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**TOX FREE SOLUTIONS LIMITED**  
**INTERIM REPORT | FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

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## KEY HIGHLIGHTS

### Highlight | *Strategic*

#### Hazardous Waste Services

***“To be the leading provider of Hazardous and Industrial Waste Management Services in Australia”***

- Significant expansion of our hazardous waste services through the acquisition on 15 February 2012 of Chemsal, BCD Technologies, SRL Plasma, Waste Audit and Entech from DoloMatrix International Ltd (DMX)
- The combined assets of Tox Free Solutions Limited (“Toxfree”, the “Company” or “Group”) with the acquired DMX assets establish Toxfree as the leading hazardous waste management Company in Australia
- Enables Toxfree to offer a broader range of services to a larger client base
- Operational efficiencies to be established through merger

#### Waste Services

***“To provide a full range of waste management services in regional areas primarily linked to the resource sector”***

- Establishment of new operations in Gladstone, Queensland together with the award of a long term total waste management contract with Bechtel for the APLNG Construction Project on Curtis Island
- Establishment of new operations in Roma, Queensland together with the award of a waste and industrial services contract with Origin Energy
- Further expansion in the Pilbara region of Western Australia through the acquisition of Pilbara Waste Services in Port Hedland
- Establishment of joint venture partnership with a local indigenous civil contractor, Pilbara Logistics WA, and the award to the JV of a total waste management contract with Fortescue Metals Group (FMG) for their Pilbara Operations

#### Industrial Services

***“To be the leading provider of industrial services in Australia and obtain long term contracts with Blue Chip clients throughout Australia”***

- Establishment of new operations in Mackay, Queensland through the acquisition of MMS Enterprises (Qld) Pty Ltd (acquired 17 December 2011)

- Christchurch cleanup in New Zealand resulted in improved performance for our New South Wales operations
- Expansion of services in central New South Wales and central Queensland (Surat Basin)

**Highlight | Financial**

- Revenue up 41% to \$92.2M (1H FY11: \$65.3M)
- EBITDA up 50% to \$20.1M (1H FY11: \$13.4M\*)
- EBIT up 64% to \$12.9M (1H FY11: \$7.9M\*)
- NPAT up 70% to \$7.9M (1H FY11: \$4.6M\*)
- Interest cover at 11 times (EBIT)
- Debt to equity at 26% (H1 FY11: 33%)

**Highlight | Sustainability and Our People**

- Zero Lost Time Injuries (LTI)
- Welcomed over 60 new employees to the Group bringing the total to 583 employees within Tox Free Solutions Limited
- Awarded the National Safety Council of Australia (NSCA)/GIO National Safety Award of Excellence for the development of Australia's first formal National High Pressure Water Jetting qualification
- Successfully achieved management system accreditation for all East Coast operations with the West Coast to be finalised by the end of the financial year

**Highlight | Operations**

- Alignment of our operational organisational structure to our three service streams and growth strategies, being Hazardous Waste Services, Industrial Services and Waste Services
- Major contracts performing well without incident
- Improved performance from New South Wales operations with improved EBIT margins and return on invested capital
- South Western and North Western Australian operations performing strongly
- Solid performance from industrial services on the East coast

*\*2010 figures are before the GVF debt write-off (\$1,755K gross, \$1,228 net of tax)*

**1H FY 12 OVERVIEW**

Toxfree is pleased with the performance for the first half of financial year 2012. All of our operations performed well in a challenging and competitive environment.

The Company has recently completed a number of strategic developments including the acquisition of Chemsal, BCD Technologies, SRL Plasma, Entech and Waste Audit from DoloMatrix International Ltd for \$58.0M. The acquisition of these assets together with Toxfree's existing hazardous waste operations will place Toxfree as the leading hazardous waste management Company in Australia.

During the period we expanded our services to the resource sector with the award of the APLNG total waste management contract, Fortescue Metals Group waste services contract, Origin Energy waste services contract, and the acquisitions of MMS Enterprises (Qld) Pty Ltd and Pilbara Waste Pty Ltd. These developments contribute to the Company's strategy of leveraging off the resource sector's growth in Australia.

The Company expanded its operations across another three geographic locations, welcomed an additional 60 employees, increased our earnings (EBITDA) by 50% all without major incident or lost time injury.

Revenue for the first half of financial year 2012 was \$92.2M an increase of 41% compared to the previous corresponding period (2011: \$65.3M). Earnings (EBITDA) increased by 50% to \$20.1M (2011: \$13.4M\*) before depreciation expense of \$7.2M. EBIT increased by 63% to \$12.9M compared to the previous corresponding period (2011: \$7.9M\*).

The net profit of the Group for the first half of financial year ending 30 June 2012 increased by 70% to \$7.9M (2011: \$4.6M\*) which includes income tax expense of \$3.6M and share based payment expense of \$0.5M (2011: \$0.8M).

The Group's debtor days sales outstanding (DSO) are at 80 days at the end of the period with cash in bank of \$37.9M and total borrowings of \$38.0M. The Company Statement of Financial Position is in good order with net debt of \$0.1M and debt to equity of 26%. Our debtor collections by number during the period, were good, however the late payment from some of our major contracted clients resulted in a higher than expected DSO.

