><td>Greater than 4% and up to (and including) 8%</td><td>Straight line pro rata vesting between 40% and 90%</td></tr>
<tr><td>Greater than 8% and up to (and including) 10%</td><td>Straight line pro rata vesting between 90% and 100%</td></tr>
<tr><td>Above 10%</td><td>100%</td></tr>
</table>

5 Executive key management personnel – reward outcomes (continued)

5F. Prior Long-term Incentive awards

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

	FY2019 LTI [1]	FY2020 LTI [1]
Performance period	Three years: 1 July 2018 to 30 June 2021	Three years: 1 July 2019 to 30 June 2022
Overview	Performance rights vesting subject to: • Relative TSR (50%) • ROIC (25%) • EPS CAGR (25%)	Performance rights vesting subject to: • Relative TSR (50%) • EPS CAGR (50%) • The Return on Invested Capital (ROIC) for year ending 30 June 2022 acts as a gateway to EPS CAGR.
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 6.25% – 0% vesting • 6.25% – 20% vesting • 6.25%–6.75% – straight line vesting between 20% and 50% • 6.75%–7.25% – straight line vesting between 50% and 100% • 7.25% – 100% vesting	Gateway: Performance Rights under EPS CAGR will only vest if ROIC is at least 5.8% or more for the Financial Year ending 30 June 2022.
EPS CAGR performance hurdles	EPS CAGR: • Below 13% – 0% vesting • At 13% – 20% vesting • 13%–15% – straight line vesting between 20% and 50% • 15%–18% – straight line vesting between 50% and 100% • At or above 18% – 100% vesting	EPS CAGR: • Below 9% – 0% vesting • At 9% – 20% vesting • 9%–10.5% – straight line vesting between 20% and 50% • 10.5%– 2.5% – straight line vesting between 50% and 100% • At or above 12.5% – 100% vesting
Number of performance rights remaining on issue at 30 June 2021	2,597,532	2,223,603

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

5 Executive key management personnel – reward outcomes (continued)

5F. Prior Long-term Incentive awards (continued)

Prior Long-term Incentive outcomes

FY2019 LTI

The FY2019 LTI was tested as at 30 June 2021. Based on Cleanaway's relative TSR, ROIC and EPS performance over the performance period from 1 July 2018 to 30 June 2021, the offer will partially vest – with the relative TSR tranche vesting at 100%. The ROIC tranche and the EPS CAGR tranche did not vest.

Executive KMP

Mr Bansal, Mr Gill, Mr Crawford and Mr Richards all participated in the FY2019 LTI. Therefore, the following performance rights will vest:

- Mr Bansal: 604,308 of his FY2019 LTI rights will vest;
- Mr Gill: 123,808 of his FY2019 LTI rights will vest;
- Mr Crawford: 107,488 of his FY2019 LTI rights will vest; and
- Mr Richards: 83,504 of his FY2019 LTI rights will vest.

6 Executive key management personnel – contract terms

6A. Executive KMP

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

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

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

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

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

Mr Bansal was entitled to travel and accommodation support, with the Company covering the costs associated with Mr Bansal's accommodation in Melbourne. The cost to the Group in providing this support to Mr Bansal for the year ended 30 June 2021 is provided in section 5A.

6B. Leadership transition – KMP remuneration arrangements

On 21 January 2021, Cleanaway announced that the Board and Mr Bansal had agreed that Mr Bansal would step down as CEO during FY21 as part of an orderly leadership transition. As part of this transition, Mr Chellew was appointed Executive Chairman and Mr Gill was appointed as Chief Operating Officer whilst a search for a new CEO was undertaken. On 10 May 2021, Cleanaway announced the appointment of Mark Schubert as CEO and Managing Director to succeed Mr Bansal. Mr Schubert is expected to commence in the role from 30 August 2021.

Further details in relation to the remuneration arrangements relating to these changes are set out below.

Terms of Appointment of Mark Schubert

As announced on 10 May 2021, Mr Schubert's remuneration arrangements comprise:

- Fixed annual salary of $1.4 million, inclusive of superannuation.
- A short-term incentive opportunity of 100% of salary at target and 150% of salary at maximum.
- A long-term incentive opportunity of 120% of salary.

In addition, Mr Schubert will receive a sign on entitlement in recognition of the forfeiture of certain incentives upon resigning from his prior employment. This entitlement worth $1.8 million will comprise:

- $400,000 in cash, payable three months after he commences with Cleanaway;
- $1.4 million of rights to Cleanaway shares granted on commencement of employment which will convert to shares in three separate tranches on the 1st, 2nd and 3rd anniversary of commencement.

These sign on entitlements are each subject to Mr Schubert being employed by Cleanaway on the relevant dates and Mr Schubert not having provided notice of resignation nor having been terminated for cause prior to the relevant dates.

6 Executive key management personnel – contract terms (continued)

6B. Leadership transition – KMP remuneration arrangements (continued)

Terms of Separation of Mr Bansal

Mr Bansal stepped down from the role of CEO following the announcement made by the Company regarding the leadership transition on 21 January 2021. Mr Bansal commenced a period of gardening leave in March 2021 during which he was available to assist with project and transitional issues for the remainder of FY21.

The Board determined that Mr Bansal was eligible for a prorated FY21 STI for the period he was CEO. The Board calculated his award based on results for 31 December 2020 and pro-rated this for the period he remained actively in the position of CEO. The Board assessed his STI entitlement at 45% of maximum. Each of the financial targets, comprising Group EBIT, Group Net Revenue and Group ROIC achieved at or just above target. The Group's health and safety targets were met at target for the period. Group engagement scores were between threshold and target and the Group's voluntary employment turnover target was met at stretch.

Mr Bansal also participated in the FY2019 LTI Plan which was tested at the end of FY21. As outlined in section 5F above, 50% of rights vested under the FY2019 LTI offer, which resulted in the issue of 604,308 shares to Mr Bansal.

In recognition of Mr Bansal's more than 5 years' service to the Group as CEO and the exceptional financial performance of the Company over that time, the Board determined that Mr Bansal should be treated as a good leaver for the purpose of the FY2020 LTI (the vesting is to be tested at the end of FY22). Accordingly, Mr Bansal's FY2020 LTI has been left on foot. Mr Bansal did not participate in the FY2021 LTI offer.

As noted above, Mr Bansal commenced a period of gardening leave in March 2021. At the end of the period of gardening leave, Mr Bansal received his contractual entitlements including payment in lieu of his notice period and accrued leave.

In addition to this period of gardening leave and in return for payment in lieu of notice, Mr Bansal agreed to a revised post-employment contractual restraint that was more broad reaching than that contained in his original employment agreement entered into in 2015 and to provide ongoing support to the leadership transition, in particular in relation to the acquisition of certain of Suez's post-collection assets in Sydney. The Board believed these additional undertakings to be valuable given the significant changes in the Australian waste management industry during the year, in particular the industry consolidation that has occurred, combined with the entry of new participants and the strategic importance of the acquisition of certain of Suez's post-collection assets in Sydney.

Terms of Appointment of Mark Chellew as Executive Chairman

Mark Chellew was appointed as Executive Chairman on 21 January 2021. In his role as Executive Chairman, Mr Chellew receives an additional fee of $54,167 per month to reflect his broader responsibilities. In determining this fee, the Board had regard to the additional responsibilities and time commitment required of Mr Chellew following his appointment, in particular that the position of CEO was vacant during this period and Mr Chellew's involvement in the proposed acquisition of Suez's Australian waste management business. Under the terms of his appointment as Executive Chairman Mr Chellew will not participate in the Company's STI or LTI Plans. His appointment was deemed to take effect from 1 January 2021, is on a month-to-month basis and can be terminated by either party immediately upon notice. Mr Chellew will return to the position of Non-Executive Chairman from 1 October 2021.

Terms of Appointment of Brendan Gill as Chief Operating Officer

Mr Gill was in the role of Chief Financial Officer (CFO) prior to his appointment as Chief Operating Officer (COO). Mr Gill was appointed COO of the Company following Mr Bansal stepping down from the position of CEO. In recognition of his broader responsibilities as COO, Mr Gill's annual total fixed remuneration was increased to $1,000,000 with effect from 1 February 2021 and his at target STI opportunity was increased to 60%. There were no other changes to Mr Gill's remuneration arrangements or the terms of his employment with the Company following his appointment as COO.

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 2021 is set out in the following table:

YEAR ENDED 30 JUNE 2021	BALANCE AT 1 JULY 2020 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 2021 NUMBER
EXECUTIVE KEY MANAGEMENT PERSONNEL							
V Bansal	3,935,418	–	–	(1,252,764)	3,089,938	(511,308)	2,171,346
B J Gill	849,541	217,290	437,634	(270,571)	662,945	(146,031)	650,229
P A Binfield	–	222,171	439,898	–	–	–	222,171
M Crawford	744,252	189,568	381,800	(239,634)	587,967	(127,963)	566,223
T Richards	384,321	154,642	311,304	(19,682)	42,276	(69,587)	449,694

1 Performance rights were granted under the FY2021 LTI Offer and FY2020 STI deferral on 16 December 2020, except for Mr Binfield's FY2021 LTI Offer which was granted on 15 February 2021.

2 The fair value of performance rights granted to Executive KMP was calculated using Monte Carlo simulation and the Black Scholes Model and is $1.57 to $2.30 per Performance Right under the FY2021 LTI Offer. Refer to note 35 to the Consolidated Financial Statements which sets out the fair value per tranche of performance rights granted.

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

4 All performance rights have no exercise price and once vested they have no expiry date. The grant date for each tranche of performance rights is set out in note 35 to the Consolidated Financial Statements.

7B. Performance rights as at 30 June 2021

The number of performance rights as at 30 June 2021 by plan for the Executive KMP is set out in the following table:

ISSUED	2020 STI	2019 LTI	2020 LTI	2021 LTI	BALANCE AT 30 JUNE 2021	VESTED & EXERCISABLE AT THE END OF THE YEAR
EXECUTIVE KEY MANAGEMENT PERSONNEL						
V Bansal	–	1,208,615	962,731	–	2,171,346	–
B J Gill	16,818	247,616	185,323	200,472	650,229	16,818
P A Binfield	–	–	–	222,171	222,171	–
M Crawford	14,673	214,976	161,679	174,895	566,223	14,673
T Richards	11,620	167,009	128,043	143,022	449,694	11,620

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

7C. Securities trading policy

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

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

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

7D. Company performance

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

	FY2017	FY2018	FY2019	FY2020	FY2021
Net Revenue – $'M [1]	1,350.7	1,564.9	2,109.1	2,100.1	**2,198.9**
Profit attributable to ordinary equity holders – $'M [2]	72.5	103.5	120.4	112.9	**145.3**
EPS – cents [3]	4.4	5.6	5.9	5.5	**7.1**
Underlying EPS – cents [3]	4.7	5.3	6.9	7.5	**7.4**
Dividends per share – cents	2.10	2.50	3.55	4.10	**4.60**
Shares on issue – number	1,592,889,317	2,036,684,232	2,044,507,391	2,053,944,831	**2,059,434,558**
Market capitalisation – $'M	2,198.2	3,442.0	4,763.7	4,518.7	**5,436.9**
Share price at 30 June – $	1.38	1.69	2.33	2.20	**2.64**
Change in share price – $	0.58	0.31	0.64	(0.13)	**0.44**

1 Net Revenue is Revenue excluding landfill levies (FY2017: $103.7 million; FY2018: $149.4 million; FY2019: $174.0 million; FY2020: $232.0 million; and FY2021: $207.5 million).

2 Includes underlying adjustments after tax (FY2017: $5.0 million; FY2018: $(5.5) million; FY2019: $20.1 million; FY2020: $37.4 million; and FY2021: $5.5 million).

3 The calculation of EPS for comparative periods prior to FY2018 were adjusted to reflect the bonus element in the non-renounceable entitlement offer which occurred during December 2017 and January 2018 and Underlying EPS excludes the impact of AASB 16 in FY2020 and FY2021.

8 Shareholdings and other related party transactions

8A. Shareholdings

The movement for the year ended 30 June 2021 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.

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 DIRECTORS:				
M P Chellew	156,548	–	–	156,548
R M Smith	123,720	–	2,400	126,120
E R Stein [1]	125,688	–	–	125,688
T A Sinclair	49,417	–	–	49,417
R M Harding	29,696	–	–	29,696
P G Etienne	82,715	–	–	82,715
S L Hogg	–	–	–	–
I A Player	–	–	–	–
EXECUTIVE KEY MANAGEMENT PERSONNEL				
V Bansal [2]	5,418,844	1,252,764	(4,000,000)	2,671,608
B J Gill	842,927	270,571	(300,000)	813,498
P A Binfield	–	–	30,000	30,000
M Crawford	500,000	239,634	(405,000)	334,634
T Richards	–	19,682	–	19,682

1 The balance at the end of the year for Emma Stein reflects her shareholding on the date she ceased being a Director on 31 December 2020.

2 The balance at the end of the year for Vik Bansal reflects his shareholding on the date he ceased being KMP on 5 March 2021.

