toxfree

ASX ANNOUNCEMENT

23 February 2017

ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

INTERIM REPORT INCLUDING APPENDIX 4D FOR THE PERIOD ENDING 31 DECEMBER 2016

Tox Free Solutions Limited (**Toxfree**) is pleased to present the interim results including the Appendix 4D for the period ending 31 December 2016.

This information should be read in conjunction with the Toxfree 2016 Annual Report.

Yours faithfully
TOX FREE SOLUTIONS LIMITED

D McArthur

DAVID MCARTHUR
Company Secretary

About Tox Free Solutions Ltd (ASX code: TOX)
Tox Free Solutions Ltd (Toxfree) is one of the largest integrated waste management, industrial service and environmental businesses in Australia. The Company offers a full range of waste management services through its national network of licensed waste treatment facilities. In addition Toxfree are fast becoming the leaders in onsite industrial services, waste minimisation, resource recovery and total waste management services.

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TOX FREE SOLUTIONS LIMITED

INTERIM REPORT | FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

CONTENT DETAILS	PAGE

This report is to be read in conjunction with the 30 June 2016 annual financial report and any public announcements made by Tox Free Solutions Limited (Toxfree) during the interim reporting period.

Results Commentary | 31 December 2016

Tox Free Solutions Limited (Toxfree) is pleased to present the results commentary for the half-year ended 31 December 2016.

HIGHLIGHTS

Strategy

Over the last five years Toxfree has transformed its business into a diversified provider of specialist industrial and waste management services across Australia. Five years ago, the business was largely a Western Australian company with significant exposure to the resource construction sector. Today Toxfree provides services nationally across four target markets of Health, Industrial, Resources and Infrastructure, operating from over 80 sites and employing approximately 1,650 people.

These sectors are expected to grow at a faster rate than the broader economy and we believe our strategy will provide greater opportunity to grow earnings per share and improve our return on capital over the medium term.

The strength of our business lies in its diversity - across industry sectors, services and geography. It includes a level of recurring revenue as well as multiple avenues for growth. Where one division may face headwinds, others can prosper facing more favourable conditions. In the current climate, the health and infrastructure sectors are helping to counteract the slowdown in the resource sector.

A transformational step forward for Toxfree was the recent entry into the health sector with the acquisition of Daniels Health Australia (Daniels). Daniels is the largest provider of sharps and medical waste management services to the health sector in Australia. The health sector is particularly attractive with strong market fundamentals and avenues for growth. There are significant synergies between Toxfree and Daniels, particularly through the combined use of facilities to treat a broad range of medical and industrial related waste streams. Our main focus for the remainder of FY17 is the integration of Daniels into Toxfree including the realisation of synergies.

Toxfree's strategy is to build upon our newly created base of services and geographic locations across Australia as a specialist waste and industrial services provider using best practice technologies, operating off a low cost, high productivity platform focused on the delivery of safe, reliable and sustainable services to our customers within our target markets.

Safety

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

- No lost time injuries, maintaining our Lost Time Injury Rate of zero.
- Total Recordable Injury Frequency Rate (TRIFR) of 7.8.
- Our lead indicators continue to improve strongly compared with the first half of FY16, with a 18% increase in hazard identification and management.

Operations

- Daniels achieved an excellent result in first month of trading generating EBITDA of $2M that was in line with our expectations.
- Successful integration of the Worth Recycling business into Toxfree's systems and operational management structure.
- Toxfree has been awarded $60m of contracts during the period including Inpex led Ichthys LNG project, GLNG Upstream (Surat Basin), Sustainability Victoria and Origin Energy.
- Industrial Services continued to perform solidly increasing earnings by 53% through continued improvement in the civil infrastructure and municipal sectors in Victoria, with the Wheatstone LNG contract also contributing strongly.
- Implementation of new technologies to improve productivity and competitive advantage are underway including an automated container de-packaging system (Hazpack II) in NSW, installation of a new BlueBox electronic waste recycling technology in NSW and Mercury treatment and recycling technology in Western Australia.
- Resource construction projects in WA near completion and as a result, volumes of waste continued to decline during the half. It is expected within the next 6 months this decline will stabilise and reach a steady base as production commences.

Financial

The acquisition of Daniels completed on 1 December 2016 and as a result there are a number of one off costs that have impacted Earnings before Interest and Tax (EBIT), Earnings per Share (EPS) and Statutory Net Profit after Tax.

Amortisation of contract intangibles increased to $1.7m compared to $0.8m in 1H FY16 and Daniels acquisition and rebranding costs of $5.9m were incurred. Acquisition and rebranding costs include the costs of legal and advisor fees that are further detailed on page 8. Amortisation of contract intangibles is a non-cash accounting adjustment.

- Revenue for the first half of financial year 2017 (1H FY17) was $237.8m, up 20% on 1H FY16 and up 22% on 2H FY16.
- Underlying earnings before interest, tax, depreciation, and amortisation (EBITDA)* of $37.5m, down 2% on 1H FY16 and up 8% on 2H FY16
- Amortisation was $1.7m that was an increase of 111% on 1H FY16.
- Underlying earnings before interest and tax (EBIT)* down 16% on 1H FY16 and up 5% on 2H FY16 to $18.3m.
- Underlying earnings per share (EPS)* for the period 6.59 cents, down 31% on 1H FY16 and down 8% on 2H FY16.
- Underlying profit after tax but excluding amortisation of contract intangibles (NPATA)* was $11.7m down 15% of 1H FY16 and up 7% on 2H FY16.
- Underlying profit after tax* was $10.4m down 21% on 1H FY16 and up 2% on 2H FY16.
- Statutory profit after tax (NPAT)* down 54% on 1H FY16 to $5.9 M, primarily due to one-off acquisition costs of Daniels and increased amortisation of contract intangibles associated with the Daniels and Worth acquisitions.
- Interim dividend for 1H FY17 of 4.5 cents (1H FY16: 4.5 cents) per fully paid ordinary share fully franked.
- Net debt to equity at 41% (FY16: 37%).
- Cash conversion was 78% of EBITDA* (FY16: 99%) which was below our historic performance due to the timing of customer payments.

FIRST HALF FY 17 OVERVIEW

The Company is pleased with the first half performance of financial year 2017.