In December 2011, the Company raised \$27M through an institutional placement. These funds will be used to partially pay for the \$58M acquisition of Chemsal, BCD Technologies, SRL Plasma, Entech and Waste Audit which was completed on 15 February.

Over the next twelve months the Company will focus on building upon its newly established asset base. Organic growth will continue through the development of operational synergies and further contract award.

Toxfree's target markets are estimated at approximately \$4B revenue per annum and the Company expects to capture further market share through focus on our corporate strategy.

*\*2010 figures are before the GVF debt write-off (\$1,755K gross, \$1,228 net of tax)*

## Summary of Results

**Table 1 | Group Results**

Group results	H1 ended 31 Dec 2011 \$'000	H1 ended 31 Dec 2010 \$'000	% Change
Revenue	92,188	65,287	41%
EBITDA	20,136	13,419*	50%
Depreciation	(7,190)	(5,523)	30%
EBIT	12,946	7,896*	64%
Net interest	(1,470)	(1,111)	32%
Profit before tax	11,476	6,785*	69%
Income tax expense	(3,612)	(2,148*)	68%
Profit after tax	7,864	4,637*	70%
Earnings per share (cents)*	8.06	5.06	59%
Number of shares on issue at balance date (million)	111.1	91.6	21%

*\*2010 figures are before the GVF debt write-off (\$1,755K gross, \$1,228 net of tax)*

**Table 2 | Divisional Revenue**

The Company has re-structured itself in to three segments from the previously reported four. Hazardous Waste now incorporates the Liquid Waste segment because the processes were similar and the business was better served reporting them together. The three reportable segments are:

1. Hazardous waste (incorporating the Liquid Waste segment previously reported)
2. Waste services (previously Solid Waste)
3. Industrial services

Divisional revenue	H1 ended 31 Dec 2011 \$'000	H1 ended 31 Dec 2010 \$'000	% Change
Hazardous waste	15,758	13,786	14%
Industrial services	34,168	33,156	3%
Waste services	42,262	18,345	130%
<b>Total consolidated revenue</b>	<b>92,188</b>	<b>65,287</b>	<b>41%</b>

**Table 3 | Divisional EBIT**

Divisional EBIT	H1 ended 31 Dec 2011 \$'000	H1 ended 31 Dec 2010 \$'000	% Change
Hazardous waste	5,204	5,493	(5%)
Industrial services	5,773	4,542	27%
Waste services	10,255	4,402	133%
Unallocated corporate EBIT	(8,286)	(6,541*)	27%
<b>Total consolidated EBIT</b>	<b>12,946</b>	<b>7,896</b>	<b>64%</b>

*\*2010 figures are before the GVF debt write-off (\$1,755K gross, \$1,228 net of tax)*

**Table 4 | Divisional Margins**

	<b>31 December 2011 %</b>	<b>30 June 2011 %</b>	<b>31 December 2010 %</b>
Hazardous waste	33%	37%	40%
Industrial services	17%	18%	14%
Waste services	24%	27%	24%

## REVIEW OF OPERATIONS



*To meet customer expectations with no incidents, no harm to people or the environment and no damage to property*

### Health and Safety

#### Sustainability and Our People

The safety and wellbeing of our employees is a core value at Toxfree. Our leadership team, managers and front line staff continue to promote a proactive safety culture.

Toxfree are proud to advise there have been no Lost Time Injuries (LTI's) throughout the entire Group during the period and our Lost Time Injury Frequency Rate remains Zero. We continue to remain vigilant about safety and environmental performance throughout our business and strive for continued reduction in risk across all of our business units.

Toxfree is pleased to have been the recipient of the 2011 National Safety Council of Australia (NSCA)/GIO National Safety Awards of Excellence, for the development and implementation of the High Pressure Water Jetting Course, which is now included in the National Training register (Certificate II and III in High Pressure Water Jetting). These are the first formal, National High Pressure Water Jetting qualifications available anywhere in Australia for High Pressure Operators.

Toxfree is an equal opportunity employer and our people are the cornerstone of our business. We aim to create a positive and challenging work environment in which employees feel that they can realise their full potential and work as part of a committed professional team. We are proud of our employees and the skills, experience and commitment that they contribute to the organisation. During financial year 2012 Toxfree will continue with the roll out of our national training and leadership development program.

Toxfree is committed to engaging with indigenous communities, understanding their culture, customs, practices, language and working in partnerships to support them in achieving their aspirations and the needs of their communities. The Company is pleased to have entered into a joint venture with Pilbara Logistics WA to provide waste management services for Fortescue Metals Group throughout the Pilbara. The JV's intention is to provide employment and career development opportunities for indigenous people within the region.

## **Industrial Services**

### **Industrial services | Overview**

Toxfree's Industrial Services Division provides onsite waste collection and asset maintenance services to the oil and gas, mining, heavy manufacturing, civil infrastructure, municipal and utilities sectors. Services include; high pressure water jetting, vacuum loading and liquid industrial waste collection.

The provision of industrial services is an extremely important part of the Group's integrated service offering. Not only are industrial services the main interface with our clients, they also harvest the waste that is subsequently managed through the Company's treatment facilities.