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

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 audit of Cleanaway Waste Management Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Brett Croft
Partner

19 August 2021

Consolidated Income Statement

For the year ended 30 June 2021

	NOTES	2021 $'M	2020 $'M
Revenue	6	2,406.4	2,332.1
Other income	7	4.5	34.6
Labour related expenses		(900.7)	(861.1)
Collection, recycling and waste disposal expenses		(630.6)	(649.8)
Fleet operating expenses		(243.7)	(228.0)
Property expenses		(44.6)	(45.7)
Other expenses		(60.5)	(94.0)
Gain on loss of control of subsidiary		–	1.1
Share of losses from equity accounted investments	23	(2.0)	(2.1)
Depreciation and amortisation expense		(276.4)	(262.6)
Write-off of assets	5	(5.4)	(19.6)
Impairment of assets	5	(4.3)	–
Profit from operations		**242.7**	**204.9**
Net finance costs	8	(35.9)	(49.7)
Profit before income tax		**206.8**	**155.2**
Income tax expense	9	(59.1)	(42.6)
Profit after income tax		**147.7**	**112.6**
Attributable to:			
Ordinary equity holders		145.3	112.9
Non-controlling interest		2.4	(0.3)
Profit after income tax		**147.7**	**112.6**

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 2021

	NOTES	2021 $'M	2020 $'M
Profit after income tax		**147.7**	**112.6**
Other comprehensive income (to be reclassified to profit or loss in subsequent periods)			
Net loss on cross-currency interest rate swaps (net of tax)	17	(0.7)	(0.1)
Net comprehensive income recognised directly in equity		**(0.7)**	**(0.1)**
Total comprehensive income for the year		**147.0**	**112.5**
Attributable to:			
Ordinary equity holders		144.6	112.8
Non-controlling interest		2.4	(0.3)
Total comprehensive income for the year		**147.0**	**112.5**
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	10	7.1	5.5
Diluted earnings per share (cents)	10	7.0	5.5

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

Consolidated Balance Sheet

As at 30 June 2021

	NOTES	2021 $'M	2020 $'M
Assets			
Current assets			
Cash and cash equivalents	11	69.4	79.8
Trade and other receivables	12	372.2	348.1
Inventories	13	22.1	19.4
Other assets	24	28.8	23.1
Total current assets		**492.5**	**470.4**
Non-current assets			
Property, plant and equipment	20	1,241.5	1,174.0
Right-of-use assets	21	479.2	416.7
Intangible assets	22	2,320.4	2,306.2
Equity accounted investments	23	41.6	34.5
Net deferred tax assets	9	52.2	66.9
Derivative financial instruments	32	–	30.0
Other assets	24	24.1	23.9
Total non-current assets		**4,159.0**	**4,052.2**
Total assets		**4,651.5**	**4,522.6**
Liabilities			
Current liabilities			
Trade and other payables	14	297.6	271.1
Income tax payable		6.9	6.5
Interest-bearing liabilities	15	76.9	69.6
Employee entitlements	25	78.8	71.2
Provisions	26	68.2	79.0
Other liabilities	27	35.6	34.9
Total current liabilities		**564.0**	**532.3**
Non-current liabilities			
Interest-bearing liabilities	15	996.4	995.8
Derivative financial instruments	32	31.5	–
Employee entitlements	25	9.9	7.2
Provisions	26	306.4	287.6
Other liabilities	27	107.0	128.7
Total non-current liabilities		**1,451.2**	**1,419.3**
Total liabilities		**2,015.2**	**1,951.6**
Net assets		**2,636.3**	**2,571.0**
Equity			
Issued capital	16	2,695.7	2,688.7
Reserves	17	25.1	23.9
Retained earnings		(86.9)	(142.6)
Parent entity interest		2,633.9	2,570.0
Non-controlling interest		2.4	1.0
Total equity		**2,636.3**	**2,571.0**

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 2021

	PARENT ENTITY INTEREST					
	ORDINARY SHARES $'M	RESERVES $'M	RETAINED EARNINGS $'M	TOTAL $'M	NON-CONTROLLING INTEREST $'M	TOTAL EQUITY $'M
At 1 July 2020	**2,688.7**	**23.9**	**(142.6)**	**2,570.0**	**1.0**	**2,571.0**
Profit for period	–	–	145.3	**145.3**	2.4	**147.7**
Other comprehensive income	–	(0.7)	–	**(0.7)**	–	**(0.7)**
Total comprehensive income for the year	–	(0.7)	145.3	**144.6**	2.4	**147.0**
Share-based payment expense	–	1.9	–	**1.9**	–	**1.9**
Dividends reinvested/(paid)	7.0	–	(89.6)	**(82.6)**	(1.0)	**(83.6)**
Balance at 30 June 2021	**2,695.7**	**25.1**	**(86.9)**	**2,633.9**	**2.4**	**2,636.3**
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)**
Adjusted balance at 1 July 2020	**2,678.2**	**24.0**	**(175.5)**	**2,526.7**	**2.3**	**2,529.0**
Profit for period	–	–	112.9	**112.9**	(0.3)	**112.6**
Other comprehensive income	–	(0.1)	–	**(0.1)**	–	**(0.1)**
Total comprehensive income for the year	–	(0.1)	112.9	**112.8**	(0.3)	**112.5**
Loss of control of subsidiary	–	–	–	–	(0.6)	**(0.6)**
Acquisition of non-controlling interests	–	–	(0.1)	**(0.1)**	(0.2)	**(0.3)**
Dividends reinvested/(paid)	10.5	–	(79.9)	**(69.4)**	(0.2)	**(69.6)**
Balance at 30 June 2020	**2,688.7**	**23.9**	**(142.6)**	**2,570.0**	**1.0**	**2,571.0**

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 2021

	NOTES	2021 $'M	2020 $'M
Cash flows from operating activities			
Profit before income tax		206.8	155.2
Adjustments for:			
Depreciation and amortisation expense		276.4	262.6
Write-off of assets		5.4	19.6
Impairment of assets		4.3	–
Net finance costs		35.9	49.7
Share-based payment expense		1.1	–
Net gain on derecognition of right-of-use asset and lease liability		(2.0)	–
Remediation and rectification provision remeasurement		(3.4)	(0.2)
Share of losses from equity accounted investments		2.0	2.1
Net gain on disposal of property, plant and equipment		(3.1)	(4.6)
Net gain on disposal of assets held for sale		–	(8.1)
Gain on loss of control of subsidiary		–	(1.1)
Other non-cash items		0.3	0.3
Net cash from operating activities before changes in assets and liabilities		**523.7**	**475.5**
Changes in assets and liabilities:			
(Increase)/decrease in receivables		(21.4)	28.5
Decrease/(increase) in other assets		0.6	(1.7)
Increase in inventories		(3.3)	(0.2)
Increase in payables		20.6	20.7
Increase in employee entitlements		10.0	5.4
Decrease in other liabilities		(1.5)	(0.4)
Decrease in provisions		(30.0)	(43.6)
Cash generated from operating activities		**498.7**	**484.2**
Net interest paid		(32.2)	(33.2)
Income taxes paid		(42.1)	(49.5)
Net cash from operating activities		**424.4**	**401.5**
Cash flows from investing activities			
Payments for property, plant and equipment		(239.0)	(200.2)
Payments for intangible assets		(7.2)	(9.6)
Payments for purchase of businesses (net of cash acquired)		(46.9)	(84.8)
Proceeds from disposal of property, plant and equipment		17.7	24.3
Investment in equity accounted investments		(11.5)	(12.0)
Proceeds from sale of investments		–	0.1
Proceeds on loss of control of subsidiary (net of cash derecognised)		–	2.0
Dividends received from equity accounted investments		1.3	1.2
Loans to equity accounted investments		(5.5)	(3.2)
Net cash used in investing activities		**(291.1)**	**(282.2)**
Cash flows from financing activities			
Proceeds from borrowings		290.0	397.6
Repayment of borrowings		(285.2)	(365.8)
Repayment of lease liabilities		(64.0)	(55.2)
Payment of debt and equity raising costs		(0.9)	(2.7)
Payment of dividends to ordinary equity holders		(82.6)	(69.4)
Payment of dividends to non-controlling interests		(1.0)	(0.2)
Net cash used in financing activities		**(143.7)**	**(95.7)**
Net increase in cash and cash equivalents		(10.4)	23.6
Cash and cash equivalents at the beginning of the year		79.8	56.2
Cash and cash equivalents at the end of the year	11	**69.4**	**79.8**

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 2021

1 Corporate information

Cleanaway Waste Management Limited and its subsidiaries (Cleanaway or the Group) is a for-profit entity domiciled and incorporated in Australia. The 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 2021 were authorised for issue in accordance with a resolution of the Directors on 19 August 2021.

2 Statement of compliance

The 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 derivative financial instruments. Cost is based on the fair value of the consideration given in exchange for assets.

The accounting policies and methods of computation adopted in the preparation of the Financial Report are consistent with those adopted and applied in the corresponding period.

At 30 June 2021 the Group had a net current asset deficiency of $71.5 million (30 June 2020: net current asset deficiency of $61.9 million). As set out in note 15 to the Financial Statements, the Group has unutilised committed debt facilities of $930.3 million at 30 June 2021 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.

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

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

4 Critical accounting estimates and judgements

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

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

Each asset or cash generating unit (CGU) is evaluated every reporting period to determine whether there are any indications of impairment. 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 the higher of fair value less costs to dispose (FVLCD) and value-in-use. Both of these valuations utilised a discounted cash flow apppoach which require the use of estimates and assumptions. In determining the net present value of the discounted cash flows of the CGUs, cash flow projections are based on forecasts determined by management. The discounted cash flows of the CGUs, other than those associated with landfill assets, are determined using five-year forecasted cash flows and a terminal value calculation. These cash flows include estimates and assumptions related to revenue growth, capital expenditure, terminal value growth rates, commodity prices expense profile, and costs to dispose in a FVLCD calculation.

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

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

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

(b) Landfill asset depreciation

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

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

4 Critical accounting estimates and judgements (continued)

(c) Lease terms for right-of-use assets and lease liabilities

Extension and termination options are included in lease 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 Cleanaway.

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. All property leases on which a prized asset is situated are considered reasonably certain to exercise an extension option. Further details on the Group's lease accounting policy are disclosed in note 39(n).

(d) Provision for remediation and rectification

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

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

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

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

(e) 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 probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future profits.

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

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

5 Segment reporting

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

- **Solid Waste Services**

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

- **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 product destruction, hazardous waste and e-waste.

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

Unallocated items 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.

5 Segment reporting (continued)

2021	OPERATING SEGMENTS SOLID WASTE SERVICES $'M	INDUSTRIAL & WASTE SERVICES $'M	LIQUID WASTE & HEALTH SERVICES $'M	ELIMINATIONS $'M	TOTAL OPERATING SEGMENTS $'M	UNALLOCATED EQUITY ACCOUNTED INVESTMENTS $'M	CORPORATE $'M	GROUP $'M
Revenue								
Revenue from customers	1,615.9	298.9	456.3	–	2,371.1	–	–	2,371.1
Other revenue	12.0	0.1	23.2	–	35.3	–	–	35.3
Inter-segment sales	55.9	6.6	33.2	(95.7)	–	–	–	–
Total revenue	**1,683.8**	**305.6**	**512.7**	**(95.7)**	**2,406.4**	–	–	**2,406.4**
Underlying EBITDA[1]	**405.5**	**48.0**	**110.0**	–	**563.5**	**(2.0)**	**(26.4)**	**535.1**
Depreciation and amortisation	(192.5)	(25.4)	(42.4)	–	(260.3)	–	(16.1)	(276.4)
Underlying EBIT[1]	**213.0**	**22.6**	**67.6**	–	**303.2**	**(2.0)**	**(42.5)**	**258.7**
Material recycling facility fire								(7.0)
Acquisition and integration costs[2]								(7.9)
CEO transition costs								(4.3)
Change in discount rate on provisions								3.4
Employee entitlements								7.0
Westgate tunnel contract costs[3]								(4.5)
Fire at Welshpool transfer station[4]								(2.7)
Profit from operations (EBIT)								**242.7**
Net finance costs								(35.9)
Profit before income tax								**206.8**
Income tax expense								(59.1)
Profit after income tax								**147.7**
Capital expenditure:								
Property, plant and equipment	172.3	21.0	43.2	–	236.5	–	2.5	239.0
Intangible assets	0.2	–	0.2	–	0.4	–	6.8	7.2

1 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.

2 Includes write-off of intangible assets of $2.7 million.

3 Includes impairment of assets of $4.3 million.

4 Includes write-off of property, plant and equipment of $2.7 million.

5 Segment reporting (continued)

2020	OPERATING SEGMENTS SOLID WASTE SERVICES $'M	OPERATING SEGMENTS INDUSTRIAL & WASTE SERVICES $'M	OPERATING SEGMENTS LIQUID WASTE & HEALTH SERVICES $'M	ELIMINA-TIONS $'M	TOTAL OPERATING SEGMENTS $'M	UNALLOCATED EQUITY ACCOUNTED INVEST-MENTS $'M	UNALLOCATED CORPORATE $'M	GROUP $'M
Revenue								
Revenue from customers	1,549.0	300.7	450.1	–	2,299.8	–	–	2,299.8
Other revenue	11.8	–	20.5	–	32.3	–	–	32.3
Inter-segment sales	44.0	12.7	43.0	(99.7)	–	–	–	–
Total revenue	**1,604.8**	**313.4**	**513.6**	**(99.7)**	**2,332.1**	–	–	**2,332.1**
Underlying EBITDA	**388.3**	**45.9**	**106.3**	–	**540.5**	**(2.1)**	**(22.7)**	**515.7**
Depreciation and amortisation	(175.6)	(24.5)	(42.0)	–	(242.1)	–	(17.0)	(259.1)
Underlying EBIT	**212.7**	**21.4**	**64.3**	–	**298.4**	**(2.1)**	**(39.7)**	**256.6**
Material recycling facility fire								(14.6)
Acquisition and integration costs								(36.3)
Gain on sale of property								8.1
Employee entitlements								(8.0)
Change in discount rate on provisions								(2.0)
Gain on loss of control of subsidiary								1.1
Profit from operations (EBIT)								**204.9**
Net finance costs								(49.7)
Profit before income tax								**155.2**
Income tax expense								(42.6)
Profit after income tax								**112.6**
Capital expenditure:								
Property, plant and equipment	143.8	20.0	34.6	–	198.4	–	1.8	200.2
Intangible assets	2.6	0.1	–	–	2.7	–	6.9	9.6

6 Revenue

	2021 $'M	2020 $'M
Revenue from customers[1]	2,371.1	2,299.8
Other revenue	35.3	32.3
	2,406.4	**2,332.1**

1 Refer to note 5 for disaggregation of revenue.

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

7 Other income

	2021 $'M	2020 $'M
Gain on disposal of property, plant and equipment	3.1	12.7
Other	1.4	1.1
Insurance recoveries	–	20.8
	4.5	**34.6**

8 Net finance costs

	2021 $'M	2020 $'M
Finance costs		
Interest on borrowings	(14.7)	(19.7)
Interest on leases	(16.0)	(15.7)
Amortisation of capitalised borrowing costs	(2.7)	(4.6)
Unwind of discount on provisions and other liabilities	(9.2)	(10.5)
Gain on modification of fixed rate borrowings[1]	7.9	–
Amortisation of gain on modification of fixed rate borrowings	(1.3)	–
Fair value gain/(loss) on USPP Notes	60.7	(34.0)
Fair value (loss)/gain on cross currency interest rate swaps (CCIRS)[2]	(60.9)	33.4
	(36.2)	**(51.1)**
Finance income		
Interest revenue	0.3	1.4
	0.3	**1.4**
Net finance costs	**(35.9)**	**(49.7)**

1 On 19 October 2020 the $90.0 million Clean Energy Finance Corporation term loan facility was amended including a reduction in the fixed interest rate. The $7.9 million gain on modification of fixed rate debt is net of fees of $1.7 million, paid to the lender.

2 Fair value (loss)/gain on CCIRS includes net loss of $60.9 million (2020: net gain of $33.4 million) relating to fair value and cash flow hedges (including net hedge ineffectiveness $2.8 million (2020: $0.4 million)) and other fair value changes during the period. Refer to note 17(a) for fair value amounts reclassified from the hedge reserve and 32(d) for all fair value movements on the CCIRS and USPP Notes.

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

9 Income tax

(a) Amounts recognised in the Consolidated Income Statement

	2021 $'M	2020 $'M
Current tax expense		
Current year	41.1	42.9
Adjustments in respect of prior years	1.6	(4.8)
	42.7	38.1
Deferred tax expense		
Origination and reversal of temporary differences	18.5	0.1
Adjustments in respect of prior years	(2.1)	4.4
	16.4	4.5
Income tax expense	**59.1**	**42.6**

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

Deferred income tax benefit recognised directly in other comprehensive income of $0.3 million (2020: benefit of $0.1 million) relates to the tax effect of items recognised in the hedge reserve.

Deferred income tax benefit recognised directly in equity for the year of $0.8 million (2020: nil) relates to the tax effect of items recognised in the employee equity benefits reserve.