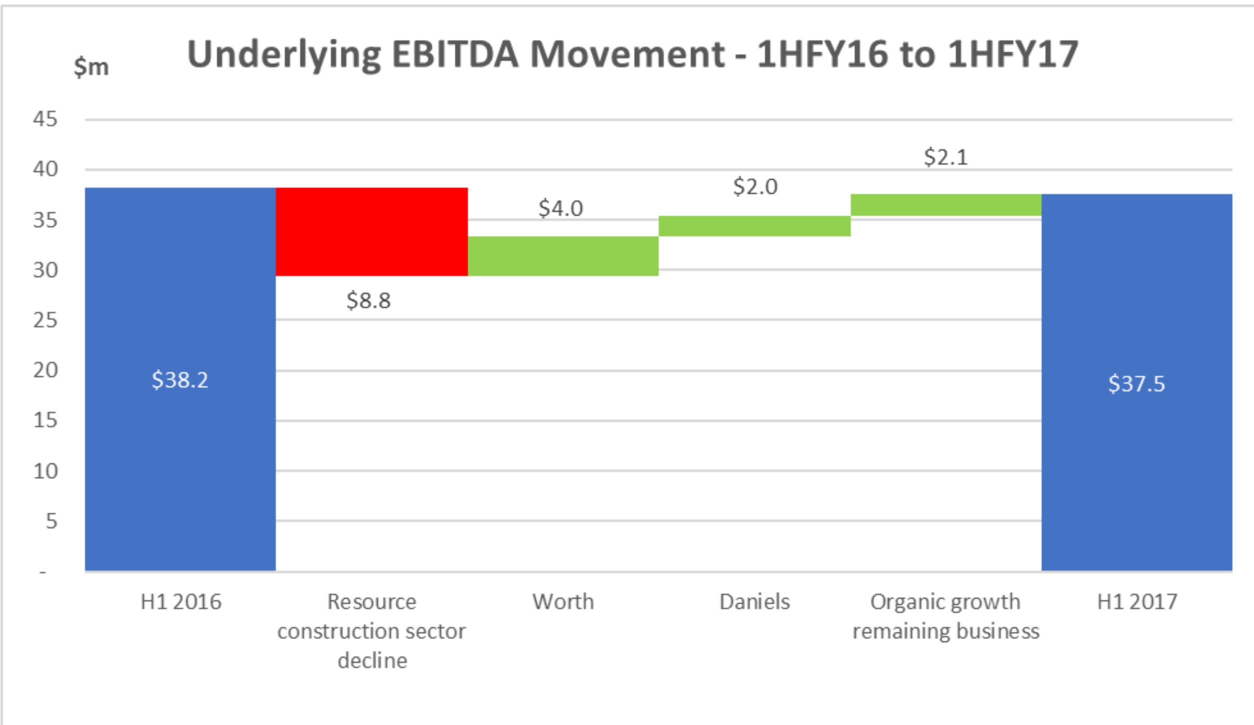
The Daniels business has started strongly in its first month of trading under Toxfree's ownership. This is a higher margin business with significant intellectual property and competitive advantage. Within the next 24 months we expect to realise approximately $4 million of synergies on full year run rate once implemented. We will also commence the provision of solid waste and hazardous waste services to complement Daniels sharps and medical waste management.

There has been sound growth in services to the infrastructure sector in NSW and Victoria. Our industrial services division increased earnings by 53% on 1H FY16 partly due to the high demand for services to the infrastructure sector. We expect this momentum to continue into the coming years.

The volumes of waste and earnings from the resource sector continued to decline in the period as construction projects in Western Australia and Queensland transition from construction to production. Over the next 6 months we expect earnings from the resource sector to reach a stable level. Further opportunities arise as the various LNG plants in North West Australia commence production and services to new clients such as Inpex and GLNG commence.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments: refer to page 8 Group Results for details)*

To put the 1H FY17 result into perspective, in the prior comparable period, the resource sector construction activities in WA and Qld (including activities related to upstream oil and gas drilling) generated $8.8M of EBITDA more than in this period. The decline in earnings from this sector this half was partly offset by solid organic growth in services to infrastructure, commercial and industrial markets on the east coast and the addition of Worth and more recently Daniels. EBITDA from the resource construction market is expected to reduce in 2H FY17, after which we expect it to stabilise under a production environment.



We will continue to remain focused on reducing our costs and leveraging the use of our Enterprise Resource Planning (ERP) system to enable us to improve back office efficiencies and reduce manual administration. With the consolidation of Daniels and Worth there are further opportunities to save costs as the businesses are integrated.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments: refer to page 8 Group Results for details)*

Safety

The safety culture at Toxfree continues to improve as we strive for a culture where we look out for each other and make each other aware of the risks in our work place.

The integration of employees from Worth has been of considerable focus. We have been impressed by the safety culture of Worth, however there is still further improvement required to bring them in line with our Harmfree expectations. As a result of the inclusion of Worth our key indicators during the period increased Total Recordable Injury Frequency Rate (TRIFR) to 7.8 and All Injury Frequency Rate (AIFR) to 27.4.

The remainder of the Toxfree Group continues to demonstrate improvement in key indicators with a 7.4% reduction in TRIFR and 6.8% reduction in AIFR and our LTIFR remained at zero.

We have successfully implemented several large scale contracts lost time injury free including Olympic Dam and the Yarloop Bush Fire Remediation during the period.

SUMMARY OF RESULTS

Group Results	1H FY17 $'000	% Change 1H FY17 / 2H FY16	2H FY16 $'000	% Change 1H FY 17 / 1H FY16	1H FY16 $'000
Revenue - Services	237,761	22%	195,659	20%	197,721
EBITDA *	37,537	8%	34,716	(2)%	38,159
Depreciation	(17,525)	8%	(16,159)	14%	(15,435)
Amortisation	(1,691)	52%	(1,112)	111%	(802)
EBIT *	18,321	5%	17,445	(16)%	21,922
Finance expenses	(3,307)	10%	(2,997)	5%	(3,157)
Profit before tax *	15,014	4%	14,448	(20)%	18,765
Income tax expense *	(4,654)	8%	(4,324)	(17)%	(5,633)
Underlying Profit after tax *	10,360	2%	10,124	(21)%	13,132
Net Profit after tax but before amortisation *(NPATA)	11,693	7%	10,892	(15%)	13,697
Statutory Profit after tax	5,947	4,583%	127	(54)%	12,927
Profit attributable to Toxfree Owners	5,819	12,550%	46	(54)%	12,562
Non-controlling interest in profit	128	58%	81	(65)%	365
Earnings per share (cents) *	6.59	(8)%	7.19	(31)%	9.51
Dividend per share (cents)	4.5	0%	4.5	0%	4.5
Weighted average number of shares	155,347	14%	136,573	16%	134,190

*****_Non-IFRS Financial Information:_
Adjustments that were excluded in order to reflect the underlying performance of the Group are:

Exclusions	1H FY17 $'000	2H FY16 $'000	1H FY16 $'000
Acquisition, integration and rebranding costs	5,915	4,435	293
Impairment losses	-	2,639	-
Asset write-offs – vacated sites	-	1,019	-
Redundancy and restructuring costs	-	4,425	-
Site closure costs	(51)	1,426	-
Reduction to contingent consideration	-	(1,067)	-
Income tax thereon	(1,451)	(2,880)	(88)
Total costs after tax	4,413	9,997	205

REVIEW OF OPERATIONS

On 1 December 2016, Toxfree completed the acquisition of Daniels and in doing so entered the health sector within Australia and New Zealand. With Daniels joining the Toxfree group we have created a new segment reporting line, named Health Services. Health Services includes the collection and management of sharps and medical related waste streams, sale of laboratory products and manufacturing of reusable medical waste receptacles.

The Company now has four reportable operational segments.