Toxfree is a leading provider of industrial services in Australia, through ensuring the employment of competent and trained personnel, a commitment to the safest work practices, equipment and mobile vehicle fleet.

### **Industrial services | Performance**

Performance from our Industrial services division improved during the period with revenue up 3% to \$34.2M, EBIT up 27% to \$5.7M. There were no major mobilisation expenses during the period and as a result the operating margins were in line with Company expectations.

All of the industrial services operations performed well during the period. The general activity and performance of our New South Wales and Victoria operations were a highlight. Queensland industrial services also performed well, particularly through the commencement of services in the Surat Basin.

### **Industrial Services | Outlook**

With the commencement of operations in Roma, Gladstone and Mackay the Company expects further growth of this service line. The acquisition of MMS Enterprises (Qld) Pty Ltd was completed at the end of December 2011 and will now contribute to Group earnings.

There are a number of new mining and oil and gas projects being developed in Queensland primarily in the Surat Basin, Bowen Basin and Gladstone regions. Toxfree expects further growth from this division as a result.

Resources are focused on further award of contracts to the oil and gas, mining and heavy manufacturing sector throughout Australia.

## **Waste Services (previously Solid Waste Management)**

### **Waste Services | Overview**

Waste services are provided in regional areas of Australia as part of Toxfree's total waste management service offering. Services are currently provided throughout the Kimberley, Pilbara, Darwin and South West regions of Australia.

Waste services includes the collection, resource recovery, recycling and disposal of primarily solid industrial, municipal and commercial wastes.

### **Waste Services | Performance**

The Waste Services division grew significantly during the period with revenue increasing by 130% to \$42.2M and earnings (EBIT) by 133% to \$10.2M.

Toxfree's contract with Toll Energy to manage waste produced from the Gorgon LNG Project on Barrow Island has continued to perform strongly. Toxfree has embraced an incident and injury free culture throughout its operations and is proud to have achieved over 900 days Lost Time Injury (LTI) free. As construction continues on this project and waste volumes increase, Toxfree expect further growth from this division.

Our Kimberley and Karratha operations performed well with Woodside, Rio Tinto, Mermaid Marine and Apache contracts performing to expectations.

The additional services provided through the acquisition of Waste Solutions (NT) and Pilbara Waste, have also contributed to the growth of this division. Both acquisitions are performing to our expectations and are well placed to benefit from future growth of the resource sector.

### **Waste Services | Outlook**

Continued growth is expected in the waste services sector as Toxfree builds upon its existing operations in the Pilbara, Kimberley and Darwin.

With the commencement of the APLNG contract in Gladstone and Origin Energy contract in Roma, Toxfree will focus on developing this service line within the Queensland region.

Services to the Fortescue Metals Group commenced in February 2012. Over the next two years Fortescue will triple its size, increasing iron ore exports by over 180% and as a result waste volumes and services provided by Toxfree and its joint venture partner are expected to increase.

## Hazardous Waste Services

### Hazardous Waste Services | *Overview*

Toxfree has a national network of liquid and hazardous waste management facilities throughout Australia. Services are provided from our Kwinana, Henderson, Karratha, Port Hedland, Kalgoorlie, Sydney, Brisbane and Melbourne facilities.

The addition of Chemsal, BCD Technologies, SRL Plasma, Entech and Waste Audit significantly bolster this service line. The combined Group assets enable the Company to offer a broad range of hazardous waste treatment solutions. Technologies include: thermal desorption, incineration, stabilisation and fixation, physiochemical treatment, plascon destruction, vacuum distillation, reuse and recycling.

### Hazardous Waste Services | *Performance*

Overall, the volumes of hazardous waste processed during the period increased with revenue increasing by 14% to \$15.7M with EBIT of \$5.2M. All of our operations performed well with the exception of Port Hedland.

The Company continues to work through the approval process to upgrade the high temperature incinerator at Port Hedland. Regulatory approvals have been slower than first forecast and to meet client demands some waste streams are being treated through other operations within the Toxfree Group. This has resulted in some waste streams incurring higher costs of processing than if they were treated locally.

As part of the approval process, the Company has been demonstrating the incinerators destruction capabilities through a number of waste destruction trials. The trials were conducted in a controlled environment by external consultants. In an effort to improve performance some small modifications have been made to the PLC control systems and wet scrubber water treatment plant. There were two shut downs during the period whilst mechanical works were undertaken. This has resulted in higher than normal expenses being incurred during the period.

Hazardous waste services at Toxfree's Kwinana facility were steady and in line with budget expectations, operations at St Marys in Sydney continued to improve.

### Hazardous Waste Services | *Outlook*

Toxfree's immediate focus is the successful integration of Chemsal, BCD Technologies, SRL Plasma, Entech and Waste Audit. The Group's hazardous waste assets have all been combined under a single service line aimed at developing operational synergies across all of its licensed assets and technologies.

The upgrade of both the Karratha and Port Hedland liquid waste treatment facilities is continuing to plan with completion expected by the end of this financial year. The Company is confident the upgrade of the high temperature incinerator will continue to progress.