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

	2021 $'M	2020 $'M
Profit before tax	206.8	155.2
Income tax using the corporation tax rate of 30% (2020: 30%)	62.0	46.6
Increase/(decrease) in income tax expense due to:		
Share of losses from equity accounted investments	0.9	0.9
Non-deductible expenses	0.3	0.1
Business acquisition costs	0.5	1.0
Adjustments in respect of prior years	(0.5)	(0.4)
Research and development tax credits	(3.1)	(3.1)
Non-assessable gain on sale of properties	(0.1)	(3.4)
Non-deductible loss on loans	–	1.1
Non-deductible gain on loss of control of subsidiary	–	(0.3)
Employee share plan expenses	–	0.1
Non-assessable gain on remeasurement of contingent consideration	(0.9)	–
Income tax expense	**59.1**	**42.6**

9 Income tax (continued)

(d) Deferred tax

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

2021	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	45.1	(7.0)	–	–	(1.3)	–	36.8
Leases	7.0	(3.4)	–	–	–	–	3.6
Employee benefits	26.0	2.3	–	–	0.1	–	28.4
Provisions	87.8	(8.7)	–	–	3.9	–	83.0
Tax losses	–	–	–	–	0.9	–	0.9
Other	42.5	3.3	–	0.8	–	–	46.6
Deferred tax liabilities							
Intangible assets	(126.5)	6.6	–	–	(3.0)	–	(122.9)
Other	(15.0)	(9.5)	0.3	–	–	–	(24.2)
Net deferred tax assets	**66.9**	**(16.4)**	**0.3**	**0.8**	**0.6**	–	**52.2**

2020	OPENING BALANCE $'M	RECOGNISED IN PROFIT OR LOSS $'M	RECOGNISED IN OTHER COMPREHENSIVE INCOME $'M	RECOGNISED DIRECTLY IN EQUITY $'M	ACQUIRED IN BUSINESS COMBINATION $'M	OTHER[1,2] $'M	CLOSING BALANCE $'M
Deferred tax assets							
PP&E	49.8	(4.1)	–	–	(0.6)	–	45.1
Leases	0.6	3.1	–	–	–	3.3	7.0
Employee benefits	23.2	2.5	–	–	0.3	–	26.0
Provisions	92.0	(10.5)	–	–	6.3	–	87.8
Tax losses	0.2	1.0	–	–	–	(1.2)	–
Other	41.4	1.1	–	–	–	–	42.5
Deferred tax liabilities							
Intangible assets	(130.7)	5.1	–	–	(1.3)	0.4	(126.5)
Other	(13.8)	(2.7)	0.1	–	–	1.4	(15.0)
Net deferred tax assets	**62.7**	**(4.5)**	**0.1**	–	**4.7**	**3.9**	**66.9**

1 Other leases includes tax effect of initial application of AASB 16 of $3.3 million.
2 Includes $0.6 million related to the derecognition of subsidiary on loss of control. Refer to note 28.

10 Earnings per share

	2021	2020
Basic earnings per share (cents)	7.1	5.5
Diluted earnings per share (cents)	7.0	5.5

(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:

	2021 $'M	2020 $'M
Profit after income tax	147.7	112.6
Net (profit)/loss attributable to non-controlling interests	(2.4)	0.3
Profit after tax attributable to ordinary equity holders	**145.3**	**112.9**

Reconciliation of weighted average number of ordinary shares:

	2021	2020
Weighted average number of ordinary shares used as the denominator in calculating earnings per share		
Number for basic earnings per share	2,057,379,071	2,050,673,797
Effect of potential ordinary shares	7,184,608	10,379,638
Number for diluted earnings per share	**2,064,563,679**	**2,061,053,435**

(ii) Diluted earnings per share

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

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

11 Cash and cash equivalents

Composition of cash and cash equivalents

	2021 $'M	2020 $'M
Cash at bank and on hand	69.4	79.8
	69.4	**79.8**

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

12 Trade and other receivables

	2021 $'M	2020 $'M
Trade receivables	366.7	347.6
Contract assets[1]	1.6	1.5
Other receivables	6.0	4.8
Provision for expected credit losses	(2.1)	(5.8)
	372.2	**348.1**

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

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

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

	2021 $'M	2020 $'M
Not past due	292.7	268.8
Past due 1 – 30 days	52.5	41.9
Past due 31 – 120 days	15.0	21.9
Past due 121 days or more	6.5	15.0
	366.7	**347.6**

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

	2021 $'M	2020 $'M
Opening balance	5.8	5.8
Provisions acquired	0.1	–
Provisions recognised[1]	2.7	6.0
Reversal of provisions	(3.8)	(2.5)
Utilisation of provisions	(2.7)	(3.5)
Closing balance	**2.1**	**5.8**

1 Expected credit losses related to COVID-19 have been considered in determining the provision for the current and comparative year.

No single customer's annual revenue is greater than 1.8% (2020: 1.7%) 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

	2021 $'M	2020 $'M
Raw materials and consumables – at cost	9.7	7.2
Work in progress – at cost	0.2	0.2
Finished goods – at cost	12.2	12.0
	22.1	**19.4**

Total inventory costs recognised as an expense were $89.3 million (2020: $93.2 million).

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

14 Trade and other payables

	2021 $'M	2020 $'M
Trade payables	148.6	116.2
Other payables and accruals	149.0	154.9
	297.6	**271.1**

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

15 Interest-bearing liabilities

	UNSECURED				SECURED	
	BANK LOANS $'M	US PRIVATE PLACEMENT NOTES $M	CLEAN ENERGY FINANCE CORPORATION $'M	OTHER $'M	LEASE LIABILITIES[1] $'M	TOTAL INTEREST-BEARING LIABILITIES $'M
Opening balance at 1 July 2020	111.1	426.9	89.7	0.4	437.3	1,065.4
(Repayment)/proceeds of borrowings	5.2	–	–	(0.4)	(64.0)	(59.2)
Borrowing costs paid	(0.9)	–	–	–	–	(0.9)
Cash flows	4.3	–	–	(0.4)	(64.0)	(60.1)
Lease drawdowns	–	–	–	–	112.2	112.2
Remeasurement of lease liabilities	–	–	–	–	8.3	8.3
Non-cash drawdowns	8.2	–	–	–	–	8.2
Interest bearing liabilities acquired	–	–	–	–	5.6	5.6
Gain on modification of fixed rate borrowings[2]	–	–	(9.6)	–	–	(9.6)
Fair value changes	–	(60.7)	–	–	–	(60.7)
Borrowing costs reversed/(accrued)	(0.3)	0.3	–	–	–	–
Amortisation of gain on modification of fixed rate borrowings	–	–	1.3	–	–	1.3
Amortisation of borrowing costs	2.4	0.2	0.1	–	–	2.7
Closing balance at 30 June 2021	**125.7**	**366.7**	**81.5**	–	**499.4**	**1,073.3**

1 Lease liabilities at 30 June 2021 consist of current lease liabilities of $76.9 million and non-current lease liabilities of $422.5 million.

2 On 19 October 2020 the $90.0 million Clean Energy Finance Corporation term loan facility was amended including a reduction in the fixed interest rate. The fixed rate debt was remeasured by calculating the net present value of the modified cash flows discounted using the effective interest rate used on initial recognition. The $9.6 million difference between the remeasured amount and the net present value of the remaining original cash flows was recorded as a modification gain on fixed rate debt.

The following lease expenses are included in the Consolidated Income Statement and do not form part of lease liabilities:

	2021 $'M	2020 $'M
Expenses relating to short-term leases (included in property expenses and other expenses)	17.2	23.9
Expenses relating to low-value assets that are not short-term leases (included in other expenses)	1.9	1.7
Expenses relating to variable lease payments (included in labour related expenses)[1]	49.2	49.3
	68.3	**74.9**

1 Variable lease payments included in labour-related expenses reflect payments made to owner drivers, whereby a subcontractor will be paid for both the use of their vehicle and collection services. Future cash outflows in respect of these leases are dependant upon owner driver jobs completed.

15 Interest-bearing liabilities (continued)

	UNSECURED				SECURED	
	BANK LOANS $'M	US PRIVATE PLACEMENT NOTES $'M	CLEAN ENERGY FINANCE CORPORATION $'M	OTHER $'M	LEASE LIABILITIES [2] $'M	TOTAL INTEREST-BEARING LIABILITIES $'M
Opening balance at 1 July 2019	480.1	–	99.4	0.8	134.4	714.7
Transfers on adoption of AASB 16[1]	–	–	–	–	297.0	297.0
(Repayment)/proceeds of borrowings	(365.1)	397.6	–	(0.7)	(55.2)	(23.4)
Borrowing costs paid	(0.9)	(1.8)	–	–	–	(2.7)
Cash flows	(366.0)	395.8	–	(0.7)	(55.2)	(26.1)
Lease drawdowns	–	–	–	–	64.1	64.1
Remeasurement of lease liabilities	–	–	–	–	16.3	16.3
Non-cash settlements	(7.5)	–	–	–	–	(7.5)
Derecognition on loss of control of subsidiary	–	–	(9.9)	(0.5)	(19.4)	(29.8)
Acquisition of businesses	–	–	–	0.8	0.1	0.9
Fair value changes	–	34.0	–	–	–	34.0
Non-cash transaction costs	0.3	(3.1)	–	–	–	(2.8)
Amortisation of borrowing costs	4.2	0.2	0.2	–	–	4.6
Closing balance at 30 June 2020	**111.1**	**426.9**	**89.7**	**0.4**	**437.3**	**1,065.4**

1 Lease liabilities at 30 June 2019 relate to finance leases as defined in AASB 117 *Leases*. Upon adoption of AASB 16 *Leases* on 1 July 2019, leases which were previously classified as operating leases have been brought on balance sheet as lease liabilities.
2 Lease liabilities at 30 June 2020 consist of current lease liabilities of $69.2 million and non-current lease liabilities of $368.1 million.

Refer to note 39(m) 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 2023
	Facility B	4 year revolver	$200 million	31 January 2025
	Facility C	5 year revolver	$315 million	31 January 2026
	Facility E	3 year non-revolving term loan facility	$500 million	To be determined[1]
US Private Placement (USPP) Notes		8 year debt notes	US$90 million	11 February 2028
		10 year debt notes	US$90 million	11 February 2030
		12 year debt notes	US$90 million	11 February 2032
Clean Energy Finance Corporation		8 year term loan	$90 million	17 August 2025
Uncommitted bank guarantee facility			$95 million	31 December 2021

1 Maturity date of facility is three years from the date of initial drawdown which is required to occur no later than 5 April 2022.

15 Interest-bearing liabilities (continued)

The headroom available in the Group's facilities at 30 June 2021 is summarised below:

		AVAILABLE $'M	UTILISED $'M	NOT UTILISED $'M
Syndicated Facility Agreement	Facility A[1,2,3]	135.0	(114.1)	20.9
	Facility B[3]	200.0	(120.0)	80.0
	Facility C[3]	315.0	–	315.0
	Facility E[3,4]	500.0	–	500.0
US Private Placement (USPP) Notes		366.7	(366.7)	–
Clean Energy Finance Corporation[5]		90.0	(90.0)	–
Bank guarantee facilities[1]		95.0	(80.6)	14.4
		1,701.7	**(771.4)**	**930.3**

1 These facilities include $174.5 million (2020: $145.7 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 $4.5 million (2020: $6.5 million) of corporate credit card limit utilisation and $15.0 million (2020: $15.0 million) of overdraft utilisation and nil (2020: $6.6 million) of outstanding finance lease commitments.
3 Amounts utilised exclude capitalised transaction costs of $2.4 million (2020: $3.9 million) and $7.6 million (2020: nil) of bank loans advanced under uncommitted facilities.
4 This facility is available to fund purchase of the Suez Sydney assets and related transaction costs under the Business Purchase Agreement dated 5 April 2021.
5 Amount utilised excludes capitalised transaction costs of $0.4 million (2020: $0.4 million) and unamortised gains on fixed rate debt of $8.3 million (30 June 2020: nil).

The headroom available in the Group's facilities at 30 June 2020 is summarised below:

		AVAILABLE $'M	UTILISED $'M	NOT UTILISED $'M
Syndicated Facility Agreement	Facility A	135.0	(118.2)	16.8
	Facility B	200.0	(115.0)	85.0
	Facility C	315.0	–	315.0
US Private Placement (USPP) Notes		426.9	(426.9)	–
Clean Energy Finance Corporation		90.0	(90.0)	–
Bank guarantee facilities		60.0	(55.7)	4.3
		1,226.9	**(805.8)**	**421.1**

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.

	2021		2020	
	NUMBER OF SHARES	$'M	NUMBER OF SHARES	$'M
Opening balance	2,053,944,831	2,688.7	2,044,507,391	2,678.2
Issue of shares under dividend reinvestment plan	3,112,469	7.0	5,053,889	10.5
Issue of shares under employee incentive plans	2,377,258	–	4,383,551	–
Closing balance	**2,059,434,558**	**2,695.7**	**2,053,944,831**	**2,688.7**

17 Reserves

(a) Hedge reserve

The Group's hedge reserve includes net gains/(losses) relating to changes in AUD/USD currency basis included in the fair value of cross-currency interest rates swaps (CCIRS). Currency basis is excluded from the Group's hedge relationships and accounted for as a cost of hedging recognised in other comprehensive income. The reserve also includes effective gains/(losses) included in the fair value of CCIRS that are part of cash flow hedges, net of amounts reclassified to net finance costs. Amounts in the hedge reserve will be reclassified to net finance costs in subsequent periods when the hedged item is recognised in the income statement. Refer to note 32(d).

	2021 $'M	2020 $'M
Opening balance	(0.1)	–
Net loss on currency basis (net of tax)	(0.7)	(0.1)
Closing balance	**(0.8)**	**(0.1)**

The effective portion of cash flow hedges was $31.1 million (2020: $6.5 million) and was reclassified to net finance costs during the period to offset the net gain/(loss) on the hedged items.

(b) Employee equity benefits reserve

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

	2021 $'M	2020 $'M
Opening balance	24.0	24.0
Share-based payment expense (net of tax)	1.9	–
Closing balance	**25.9**	**24.0**

18 Dividends

The Company declared fully franked dividends on ordinary shares for the financial year ended 30 June 2021 of 4.60 cents per share, being an interim dividend of 2.25 cents per share and final dividend of 2.35 cents per share. The record date of the final dividend is 13 September 2021 with payment to be made on 5 October 2021.

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

	2021 CENTS PER SHARE	2020 CENTS PER SHARE	2021 $'M	2020 $'M
Dividends paid during the period				
Final dividend relating to prior period	2.10	1.90	43.2	38.9
Interim dividend relating to current period	2.25	2.00	46.4	41.0
	4.35	**3.90**	**89.6**	**79.9**
Dividends determined in respect of the period				
Interim dividend relating to current period	2.25	2.00	46.4	41.0
Final dividend relating to current period	2.35	2.10	48.4	43.2
	4.60	**4.10**	**94.8**	**84.2**

Franking credit balance

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

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

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

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

	2021 $'M	2020 $'M
30% franking credits available for subsequent financial years[1]	27.7	24.7

1 The payment of the final 2021 dividend determined after 30 June 2021 will reduce the franking account by $20.7 million.