- Health Services (HS)
- Technical and Environmental Services (TES)
- Industrial Services (IS)
- Waste Services (WS)

Health Services (HS)

HS	1H FY17 $'000	% Change 1H FY17 / 2H FY16	2H FY16 $'000	% Change 1H FY 17 / 1H FY16	1H FY16 $'000
Revenue	7,315	n/a	n/a	n/a	n/a
EBITDA *	2,009	n/a	n/a	n/a	n/a
EBITDA margins (%) *	27.5%	n/a	n/a	n/a	n/a
Amortisation	239	n/a	n/a	n/a	n/a
Depreciation	383	n/a	n/a	n/a	n/a
EBIT *	1,387	n/a	n/a	n/a	n/a
EBIT Margins (%) *	19.0%	n/a	n/a	n/a	n/a

The Health Services division performed well in its first month of ownership under Toxfree achieving $2m EBITDA.

Daniels is a leading provider of safety solutions and medical waste management for the health sector specifically focussed on the reduction of sharps injuries through safer sharps management systems and practices. Daniels complements this strategy with integrated medical waste collection and treatment. Daniels holds the intellectual property rights to various collector systems, including the "Sharpsmart" and "Medismart" series of reusable medical waste containers that provides them with a competitive advantage in the market.

Daniels has just under 300 employees in Australia across 17 sites, including two incineration facilities in Sydney and Melbourne, as well as three joint venture managed sites in New Zealand.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments: refer to page 8 Group Results for details)*

The Acquisition of Daniels is consistent with Toxfree's strategy of focusing on specialist waste streams and is highly complementary to Toxfree's brand and culture. In addition to providing a new pillar of growth for Toxfree in the attractive and growing health sector, the combination is expected to deliver complementary waste management, treatment and distribution capabilities, potentially delivering meaningful future cost synergy benefits.

Daniels features a "blue chip" customer base, including long-term relationships with public and private hospitals, medical centres and aged care facilities across the country.

The health sector has a high level of recurring revenue and the market has demonstrated consistent growth over the recent years through a number of drivers including Australia's ageing population, more stringent regulation, shorter hospital stays and an increase in medical procedures.

The Daniels business has grown EBITDA by more than 15% annually for the last three years and Toxfree is confident we can continue to grow the business. We are focussed on integrating Daniels into Toxfree and realising associated synergies. We anticipate achieving annual synergies of $4M (on a full year run rate) within 24 months.

Toxfree has been impressed by the Daniels employees. Significant effort has been undertaken to visit with all employees and explain Toxfree's strategy, how Daniels complements Toxfree and our expectations moving forward. The morale of employees is excellent as they look forward to a new chapter in the development of the Daniels business. We have a detailed integration plan aimed at transitioning Daniels systems into Toxfree and realising associated synergies.

Technical and Environmental Services (TES)

TES	1H FY17 $'000	% Change 1H FY17 / 2H FY16	2H FY16 $'000	% Change 1H FY 17 / 1H FY16	1H FY16 $'000
Revenue	66,915	60.4%	41,711	156%	26,115
EBITDA *	15,851	41%	11,274	59%	9,971
EBITDA margins (%) *	23.7%	(330)bps	27.0%	(1,450)bps	38.2%
Amortisation	583	8%	540	322%	138
Depreciation	4,700	41%	3,341	76%	2,668
EBIT *	10,568	43%	7,393	47%	7,165
EBIT Margins (%) *	15.8%	(190)bps	17.7%	(1,160)bps	27.4%

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments: refer to page 8 Group Results for details)*

The significant increase in revenue compared to the 1HFY16 was primarily attributable to the addition of Worth Recycling. Worth is one of the largest operators of bulk liquid waste and drill mud treatment facilities in NSW.

After a solid start from the Worth business since acquisition in March 2016, revenues were below expectations in the last quarter of the calendar year due to the unprecedented dry and hot weather in NSW. The lack of rain resulted in lower volumes of liquid waste received from the civil infrastructure projects and industrial sector and as a result EBITDA over the November and December period was $2m below our expectations. Margins within the TES division have been influenced by the change in business mix through the addition of Worth.

Highlights for the TES division during the period included the remediation of the township of Yarloop WA, following the bush fires that devastated the region in January 2016, expansion of e-waste processing in Victoria and continued strong volumes from Household Hazardous Waste across Australia.

We continue to invest in technologies to manage complex waste streams produced by our clients. We are in the process of establishing a new joint venture with BMT International, who are a leading provider of mercury related waste management services internationally, to manage the treatment and recycling of Mercury related waste streams produced by the Oil and Gas sector. We have also progressed a safe disposal solution for Naturally Occurring Radioactive Materials (NORMs) for the oil and gas sector.

Over time, volumes of industrial waste are expected to increase as environmental and regulatory drivers such as increasing landfill levies and more stringent regulation will divert these waste streams from landfill for treatment and recycling.

Industrial Services (IS)

IS	1H FY17 $'000	% Change 1H FY17 / 2H FY16	2H FY16 $'000	% Change 1H FY 17 / 1H FY16	1H FY16 $'000
Revenue	74,514	60%	46,433	58%	47,049
EBITDA *	12,839	53%	8,419	53%	8,415
EBITDA margins (%) *	17.2%	(90)bps	18.1%	(70)bps	17.9%
Amortisation	314	100%	-	100%	-
Depreciation	4,445	15.6%	3,844	11.9%	3,974
EBIT *	8,080	77%	4,575	82%	4,441
EBIT Margins (%) *	10.8%	90bps	9.9%	140bps	9.4%

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments: refer to page 8 Group Results for details)*

Industrial Services earnings continued to improve in 1H FY17 with services to the civil infrastructure and municipal sectors performing strongly. We have completed several civil infrastructure projects around the country. In New South Wales and Victoria there is a significant amount of public and private infrastructure spending forecast over the next 5 years and we are confident of continued growth in this sector.

Contract success within this service line has continued, including the award of a contract by GLNG for upstream waste and industrial services in the Surat Basin region of Queensland. Together with existing services to Origin in the region we have been able to realise a number of synergies and improve our utilisation. The market in the Surat Basin is expected to continue to perform strongly with continued production drilling expected over the long-term.

Toxfree has completed its first six months of service with BHP Billiton for the Olympic Dam operations and has successfully demonstrated productivity and cost saving benefits through the provision of integrated industrial services and total waste management under the one contract. We are actively highlighting this success to our other resource based customers in an effort to expand our scope of services while offering them cost savings. We have completed our first year without lost time injury and have improved safety culture and services for BHP Billiton.

In Western Australia, the scope of work for Toxfree's industrial services contract with Bechtel for the Wheatstone LNG project in Onslow has expanded and this assisted growth in earnings within this half.

Our focus is to continue to develop our industrial services through continued organic growth and development of innovative ways to improve services to our clients.

Waste Services (WS)

WS	1H FY17 $'000	% Change 1H FY17 / 2H FY16	2H FY16 $'000	% Change 1H FY17 / 1H FY16	1H FY16 $'000
Revenue	89,017	(17)%	107,515	(28.5)%	124,557
EBITDA *	19,836	(25.9)%	26,770	(38.9)%	32,451
EBITDA margins (%) *	22.3%	(260)bps	24.9%	(380)bps	26.1%
Amortisation	555	(3.0)%	572	(16.4)%	664
Depreciation	7,087	(12.5)%	8,098	(11.1)%	7,972
EBIT *	12,194	(32.6)%	18,100	(48.8)%	23,815
EBIT Margins (%) *	13.7%	(310)bps	16.8%	(540)bps	19.1%

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments: refer to page 8 Group Results for details)*

The decline in Waste Services earnings and margins is largely a result of the reduction in revenue and earnings from the resource construction sector mainly in Western Australia.