### **Unallocated Corporate EBIT | Overview**

Unallocated Corporate Expenses increased from \$7.0M at the second half of financial year 2011 to \$8.3M. Of these expenses, \$2.7M related to regional overheads and the provision of health, safety and environmental services to our operations. In coming reports, these regional overheads will be allocated to the relevant service line incurring the expense.

One off expenses during the period included; legal and acquisition costs of \$298K incurred with the acquisition of DoloMatrix assets, Pilbara Waste and MMS Enterprises (Qld). This was offset by the revaluation of DMX shares held by Toxfree. The mark to market revaluation resulted in an unrealised gain of \$285K.

The dispute arising from the upgrade of the high temperature incinerator with PCT Engineers (PCT) in 2007 has been completed with Toxfree receiving \$298K as a final reimbursement of expenses incurred on this project. This resulted in an impairment loss of \$55K during the period.

**CASH FLOW AND STATEMENT OF FINANCIAL POSITION**

**Table 5 | Group Cash Flow**

Group cash flow	H1 ended 31 Dec 2011 \$'000	H1 ended 31 Dec 2010 \$'000	% change
Gross operating cash flow	14,946	3,727	301%
Net interest paid	(1,234)	(1,111)	11%
Income taxes paid	(2,718)	(2,680)	1%
<b>Net operating cash flows</b>	<b>10,994</b>	<b>(64)</b>	<b>17,278%</b>
Payments for acquisition of businesses and intangibles	(15,106)	-	100%
Payments for held for sale investments	(806)	-	100%
Net purchases of property, plant and equipment	(5,487)	(11,272)	-51%
<b>Net investing cash flows</b>	<b>(21,399)</b>	<b>(11,272)</b>	<b>90%</b>
Net proceeds from borrowings/(repayment of borrowings)	8,314	(748)	1,212%
Dividends paid	(2,895)	(1,836)	58%
Proceeds from the issue of share capital (net of capital raising costs)	28,375	456	6,122%
<b>Net financing cash flows</b>	<b>33,794</b>	<b>(2,128)</b>	<b>1,688%</b>
<b>Net increase/(decrease) in cash</b>	<b>23,389</b>	<b>(13,464)</b>	<b>274%</b>
Cash at the beginning of the half year	14,513	17,894	-19%
<b>Cash at the end of the half year</b>	<b>37,902</b>	<b>4,430</b>	<b>756%</b>

**Table 6 | Group Statement of Financial Position**

Balance sheet	31 Dec 2011 \$'000	30 June 2011 \$'000	% change
Cash	37,902	14,513	161%
Trade and other receivables	44,768	35,741	25%
Inventories and work in progress	120	332	(64%)
Prepayments	1,225	644	90%
Investments	806	-	100%
Tax assets	2,875	2,997	(4%)
Property, plant and equipment	71,369	65,166	10%
Intangibles	48,422	29,905	62%
<b>Total assets</b>	<b>207,487</b>	<b>149,298</b>	<b>39%</b>
Trade and other payables	18,665	14,886	25%
Loans and borrowings	38,027	26,097	46%
Employee benefits	2,984	2,879	4%
Tax liabilities	3,938	3,197	23%
<b>Total liabilities</b>	<b>63,614</b>	<b>47,059</b>	<b>35%</b>
<b>Total equity</b>	<b>143,873</b>	<b>102,239</b>	<b>41%</b>
Gross debt to equity	26%	33%	-7%

## STRATEGY AND OUTLOOK

Toxfree's growth strategy is threefold:

- 1| **Hazardous Waste Services** - To be the leading provider of Hazardous and Industrial Waste Management Services in Australia,
- 2| **Industrial Services** - To be the leading provider of Industrial Services in Australia and obtain long term contracts with Blue Chip clients throughout Australia, and
- 3| **Waste Services** - Provide a full range of waste management services in regional areas primarily linked to the resource sector

Overall the waste management industry is growing through a number of key drivers including:

- Increasing government levies, government regulation, the proposed carbon tax and increasing landfill disposal costs will continue to drive recycling and waste treatment as waste is diverted from landfill,
- Environmental sustainability is driving the transition from landfill disposal to further recycling, treatment and resource recovery of waste,
- Large companies are aggregating their procurement more and increasing numbers are seeking a "One Stop Shop" solution,
- The waste management market is growing at approximately 5% pa

The acquisition of DoloMatrix assets provide Toxfree with a strategic base of assets that the Company can leverage from to provide improved return on equity and earnings per share growth for our shareholders

Toxfree has also aligned its operational organisational structure under its three service lines. This will assist the Company to focus on the achievement of each of its growth strategies.

The first half of financial year 2012 has started well and the Company is confident we can continue this performance into the remainder of financial year 2012 and beyond.

We are committed to ensuring we provide safe, reliable and sustainable services to our clients and through this commitment, Toxfree will strengthen long term relationships with clients.

The continuing success of the Company can only be achieved through the hard work and commitment of all Toxfree employees. On behalf of the Toxfree Board of Directors I would like to take this opportunity to thank all employees for their commitment.