The unadjusted balance of the franking account at 30 June 2021 was $21.7 million (2020: $19.0 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 lease liabilities; 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:

	2021 $'M	2020 $'M
Current interest-bearing liabilities	76.9	69.6
Non-current interest-bearing liabilities	996.4	995.8
Derivative financial instruments[1]	31.5	(30.0)
Cash and cash equivalents	(69.4)	(79.8)
Net debt	**1,035.4**	**955.6**
Total equity	**2,633.9**	**2,570.0**
Gearing ratio[2]	**28.2%**	**27.1%**

1 At 30 June 2021, the Group held cross currency interest rate swaps (CCIRS) to protect against interest rate and foreign currency movements in relation to the USPP notes.

2 The gearing ratio is calculated as Net debt divided by Net debt plus Total equity attributable to the parent.

20 Property, plant and equipment

2021	NON-LANDFILL LAND AND BUILDINGS $'M	LANDFILL ASSETS[2] $'M	LEASEHOLD IMPROVEMENTS $'M	PLANT AND EQUIPMENT $'M	CAPITAL WORK IN PROGRESS $'M	TOTAL $'M
Opening net book value	205.8	257.1	63.0	574.2	73.9	1,174.0
Additions	–	–	–	–	225.9	225.9
Acquisitions of businesses	0.3	2.1	0.4	11.3	–	14.1
Net movement in remediation assets[1]	–	28.2	(0.8)	–	–	27.4
Disposals	(9.1)	–	(1.3)	(2.5)	–	(12.9)
Transfers of assets	1.1	26.4	8.3	141.0	(177.1)	(0.3)
Depreciation	(3.7)	(45.8)	(7.5)	(122.7)	–	(179.7)
Impairment of assets	–	–	–	–	(4.3)	(4.3)
Write-off of plant and equipment	–	–	(2.3)	(0.4)	–	(2.7)
Closing net book value	**194.4**	**268.0**	**59.8**	**600.9**	**118.4**	**1,241.5**
Cost	208.0	769.6	83.8	1,804.1	118.4	2,983.9
Accumulated depreciation	(13.6)	(501.6)	(24.0)	(1,203.2)	–	(1,742.4)
Net book value	**194.4**	**268.0**	**59.8**	**600.9**	**118.4**	**1,241.5**

1 Net movement in remediation assets reflects adjustments to the remediation provision for open landfill sites and leasehold improvements. Refer to note 39(j) for details on the Group's accounting policy.

2 Landfill assets are depreciated using airspace related to the current licensed areas and expected extensions of that landfill area. Total landfill assets related to the New Chum landfill are currently being depreciated assuming that the height rise application, currently subject to appeal by Cleanaway in the Land and Environment Court in Queensland, will be awarded in our favour. This position is based on our expectation that a height rise application will be granted, given all relevant facts and circumstances, our own internal analysis and the views expressed by our third party experts. Should the current appeal and any other future remedies available not be successful, the available airspace will need to be revised. Assets related to the New Chum landfill and subject to the appeal total $28.2 million at 30 June 2021.

20 Property, plant and equipment (continued)

2020	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	152.9	237.2	64.3	711.5	66.1	1,232.0
Adjustment on adoption of AASB 16[1]	–	–	–	(127.1)	(5.2)	(132.3)
Additions	–	–	–	–	215.3	215.3
Acquisitions of businesses	51.1	–	–	19.5	–	70.6
Net movement in remediation assets	–	4.9	(0.5)	–	–	4.4
Disposals	(2.6)	–	(0.1)	(10.4)	–	(13.1)
Derecognition on loss of control of subsidiary	–	–	(1.0)	(12.3)	(0.3)	(13.6)
Transfer of assets	8.3	56.6	16.0	120.0	(201.2)	(0.3)
Depreciation	(3.9)	(41.6)	(7.6)	(116.3)	–	(169.4)
Write off of plant & equipment	–	–	(8.1)	(10.7)	(0.8)	(19.6)
Closing net book value	**205.8**	**257.1**	**63.0**	**574.2**	**73.9**	**1,174.0**
Cost	215.8	713.0	82.0	1,736.4	73.9	2,821.1
Accumulated depreciation	(10.0)	(455.9)	(19.0)	(1,162.2)	–	(1,647.1)
Net book value	**205.8**	**257.1**	**63.0**	**574.2**	**73.9**	**1,174.0**

1 The carrying value of plant and equipment at 30 June 2019 included finance leases as defined under AASB 117 *Leases*. On 1 July 2019, on adoption of AASB 16 *Leases*, assets under finance lease were reclassified to right-of-use assets.

Accounting for landfill assets

The Group is responsible for a total of 15 landfills (2020: 14 landfills). Of the 15 landfills, nine are closed. Those that are open are expected to close between 2026 and 2066. 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) Capitalise the estimated future costs of remediation;

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

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

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

21 Right-of-use assets

2021	PROPERTIES $'M	PLANT AND EQUIPMENT $'M	TOTAL $'M
Opening net book value	233.1	183.6	416.7
New leases	18.1	93.6	111.7
Acquisition of businesses	5.6	–	5.6
Remeasurement due to a variation in lease term	2.1	4.6	6.7
Remeasurement due to rental increases	4.6	–	4.6
Depreciation	(34.6)	(31.5)	(66.1)
Closing net book value	**228.9**	**250.3**	**479.2**
Cost	292.9	322.6	615.5
Accumulated depreciation	(64.0)	(72.3)	(136.3)
Net book value	**228.9**	**250.3**	**479.2**

2020	PROPERTIES $'M	PLANT AND EQUIPMENT $'M	TOTAL $'M
Opening net book value	–	–	–
Adjustment on adoption of AASB 16[1]	265.8	151.5	417.3
New leases	6.4	57.7	64.1
Remeasurement due to a variation in lease term	12.1	0.4	12.5
Remeasurement due to rental increases	4.1	–	4.1
Derecognition on loss of control of subsidiary	(19.4)	–	(19.4)
Depreciation	(35.9)	(26.0)	(61.9)
Closing net book value	**233.1**	**183.6**	**416.7**
Cost	267.2	227.0	494.2
Accumulated depreciation	(34.1)	(43.4)	(77.5)
Net book value	**233.1**	**183.6**	**416.7**

1 At 30 June 2019, the Group recognised assets under finance lease in property, plant and equipment in accordance with AASB 117 *Leases*, refer to note 21. On 1 July 2019, on adoption of AASB 16 *Leases*, assets under finance lease were reclassified to right-of-use assets.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability or right-of-use asset until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

22 Intangible assets

2021	GOODWILL $'M	LANDFILL AIRSPACE $'M	BRAND NAMES $'M	CUSTOMER INTANGIBLES AND LICENCES $'M	OTHER INTANGIBLES $'M	TOTAL $'M
Opening net book value	1,827.6	226.9	78.6	143.2	29.9	2,306.2
Additions	–	–	–	–	7.1	7.1
Acquisitions of businesses	24.1	8.3	–	10.0	–	42.4
Write-off of intangibles	–	–	–	–	(2.7)	(2.7)
Remeasurement of associated remediation liability	–	(0.7)	–	–	–	(0.7)
Transfers to PP&E	–	–	–	–	(0.3)	(0.3)
Amortisation	–	(7.4)	–	(15.6)	(8.6)	(31.6)
Closing net book value	**1,851.7**	**227.1**	**78.6**	**137.6**	**25.4**	**2,320.4**
Cost	1,851.7	263.9	78.6	223.1	88.0	2,505.3
Accumulated amortisation	–	(36.8)	–	(85.5)	(62.6)	(184.9)
Net book value	**1,851.7**	**227.1**	**78.6**	**137.6**	**25.4**	**2,320.4**

2020	GOODWILL $'M	LANDFILL AIRSPACE $'M	BRAND NAMES $'M	CUSTOMER INTANGIBLES AND LICENCES $'M	OTHER INTANGIBLES $'M	TOTAL $'M
Opening net book value	1,827.3	233.5	78.6	156.6	28.9	2,324.9
Additions	–	0.2	–	–	9.1	9.3
Acquisitions of businesses	23.1	–	–	4.5	–	27.6
Derecognition on loss of control of subsidiary	(22.8)	–	–	(1.2)	–	(24.0)
Transfers from PP&E	–	–	–	–	0.3	0.3
Amortisation	–	(6.8)	–	(16.7)	(8.4)	(31.9)
Closing net book value	**1,827.6**	**226.9**	**78.6**	**143.2**	**29.9**	**2,306.2**
Cost	1,827.6	256.3	78.6	213.1	83.9	2,459.5
Accumulated amortisation	–	(29.4)	–	(69.9)	(54.0)	(153.3)
Net book value	**1,827.6**	**226.9**	**78.6**	**143.2**	**29.9**	**2,306.2**

Goodwill and brand names are monitored at an operating segment level.

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

2021	SOLID WASTE SERVICES $'M	INDUSTRIAL & WASTE SERVICES $'M	LIQUID WASTE & HEALTH SERVICES $'M	TOTAL $'M
Goodwill	1,311.1	168.2	372.4	1,851.7
Brand names	78.6	–	–	78.6
Total	**1,389.7**	**168.2**	**372.4**	**1,930.3**

2020	SOLID WASTE SERVICES $'M	INDUSTRIAL & WASTE SERVICES $'M	LIQUID WASTE & HEALTH SERVICES $'M	TOTAL $'M
Goodwill	1,287.0	168.2	372.4	1,827.6
Brand names	78.6	–	–	78.6
Total	**1,365.6**	**168.2**	**372.4**	**1,906.2**

22 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, brand names and other non-financial 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 2021.

Key assumptions used for annual impairment testing

The recoverable amount of each operating segment or CGU is determined based on fair value less costs to dispose 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. Capital projects which are reasonably expected to be developed because they have positive NPV and are approved have also been included in the determination of recoverable value. The fair value less costs to dispose calculations use cash flow projections based on actual operating results, the budget for the year ending 2022 and a five-year strategic plan adjusted for known developments and changes in information since the plan was formulated. As these forecasts are developed using the Group's own data they are Level 3 inputs in the fair value hierarchy. The recoverable amount of each CGU at 30 June 2020 was determined based on a value in use method.

The terminal value growth rate has been based on published long-term growth rates. The terminal growth rate for Solid Waste Services was 2.5% (2020: 2.5%). The terminal growth rate for Industrial & Waste Services and Liquid Waste & Health Services remains at 2.0% (2020: 2.0%). The discount rate has been based on an industry Weighted Average Cost of Capital (WACC) with cash flow projections being adjusted for CGU specific risks.

Forecast revenue, EBITDA and capital spend assumptions used in 30 June 2021 impairment testing have been adjusted for known and anticipated future operational changes and additional potential risk identified since 30 June 2020. These changes are reflected in the following summary of key assumptions table.

The table below provides a summary of the key assumptions used in the impairment testing:

	SOLID WASTE SERVICES		INDUSTRIAL & WASTE SERVICES		LIQUID WASTE & HEALTH SERVICES	
ASSUMPTIONS	JUNE 2021	JUNE 2020	JUNE 2021	JUNE 2020	JUNE 2021	JUNE 2020
EBITDA growth[1]	7.1%	7.4%	6.5%	6.3%	6.9%	7.7%
Capital spend rate[2]	11.9%	10.7%	7.1%	6.4%	7.6%	7.9%
Terminal value growth rate	2.5%	2.5%	2.0%	2.0%	2.0%	2.0%
Post-tax discount rate	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
Pre-tax discount rate	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%

1 Growth rates represent a compound annual growth rate over 5 years and have been calculated with 30 June 2021 underlying EBITDA as a base, excluding corporate overheads.

2 Reflects capital spend as a percentage of revenue, calculated as the five-year average of forecast spend.

22 Intangible assets (continued)

EBITDA growth assumptions

Solid Waste Services EBITDA growth of 7.1% assumes long-term GDP of 2.75% and CPI of 2.0% across all activities. Short-term growth also considers major new commercial and municipal contract wins.

Industrial & Waste Services EBITDA growth of 6.5% is mainly a result of GDP and CPI growth but also considers new and expiring contracts.

Liquid Waste & Health Services EBITDA growth also assumes GDP and CPI growth but is adjusted for growth achievable in the current economic and competitive environment.

Capital spend assumptions

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

Other assumptions

- **Climate change**
  Climate change is an emerging risk and presents complex challenges for companies, governments and society. Cleanaway believes that the transition to a zero-carbon economy presents opportunities for the waste management sector as well as risks. These risks include decarbonisation of the economy leading to contraction in carbon-intensive industries; the introduction of a carbon price; and an increase of frequency and severity of extreme weather events. Opportunities for waste management companies may include increased regulation to reduce embodied carbon emissions favouring the domestic recycling industry; and increased incentives to invest in energy-from-waste plants. Whilst the fair value less costs to dispose (FVLCD) calculations do not include specific cash inflows or outflows associated with climate change related opportunities or risks, the calculations use a risk-adjusted discount rate reflecting that all estimates and assumptions are subject to risk and uncertainty.
- **COVID-19 pandemic**
  Cleanaway has considered the impact of the COVID-19 pandemic in determining FVLCD. As the COVID-19 pandemic has evolved, we have noted that small and medium enterprise (SME) demand for waste management services has been negatively impacted, however we have also noted increased demand for other waste management services such as health, municipal collection and related post-collections activities have remained strong. Growth assumptions used in the Group's five-year forecasted cash flows assume steady growth which is in contrast to forecasts published by the RBA in May 2021 which reflect slightly higher growth as the economy as a whole rebounds from the pandemic. The Group has the ability to manage costs and resources under current conditions, and the flexibility to change cost structures should conditions deteriorate.

22 Intangible assets (continued)

Impact of possible changes in key assumptions

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

Estimated reasonably possible changes (absolute numbers) in the key assumptions would have the following approximate impact on impairment of each CGU as at 30 June 2021:

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

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

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

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

	SOLID WASTE SERVICES	INDUSTRIAL & WASTE SERVICES	LIQUID WASTE & HEALTH SERVICES
Headroom $'M	**886.2**	**108.7**	**411.5**
Decrease in CAGR% – EBITDA[1]	5.4%	3.6%	6.3%
Increase in capital spend rate[1]	4.3%	1.8%	3.9%
Decrease in terminal value growth rate[1,2]	3.6%	2.7%	4.9%
Increase in post-tax discount rate[1]	2.6%	1.9%	3.3%

1 Percentage changes presented above represent the absolute change in the assumption value (for example post-tax discount rate increasing by 2.6% from 7.3% to 9.9%).

2 Terminal value for all segments would reflect negative value as they are currently modelled at 2.5% for Solid Waste Services and 2.0% for Industrial & Waste Services and Liquid Waste & Health Services.

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

23 Equity accounted investments

The Group holds a 50% interest or greater than a 50% interest in some of 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	2021 %	2020 %	2021 $'M	2020 $'M
Joint ventures:						
Cleanaway ResourceCo RRF Pty Ltd	Australia	30 June	45	45	19.2	20.9
Earthpower Technologies Sydney Pty Ltd	Australia	30 June	50	50	–	–
Tomra Cleanaway Pty Ltd	Australia	30 June	50	50	3.6	2.5
Western Sydney Energy and Resource Recovery Centre Pty Ltd[1]	Australia	30 June	51	51	9.5	10.5
Wonthaggi Recyclers Pty Ltd	Australia	30 June	50	50	0.3	0.6
Associates:						
Circular Plastics Australia Pty Ltd [2]	Australia	30 June	40	–	9.0	–
					41.6	**34.5**

1 Western Sydney Energy and Resource Recovery Centre Pty Ltd was formally known as A.C.N. 635 427 262 Pty Ltd.

2 On 3 August 2020 Cleanaway Pty Ltd subscribed for 9,008,640 shares in Circular Plastics Australia Pty Ltd, representing 40% of the paid-up capital of the entity.