On Barrow Island we have completed seven years without lost time injury and have signed a further contract extension until the end of April. At the time of writing this report we have no further news on the outcome of the retender process.

Waste volumes from oil and gas construction are expected to continue to decline as the various projects complete construction over the next 6 months before stabilising under a steady production environment. LNG production in the North West of Australia will increase considerably over the next 12 months as the various LNG trains including Wheatstone, Gorgon, Inpex and Prelude commence production.

In the Pilbara, our services to iron ore customers including Rio Tinto and FMG have continued to perform well. Our indigenous joint venture for services to FMG continued strongly and we have expanded our waste services to cover FMG's Port and Rail operations. Volumes of waste from the Roy Hill region have declined as the project has now completed.

Conditions in the east coast commercial and industrial market remain competitive but despite the challenges in the market, we have continued to increase our market share and volumes of commercial and industrial waste in south east Queensland. With the acquisition of Daniels our focus moves to internalising the solid waste services of Daniels clients into Toxfree and expanding our capability to offer total waste management solutions to the health sector.

Unallocated Corporate Expenses | *Overview*

Corporate	1H FY17 $'000	% Change 1H FY17 / 2H FY16	2H FY16 $'000	% Change 1H FY17 / 1H FY16	1H FY16 $'000
Revenue - Services	237,761	21.5%	195,659	20.3%	197,721
Finance expenses	(3,307)	10.3%	(2,997)	4.8%	(3,157)
Unallocated EBITDA*	(12,998)	10.6%	(11,747)	2.5%	(12,678)
EBITDA* to Revenue (%)	5.5%	(50)bps	6.0%	(90)bps	6.4%
Depreciation - corporate	(910)	3.9%	(876)	10.8%	(821)
Unallocated EBIT*	(13,908)	10.2%	(12,623)	3.0%	(13,499)
EBIT* to Revenue (%)	5.8%	(70)bps	6.5%	(100)bps	6.8%

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments: refer to page 8 Group Results for details)*

Through the acquisition of Worth and Daniels businesses, Toxfree has been able to continue to gain transactional efficiencies. Unallocated corporate expenses reduced to 5.8% of revenue from 6.5% on 2H FY16 and 6.8% on 1H FY16. Unallocated Corporate includes the IT, Finance, Human Resources, Health, Safety and Environment, Business Development and Risk teams.

The Group's debtor day's sales outstanding (DSO) excluding work in progress were 64 days (FY16: 51 days) at the end of the period. The Worth business was a contributor to a slower Group collection total however their DSO rate is improving. Total borrowings increased to $192.4m (FY16: $133.8m) due the Daniels acquisition, the Balance Sheet is in good order with net assets at $389.5m (FY16: $276.4m) and net debt to equity of 41% (FY16: 37%). Gross cash inflows generated from operations of $29m were 78% (FY16: 99%) of EBITDA*. Some short-term timing issues affected December cashflows and cash conversion is expected to improve in the second half.

Amortisation for FY17 post the acquisition of Daniels will total approximately $4.6m p.a. increasing to $5.2m p.a. in FY18. The amortisation of intangibles is a non-cash accounting adjustment.

Capital investment in plant and equipment was $20m (1H FY16: $11.9m). Our capital expenditure program has been weighted to the first half with total capex for the full year, including Daniels estimated to be $35m.

The Board is pleased to announce the payment of an interim dividend of 4.5 cents (1H FY16: 4.5 cents) per ordinary share, which will be fully franked based on tax paid of 30%. The 4.5 cents per share dividend represents an 84% (FY16: 54%) return of underlying net profit after tax* to ordinary shareholders. The Board decided to hold the dividend per share at the same rate in consideration that the timing of Daniels settlement meant the company had a larger issue of shares with only one month trading from Daniels. Over the next period, we expect the payout ratio to reflect our historical levels of between 50% to 60% of underlying NPAT. The dividend record date is 10 March 2017 and the payment date is expected to be 24 March 2017.

The Dividend Reinvestment Plan (DRP) will be in operation for this dividend. Under the DRP, Toxfree shares will be issued or transferred at the average of the daily Volume Weighted Average Price (VWAP) of all shares sold on ASX over the period from 13 February 2017 to 10 March 2017. No discount will be applied to shares issued or transferred under the DRP.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments: refer to page 8 Group Results for details)*

GROUP CASH FLOW

Description	HY 31 Dec 2016 $'000	HY 31 Dec 2015 $'000	% change
Cash generated from operations	29,217	35,888	(19)%
Interest paid	(2,609)	(2,406)	8%
Income taxes paid	(2,856)	(4,173)	(32)%
Net cash inflow from operating activities	**23,752**	**29,309**	**(19)%**
Payments for acquisition of businesses	(154,003)	(1,957)	7,769%
Proceeds from sale of property, plant and equipment	15,814	807	1,860%
Payments for property, plant and equipment	(19,859)	(11,903)	67%
Interest received	218	140	56%
Net cash (outflow) from investing activities	**(157,830)**	**(12,913)**	**1,122%**
Net proceeds from the issue of ordinary shares	82,632	-	100%
Net proceeds from borrowings/(repayment of borrowings)	58,162	(7,799)	846%
Payments for shares acquired by Employee Share Trust	(1,000)	(165)	506%
Dividends paid	(5,390)	(5,079)	6%
Dividends paid to non-controlling interests in subsidiaries	(444)	(503)	(12)%
Net cash inflow / (outflow) from financing activities	**133,960**	**(13,546)**	**1,089%**
Net (decrease) / increase in cash	**(118)**	**2,850**	**(104)%**
Cash at the beginning of the half year	31,952	19,709	62%
Cash at the end of the half year	**31,834**	**22,559**	**41%**

Group Balance Sheet

Description	31 Dec 2016 $'000	30 June 2016 $'000	31 Dec 2015 $'000	% change 31 Dec 2016 / 30 June 2016	% change 31 Dec 2016 / 31 Dec 2015
Cash and cash equivalents	31,834	31,952	22,559	(0.1)%	41%
Trade and other receivables	106,976	90,908	82,264	18%	30%
Inventories	4,240	584	415	626%	922%
Tax assets	13,361	11,414	8,028	17%	66%
Property, plant and equipment	190,017	175,943	152,235	8%	25%
Intangibles	355,544	180,173	151,013	97%	135%
Total assets	**701,972**	**490,974**	**416,514**	**43%**	**69%**
Trade and other payables	70,324	54,129	39,668	30%	77%
Borrowings	192,365	133,853	92,866	44%	107%
Employee benefits	14,350	10,346	9,035	39%	59%
Tax liabilities	27,457	8,143	8,507	237%	223%
Waste provisions	6,869	6,477	6,015	6%	14%
Derivative Financial Instruments	1,109	1,663	1,731	(33)%	(36)%
Total liabilities	**312,474**	**214,611**	**157,822**	**46%**	**98%**
Total equity	**389,498**	**276,363**	**258,692**	**41%**	**51%**
Gross debt to equity	49%	48%	36%	100bps	1,300bps
Net debt to equity	41%	37%	27%	400bps	1,400bps

OUTLOOK

Our main focus for the remainder of FY17 is the integration of Daniels into Toxfree including the realisation of synergies. We have a detailed integration plan that is fully supported by employees and we expect within the next 24 months to realise approximately $4 million of synergies on full year run rate once implemented.