**STEVE GOSTLOW**  
Managing Director

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

REPORTING PERIOD: **HALF YEAR ENDED 31 DECEMBER 2011**  
 PREVIOUS CORRESPONDING REPORTING PERIOD: **HALF YEAR ENDED 31 DECEMBER 2010**

		%		\$'000
Revenue from ordinary activities	Up	41	to	92,188
Profit/(loss) from ordinary activities after tax attributable to members	Up	131	to	7,864
Net profit/(loss) for the period attributable to members	Up	131	to	7,864

**Dividends**

It is not proposed to pay an interim dividend (2011: a final dividend of \$2,895K was paid in September 2011).

	31 December 2011 cents	31 December 2010 cents
Net tangible assets per security	86.80	69.63

**Entities over which control has been gained or lost during the period**

Waste Solutions (NT) Pty Ltd, Pilbara Waste Pty Ltd, MMS Enterprises (Qld) Pty Ltd

**Audit status**

The attached accounts are not subject to audit dispute or qualification.

Your directors present their report on the consolidated entity consisting of Tox Free Solutions Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2011.

## DIRECTORS

The following persons were directors of Tox Free Solutions Limited during the whole of the half-year and up to the date of this report:

<b>Robert McKinnon</b>	<i>Independent Non-Executive Chairman</i>
<b>Steve Gostlow</b>	<i>Managing Director</i>
<b>Douglas Wood</b>	<i>Independent Non-Executive Director</i>
<b>Richard (Dick) Allen</b>	<i>Independent Non-Executive Director</i>
<b>Michael Humphris</b>	<i>Independent Non-Executive Director</i>

## REVIEW OF OPERATIONS

Refer to Results Commentary at the beginning of this report for a review of the operations for the half year.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 18.

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of directors.



**ROBERT MCKINNON**  
Chairman

Perth  
21 February 2012

21<sup>st</sup> February 2012

Tox Free Solutions Limited  
The Board of Directors  
24 Sangiorgio Court  
OSBORNE PARK WA 6017

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF  
TOX FREE SOLUTIONS LIMITED**

As lead auditor of Tox Free Solutions Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Tox Free Solutions Limited and the entities it controlled during the period.



Glyn O'Brien  
Director



BDO Audit (WA) Pty Ltd  
Perth, Western Australia

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Notes	Half year	
		2011 \$'000	2010 \$'000
Revenue from continuing operations		92,188	65,287
Cost of sales	3	(63,782)	(44,843)
<b>Gross profit</b>		<b>28,406</b>	<b>20,444</b>
Other income		672	278
Finance income		234	159
Occupancy expenses		(1,910)	(1,471)
Administrative expenses	3	(14,457)	(13,109)
Finance expenses		(1,469)	(1,271)
<b>Profit before income tax</b>		<b>11,476</b>	<b>5,030</b>
Income tax expense		(3,612)	(1,622)
<b>Profit from continuing operations</b>		<b>7,864</b>	<b>3,408</b>
<b>Profit for the half year</b>		<b>7,864</b>	<b>3,408</b>
<b>Total comprehensive income for the half year</b>		<b>7,864</b>	<b>3,408</b>
Profit is attributable to:			
Owners of Tox Free Solutions Limited		7,864	3,408
Total comprehensive income for the half year is attributable to:			
Owners of Tox Free Solutions Limited		7,864	3,408
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		8.06	3.72
Diluted earnings per share		7.74	3.69

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011

	Notes	31 Dec 2011 \$'000	30 Jun 2011 \$'000
<b>Current assets</b>			
Cash and cash equivalents		37,902	14,513
Trade and other receivables		44,768	35,741
Inventories and work in progress		120	332
Prepayments		1,225	644
<b>Total current assets</b>		<b>84,015</b>	<b>51,230</b>
<b>Non-current assets</b>			
Property, plant and equipment		71,369	65,166
Investments		806	-
Intangible assets	10	48,422	29,905
Deferred tax assets		2,875	2,997
<b>Total non-current assets</b>		<b>123,472</b>	<b>98,068</b>
<b>Total assets</b>		<b>207,487</b>	<b>149,298</b>
<b>Current liabilities</b>			
Trade and other payables		18,665	14,886
Loans and borrowings	11	14,514	5,614
Employee benefits		2,856	2,768
Current tax liabilities		1,791	1,025
<b>Total current liabilities</b>		<b>37,826</b>	<b>24,293</b>
<b>Non-current liabilities</b>			
Loans and borrowings	11	23,513	20,483
Employee benefits		128	111
Deferred tax liabilities		2,147	2,172
<b>Total non-current liabilities</b>		<b>25,788</b>	<b>22,766</b>
<b>Total liabilities</b>		<b>63,614</b>	<b>47,059</b>
<b>Net assets</b>		<b>143,873</b>	<b>102,239</b>
<b>Equity</b>			
Contributed equity	5	106,296	70,087
Reserves		5,651	5,195
Retained profits		31,926	26,957
<b>Total equity</b>		<b>143,873</b>	<b>102,239</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