(a) Western Sydney Energy and Resource Recovery Centre Pty Ltd

The Group has a 51% interest in Western Sydney Energy and Resource Recovery Centre Pty Ltd, an entity which holds the investment in the energy-from-waste project in western Sydney. The Group's interest in Western Sydney Energy and Resource Recovery Centre Pty Ltd is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on its financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

Summarised statement of financial position of Western Sydney Energy and Resource Recovery Centre Pty Ltd:

	2021 $'M	2020 $'M
Current assets, including cash and cash equivalents $0.1 million (2020: $0.1 million)	0.1	1.9
Non-current assets	18.6	18.7
Equity	18.7	20.6
Group's share in equity	9.5	10.5
Group's carrying amount of the investment	**9.5**	**10.5**

The project is to be assessed by the Independent Planning Commission. Development of the energy-from-waste plant is subject to planning approval and a final investment decision. All costs in relation to feasibility costs and environmental approvals have been capitalised and accordingly the joint venture has not contributed profit to the Group during the year ended 30 June 2021.

The joint venture had no contingent liabilities or capital commitments as at 30 June 2021 (2020: nil). Western Sydney Energy and Resource Recovery Centre Pty Ltd cannot distribute its profits without consent from both venture partners.

23 Equity accounted investments (continued)

(b) Cleanaway ResourceCo RRF Pty Ltd

The Group has a 45% interest in Cleanaway ResourceCo RRF Pty Ltd, a resource recovery facility located at Wetherill Park in Western Sydney. The Group's interest in Cleanaway ResourceCo RRF Pty Ltd is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

Summarised statement of financial position of Cleanaway ResourceCo RRF Pty Ltd:

	2021 $'M	2020 $'M
Current assets, including cash and cash equivalents $2.9 million (2020: $0.5 million) and prepayments $1.1 million (2020: $0.7 million)	9.4	6.1
Non-current assets	81.4	80.5
Current liabilities	(8.6)	(9.2)
Non-current liabilities, including deferred tax liabilities $0.1 million (2020: $0.1 million) and long-term borrowings $39.5 million (2020: $30.9 million)	(39.6)	(31.0)
Equity	42.6	46.4
Group's share in equity	19.2	20.9
Group's carrying amount of the investment	**19.2**	**20.9**

Summarised statement of profit or loss of Cleanaway ResourceCo RRF Pty Ltd:

	2021 $'M	2020 $'M[1]
Revenue from contracts with customers	15.4	4.3
Cost of sales	(10.1)	(3.9)
Administrative expenses, including depreciation $2.8 million (2020: $1.0 million)	(8.8)	(3.5)
Finance costs, including interest expense $1.9 million (2020: $0.5 million)	(1.9)	(0.6)
Loss before tax	**(5.4)**	**(3.7)**
Income tax benefit	1.6	1.1
Loss for the year	**(3.8)**	**(2.6)**
Total comprehensive loss for the year	**(3.8)**	**(2.6)**
Group's share of loss for the year	**(1.7)**	**(1.2)**

1 For the year ended 30 June 2020, the Group's share of loss was equity accounted from 1 January 2020.

The joint venture had capital commitments of $0.2 million as at 30 June 2021 (2020: nil). The joint venture had no contingent liabilities as at 30 June 2021 (2020: nil). ResourceCo RRF Pty Ltd cannot distribute its profits without consent from both venture partners.

23 Equity accounted investments (continued)

(c) Other joint ventures (disclosed in aggregate)

Summarised statement of profit or loss of all other joint ventures:

	2021 $'M	2020 $'M
Loss for the year	**(0.7)**	**(1.9)**
Total comprehensive loss for the year	**(0.7)**	**(1.9)**
Group's share of loss for the year	**(0.3)**	**(0.9)**

(d) Circular Plastics Australia Pty Ltd

The Group has a 40% interest in Circular Plastics Australia Pty Ltd, which is currently constructing a PET recycling facility in Albury, NSW. The Group's interest in Circular Plastics Australia Pty Ltd is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the associate, based on its financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

Summarised statement of financial position of Circular Plastics Australia Pty Ltd:

	2021 $'M	2020 $'M
Current assets	5.7	–
Non-current assets	17.4	–
Current liabilities	(0.6)	–
Non-current liabilities	–	–
Equity	22.5	–
Group's share in equity	9.0	–
Group's carrying amount of the investment	**9.0**	–

The construction of a PET plastic pelletising facility in Albury, NSW is well underway and expected to be completed by the end of calendar year 2021. All costs related to the development of the facility have been capitalised and accordingly the associate has not contributed profit to the Group during the year ended 30 June 2021.

The associate had no contingent liabilities as at 30 June 2021. Circular Plastics Australia Pty Ltd cannot distribute its profits without the consent from all associate partners.

23 Equity accounted investments (continued)

(e) Transactions with equity accounted investments

The following table provides the total amount of transactions with equity accounted investments during the year ended 30 June 2021:

	SERVICES TO EQUITY ACCOUNTED INVESTMENTS		PURCHASES FROM EQUITY ACCOUNTED INVESTMENTS		INTEREST REVENUE FROM EQUITY ACCOUNTED INVESTMENTS	
	2021 $'M	2020 $'M	2021 $'M	2020 $'M	2021 $'M	2020 $'M
Joint ventures	85.7	77.2	4.0	4.6	0.4	0.2
	85.7	**77.2**	**4.0**	**4.6**	**0.4**	**0.2**

	TRADE AMOUNTS OWED BY EQUITY ACCOUNTED INVESTMENTS		TRADE AMOUNTS OWED TO EQUITY ACCOUNTED INVESTMENTS		LOANS TO EQUITY ACCOUNTED INVESTMENTS[1]	
	2021 $'M	2020 $'M	2021 $'M	2020 $'M	2021 $'M	2020 $'M
Joint ventures	0.9	0.5	2.5	1.2	17.6	10.7
	0.9	**0.5**	**2.5**	**1.2**	**17.6**	**10.7**

1 This represents an unsecured loan to Tomra Cleanaway Pty Ltd of $3.8 million (2020: $3.8 million) repayable in full on 22 November 2022, an unsecured loan to Cleanaway ResourceCo RRF Pty Ltd of $8.5 million (2020: $3.7 million) repayable on 30 June 2025 and an unsecured loan to Western Sydney Energy and Resource Recovery Centre Pty Ltd of $5.3 million (30 June 2020: $3.2 million), repayable when the project has progressed to the financing stage.

24 Other assets

	2021 $'M	2020 $'M
Current		
Finance lease receivable[1]	3.9	4.5
Prepayments	21.9	18.6
Other financial assets	3.0	–
Total current other assets	**28.8**	**23.1**
Non-current		
Finance lease receivable[1]	–	3.9
Costs to fulfil contracts[2]	5.8	5.5
Prepayments	0.6	0.8
Loans to equity accounted investments	17.6	10.7
Other financial assets	0.1	3.0
Total non-current other assets	**24.1**	**23.9**

1 The Group has constructed a dedicated landfill cell for a customer. The cell will be paid for at an agreed fixed amount. The lease receivable has been recognised at an implicit rate of 3.28%.

2 The Group incurs costs to mobilise and set up significant new contracts. These costs are amortised over the life of the contract.

25 Employee entitlements

	2021 $'M	2020 $'M
Current		
Annual leave	40.2	37.9
Long service leave	23.7	22.2
Other	14.9	11.1
Total current employee entitlements	**78.8**	**71.2**
Non-current		
Long service leave	9.9	7.2
Total non-current employee entitlements	**9.9**	**7.2**

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

During the year the Group contributed $44.7 million (2020: $42.2 million) to defined contribution plans. These contributions are expensed as incurred.

26 Provisions

	2021 $'M	2020 $'M
Current		
Rectification provisions	6.1	2.3
Remediation provisions	32.0	41.0
Other	30.1	35.7
Total current provisions	**68.2**	**79.0**
Non-current		
Rectification provisions	9.8	13.1
Remediation provisions	274.8	256.5
Other	21.8	18.0
Total non-current provisions	**306.4**	**287.6**

Included in other provisions is an amount of $20.0 million (2020: $18.7 million) in relation to workers compensation self-insurance of the Group under the Comcare scheme. This amount is comprised of $7.2 million (2020: $6.3 million) classified as current and $12.8 million (2020: $12.4 million) classified as non-current. The provision for workers compensation represents the future claim payments required under the *Safety, Rehabilitation and Compensation Act 1998*, and associated expenses, in respect of claims incurred from 1 July 2006, being the commencement of the self-insurance arrangements, up to 30 June 2021. The provision has been calculated using a claim inflation rate of 2.97% (2020: 1.80%) and a discount rate of 1.22% (2020: 0.83%). The workers compensation self-insurance provision is reassessed annually based on actuarial advice.

The table below provides a roll forward of provisions:

	RECTIFICATION		REMEDIATION		OTHER		TOTAL	
	2021 $'M	2020 $'M	2021 $'M	2020 $'M	2021 $'M	2020 $'M	2021 $'M	2020 $'M
Opening balance	15.4	28.3	297.5	308.1	53.7	45.5	366.6	381.9
Acquisitions of businesses	2.5	–	7.4	19.3	2.3	1.7	12.2	21.0
Provisions made	–	–	8.6	7.0	39.4	40.9	48.0	47.9
Provisions used or reversed	–	–	–	–	(43.5)	(34.7)	(43.5)	(34.7)
Derecognition on loss of control of subsidiary	–	–	–	–	–	(0.1)	–	(0.1)
Unwinding of discount	0.2	0.2	3.0	3.8	–	–	3.2	4.0
Change in discount rate	(0.2)	0.2	(28.2)	12.7	–	0.1	(28.4)	13.0
Change in assumptions[1]	0.1	(1.0)	42.2	(12.0)	–	0.3	42.3	(12.7)
Rectification and remediation spend	(2.1)	(12.3)	(23.7)	(41.4)	–	–	(25.8)	(53.7)
Closing balance	**15.9**	**15.4**	**306.8**	**297.5**	**51.9**	**53.7**	**374.6**	**366.6**

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

The provision for remediation has been estimated using current expected costs. These costs have been adjusted for the future value of the expected costs at the time of works being required. These costs have then been discounted to estimate the required provision at a rate of 1.72% (2020: 1.12%) for landfill remediation and rectification of landfills and 1.35% (2020: 0.64%) for industrial property remediation. Refer to note 39(o) for a summary of the accounting policy for provisions for remediation and rectification.

27 Other liabilities

	2021 $'M	2020 $'M
Current		
Deferred settlement liabilities[1]	5.5	5.4
Contingent consideration[2]	1.9	–
Landfill creation liability[3]	22.5	22.9
Contract liabilities[4]	5.7	6.5
Other liabilities	–	0.1
Total current other liabilities	**35.6**	**34.9**
Non-current		
Deferred settlement liabilities[1]	77.9	77.2
Landfill creation liability[3]	27.8	49.7
Other liabilities	1.3	1.8
Total non-current other liabilities	**107.0**	**128.7**

1 Includes $83.4 million (2020: $82.6 million) relating to the acquisition of Melbourne Regional Landfill, acquired on 28 February 2015. The deferred consideration was recognised at the acquisition date resulting from transaction payments for site preparation and operation under the agreement to be paid to Boral over the life of the landfill and was determined using a discount rate of 7.0%.

2 Contingent consideration of $1.9 million relates to the acquisition of the Grasshopper Group. The contingent consideration is measured utilising Level 3 inputs. The range of the payment is nil to $2.0 million and is based on future potential earnings targets for the year ending 30 June 2022.

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

4 A contract liability is the obligation to provide services to a customer for which the Group has received consideration from the customer. These liabilities generally arise when a customer is invoiced upon delivery of a container or bin, but Cleanaway still has the obligation to pick up the container or bin and dispose of the waste collected. Revenue for the period included $6.5 million (2020: $7.2 million) which was included in contract liabilities at the beginning of the year.

28 Business combinations and loss of control of subsidiary

Year ended 30 June 2021

Business combinations

During the year ended 30 June 2021, the Group acquired a 100% interest in the Grasshopper Holdings Pty Ltd and its wholly-owned subsidiary Grasshopper Environmental Pty Ltd (together referred to as the Grasshopper Group). Details of the business combination are provided below:

BUSINESS ACQUIRED	DATE OF ACQUISITION	DESCRIPTION OF THE BUSINESS	OPERATING SEGMENT
Grasshopper Group	1 October 2020	Waste disposal business based in Sydney, NSW	Solid Waste Services

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

	2021 $'M
Assets	
Cash and cash equivalents	1.0
Trade and other receivables	4.2
Property, plant and equipment	7.4
Right-of-use assets	2.9
Intangible assets	8.3
Deferred tax asset	2.2
Other assets	0.5
	26.5
Liabilities	
Trade and other payables	2.5
Employee entitlements	0.2
Provisions	0.5
Interest-bearing liabilities	2.9
Deferred tax liability	4.6
	10.7
Total identifiable net assets at fair value	**15.8**
Goodwill arising on acquisition	13.5
Purchase consideration	**29.3**

The intangible assets identified as part of the acquisition included customer contracts and relationship intangibles and the trademarks transferred to the Group. The fair value of the intangible assets is based on the present value of the expected cash flows from the customers of the acquired business, applying an expected attrition rate of the customer base. The trademarks were valued using the capitalisation of future maintainable profits method. Goodwill acquired comprises the value of expected synergies arising from integration of the acquired businesses and is non-deductible for income tax purposes.

	2021 $'M
Cash paid (included in cash flows from investing activities)	(23.0)
Deferred consideration paid (included in cash flows from investing activities)	(1.3)
Contingent consideration	(5.0)
Total purchase consideration	**(29.3)**

Contingent consideration to a maximum value of $5.0 million was to be paid if certain earnings target were met by 30 June 2021, by the acquired entity. On acquisition it was expected that the maximum target would be achieved however, these targets were impacted by the delay in contracts being awarded due to COVID-19 and the contingent consideration was reset and remeasured based on new targets set for the year ending 30 June 2022. Refer note 27.

28 Business combinations and loss of control of subsidiary (continued)

Year ended 30 June 2021 (continued)

	2021 $'M
Net cash acquired (included in cash flows from investing activities)	1.0
Cash paid (included in cash flows from investing activities)	(23.0)
Deferred consideration paid	(1.3)
Transaction costs of the acquisition (included in cash flows from operating activities)	(0.1)
Net cash flow on acquisition	**(23.4)**

From the date of acquisition to 30 June 2021, the business contributed $18.9 million of revenue and $0.1 million to profit before tax to the Group, after amortisation of customer intangibles of $0.7 million. If the business had been acquired at the beginning of the reporting period, revenue of $25.8 million and profit before tax of $0.6 million would have been contributed to the Group.