We will commence the provision of solid waste and hazardous waste services to complement Daniels sharps and medical waste management. The health sector provides another avenue for growth into a market with recurring revenue and strong growth fundamentals.

Within the resource sector we will continue to see a reduction in construction based revenues as waste volumes decline from the remaining construction projects. During the next 6 months, we expect to reach a stable revenue base as the facilities complete construction and production commences. The recent contract wins with Inpex and GLNG will contribute to growth in revenue from the resource sector in the second half of FY17 and FY18.

We will continue to focus on reducing costs in the business and improving efficiencies through procurement strategies, sizing the business to meet market demands and leveraging off our Enterprise Resource Planning system to reduce administration costs.

The implementation of technologies in relation to e-waste processing and automated container de-packaging will be completed in the second half and our plans for mercury treatment with our Joint Venture partner will commence.

Volumes of hazardous waste from LNG production will increase as Gorgon, Inpex, Wheatstone and Prelude LNG facilities commission and reach steady production.

There are a significant number of tenders in our business development pipeline and based on our recent success we are confident of further contract awards.

Our 2020 vision for Toxfree is very exciting and we look forward to this next stage of our development. 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 2016**
PREVIOUS CORRESPONDING REPORTING PERIOD:	**HALF YEAR ENDED 31 DECEMBER 2015**

		%		$'000
Revenue from ordinary activities	Up	20	to	237,761
Profit from ordinary activities after tax attributable to members	Down	53.7%	to	5,819
Net profit for the period attributable to members	Down	53.7%	to	5,819
Total comprehensive income for the period attributable to members	Down	50.9%	to	6,207

Dividends

The 2016 Gross Final Dividend Payment of $6,476,394 was paid on 29 September 2016. $5,390,846 was paid in cash and $1,085,548 was satisfied by the issue of ordinary shares via the dividend reinvestment plan.

On 22 February 2017, the directors proposed the payment of a 2017 interim dividend of 4.5 cents per fully paid ordinary share, fully franked based on tax paid of 30%. The interim dividend is expected to be paid on 24 March 2017. The dividend reinvestment plan is available for shareholders at no discount.

	31 December 2016 cents	31 December 2015 cents
Net tangible assets per security	**17.51**	80.14
Basic Earnings per share	**3.75**	9.36
Diluted earnings per share	**3.73**	9.34

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

The Active Industrial Solutions Unit Trust: 1 August 2016; control gained.

Daniels Health Pty Ltd and subsidiaries; and Daniels Manufacturing Australia Pty Ltd: 1 December 2016; control gained.

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 2016.

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, unless otherwise indicated:

Robert McKinnon	*Independent Non-Executive Chairman*
Steve Gostlow	*Managing Director*
Richard Allen	*Independent Non-Executive Director*
Michael Humphris	*Independent Non-Executive Director*
Katherine Hirschfeld	*Independent Non-Executive Director*

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 20**.**

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Corporations Instrument 2016/191, 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.

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

ROBERT MCKINNON
Chairman

Perth
22 February 2017

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Subiaco, WA 6008
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Australia

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF TOX FREE SOLUTIONS LIMITED

As lead auditor for the review of Tox Free Solutions Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 22 February 2017

	Notes	Half year 31 Dec 2016 $'000	Half year 31 Dec 2015 $'000
Revenue from continuing operations			
Services		237,761	197,721
Other revenue		223	140
Total Revenue		237,984	197,861
Other income	3	665	500
Expenses	4		
Waste disposal and other non-employee benefit related direct costs		(71,451)	(57,789)
Outsourcing costs		(24,675)	(16,933)
Employee benefits expense		(86,354)	(67,768)
Administrative expenses		(11,388)	(11,254)
Amortisation		(1,691)	(802)
Depreciation		(17,525)	(15,435)
Finance costs		(3,307)	(3,157)
Occupancy costs		(6,354)	(5,959)
Acquisition, integration and rebranding costs		(5,914)	(293)
Other expenses		(840)	(499)
Profit before income tax		9,150	18,472
Income tax expense		(3,203)	(5,545)
Profit after income tax for the half-year		5,947	12,927
Profit for the half-year is attributable to:			
Owners of Tox Free Solutions Limited		5,819	12,562
Non-controlling interests		128	365
		5,947	12,927
		Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		3.75	9.36
Diluted earnings per share		3.73	9.34

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

	Half year	
	31 Dec 2016 $'000	**31 Dec 2015 $'000**
Profit for the half-year period	5,947	12,927
Other comprehensive income (expense)		
Items that may be reclassified to profit and loss		
Changes in the fair value of cash flow hedges	554	133
Income tax relating to these items	(166)	(39)
Other comprehensive income (expense) for the half-year, net of tax	388	94
Total comprehensive income for the half-year	6,335	13,021
Total comprehensive income for the half-year is attributable to:		
Owners of Tox Free Solutions Limited	6,207	12,656
Non-controlling interests	128	365
	6,335	13,021

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

	Notes	31 Dec 2016 $'000	30 Jun 2016 $'000
Current assets			
Cash and cash equivalents		31,834	31,952
Trade and other receivables		106,976	90,908
Inventories		4,240	584
Current tax assets		2,561	2,898
Total current assets		145,611	126,342
Non-current assets			
Property, plant and equipment		190,017	175,943
Deferred tax assets		10,800	8,516
Intangible assets	11	355,544	180,173
Total non-current assets		556,361	364,632
Total assets		701,972	490,974
Current liabilities			
Trade and other payables		68,868	53,204
Borrowings	12	2,567	3,598
Employee benefits		14,350	10,346
Provisions		6,869	6,477
Total current liabilities		92,654	73,625
Non-current liabilities			
Borrowings	12	189,798	130,255
Derivative financial instruments	12	1,109	1,663
Deferred tax liabilities		27,457	8,143
Other payables		1,456	925
Total non-current liabilities		219,820	140,986
Total liabilities		312,474	214,611
Net assets		389,498	276,363
Equity			
Contributed equity	6	308,337	195,457
Reserves		5,915	4,687
Retained profits		72,583	73,240
Capital and reserves attributable to owners		386,835	273,384
Non-controlling interests		2,663	2,979
Total equity		389,498	276,363