Consolidated	Notes	Contributed equity \$'000	Share based payments reserve \$'000	Retained profits \$'000	Total equity \$'000
<b>Balance at 1 July 2010</b>		68,113	3,604	16,927	88,644
Profit for the half year		-	-	3,408	3,408
<b>Total comprehensive income for the half year</b>		-	-	3,408	3,408
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity, net of transaction costs	5	-	-	-	-
Employee share options	5	456	-	-	456
Share based payments		-	802	-	802
Dividends paid		-	-	(1,835)	(1,835)
<b>Balance at 31 December 2010</b>		68,569	4,406	18,500	91,475
<b>Balance at 1 July 2011</b>		70,087	5,195	26,957	102,239
Profit for the half year		-	-	7,864	7,864
<b>Total comprehensive income for the half year</b>		-	-	7,864	7,864
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity, net of transaction costs		35,614	-	-	35,614
Employee share options	5	595	-	-	595
Share based payments		-	456	-	456
Dividends paid		-	-	(2,895)	(2,895)
<b>Balance at 31 December 2011</b>		106,296	5,651	31,926	143,873

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Notes	Half year	
		2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		84,609	54,838
Payments to suppliers and employees		(69,663)	(51,110)
Cash generated from operations		14,946	3,728
Interest received		219	159
Interest paid		(1,453)	(1,271)
Income taxes paid		(2,718)	(2,680)
<b>Net cash inflow (outflow) from operating activities</b>		<b>10,994</b>	<b>(64)</b>
<b>Cash flows from investing activities</b>			
Payments for acquisition of businesses and intangibles		(15,106)	-
Payments for held for sale investments		(806)	-
Proceeds from the sale of property, plant and equipment		477	151
Acquisition of property, plant and equipment (gross)		(5,964)	(11,423)
<b>Net cash inflow (outflow) from investing activities</b>		<b>(21,399)</b>	<b>(11,272)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares and other securities		28,375	456
Proceeds from borrowings		12,063	3,862
Repayment of borrowings		(3,749)	(4,610)
Dividends paid		(2,895)	(1,836)
<b>Net cash inflow (outflow) from financing activities</b>		<b>33,794</b>	<b>(2,128)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>23,389</b>	<b>(13,464)</b>
Cash and cash equivalents at the beginning of the half year		14,513	17,894
<b>Cash and cash equivalents at the end of the half year</b>		<b>37,902</b>	<b>4,430</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

**1 | BASIS OF PREPARATION OF HALF YEAR REPORT**

This general purpose financial report for the interim half year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Tox Free Solutions Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**2 | SEGMENT INFORMATION****(a) Description of segments**

The Company has re-structured itself in to three segments from the previously reported four. Hazardous Waste now incorporates the Liquid Waste segment because the processes were similar. The three reportable segments are:

1. Hazardous waste (incorporating the Liquid Waste segment previously reported)
2. Waste services (previously Solid Waste)
3. Industrial services

These services are currently provided in Australia only.

The Managing Director/Executive Team assess the performance of the operating segments based on a measure of EBIT. This measure excludes the effects of equity settled share based payment transactions. Interest income and expenditure are not allocated to segments as this type of activity is driven by the central treasury function which manages the cash position of the Group.

	Hazardous waste \$'000	Industrial services \$'000	Waste services \$'000	Total \$'000
<b>Half year 2011</b>				
Total segment revenue	15,758	34,168	42,262	92,188
Inter segment revenue	-	-	-	-
<b>Revenue from external customers</b>	<b>15,758</b>	<b>34,168</b>	<b>42,262</b>	<b>92,188</b>
<b>EBIT</b>	<b>5,204</b>	<b>5,773</b>	<b>10,255</b>	<b>21,232</b>
<b>Half year 2010</b>				
Total segment revenue	13,786	33,156	18,345	65,287
Inter segment revenue	-	-	-	-
<b>Revenue from external customers</b>	<b>13,786</b>	<b>33,156</b>	<b>18,345</b>	<b>65,287</b>
<b>EBIT</b>	<b>5,493</b>	<b>4,542</b>	<b>4,402</b>	<b>14,437</b>
<b>Total segment assets</b>				
31 December 2011	32,510	42,442	80,506	155,458
Unallocated assets	-	-	-	-
<b>Total segment assets</b>	<b>32,510</b>	<b>42,442</b>	<b>80,506</b>	<b>155,458</b>
30 June 2011	36,316	47,185	41,051	124,552
Unallocated assets	-	-	-	-
<b>Total segment assets</b>	<b>36,316</b>	<b>47,185</b>	<b>47,051</b>	<b>124,552</b>

A reconciliation of adjusted EBIT to operating profit before income tax is provided as follows:

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>EBIT</b>	21,232	14,437
Finance costs	(1,469)	(712)
Share options granted to directors and employees	(456)	(802)
Employee expenses	(5,183)	(3,432)
Other corporate costs	(2,635)	(2,520)
Business combination costs	(298)	(10)
Bad debt written off	-	(1,930)
Unrealised gain on Listed shares	285	-
<b>Profit before income tax from continuing operations</b>	<b>11,476</b>	<b>5,030</b>

### 3 | PROFIT FOR THE HALF YEAR

Gross profit for the half year includes the following items:

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Gross profit for the half year includes the following items:</b>		
Depreciation of non-current assets	6,812	5,221
<b>Administrative expenses for the half year includes the following items:</b>		
Depreciation of non-current assets	378	302
Share based payment expense*	456	802
Bad debt write off	-	1,755
Employee expenses	7,385	6,106

\*Valuation of share based payments involves making estimates and assumptions about the number of options being issued. The issue of some share options is subject to achievement of market and non-market performance conditions. If non-market performance conditions are not met during the vesting period then the estimated number of share options can be revised, reducing the share based payment expense.