During the year ended 30 June 2021, the Group acquired a business from Stawell Landfill Pty Ltd and Stawell Landfill Holdings Pty Ltd (Stawell landfill). Details of the business combination are provided below:

BUSINESS ACQUIRED	DATE OF ACQUISITION	DESCRIPTION OF THE BUSINESS	OPERATING SEGMENT
Stawell landfill	14 August 2020	Landfill services business based in Stawell, Victoria	Solid Waste Services

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

	2021 $'M
Assets	
Property, plant and equipment	3.2
Deferred tax assets	3.5
Intangible assets	8.3
	15.0
Liabilities	
Provisions	11.7
	11.7
Total identifiable net assets at fair value	**3.3**
Goodwill arising on acquisition	6.7
Purchase consideration	**10.0**

The intangible assets identified as part of the acquisition included landfill airspace. The fair value of this intangible asset is based on the present value of the expected cash flows from the airspace. Goodwill acquired comprises the value of expected synergies arising from integration of the acquired business and is non-deductible for income tax purposes.

	2021 $'M
Cash consideration paid (included in cash flows from investing activities)	(10.0)
Transaction costs of the acquisition (included in cash flows from operating activities)	(0.5)
Net cash flow on acquisition	**(10.5)**

From the date of acquisition to 30 June 2021, the business contributed $4.7 million of revenue and $0.8 million to profit before tax to the Group. If the business had been acquired at the beginning of the reporting period, revenue of $5.3 million and profit before tax of $0.9 million would have been contributed to the Group.

28 Business combinations and loss of control of subsidiary (continued)

Year ended 30 June 2021 (continued)

During the year ended 30 June 2021, the Group acquired a business from NPL4152 Pty Ltd and Certified Destruction Services Pty Ltd (Pinkenba CDS) and a business from Oilwise Pty Ltd (Oilwise). Details of the business combinations are provided below:

BUSINESS ACQUIRED	DATE OF ACQUISITION	DESCRIPTION OF THE BUSINESS	OPERATING SEGMENT
Pinkenba CDS	3 August 2020	Certified destruction services business in Pinkenba, Queensland	Solid Waste Services
Oilwise	30 October 2020	Oil collection business, NSW	Liquid Waste & Health Services

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

	2021 $'M
Assets	
Property, plant and equipment	3.5
Right-of-use assets	2.7
Intangible assets	1.7
	7.9
Liabilities	
Employee entitlements	0.1
Interest-bearing liabilities	2.7
Deferred tax liabilities	0.5
	3.3
Total identifiable net assets at fair value	**4.6**
Goodwill arising on acquisition	3.9
Purchase consideration	**8.5**

The intangible assets identified as part of the acquisitions included customer relationship intangibles. The fair value of the intangible assets is based on the present value of 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.

	2021 $'M
Cash consideration paid (included in cash flows from investing activities)	(8.5)
Transaction costs of the acquisition (included in cash flows from operating activities)	(0.3)
Net cash flow on acquisition	**(8.8)**

From the date of acquisition to 30 June 2021, the Pinkenba CDS and Oilwise acquisitions contributed $5.9 million of revenue and nil to profit before tax to the Group. If both businesses had been acquired at the beginning of the reporting period, revenue of $6.5 million and profit before tax of $0.1 million would have been contributed to the Group.

28 Business combinations and loss of control of subsidiary (continued)

Year ended 30 June 2020

During the year ended 30 June 2020, 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	OPERATING SEGMENT
SKM	31 October 2019	Recycling business based in Victoria, Tasmania and South Australia	Solid Waste Services

At 30 June 2020, provisionally determined values were reported. Subsequent to 30 June 2020, final fair values for the business combination were determined. Comparative amounts for 30 June 2020 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 2020 $'M	ADJUSTMENTS TO PROVISIONAL FAIR VALUE $'M	FINAL FAIR VALUE $'M
Assets			
Property, plant and equipment[1]	68.3	(2.1)	66.2
Deferred tax assets [2]	3.3	2.7	6.0
Prepayments	0.1	0.1	0.2
	71.7	**0.7**	**72.4**
Liabilities			
Trade and other payables	0.5	0.1	0.6
Employee entitlements	0.9	–	0.9
Provisions [3]	8.8	12.2	21.0
Interest-bearing liabilities	0.9	–	0.9
	11.1	**12.3**	**23.4**
Total identifiable net assets at fair value	**60.6**	**(11.6)**	**49.0**
Goodwill arising on acquisition	5.4	11.6	17.0
Purchase consideration	**66.0**	–	**66.0**

1 A detailed review of the values placed on property, plant and equipment in the preliminary valuation has resulted in a net reduction in the fair value by $2.1 million.
2 Deferred tax assets increased by $2.7 million mainly as a result of the adjustment to provisions.
3 The increase in the fair value of provisions by $12.2 million comprises: $11.6 million related to remediation of the properties acquired to ensure they are compliant with the applicable laws and regulations and $0.6 million related to other provisions.

	2020 $'M
Cash paid (included in cash flows from investing activities)	66.0
Transaction costs of the acquisition (included in cash flows from operating activities)	7.5
Net cash flow on acquisition	**73.5**

The acquisition of SKM followed the public sale process conducted by KordaMentha, who were appointed Receivers and Managers of SKM by Cleanaway following the acquisition of the senior secured loans from SKM's lender, on 21 August 2019. From the date of acquisition to 30 June 2020, the business contributed $30.4 million of revenue and $1.1 million loss to profit before tax to the Group.

28 Business combinations and loss of control of subsidiary (continued)

Year ended 30 June 2020 (continued)

During the year ended 30 June 2020, 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	OPERATING SEGMENTS
Statewide	16 December 2019	Waste disposal and recycling business based in Warrnambool, Victoria	Solid Waste Services

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

	2020 $'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.

	2020 $'M
Cash paid (included in cash flows from investing activities)	13.5
Transaction costs of the acquisition (included in cash flows from operating activities)	0.4
Net cash flow on acquisition	**13.9**

From the date of acquisition to 30 June 2020, the business contributed $5.0 million of revenue and $1.4 million to profit before tax to the Group, including amortisation of customer intangibles of $0.2 million. If the business had been acquired at the beginning of the reporting period, revenue of $9.2 million and profit before tax of $2.5 million would have been contributed to the Group, including amortisation of customer intangibles of $0.5 million.

28 Business combinations and loss of control of subsidiary (continued)

Year ended 30 June 2020 (continued)

Loss of control of subsidiary

On 1 January 2020 the Group sold down a 5% interest in Cleanaway ResourceCo RRF Pty Ltd and at the same time, due to a change in the shareholders' agreement, also lost control of the entity. The Group now have joint control in Cleanaway ResourceCo RRF Pty Ltd. The assets and liabilities over which control was lost are as follows:

	2020 $'M
Assets	
Cash and cash equivalents	0.5
Trade and other receivables	5.7
Inventories	0.6
Prepayments	0.5
Property, plant and equipment	13.6
Right-of-use assets	19.4
Intangible assets	24.0
	64.3
Liabilities	
Trade and other payables	9.7
Employee entitlements	0.1
Provisions	0.1
Interest-bearing liabilities	29.8
Deferred tax liabilities	0.6
	40.3
Net assets derecognised	**24.0**
Fair value of consideration received	2.5
Net assets derecognised	(24.0)
Non-controlling interests derecognised	0.6
Fair value retained in the former subsidiary [1]	22.0
Gain on loss of control of subsidiary	**1.1**

1 The fair value of the investment retained in Cleanaway ResourceCo RRF Pty Ltd is included in equity accounted investments, refer to note 23.

	2020 $'M
Cash consideration received (included in cash flows from investing activities)	2.5
Cash derecognised on loss of control (included in cash flows from investing activities)	(0.5)
Net cash flow on loss of control of subsidiary	**2.0**

29 Subsidiaries

The Group's principal subsidiaries at 30 June 2021 are set out below.

	EFFECTIVE INTEREST[3]	
	2021 %	2020 %
Active Industrial Solutions Pty Ltd[2]	100	100
AJ Baxter Pty Ltd[2]	100	100
ASP Plastics Pty Limited[2]	100	100
ASP Healthcare Pty Limited[2]	100	100
Baxter Business Pty Ltd[2]	100	100
Baxter Recyclers Pty Ltd[2]	100	100
Cleanaway Co Pty Ltd[2]	100	100
Cleanaway Daniels Australia Pty Ltd[2]	100	100
Cleanaway Daniels FMD Pty Ltd[2]	100	100
Cleanaway Daniels Laboratory Products Pty Ltd[2]	100	100
Cleanaway Daniels NSW Pty Ltd[2]	100	100
Cleanaway Daniels Pty Ltd[2]	100	100
Cleanaway Daniels Services Pty Ltd[2]	100	100
Cleanaway Daniels VIC Pty Ltd[2]	100	100
Cleanaway Daniels Waste Services Pty Ltd[2]	100	100
Cleanaway Daniels Wollongong Pty Ltd[2]	100	100
Cleanaway Equipment Services Pty Ltd[2]	100	100
Cleanaway Hygiene Pty Ltd[2]	100	100
Cleanaway Industrial Solutions Pty Ltd[2]	100	100
Cleanaway Industries Pty Ltd[2]	100	100
Cleanaway Landfill Holdings Pty Ltd[2]	100	100
Cleanaway (No. 1) Pty Ltd[2]	100	100
Cleanaway Operations Pty Ltd[2]	100	100
Cleanaway Organics Pty Ltd[2]	100	100
Cleanaway Pty Ltd[2]	100	100
Cleanaway Recycling Pty Ltd[2]	100	100
Cleanaway Refiners Pty Ltd[2]	100	100
Cleanaway 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 Manufacturing Australia Pty Ltd[2]	100	100
Enviroguard Pty Ltd[2]	100	100
Environmental Recovery Services Pty Ltd[2]	100	100
Grasshopper Environmental Pty Ltd[2]	100	–
Landfill Land Holdings Pty Ltd[2]	100	100
Landfill Operations Pty Ltd[2]	100	100
Mann Waste Management Pty Ltd[2]	100	100
Max T Pty Ltd[2]	100	100
Nationwide Oil Pty Ltd[2]	100	100
NQ Resource Recovery Pty Ltd[2]	100	100

29 Subsidiaries (continued)

	EFFECTIVE INTEREST[3]	
	2021 %	2020 %
Oil and Fuel Salvaging (Queensland) Pty Ltd[2]	100	100
Pilbara Environmental Services Pty Ltd (formerly PTK Environmental Services Pty Ltd)[1]	50	50
Pilbara Logistics Pty Ltd[2]	100	100
PT Environmental Services Pty Ltd[2]	100	100
PTW Environmental Services Pty Ltd	100	100
QORS Pty Ltd	100	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]	100	100
Sterihealth Sharpsmart Pty Ltd[2]	100	100
T Environmental Services Pty Ltd[2]	100	100
Transpacific Baxter Pty Ltd[2]	100	100
Transpacific Cleanaway Holdings Pty Ltd[2]	100	100
Transpacific Co Pty Ltd[2]	100	100
Transpacific Environmental Services Pty Ltd[2]	100	100
Transpacific Innovations Pty Ltd[2]	100	100
Transpacific Paramount Service Pty Ltd	100	100
Transpacific Resources Pty Ltd[2]	100	100
Transwaste Technologies Pty Ltd[2]	100	100
Transwaste Technologies (1) Pty Ltd[2]	100	100
Waste Management Pacific (SA) Pty Ltd[2]	100	100
Waste Management Pacific Pty Ltd[2]	100	100

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

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

3 All entities were incorporated in Australia.

30 Deed of cross guarantee

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2021 $'M	2020 $'M
Revenue	2,366.1	2,302.1
Other income	5.5	34.6
Labour related expenses	(889.7)	(854.2)
Collection, recycling and waste disposal expenses	(608.7)	(631.1)
Fleet operating expenses	(243.4)	(227.2)
Property expenses	(44.6)	(45.7)
Other expenses	(60.5)	(93.8)
Gain on loss of control of subsidiary	–	1.1
Share of losses from equity accounted investments	(2.0)	(2.1)
Depreciation and amortisation expense	(276.4)	(261.2)
Impairment of assets	(4.3)	–
Write-off of assets	(5.4)	(19.6)
Profit from operations	**236.6**	**202.9**
Net finance costs	(35.9)	(48.8)
Profit before income tax	**200.7**	**154.1**
Income tax expense	(56.5)	(41.6)
Profit after income tax	**144.2**	**112.5**
Other comprehensive income		
Net gain on cross currency interest rate swaps (net of tax)	(0.7)	(0.1)
Net comprehensive loss recognised directly in equity	**(0.7)**	**(0.1)**
Total comprehensive income for the year	**143.5**	**112.4**

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

30 Deed of cross guarantee (continued)

BALANCE SHEET	2021 $'M	2020 $'M
Assets		
Current assets		
Cash and cash equivalents	68.8	76.6
Trade and other receivables	363.5	343.2
Inventories	22.1	19.4
Other assets	28.8	23.1
Total current assets	**483.2**	**462.3**
Non-current assets		
Property, plant and equipment	1,241.5	1,174.0
Right-of-use assets	479.2	416.7
Intangible assets	2,320.4	2,306.2
Equity accounted investments	41.6	34.5
Net deferred tax assets	50.5	65.1
Derivative financial instruments	–	30.0
Other assets	23.3	23.2
Total non-current assets	**4,156.5**	**4,049.7**
Total assets	**4,639.7**	**4,512.0**
Liabilities		
Current liabilities		
Trade and other payables	293.7	265.7
Income tax payable	5.9	5.7
Interest-bearing liabilities	76.9	69.6
Employee entitlements	78.8	71.2
Provisions	68.2	79.0
Other liabilities	35.6	34.9
Total current liabilities	**559.1**	**526.1**
Non-current liabilities		
Interest-bearing liabilities	996.4	995.7
Derivative financial instruments	31.5	–
Employee entitlements	9.9	7.2
Provisions	306.4	287.6
Other liabilities	107.0	128.9
Total non-current liabilities	**1,451.2**	**1,419.4**
Total liabilities	**2,010.3**	**1,945.5**
Net assets	**2,629.4**	**2,566.5**
Equity		
Issued capital	2,695.7	2,688.7
Reserves	25.1	23.5
Retained earnings	(91.4)	(145.7)
Total equity	**2,629.4**	**2,566.5**

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

31 Parent entity

	2021 $'M	2020 $'M
Current assets	0.1	–
Total assets	3,573.4	3,568.6
Current liabilities	8.5	7.7
Total liabilities	624.3	646.5
Issued capital	2,695.7	2,688.7
Retained earnings	227.8	209.2
Reserves	25.6	24.2
Total equity	**2,949.1**	**2,922.1**
Profit/(loss) for the period	108.0	(14.9)
Total comprehensive income/(loss) for the period	108.7	(14.9)

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

32 Financial risk management

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

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

(a) Market risk

Market risk is the risk that the fair value of future cash flows will fluctuate because of changes in market prices. Market risk includes foreign currency risk, interest rate risk and commodity price 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).