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

Consolidated	Notes	Ordinary Shares $'000	Cash Flow Hedging Reserve $'000	Share-based Payment Reserve $'000	Equity Reserve $'000	Retained Earnings $'000	Total $'000	Non-controlling Interests $'000	Total Equity $'000
Balance at 1 July 2015		**170,885**	**(1,305)**	**7,155**	**(1,474)**	**72,488**	**247,749**	**2,986**	**250,735**
Profit for the half year		-	-	-	-	12,562	12,562	365	12,927
Other comprehensive income (expense)		-	94	-	-	-	94	-	94
Comprehensive income for the half year		**-**	**94**	**-**	**-**	**12,562**	**12,656**	**365**	**13,021**
Transactions with owners:									
Acquisition of subsidiaries		-	-	-	-	-	-	184	184
Contribution of equity, net of cost and tax		952	-	-	-	-	952	-	952
Transactions with non-controlling interests		-	-	-	(59)	-	(59)	59	-
Share-based payments - current period expense		-	-	499	-	-	499	-	499
Share-based payments - vested and reclassified		-	-	(222)	-	222	-	-	-
Settlement of vested executive rights	6	(180)	-	-	-	-	(180)	-	(180)
Disposal / (acquisition) of treasury shares	6	15	-	-	-		15	-	15
Dividends paid	5	-	-	-	-	(6,031)	(6,031)	(503)	(6,534)
		787	**-**	**277**	**(59)**	**(5,809)**	**(4,804)**	**(260)**	**(5,064)**
Balance at 31 December 2015		**171,672**	**(1,211)**	**7,432**	**(1,533)**	**79,241**	**255,601**	**3,091**	**258,692**

Consolidated	**Notes**	**Ordinary Shares $'000**	**Cash Flow Hedging Reserve $'000**	**Share-based Payment Reserve $'000**	**Equity Reserve $'000**	**Retained Earnings $'000**	**Total $'000**	**Non-controlling Interests $'000**	**Total Equity $'000**
Balance at 1 July 2016		**195,457**	**(1,164)**	**7,538**	**(1,687)**	**73,240**	**273,384**	**2,979**	**276,363**
Profit for the half year		-	-	-	-	5,819	5,819	128	5,947
Other comprehensive income (expense)		-	388	-	-	-	388	-	388
Comprehensive income for the half year		**-**	**388**	**-**	**-**	**5,819**	**6,207**	**128**	**6,335**
Transactions with owners:									
Contribution of equity, net of costs and tax	6	84,471	-	-	-	-	84,471	-	84,471
Share issue: consideration for a business combination	6&7	29,409	-		-	-	29,409	-	29,409
Share-based payments - current period expense	4	-	-	840	-	-	840	-	840
Acquisition of treasury shares	6	(1,000)	-	-	-	-	(1,000)	-	(1,000)
Dividends paid	5	-	-	-	-	(6,476)	(6,476)	(444)	(6,920)
		112,880	**-**	**840**	**-**	**(6,476)**	**107,244**	**(444)**	**106,800**
Balance at 31 December 2016		**308,337**	**(776)**	**8,378**	**(1,687)**	**72,583**	**386,835**	**2,663**	**389,498**

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

	Notes	Half year 31 Dec 2016 $'000	31 Dec 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		244,351	223,189
Payments to suppliers and employees (inclusive of goods and services tax)		(219,321)	(187,301)
Cash generated from operations		25,030	35,888
Interest paid		(2,609)	(2,406)
Income taxes paid		(2,856)	(4,173)
Net cash inflow from operating activities		19,565	29,309
Cash flows from investing activities			
Payment for acquisition of businesses, net of cash acquired	7	(149,816)	(1,957)
Proceeds from the sale of property, plant and equipment		15,814	807
Payments for property, plant and equipment		(19,859)	(11,903)
Interest received		218	140
Net cash (outflow) from investing activities		(153,643)	(12,913)
Cash flows from financing activities			
Net proceeds from the issue of ordinary shares	6	82,632	-
Payments for shares acquired by the Employee Share Trust	6	(1,000)	(165)
Proceeds from borrowings		129,000	139,500
Repayment of borrowings		(70,838)	(147,299)
Dividends paid to company's shareholders	5	(5,390)	(5,079)
Dividends paid to non-controlling interest in subsidiaries		(444)	(503)
Net cash inflow / (outflow) from financing activities		133,960	(13,546)
Net (decrease) / increase in cash and cash equivalents		(118)	2,850
Cash and cash equivalents at the beginning of the half-year		31,952	19,709
Cash and cash equivalents at the end of the half-year		**31,834**	**22,559**

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

1 | BASIS OF PREPARATION OF HALF YEAR REPORT

Statement of Compliance
This general purpose financial report for the interim half-year reporting period ended 31 December 2016 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with IAS 34.

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 30 June 2016 annual financial report and any public announcements made by Tox Free Solutions Limited (Toxfree) 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 periods.

Impact of standards issued but not yet applied by the entity
There were no new standards issued since 30 June 2016 applied by Toxfree. The 30 June 2016 annual report disclosed that Toxfree anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date.

Significant accounting judgements and estimates
The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016.

2 | SEGMENT INFORMATION

The Group has four reportable segments: Health Services (HS), Technical and Environmental Services (TES), Industrial Services (IS) and Waste Services (WS). The Managing Director (chief operating decision maker) assesses the performance of the operating segments based on a measure of EBITDA. 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.

	HS	TES	IS	WS	Total
Half year 31 December 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total segment revenue	7,502	85,700	77,884	93,483	264,569
Inter segment revenue	(187)	(18,785)	(3,370)	(4,466)	(26,808)
Revenue from external customers	**7,315**	**66,915**	**74,514**	**89,017**	**237,761**
EBITDA	**2,009**	**15,851**	**12,839**	**19,836**	**50,535**
EBIT	**1,387**	**10,568**	**8,080**	**12,193**	**32,228**
Half year 31 December 2015					
Total segment revenue	-	41,020	52,545	137,742	231,307
Inter segment revenue	-	(14,905)	(5,496)	(13,185)	(33,586)
Revenue from external customers	**-**	**26,115**	**47,049**	**124,557**	**197,721**
EBITDA	**-**	**9,971**	**8,415**	**32,451**	**50,837**
EBIT	**-**	**7,165**	**4,441**	**23,815**	**35,421**
Total segment assets					
31 December 2016	**210,141**	**156,117**	**94,444**	**169,794**	**630,496**
30 June 2016	-	160,122	73,867	193,814	427,803
Total segment liabilities					
31 December 2016	**3,020**	**34,787**	**14,439**	**22,475**	**74,721**
30 June 2016	-	26,318	6,511	18,130	50,959

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

	Half-year	
	31 Dec 2016 $'000	**31 Dec 2015 $'000**
Segment EBITDA	50,535	50,837
Finance costs	(3,307)	(3,157)
Share-based payment expense	(840)	(499)
Depreciation and amortisation	(19,216)	(16,237)
Employee expenses	(9,381)	(9,356)
Travel and motor vehicle expenses	(846)	(851)
Occupancy costs	(928)	(495)
Other corporate costs	(953)	(1,477)
Acquisition, integration and rebranding costs	(5,914)	(293)
Profit before income tax from continuing operations	9,150	18,472

3 | OTHER INCOME

	Half-year	
	31 Dec 2016 $'000	**31 Dec 2015 $'000**
Net gain on disposal of plant and equipment	357	397
Sundry and other income	308	103
	665	500

4 | EXPENSES

Profit before income tax includes the following specific expenses:

	Half-year	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Amortisation	1,691	802
Bad and doubtful debts	387	289
Depreciation	17,525	15,435
Insurance and workers compensation costs	2,843	2,330
Labour costs	79,370	62,025
Motor vehicle expenses	12,207	9,728
Hire of equipment and operating lease rental expenses	13,753	11,555
Share-based payment expense*	840	499
Superannuation contributions	5,218	4,215
Travel expenses	2,438	2,111
Finance costs include:		
Interest and finance charges paid	2,585	2,264
Establishment and other fees	722	893
	3,307	3,157

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

5 | DIVIDENDS

Ordinary shares	**Half-year 31 Dec 2016 $'000**	**Half-year 31 Dec 2015 $'000**
Dividend paid during the half-year	6,476	6,031
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
Paid in cash	5,390	5,079
Satisfied by the issue of shares – dividend reinvestment plan	1,086	952
	6,476	6,031

Dividends not recognised at the end of the half-year	**Half-year 31 Dec 2016 $'000**	**Half-year 31 Dec 2015 $'000**
Since the end of the half-year the directors have recommended the payment of an interim dividend of 4.5 cents per fully paid ordinary share (2015: 4.5 cents), fully franked based on tax paid of 30%. The aggregate amount of the proposed dividend expected to be paid on 24 March 2017 out of retained earnings at 31 December 2016, but not recognised as a liability at the end of the half-year, is	8,728	6,047

6 | CONTRIBUTED EQUITY

a) Share capital	**31 Dec 2016 Shares**	31 Dec 2015 Shares	**31 Dec 2016 $'000**	31 Dec 2015 $'000
On issue 1 July	143,919,669	134,013,376	195,457	170,900
Share issues during the half year				
Dividend reinvestment plan issue	440,665	353,910	1,086	952
Institutional entitlement offer	26,110,047	-	60,053	-
Retail entitlement offer	10,907,644	-	25,088	-
Business combination: Daniels Health	12,568,000	-	29,409	-
Capital raising costs	-	-	(2,509)	-
Deferred tax on capital raising costs	-	-	753	-
Settlement of vested executive rights	-	-	-	(180)
On issue 31 December	193,946,025	134,367,286	309,337	171,672

b) Other equity securities	**31 Dec 2016 Shares**	31 Dec 2015 Shares	**31 Dec 2016 $'000**	31 Dec 2015 $'000
Treasury shares: Employee share trust				
Opening balance 1 July	-	(6,536)	-	(15)
Acquisition of shares	(421,645)	(62,756)	(1,000)	(165)
Executive LTI issue	-	69,292	-	180
On issue 31 December	(421,645)	-	(1,000)	-
Total contributed equity	**193,524,380**	134,367,286	**308,337**	171,672

7 | BUSINESS COMBINATION

a) Acquisition of AIS

On 1 August 2016, Toxfree acquired a 100% interest in the shares of Active Industrial Solutions Pty Ltd and the units of Active Industrial Solutions Unit Trust (AIS) for a purchase consideration of $6.409m. AIS is an industrial services business located in Melbourne, Victoria.

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

	$'000
Purchase consideration	
Cash paid	6,409
Total purchase consideration	6,409

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

	Fair Value $'000
Trade receivables	1,157
Other receivables	213
Plant and equipment	2,990
Trade payables	(76)
Other payables and accruals	(164)
Net identifiable assets acquired	4,120
Add: Goodwill	2,289
	6,409

The goodwill is attributable to the benefits derived from access to AIS know how and technical capability, strengthening our hold on the Victorian metropolitan infrastructure and municipal services market, complementing our operations in both Mulgrave and Sunshine, synergies supporting our drive into the Bulk Liquid Collection and Treatment market in Melbourne, and the processing of AIS waste in expanded Toxfree Laverton facilities.

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 the business.

(i) *Acquisition-related costs*

Acquisition-related costs for the acquisition of AIS of $23,508 are included in acquisition costs in the Consolidated Income Statement.

(ii) *Revenue and profit contribution*

AIS contributed revenue of $2.265m and net profit before tax of $0.6m to the Toxfree Group for the period 1 August 2016 (acquisition date) to 31 December 2016. If the acquisition had occurred earlier on 1 July 2016, combined revenues of $2.589m and net profit before tax of $0.7m would have been the estimated contribution for the period 1 July 2016 to 31 December 2016.

b) Acquisition of Daniels Group

On 1 December 2016, Toxfree acquired 100% interest in Daniels Health Pty Ltd and Daniels Manufacturing Pty Ltd (Daniels). Daniels is a leading provider of medical waste solutions, collection and treatment in the Australian healthcare sector.

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

	$'000
Purchase consideration	
Cash paid	147,594
Ordinary shares issued	29,409
Accrual	5,300
Deferred consideration	10,000
Total purchase consideration	192,303

The fair value of the 12.568m shares issued as part of the consideration paid was based on the published share price on 1 December 2016 of $2.34 per share. The shares issued to the seller will be subject to a voluntary escrow until the release of Toxfree's FY17 financial results.

Toxfree has agreed to defer $10m of the consideration payable to on or before 31 March 2017, which is payable in cash and/or a further issue of Toxfree shares at the election of Toxfree. The $5.3m accrual amount is the estimated difference between target working capital per the sale agreement and the estimated actual working capital at date of acquisition.

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

	Fair Value $'000
Cash and cash equivalents	4,187
Trade receivables	12,729
Prepayments and other receivables	1,429
Inventories	3,794
Property, plant and equipment	24,457
Deferred tax assets	1,984
Intangibles – licences, permits, intellectual property and customer related	61,200
Trade payables	(4,720)
Accruals and other payables	(3,006)
Employee benefits	(3,317)
Deferred tax liabilities	(18,371)
Income tax payable	(1,028)
Net identifiable assets acquired	79,338
Add: Goodwill	112,965
	192,303

The goodwill is attributable to the profitability of the acquired business and the synergies driven by overhead savings, site rationalisation, cross-selling activities, treatment of Toxfree waste streams through Daniels' facilities and improved procurement terms.

None of the goodwill is expected to be deductible for tax purposes.

The Group has reported provisional amounts for goodwill, licences, permits, intellectual property, customer related intangibles and plant and equipment acquired, as fair value assessments have not been finalised.

(i) Acquisition-related costs

Acquisition-related costs for the acquisition of Daniels of $2.907m are included in acquisition costs in the Consolidated Income Statement.

(ii) Revenue and profit contribution

Daniels contributed revenue of $7.3m and net profit before tax of $1.4m to the Toxfree Group for the period 1 December 2016 (acquisition date) to 31 December 2016. If the acquisition had occurred earlier on 1 July 2016, combined revenues of $43.4m and net profit before tax of $6.3m would have been estimated contribution for the period 1 July 2016 to 31 December 2016.

c) Prior period

Details of provisional amounts were disclosed in note 4: Business Combination of the Group's annual financial statements for the year ended 30 June 2016. There have been no significant adjustments made to any of these provisional amounts in total in the current reporting period.

8 | CONTINGENCIES

Details of Contingencies were disclosed in note 29 of the Group's annual financial statements for the year ended 30 June 2016.

There has been no significant change in the contingent assets or contingent liabilities of the Group since 30 June 2016.

9 | EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 22 February 2017, the Directors of Tox Free Solutions Limited declared an interim dividend in respect of the 2017 financial year. The total amount of the dividend is $8,727,571, which represents a fully franked dividend of 4.5 cents per ordinary share based on tax paid of 30%.