#### 4 | DIVIDENDS

A final dividend of \$2,895K was paid during the half year (2010: \$1,835K).

#### 5 | EQUITY SECURITIES ISSUED

	<b>2011</b> Shares	2010 Shares	<b>2011</b> \$'000	2010 \$'000
<b>Issue of ordinary shares during the half year</b>				
Exercise of share options issued under the Tox Free Solutions Ltd Employee Share Option Plan (ESOP)	1,123,500	281,500	2,315	456
Issue of ordinary shares for business combination	3,832,904	-	8,000	-
Issue of ordinary shares under the institutional placement	13,503,726	-	25,892	-
	<b>18,460,130</b>	<b>281,500</b>	<b>36,207</b>	<b>456</b>

#### 6 | BUSINESS COMBINATIONS

##### Current period

On 4 July 2011, following its preliminary announcement on the 27 April 2011, Toxfree announced it had successfully completed the acquisition of 100% of the issued shares in Waste Solutions (NT) Pty Ltd based in Darwin, Northern Territory. Waste Solutions is one of the largest waste management companies servicing the Darwin region. The acquisition complements Toxfree's existing hazardous waste business and positions Toxfree as "The Leading Waste Management Business within the Pilbara, Kimberley and Northern Territory regions of Australia".

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	<b>\$'000</b>
Purchase consideration	
Cash paid	8,094
Liabilities taken over	2,321
Shares	8,000
Total Purchase consideration	<b>18,415</b>

The assets and liabilities recognised as a result of the acquisition are as follows:

	<b>Fair Value</b>
	<b>\$'000</b>
Cash	216
Trade Debtors	420
Prepayments	48
Plant and equipment	3,688
Intangible assets: Customer contracts	1,729
Asset finance liabilities	(2,321)
Provision for income tax	(8)
Net identifiable assets acquired	3,772
Add: Goodwill	14,643
	<b>18,415</b>

The goodwill is attributable to Waste Solutions being a leading provider of total waste management services in the Northern Territory, particularly Darwin. The Company has a number of long term contracts serving the defence industry and the Territory's largest private enterprises. Over half of Waste Solutions revenue is secured by annual or long term contracts. None of the goodwill is expected to be deductible for tax purposes.

The Group has reported provisional amounts for goodwill, customer contracts and plant and equipment acquired as part of the purchase of Waste Solutions (NT) Pty Ltd.

On 29 September 2011, Toxfree Solutions Limited announced it had entered in to an agreement to acquire 100% of the issued shares in Pilbara Waste Pty Ltd, a leading solid waste management Company servicing the Port Hedland region in the north west of Western Australia for \$4,540,000. The acquisition complements Toxfree's existing hazardous waste business and positions Toxfree as "The Leading Waste Management Business within the Pilbara, Kimberley and Northern Territory regions of Australia".

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	<b>\$'000</b>
Purchase consideration	
Cash paid	4,540
Total Purchase consideration	<b>4,540</b>

The assets and liabilities recognised as a result of the acquisition are as follows:

	<b>Fair Value</b>
	<b>\$'000</b>
Cash	183
Trade debtors	536
Prepayments	29
Plant and equipment	2,005
Trade and other payables	(226)
Asset finance liabilities	(917)
Provision for income tax	(111)
Net identifiable assets acquired	1,499
Add: Goodwill	3,041
	<b>4,540</b>

The goodwill is attributable to Pilbara Waste Pty Ltd's strong position in the Pilbara market and synergies expected to arise in the medium term after the Company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

The Group has reported provisional amounts for goodwill and plant and equipment acquired as part of the purchase of Pilbara Waste Pty Ltd.

On 14 December 2011, Toxfree Solutions Limited acquired 100% of the issued shares in MMS Enterprises (Qld) Pty Ltd, a leading provider of Industrial Services to the resource sector in the Bowen Basin, Queensland, for \$3,900,000. The acquisition provides Toxfree with a new geographic presence in the Bowen Basin which will complement the Group's existing operations in Rockhampton, Gladstone and South East Queensland.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:-

	<b>\$'000</b>
Purchase consideration	
Cash paid	2,881
Liabilities taken over	1,019
Total Purchase consideration	<b>3,900</b>

The assets and liabilities recognised as a result of the acquisition are as follows:

	<b>Fair Value</b>
	<b>\$'000</b>
Cash	10
Trade debtors	1,040
Plant and equipment	2,089
Intangibles: Customer contracts	674
Trade and other payables	(331)
Asset finance liabilities	(646)
Employee entitlements	(25)
Provision for income tax	(100)
Net identifiable assets acquired	2,711
Add: Goodwill	1,189
	<b>3,900</b>

The goodwill is attributable to MMS Enterprises (Qld) Pty Ltd's strong current operating performance and its current blue chip client base throughout the coal sector in the Bowen Basin in central Queensland. Toxfree has a positive outlook for the resource sector in Queensland with high value capital investment in the coal sector expected over the next four years. None of the goodwill is expected to be deductible for tax purposes.