The Group holds cross-currency interest rate swaps (CCIRS) to protect against USD interest rate and currency exposures in relation to USD denominated USPP Notes. The Group does not have any other material foreign currency risk exposures.

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 exposures primarily relate to its exposure to variable interest rates on borrowings and fair value changes relating to USD denominated borrowings.

32 Financial risk management (continued)

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

	30 JUNE 2021		30 JUNE 2020	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'M	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'M
Fixed rate instruments				
CEFC facilities	2.1	81.5	4.6	89.7
Lease liabilities	3.4	499.4	3.6	437.3
		580.9		**527.0**
Variable rate instruments				
Bank and other loans	1.7	125.7	1.6	111.5
USPP Notes[1]	1.6	366.7	1.7	426.9
		492.4		**538.4**

1 At 30 June 2021, the Group held CCIRS to protect against USD interest rate and currency exposures in relation to USD denominated USPP Notes. The CCIRS economically transform the fixed rate USD denominated debt into variable rate AUD denominated debt. Under the terms of CCIRS the three month Bank Bill Swap Rate plus a weighted average margin of 1.61% (2020: 1.61%) is paid quarterly to the bank counterparties in AUD and fixed semi-annual amounts in USD are received equal to meet the interest payments due to the USPP Noteholders. The principal amounts of US$270.0 million (2020: $270.0 million) are also exchanged at drawdown and maturity for A$397.6 million (2020: $397.6 million) under the terms of the CCIRS. The maturity dates and principal amounts are equal to the USPP Notes (refer to financing facilities in Note 15).

The carrying amount of the Group's AUD fixed rate borrowings, carried at amortised cost, is not impacted due to interest rate movements, neither will future cash flows 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 reasonably 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 decreased/increased net finance costs by an estimated $4.9 million (2020: $5.4 million).

Commodity price risk

The Group is exposed to market prices of various commodities. The primary sources of the Group's exposures are: paper, cardboard, plastics and glass from its recycling and manufacturing activities; oil and oil-derived products used as inputs in its Group operations and sold through its hydrocarbons business; and electricity used in Group operations and sold through its landfill operations.

Commodity price risk exposures are actively managed via various strategies including; a centralised commodity trading desk focused on maintaining and developing access to domestic and international markets; contracted sale and purchase agreements; improving the quality of commodity extracted through education, pricing structures and investment in technology; transferring or sharing commodity price risk with customers and suppliers; moving downstream in the supply chain; and maintaining offsetting exposures such as buying oil and oil-derived products but also selling oil products through the hydrocarbons business. The Group does not currently use derivative products to hedge its commodity price exposures.

Following agreement in August 2019, the Council of Australian Governments (COAG) is moving to ban the export of certain waste recyclable materials progressively from early-2021 through to mid-2024. The exports bans will increase the amount of waste material that is recycled and processed into value added products in Australia. All levels of Government are committed to supporting the waste industry through this transformation through various initiatives, including making available direct grants of which Cleanaway has been a beneficiary. Cleanaway is actively working to manage the risks but also capture the downstream opportunities these changes present.

32 Financial risk management (continued)

(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 gross 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 from its bank.

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 objective that the Group's exposure to expected credit losses is minimised.

Credit risk on foreign exchange contracts including cross-currency interest rate swaps (CCIRS) is mitigated as counterparties are large Australian and international banks with acceptable credit ratings determined by a recognised ratings agency. Credit risk from cash balances and other financial instruments with banks and financial institutions is managed by the Group in accordance with the Group's Treasury Policy which permits only dealing with large reputable financial institutions.

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

CARRYING AMOUNT	NOTE	2021 $'M	2020 $'M
Cash and cash equivalents	11	69.4	79.8
Trade and other receivables[1]	12	372.2	348.1
Other financial assets		24.6	22.1
		466.2	**450.0**

1 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 2021 is $930.3 million (2020: $421.1 million). The current portion of the Group's borrowings at 30 June 2021 is nil (2020: $0.4 million). The Group considers liquidity risk to be mitigated due to the level of unutilised facilities available, the level of headroom in each covenant measure and the maturity profile of existing facilities.

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

2021	< 1 YEAR $'M	1–2 YEARS $'M	2–5 YEARS $'M	> 5 YEARS $'M	CONTRACTUAL CASH FLOWS $'M	CARRYING AMOUNT $'M
Non-derivatives						
Unsecured borrowings	16.3	16.3	367.3	402.7	802.6	573.9
Lease liabilities[1]	81.1	77.7	178.5	173.8	511.1	499.4
Trade and other payables	297.6	–	–	–	297.6	297.6
Other financial liabilities	29.9	31.0	20.6	180.5	262.0	133.7
Total	**424.9**	**125.0**	**566.4**	**757.0**	**1,873.3**	**1,504.6**
Derivatives						
Cross-currency interest rate swaps						
inflow	10.5	10.5	31.6	402.7	455.3	n/a
(outflow)	(6.6)	(6.6)	(19.7)	(422.7)	(455.6)	n/a
Total	**3.9**	**3.9**	**11.9**	**(20.0)**	**(0.3)**	**(31.5)**

32 Financial risk management (continued)

2020	< 1 YEAR $'M	1–2 YEARS $'M	2–5 YEARS $'M	> 5 YEARS $'M	CONTRACTUAL CASH FLOWS $'M	CARRYING AMOUNT $'M
Non-derivatives						
Unsecured borrowings	19.7	19.3	282.0	539.2	860.2	628.1
Lease liabilities[1]	72.4	66.8	175.7	161.8	476.7	437.3
Trade and other payables	271.1	–	–	–	271.1	271.1
Other financial liabilities	28.3	31.6	41.4	186.6	287.9	155.2
Total	**391.5**	**117.7**	**499.1**	**887.6**	**1,895.9**	**1,491.7**
Derivatives						
Cross-currency interest rate swaps						
inflow	11.4	11.4	34.3	448.9	506.0	n/a
(outflow)	(6.8)	(6.8)	(20.4)	(430.3)	(464.3)	n/a
Total	**4.6**	**4.6**	**13.9**	**18.6**	**41.7**	**30.0**

1 The contractual commitments of lease liabilities excludes extension options which are reasonably certain to occur but are not contractually committed. If these extension options were included it would increase the future commitments by $112.7 million (2020: $82.0 million). The Group has committed to future cash outflows of $11.2 million relating to leases that have not yet commenced. No lease liabilities or right-of-use assets have been recognised in relation to these leases at 30 June 2021.

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 bank guarantees and insurance bonds are callable and the Group becomes liable to repay amounts paid by the bank or insurer. Refer to note 34(c) for details of the Group's bank guarantees and insurance bonds.

(d) Fair value measurement and hedges

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.

32 Financial risk management (continued)

The following table provides the fair value measurement of the Group's financial instruments which have been valued using market observable inputs (level 2), including interest and foreign currency rates and models using present value and future potential exposure calculations where applicable:

	FIXED RATE BORROWINGS MEASURED AT AMORTISED COST		DERIVATIVES MEASURED AT FAIR VALUE
2021	CLEAN ENERGY FINANCE CORPORATION $'M	USPP NOTES (HEDGED ITEMS) $'M	CCIRS[1] (HEDGING INSTRUMENTS) $'M
Opening fair value of asset/(liability) as at 1 July 2020	(99.8)	(431.6)	30.0
Amortisation of fair value loss on recognition	–	–	0.3
Movement relating to changes in AUD or USD interest rates			
Fair value hedges	–	29.6	(28.2)
Other	8.2	–	(3.0)
Movement relating to change in AUD/USD exchange rates			
Cash flow hedges	–	31.1	(29.7)
Movement relating to change in AUD/USD currency basis	–	–	(0.9)
Closing fair value of liability as at 30 June 2021	**(91.6)**	**(370.9)**	**(31.5)**
Carrying amount of liability as at 30 June 2021	(81.5)	(366.7)	(31.5)
Accumulated fair value adjustments on the hedged items	–	26.7	n/a
2020			
Opening fair value of asset/(liability) as at 1 July 2019	(109.9)	–	–
Fair value on recognition/derecognition	10.5	(397.6)	(3.1)
Movement relating to changes in AUD or USD interest rates			
Fair value hedges	–	(40.5)	39.5
Other	(0.4)	–	(1.0)
Movement relating to change in AUD/USD exchange rates			
Cash flow hedges	–	6.5	(5.1)
Movement relating to change in AUD/USD currency basis	–	–	(0.3)
Closing fair value of (liability)/asset as at 30 June 2020	**(99.8)**	**(431.6)**	**30.0**
Carrying amount of (liability)/asset as at 30 June 2020	(89.7)	(426.9)	30.0
Accumulated fair value adjustments on the hedged items	–	(34.0)	n/a

1 Fair value hedges fair value movements in the hedging instruments of $(28.2) million (2020: $39.5 million) includes an effective portion of $(29.6) million (2020: $40.5 million) and an ineffective portion of $1.4 million (2020: $(1.0) million). Cash flow hedges fair value movements of $(29.7) million (2020:$(5.1) million) includes an effective portion of $(31.1) million (2020: $(6.5) million) and an ineffective portion of $1.4 million (2020: $1.4 million). The notional amount of the derivatives are US$270.0/$397.6 million.

32 Financial risk management (continued)

(d) Fair value measurement and hedges (continued)

The cross-currency interest rates (CCIRS) are hedging instruments in designated fair value and cash flow hedging relationships. The hedging relationships are expected to remain effective as:

- There is an economic relationship between each hedged item and hedging instrument where the fair value of the hedged item and the hedging instrument substantially offsets each other. This economic relationship is assessed on a qualitative basis by comparing the critical terms of the hedge items with the hedge instruments. These critical terms are contracted and expected to remain unchanged for the term of all hedged items and matching hedging instruments;
- The effect of credit risk does not dominate the value changes that result from the economic relationship. The Group expects counterparties, and likewise itself, to maintain high creditworthiness over the period of the economic relationship; and
- The hedge ratio of each hedging relationship is maintained at a ratio of 1:1. The 1:1 ratio is determined by allocating all amounts of the hedged items to notional amounts of hedging instruments with matching terms and vice versa.

The main source of ineffectiveness expected in the hedging relationships relates to debit and credit adjustments (CVA/DVA) which reflect changes to future potential exposures and the credit risk of the counterparties as well as the credit risk of the Group.

The hedged items in the fair value hedges are the US$270.0 million USPP Notes and the hedged risk is movements in fair value relating to changes in USD interest rates excluding credit margins. The fair value movements in the fair value hedges are recorded in net finance costs in the Consolidated Income Statement.

The hedged items in the cash flow hedges are the US$270.0 million USPP Notes and the hedged risk is variability in expected payments relating to changes in the AUD/USD exchange rates. The effective portion of the cash flow hedge fair value movements relating to the CCIRS is recognised in the hedge reserve through other comprehensive income. Effective amounts accumulated in the hedge reserve relating to the cash flow hedges are reclassified through other comprehensive income to net finance costs in the same period that the cash flow hedge fair value movements relating to the USPP Notes are recorded in net finance costs in the Consolidated Income Statement. Any ineffective portion relating to the cash flow hedges are recorded directly in net finance costs in the Consolidated Income Statement.

The fair value movements of the CCIRS relating to changes in AUD/USD currency basis are excluded from the hedging relationships and recognised in the hedge reserve through other comprehensive income.

Refer to note 8 for amounts recorded in net finance costs and 17(a) for amounts recognised in the hedge reserve.

33 Contingent liabilities

On 18 August 2014, a Cleanaway vehicle was involved in a motor vehicle accident on the South Eastern Freeway in Glen Osmond, South Australia. The incident resulted in the death of two members of the public, and two other persons were seriously injured. During the year ended 30 June 2017, Cleanaway was charged with work health and safety offences in relation to the incident. Cleanaway was found guilty of these health and safety offences in April 2021 but this decision has been appealed to the South Australian Supreme Court. There is a potential that other claims may emerge in due course and the extent of Cleanaway's liability and the timing for these matters to be resolved is not known at this time.

On 10 October 2020, the Victorian Environment Protection Authority (EPA) issued an invoice to the Group for $6.9 million in respect of landfill levies on materials purchased from the Boral quarry, which were used by Cleanaway at its Melbourne Regional Landfill as daily cover during the year ended 30 June 2018. Subsequent to this the EPA has issued its audit report in respect of landfill levies paid during the year ended 30 June 2019 which requires an additional $4.7 million be paid in respect of that period and also related to the cover materials. The EPA's position is that the levy is payable as the cover material is 'waste' and no exemption applies. Cleanaway does not agree that this material is 'waste' as the material was purchased from Boral and used in its landfilling operations. It therefore intends to defend this position.

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

34 Commitments

(a) Capital expenditure

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

	2021 $'M	2020 $'M
Property, plant and equipment	37.9	28.9
Intangible assets	0.2	0.2
	38.1	**29.1**

(b) Other commitments

Acquisition of Suez Sydney Assets

The Group has entered into an agreement to acquire two landfills and five transfer stations located across the greater Sydney basin from Suez Group S.A.S. for consideration of $501.0 million. Based on the current timeline Cleanaway expects the acquisition to complete in the second quarter of the year ending 30 June 2022. The acquisition is contingent upon the completion of the takeover of Suez S.A by Veolia and various customary conditions including ACCC approval, no material adverse change and transfer of certain customer contracts.

(c) Guarantees

The Group is, in the normal course of business, required to provide guarantees and other security to third-parties on behalf of joint ventures and associates in respect of their contractual related obligations including financing agreements. The types of guarantees and other security include contract performance and financial guarantees and indemnities, mortgages over real property, bank guarantees and insurance bonds. The guarantees and other security only give rise to a liability or loss to the Group where the joint venture or associate concerned fails to perform its contractual obligations.

Bank guarantees and insurance bonds are also issued in the normal course of business and held by beneficiaries as financial assurance in relation to subsidiary customer contracts, property leases and licenses. The bank guarantees and insurance bonds only give rise to a liability to the Group where the subsidiary concerned fails to perform its obligations.

	2021 $'M	2020 $'M
Guarantees and other security provided on behalf of joint ventures and associates[1]	18.5	16.8
Bank guarantees issued in respect of subsidiaries	174.5	145.7
Insurance bonds issued in respect of subsidiaries	57.5	46.2
	250.5	**208.7**

1 Excludes performance related obligations and other amounts that can not be ascertained including enforcement and other costs and charges which the Group may become liable for in the event of non-performance.

35 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 2020	GRANTED DURING THE PERIOD	VESTED DURING THE PERIOD	FORFEITED/ EXPIRED DURING THE PERIOD	PERFORMANCE RIGHTS AT 30 JUNE 2021
LONG-TERM INCENTIVE PLAN							
2018 LTI	3 Nov 2017	30 Jun 2020	3,128,655	–	(2,156,283)	(972,372)	–
2019 LTI	2 Nov 2018	30 Jun 2021	3,126,207	–	–	(528,675)	2,597,532
2020 LTI	30 Oct 2019	30 Jun 2022	2,264,786	–	–	(41,183)	2,223,603
2021 LTI	16 Dec 2020	30 Jun 2023	–	1,991,571	–	–	1,991,571
SHORT-TERM INCENTIVE PLAN							
2019 STI	30 Oct 2019	30 Jun 2020	220,975	–	(220,975)	–	–
2020 STI	16 Dec 2020	30 Jun 2021	–	91,767	–	–	91,767
OTHER GRANTS							
2019 TII	26 Oct 2018	30 Jun 2020	1,574,769	–	–	(1,574,769)	–
Total			**10,315,392**	**2,083,338**	**(2,377,258)**	**(3,116,999)**	**6,904,473**
Vested and exercisable at 30 June 2021							91,767

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.