No other matters or circumstances have arisen since the end of the financial period and the date of this report which significantly affected, or could significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

10 | RELATED PARTY TRANSACTIONS

Performance Rights (PR) Granted as Salary

In 2016, the Company conducted a benchmarking review of Key Management Personnel (KMP) remuneration, comparing remuneration to a peer group of ASX listed companies operating in a similar industry and of a comparable size by market capitalisation.

The Company's remuneration policy is to position fixed annual remuneration (FAR) at the 50th percentile of the market data. The benchmarking review determined that FAR was significantly below the 50th percentile of the target peer group. The Board considered it appropriate and reasonable to adjust the KMP FAR to align them with the 50th percentile of market data.

In making the adjustment to remuneration the Board determined that the adjustment should be delivered in equity rather than cash salary, as this would further align KMP to shareholders by ensuring a proportion of FAR is aligned to share price performance.

In addition to the above, Senior Management (SM) were benchmarked to comparable companies in the industry and it was also determined that FAR was below the 50th percentile. The Executive and Board considered it appropriate and reasonable to adjust the SM FAR to align them with the 50th percentile of the industry.

The adjustments to FAR resulted in a grant of 305,419 PR, based on a 5-day volume weighted average price of $2.44 from 1 September 2016. The vesting period of the PR is 1 July 2016 to 30 June 2017, based on continued service, with 1/12th of the rights vesting each month of completed service during the vesting period.

Performance Rights Granted as part of New Incentive Plan
The Toxfree Board is committed to a reward framework that is focussed on creating shareholder value, which is supported by an equity ownership culture.

In 2016, the Board carried out a detailed review of the Company's executive and senior management remuneration structure and principles. The key outcome of the review was the creation of a new incentive framework, the Performance Incentive Structure.

The Board determined that the remuneration of executives and senior management will consist of two key elements i.e. FAR and Performance Incentive Remuneration (PI). The PI will be delivered by way of equity i.e. a grant of PR and also by way of a cash bonus. The equity and cash bonus split is controlled and determined by the Board.

In FY17, 546,145 PR was granted as the part of the equity portion of the PI. The PR grant is based on a 5-day volume weighted average price of $2.44 from 1 September 2016.

The performance period is 1 July 2016 to 30 June 2017 and performance is assessed against a scorecard of key performance indicators as determined by the Board.

Once assessed, the PR become performance qualified and vesting is then based purely on continuous service. The vesting schedule is as follows: 25% vest at the end of year 2 after the grant date; 25% vest at the end of year 3 after the grant date; and 50% vest at year 4 after the grant date.

Summary of PR granted in FY17:

Details	Performance Rights granted as salary	Performance Rights granted as PI	Total
Directors			
S Gostlow *	94,045	171,620	265,665
KMP			
E Goodwin	45,741	127,869	173,610
M Constable	31,205	45,246	76,451
J Dixon	31,837	45,246	77,083
S Bagshawe	32,310	31,557	63,867
J Bovell	21,328	31,557	52,885
Senior Management	48,953	93,050	142,003
	305,419	**546,145**	**851,564**

* The grant to Mr S Gostlow was approved by the shareholders at the Annual General Meeting held on 30 November 2016.

The share-based payment expense to 31 December 2016 was $840,000 (2015: $499,000).

11 | INTANGIBLES

	31 Dec 2016 $'000	30 Jun 2016 $'000
Opening cost	191,991	161,292
Opening accumulated impairment	(11,818)	(9,904)
Opening net book amount	180,173	151,388
Movements:		
Opening net book amount	180,173	151,388
Licences, permits, intellectual property and customer related acquisitions	61,755	3,760
Goodwill acquired during acquisition of businesses (refer to note 7)	115,254	27,018
Goodwill adjustment	53	(79)
Amortisation	(1,691)	(1,914)
Closing net book amount	355,544	180,173
Closing cost	369,053	191,991
Closing accumulated amortisation	(13,509)	(11,818)
Closing net book amount	355,544	180,173

12 | LOANS AND BORROWINGS

As at 31 December 2016, the contractual maturities of the Group's financial liabilities were as follows:

Contractual maturities of financial liabilities At 31 December 2016	Within 1 year $'000	Between 1 and 5 years $'000	> 5 years $'000	Contractual cash flows $'000	Carrying amount liabilities $'000
Non-derivatives					
Trade payables and other payables	68,868	1,456	-	70,324	70,324
Bank loans^	2,051	192,403	-	194,454	186,749
Lease liabilities	3,145	3,539	-	6,684	6,148
Total non-derivatives	74,064	197,398	-	271,462	263,221
Derivatives					
Net settled – interest rate swaps	-	1,109	-	1,109	1,109

^ excludes prepaid establishment costs

Contractual maturities of financial liabilities At 30 June 2016	Within 1 year $'000	Between 1 and 5 years $'000	> 5 years $'000	Contractual cash flows $'000	Carrying amount liabilities $'000
Non-derivatives					
Trade payables and other payables	53,204	925	-	54,129	54,129
Bank loans^	3,426	130,946	-	134,372	126,250
Lease liabilities	4,277	4,696	-	8,973	8,281
Total non-derivatives	60,907	136,567	-	197,474	188,660
Derivatives					
Net settled – interest rate swaps	-	1,663	-	1,663	1,663

^ excludes prepaid establishment costs

13 | FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

AASB 13: Fair Value Measurement, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's applicable financial assets and financial liabilities measured and recognised at fair value at 31 December 2016 and 30 June 2016 on a recurring basis:

At 31 December 2016	Level 1 000's $	Level 2 000's $	Level 3 000's $	Total 000's $
Liabilities				
Derivatives used for hedging	**-**	**1,109**	**-**	**1,109**
Total liabilities				**1,109**

At 30 June 2016	Level 1 000's $	Level 2 000's $	Level 3 000's $	Total 000's $
Liabilities				
Derivatives used for hedging	-	**1,663**	-	**1,663**
Total liabilities				**1,663**

Valuation techniques used to derive level 2 fair values
The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Fair values of other instruments
The Group also has a number of financial instruments which are not measured at fair value in the consolidated balance sheet. The financial instruments have the following values:

Details	31 Dec 2016 Carrying amount $'000	31 Dec 2016 Fair value $'000	30 June 2016 Carrying amount $'000	30 June 2016 Fair value $'000
Bank loans^	186,749	185,494	126,250	127,809
Lease liabilities	6,148	6,388	8,281	8,489
Total borrowings	192,897	191,882	134,531	136,298

^ excludes prepaid establishment costs

The carrying amounts of cash and cash equivalents, trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The directors of the company declare that:

a) The consolidated financial statements, comprising; the income statement and statement of comprehensive income; balance sheet; statement of cash flows; statement of changes in equity; and accompanying notes, are in accordance with the *Corporations Act 2001* and:

   (i) Comply with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001;* and

   (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.

b) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Robert McKinnon
Chairman

Perth
22 February 2017

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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 consolidated balance sheet as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 company 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 company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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 review 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 2016 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

BDO

Dean Just

Director

Perth, 22 February 2017