The Group has reported provisional amounts for goodwill Trade Debtors, Intangibles: Customer contracts and plant and equipment acquired as part of the acquisition of MMS Enterprises (Qld) Pty Ltd.

(i) *Acquisition-related costs*

Acquisition-related costs for all acquired entities of \$298K are included in other expenses in profit or loss.

(ii) *Revenue and profit contribution*

The acquired businesses contributed revenues of \$5,177K and net profit of \$774K to the Group from their respective dates of acquisition to 31 December 2011 as follows:

	<b>Revenue</b>	<b>Profit/(Loss)</b>
Waste Solutions (NT) Pty Ltd	3,444	601
Pilbara Waste Pty Ltd	1,317	71
MMS Enterprises (Qld) Pty Ltd	416	102
	<b>5,177</b>	<b>774</b>

If the acquisitions had all occurred on 1 July 2011, the additional consolidated revenue and consolidated profit from the acquisitions for the half-year ended 31 December 2011 would have been \$7,740K and \$1,238K respectively, as follows:

	Revenue	Profit/(Loss)
Waste Solutions (NT) Pty Ltd	3,444	601
Pilbara Waste Pty Ltd	1,926	94
MMS Enterprises (Qld) Pty Ltd	2,370	543
	7,740	1,238

## 7 | CONTINGENCIES

There has been no change in the contingent assets or contingent liabilities of the Group since 30 June 2011.

## 8 | EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

### Strategic acquisition

On 15 December 2011, Tox Free Solutions Limited announced it had signed a binding acquisition agreement with DoloMatrix International Limited under which it would acquire Chemsal, BCD Technologies, SRL Plasma, Entech Industries and Waste Audit from DoloMatrix, for \$58.0 million. The acquisition is highly complementary to Toxfree's existing operations, and will materially enhance Toxfree's hazardous waste management services. The highly experienced employee base will add significant value to Toxfree's intellectual capital and capabilities. On 15 February 2012 the Company announced it had completed the acquisition of the major assets of DoloMatrix International Limited.

## 9 | RELATED PARTY TRANSACTIONS

At 31 December 2011, the Company had \$1,720K owed to it by key management personnel after they had converted options in to share capital. (2010: \$227K for share options issued to Directors).

**10 | INTANGIBLES**

	<b>31 Dec 2011</b>	30 Jun 2011
	<b>\$'000</b>	\$'000
<b>At 1 July</b>		
Cost	29,905	25,004
Accumulated impairment	-	
Net book amount	<u>29,905</u>	<u>25,004</u>
<b>Half-year ended 31 December</b>		
Opening net book amount	29,905	25,004
Intellectual property acquired	-	2,325
Goodwill acquired during acquisition of businesses (see note 6)	18,873	2,576
Amortisation	(356)	-
Closing net book amount	<u>48,422</u>	<u>29,905</u>
<b>At 31 December</b>		
Cost	48,778	29,905
Accumulated amortisation	(356)	-
Net book amount	<u>48,422</u>	<u>29,905</u>

**11 | LOANS AND BORROWINGS**

As at 31 December 2011, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

<b>Contractual maturities of financial liabilities</b>	<b>Less than 12 months</b>	<b>Between 1 and 5 years</b>	<b>Contractual cash flows</b>	<b>Carrying amount (assets)/ liabilities</b>
<b>At 31 December 2011</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-derivatives</b>				
Trade payables	18,665	-	18,665	18,665
Borrowings (excluding finance leases)	10,416	9,189	21,015	19,605
Finance lease liabilities	4,098	14,324	19,236	18,422
<b>Total non-derivatives</b>	<u>33,179</u>	<u>23,513</u>	<u>58,916</u>	<u>56,692</u>

<b>Contractual maturities of financial liabilities</b>	<b>Less than 12 months</b>	<b>Between 1 and 5 years</b>	<b>Contractual cash flows</b>	<b>Carrying amount (assets)/ liabilities</b>
At 30 June 2011	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>				
Trade payables	14,886	-	14,886	14,886
Borrowings (excluding finance leases)	1,916	9,689	12,742	11,605
Finance lease liabilities	3,698	10,794	15,425	14,492
<b>Total non-derivatives</b>	<b>20,500</b>	<b>20,483</b>	<b>43,053</b>	<b>40,983</b>

In the directors' opinion:

- a) The financial statements and notes set out on pages 19 to 32 are in accordance with the *Corporations Act 2001*, including:
  - (i) Complying with AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half year ended on that date, and
  
- b) There are reasonable grounds to believe that Tox Free Solutions Ltd will be able to pay its debts as and when they become due and payable.

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



**ROBERT MCKINNON**  
Chairman

Perth  
21 February 2012

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF TOX FREE SOLUTIONS LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tox Free Solutions Limited, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half year.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tox Free Solutions Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Tox Free Solutions Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tox Free Solutions Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', is written over a faint, light blue BDO logo.

Glyn O'Brien  
Director

Signed in Perth, Western Australia

Dated this 21<sup>st</sup> day of February 2012.