(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	2019 LTI AWARD UP TO THREE YEARS: 1 JULY 2018 TO 30 JUNE 2021	2020 LTI AWARD UP TO THREE YEARS: 1 JULY 2019 TO 30 JUNE 2022
Overview	Performance rights, of which: *Measured over three years to 30 June 2021* • Up to 50% vest if a certain relative Total Shareholder Return (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 (ROIC) target is achieved • Up to 25% vest if a certain Earnings per Share (EPS) Compound Annual Growth Rate (CAGR) target is achieved	Performance rights, of which: *Measured over three years to 30 June 2022* • 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 EPS CAGR target is achieved • The ROIC for year ending 30 June 2022 acts as a gateway to EPS CAGR

35 Share-based payments (continued)

Offer made in current reporting period – 2021 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 are subject to three performance hurdles:

- 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.
- 50% of performance rights vest if a certain underlying EPS CAGR target is achieved.
- The ROIC for year ending 30 June 2023 acts as a gateway to EPS CAGR.

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

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

SCHEME	2021 LTI
Number of rights	1,991,571
Grant date	16 December 2020
Performance period	1 July 2020 – 30 June 2023
Risk-free interest rate (%)	0.0%
Volatility (%)[1]	35.0%
Fair value – Relative TSR tranche[2]	$1.57
Fair value – EPS CAGR tranche[2]	$2.30

1 Expected volatility is based on the historic volatility of Cleanaway shares over a range of periods.
2 The fair value is reduced to reflect there is no dividend entitlement during the performance period.

The performance targets of the 2021 LTI award are set out in the table below.

Relative TSR performance measured over the period from 1 March 2020 to 30 June 2023	TSR Ranking against the constituents of the S&P/ASX200 Industrial Sector Index: • Below 50th percentile – 0% vesting • At 50th percentile – 50% vesting • 50th to 75th percentile – straight line vesting between 50% and 100% • Above 75th percentile – 100% vesting
EPS CAGR performance as measured over three years from 1 July 2020 to 30 June 2023	EPS CAGR to be achieved: • < 4.0% – 0% vesting • 4.0% – 40% vesting • > 4.0% – ≤ 8.0% – straight line vesting between 40% and 90% • > 8.0% – ≤ 10% – straight line vesting between 90% and 100% • > 10.0% – 100% vesting
ROIC performance for the year ending 30 June 2023	Performance rights under EPS CAGR will only vest if ROIC is at least 5.5% or more for the year ending 30 June 2023

35 Share-based payments (continued)

(b) Short-term Incentive (STI) plan

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

(c) Toxfree Integration Incentive (TII) plan

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

The one-off TII offer was offered to executives to ensure that executives (including Executive KMP) involved in the acquisition and integration of Toxfree were focused on exceeding the synergy benefits from this acquisition beyond the synergies initially identified in our business case for acquisition and announced to the market. The TII is an offer of performance rights that was made to certain executives (including Executive KMP) which is equivalent to 50% of their STI opportunity. The key performance condition for the TII plan related to the achievement of Cleanaway EBITDA in the year ending 30 June 2020 that exceeds our internal targets which includes the initial $35.0 million of synergies identified from the Toxfree acquisition. The performance period under the plan is from 1 July 2018 to 30 June 2020. This plan does not reward the achievement of the forecast synergy benefits, it is designed to reward the delivery of additional savings and outperformance that enhances EBITDA. Whilst the synergies arising from the Toxfree acquisition exceeded the target of $35 million, the 30 June 2020 EBITDA performance condition for the plan was not achieved, due to the impact of COVID-19 and other factors. Accordingly, all rights issued under the plan lapsed.

36 Auditor’s remuneration

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

	2021 $	2020 $
Fees to Ernst & Young (Australia):		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	1,386,642	1,593,111
Fees for assurance services that are required by legislation to be provided by the auditor	–	–
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	32,960	–
Fees for other services	208,842	248,068
Total fees to Ernst & Young (Australia)	**1,628,444**	**1,841,179**
Fees to other overseas member firms of Ernst & Young (Australia)	–	–
Total fees to other overseas member firms of Ernst & Young (Australia)	–	–
Total auditor’s remuneration	**1,628,444**	**1,841,179**

37 Events occurring after the reporting date

There have been no matters or circumstances that have arisen since 30 June 2021 that have significantly affected the Group’s operations not otherwise disclosed in this report.

38 Related party transactions

(a) Key management personnel

Disclosures relating to Key Management Personnel (KMP) are set out in the Remuneration Report on pages 16 to 34.

The KMP compensation included in employee expenses are as follows:

	2021 $	2020 $
Short-term employee benefits	9,040,411	5,338,542
Post-employment benefits	198,411	189,032
Equity compensation benefits	481,877	965,732
	9,720,699	**6,493,306**

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

(b) Wholly-owned Group transactions

The wholly-owned Group consists of Cleanaway Waste Management Limited and its subsidiaries listed at note 29. Transactions between Cleanaway Waste Management Limited and other entities in the wholly-owned Group during the years ended 30 June 2021 and 30 June 2020 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 2021 and 30 June 2020, except as presented in note 23.

39 Significant accounting policies

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

(a) Revenue

Revenue from sale of commodities

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

Rendering of services

- **Solid Waste Services**

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

  Variable consideration

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

  Non-cash consideration

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

- **Liquid Waste & Health Services**

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

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

- **Industrial & Waste Services**

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

Costs to fulfil a contract

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

Interest

Interest revenue is recognised based on the effective interest rate, taking into account the interest rates applicable to the financial assets.

Dividends

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

39 Significant accounting policies (continued)

(b) Repairs and maintenance

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

(c) Finance costs

Finance costs are recognised as expenses in the period utlising the effective interest rate method.

(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. With the exception of deferred tax recognised on initial application of AASB 16 *Leases*, deferred 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 and applies the stand-alone tax payer method. The Tax Consolidated Group has entered into a tax sharing and a tax funding agreement.

(e) Impairment of assets

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

39 Significant accounting policies (continued)

(f) Foreign currency

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

(g) Cash and cash equivalents

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

(h) Trade and other receivables

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

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

(i) Inventories

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

(j) Property, plant and equipment

Landfill assets

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

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

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

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

The landfill remediation assets comprise capping costs and costs to remediate and monitor the site over the life of the landfill including post closure. Capping costs together with cost of aftercare (see Provision for landfill remediation in note 39(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.

39 Significant accounting policies (continued)

(j) Property, plant and equipment (continued)

Landfill sales

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

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

Non-landfill land and buildings

Non-landfill land and buildings are shown at costs less accumulated depreciation. Non-landfill land is not depreciated.

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.

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 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

(k) Intangible assets

Goodwill

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

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

39 Significant accounting policies (continued)

(k) Intangible assets (continued)

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 three to 10 years.

(l) Trade and other payables

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

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

(m) Borrowings

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

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

39 Significant accounting policies (continued)

(n) 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.

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 and do not depend on a fixed index or rate are recognised in profit or loss in the period in which they relate.

Extension and termination options

Extension and termination options are included in several lease 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. All property leases on which a prized asset is situated are considered reasonably certain to exercise an extension option.

39 Significant accounting policies (continued)

(o) Provision for remediation and rectification

Landfill remediation and rectification

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

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

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

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

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

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

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

Industrial property remediation

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

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

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

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

39 Significant accounting policies (continued)

(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.

The costs of treating and disposing of waste collected, in accordance with government regulation, are provided for if they have not yet been incurred.

(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 STIs 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 STIs 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 Short-term 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.

(r) Fair value measurement

The Group measures certain assets and liabilities 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 assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

39 Significant accounting policies (continued)

(r) Fair value measurement (continued)

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

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

(s) Basis of consolidation

Subsidiaries

The Consolidated Financial Statements comprise the financial statements of the Group and its subsidiaries. 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.

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.

39 Significant accounting policies (continued)

(s) Basis of consolidation (continued)

Equity accounted investments (continued)

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.

40 New standards adopted

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

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

- **Amendments to AASB 3 - Definition of a Business**

The amendment to AASB 3 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together significantly contribute to the ability to create output. The new definition was considered in determining whether the acquisitions set out in Note 28 met the new definition of a business. This amendment has been applied prospectively and has not had an impact on any acquisitions entered into prior to 1 July 2020.

- **Amendments to AASB 101 and AASB 108 - Definition of Material**

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the Consolidated Financial Statements.

- **Conceptual Framework for Financial Reporting**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the AASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the Consolidated Financial Statements of the Group.

- **Improvements to AASB 2018-2020 cycle - AASB 9 - Fees in the '10 per cent' test for derecognition of financial liabilities**

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender. Cleanaway has applied this guidance in determining that the modification of the CEFC fixed rate debt, which occurred on 19 October 2020, was not substantially different from the terms of the original facility. The Group has early adopted this amendment. Refer to note 8.

41 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021 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
Improvements to AASB 2018-2020 cycle – Reference to the Conceptual Framework – Amendments to AASB 3 The amendments are intended to update a reference to the new Conceptual Framework without significantly changing the requirements of AASB 3. The amendments also add a new paragraph to AASB 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. This is not expected to have any impact on the Consolidated Financial Statements. This amendment will be applied to business combinations post adoption and is not expected to have a significant impact on the Group.	1 January 2022	30 June 2023
Classification of Liabilities as Current or Non-Current – Amendments to AASB 101 The AASB has issued amendments to AASB 101 *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: • What is meant by a right to defer settlement • That a right to defer must exist at the end of the reporting period • That classification is unaffected by the likelihood that an entity will exercise its deferral right • That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification Cleanaway does not intend to early adopt this amendment. The impact of the amendment to the Group's Financial Statements is yet to be determined.	1 January 2023	30 June 2024
Definition of Accounting Estimates - Amendments to AASB 108 The AASB has issued amendments to AASB 108 *Accounting Policies, changes in Accounting Estimates and Errors* in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policy and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop estimates. Cleanaway does not intend to early adopt this amendment.	1 January 2023	30 June 2024
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to AASB 112 The AASB issued amendments to AASB 112 *Income Taxes* which narrow the scope of the initial recognition exception under AASB 112 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. Cleanaway does not intend to early adopt this amendment. The impact of the amendment to the Group's Financial Statements is yet to be determined.	1 January 2023	30 June 2024
Disclosure of Accounting Policies - Amendments to AASB 101 and IFRS Practice Statement 2 The AASB has issued amendments to AASB 101 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures with the aim to making the accounting policies more useful. Cleanaway does not intend to early adopt this amendment.	1 January 2023	30 June 2024

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 2021 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 2021; and

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the closed Consolidated Group identified in note 29 will be able to meet any obligation or liabilities to which they are or may become subject to, by virtue of the deed of cross guarantee.

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

M P Chellew
Executive Chairman

Melbourne, 19 August 2021

Independent Auditor's 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 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 2021, the 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 financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 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 (including Independence Standards)* (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 judgment, 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.

Building a better working world

1. *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 2021, the Group held $1,930.3 million in intangible assets with indefinite useful lives. These intangible assets comprise goodwill and brand names and are monitored by the Group at an operating segment level. In accordance with the requirements of Australian Accounting Standards, the Group tests these indefinite useful life assets for impairment at least annually using a discounted cash flow model to determine the recoverable amount. The assessment of the carrying value of the intangible assets (the impairment test) incorporates judgements and estimates relating to discount rates, forecast revenue, EBITDA growth rates and levels of capital expenditure. In addition, various assumptions have been made for economic variables such as commodity prices, GDP growth rates and inflation rates as well as expected outcomes from the execution of operational efficiencies. The Group also considered the potential impact of COVID-19 on their forecast revenue and expenditure. Given these judgements, this was a key audit matter. Note 22 of the financial report provides disclosure related to the Group's impairment testing and highlights the impact of reasonably possible changes to key assumptions.	Our audit procedures included testing the integrity of the discounted cash flow models and evaluation of the assumptions and methodologies used by the Group. We involved our valuation specialists to assist in the execution of these audit procedures. In respect of the Group's discounted cash flow models, we: • Assessed the assumptions in the Group's board approved forecasts, including any underlying cashflow impacts from COVID-19; • Considered the current year actual results in comparison to prior year forecasts in order to assess forecast accuracy; • Assessed the key assumptions in comparison to available independent economic and industry forecasts; • Assessed the assumptions for terminal growth rates and costs to dispose; • Considered whether cost savings were reasonable; • Assessed the capital expenditure forecasts against comparable companies' capital spend rate; • Assessed the discount rates through comparison with the weighted average cost of capital of comparable businesses; • Considered comparable businesses valuation multiples as a cross-check of the Group's cash flow model outcomes; • Considered key judgements made in relation to unapproved height extensions including New Chum; and • Performed a sensitivity analysis in respect of the key assumptions which would be required for the intangible assets to be impaired and assessed the likelihood of those changes arising. We also assessed the adequacy of the disclosures made in the financial report, in particular those that had the most significant effect on the determination of the recoverable amount of the intangible assets.

EY
Building a better working world

2. Valuation and completeness of the rectification and remediation provisions

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Under the *National Environment Protection Council Act 1994* the Group has an obligation and responsibility to rectify and remediate the land in which landfill activities occur. These obligations must be accounted for in accordance with Australian Accounting Standards. At 30 June 2021, the Group held $322.7 million in rectification and remediation provisions. The rectification and remediation provisions were based on discounted cash flow models and incorporated critical estimates in relation to capping, post closure and rectification costs and an appropriate cost escalation rate, the timing of expected expenditure, the possibility of new practices and methodologies being available in the future and the determination of an appropriate discount rate. These estimates were developed based on the specific plans for each site, taking into consideration historical experience and emerging practice in relation to rectification and remediation activities. Because of the subjective nature of the estimates involved in accounting for rectification and remediation obligations, this is a key audit matter. Note 26 of the financial report provides further detail on the rectification and remediation provisions.	Our audit procedures included testing the mathematical integrity of the discounted cash flow model and evaluation of the assumptions and methodologies used. We involved our land remediation specialists to assist in the execution of these procedures. With respect to the Group's rectification and remediation provisions, we: • Assessed the competence, qualifications and objectivity of both the Group's internal and external experts used in the determination of the provisions; • Assessed the cost estimates for capping, post closure and rectification activities with reference to available external data and relevant Environment Protection Authority regulations and correspondence; and • Assessed discount rates and the resultant impact on the provision balance with reference to observable market inputs. We also assessed the adequacy of the Group's disclosures in the financial report regarding rectification and remediation obligations.

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 2021 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.

Building a better working world

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.
- 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.

Building a better working world

Auditor's Responsibilities for the Audit of the Financial Report (continued)

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, actions taken to eliminate threats or safeguards applied.

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 16 to 34 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Cleanaway Waste Management Limited for the year ended 30 June 2021, 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

19 August 2021