'17

toxfree

Annual Report

Toxfree Solutions Ltd

ABN 27 058 596 124

safe. reliable. sustainable.

toxfree

CONTENTS

FY17 Highlights

Toxfree partners with customers to deliver tailored, innovative and efficient waste management solutions and produced strong underlying earnings growth

Underlying Non IFRS Results 2017

Revenue	EBITDA*	NPATA*	Dividend	Cash Conversion**
$496.1m	$82.8m	$28.6m	9.5cps	91%
↑ 26%	↑ 14%	↑ 14%	↑ 6%	

Statutory IFRS Results 2017

Revenue	EBITDA	NPATA	Dividend	Cash Conversion
$496.1m	$68.7m	$16.8m	9.5cps	110%
↑ 26%	↑ 15%	↑ 12%	↑ 6%	

Acquired Daniel's Health - Australia's largest provider of healthcare waste treatment services

Diversification strategies successfully reduced earnings concentration risk

Maintained successful track record of contract wins – awarded contracts totalling over $100m of revenue in FY17

Focused on improving return on invested capital – undertook effective asset swap with JJ Richards[1]

Australia Business Awards winner for Human Resource Management 2016 – "Closing the Gap" initiative re-defined approach to indigenous engagement

toxfree fuel
recovered · energy

Demonstrated leadership in environmental sustainability – developed Toxfree Fuel solution, transforming waste into fuel

1. Asset swap at equivalent earnings (EBITDA) and asset value
** Gross operating cast flow to EBITDA
*Non-IFRS Financial Information - Normalised for non-operational adjustments – see Table 2 on page 30

Experienced Board of Directors and Executive team

Dedicated directors with over 150 years of combined corporate experience

ROBERT McKINNON
Non-Executive Chairman

STEVE GOSTLOW
Managing Director

MICHAEL HUMPHRIS
Non-Executive Director

RICHARD ALLEN
Non-Executive Director

KATHY HIRSCHFELD
Non-Executive Director

DAVID McARTHUR
Company Secretary

Strong executive team with significant industry, financial and technical expertise

MICHAEL CONSTABLE
Chief Financial Officer

PETER GOODWIN
Chief Operating Officer

JASON DIXON
Executive General Manager
Corporate & Risk

SARAH BAGSHAWE
Executive General Manager
Human Resources

JOSH BOVELL
Chief Information Officer

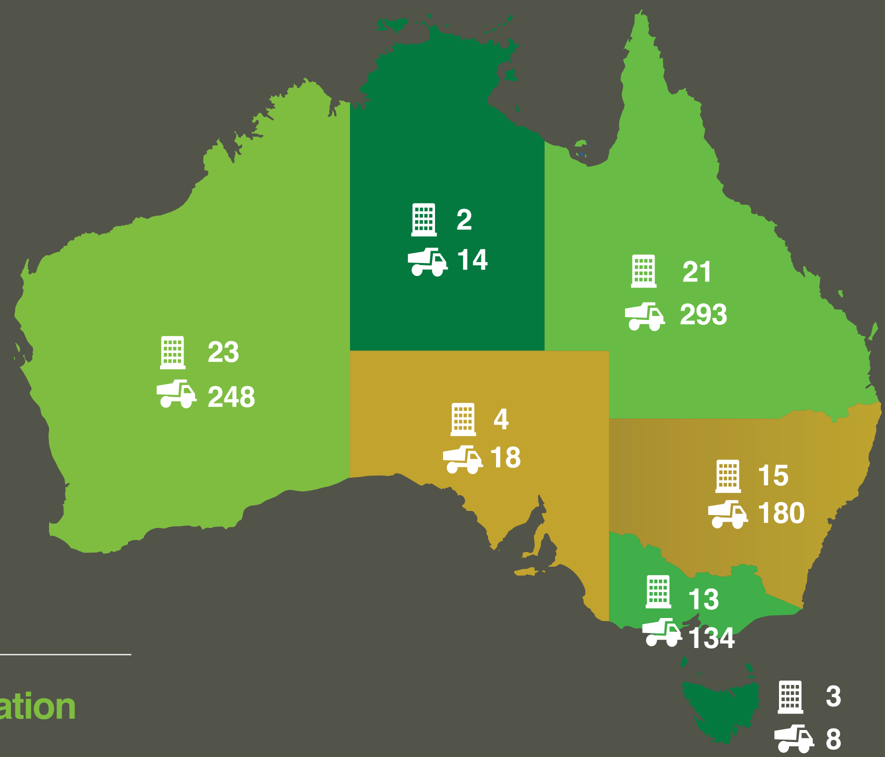
Leading specialist waste management company

Extensive operating network with nationwide coverage

1,564
Employees

81
Operating locations

895
Vehicles



Strong reputation for innovation and technical excellence

Toxfree's deep technical expertise across a broad range of hazardous and specialty waste streams reflects a capability and passion for developing effective, safe technology solutions with a positive environmental impact.

Toxfree will continue to commit significant resources to technical improvement and innovation, to meet evolving customer needs and provide best-practice waste management solutions.

A decade of transformation through growth, acquisition and investment

Through strategic acquisitions, innovation and investment, Toxfree has transformed into a highly diversified waste management provider

Exposed to attractive, high growth markets

Waste management market thematics are supportive of continued growth

AUSTRALIAN POPULATION AND ECONOMIC GROWTH TO DRIVE INCREASED WASTE GENERATION

- Population forecast to grow ~20% in the next decade[1]
- 2.2 tonnes of waste generated per capita, 60% of which is recycled or recovered[2]
- Forecast economic growth of 2-3% underpins increased waste generation from industry and construction[3]

NATIONAL AND INTERNATIONAL REGULATION TRANSFORMING THE INDUSTRY AND INCREASING DEMAND FOR DEVELOPED WASTE TREATMENT AND RECOVERY

- Increased levels of Government regulation as the impacts of the National Waste Policy 2009 are implemented through the National Environment Protection Measures
- Increased focus on product stewardship programs

TECHNOLOGICAL DEVELOPMENTS AND CHANGING MARKET DYNAMICS TO DRIVE INCREASED OPPORTUNITIES FOR WASTE TREATMENT AND RECOVERY

- Evolving scalability and effectiveness of waste treatment technologies making recovery and reprocessing more competitive and tailorable
- Increased diversion from landfill as levies, legacy costs and declining metropolitan capacity make landfill less competitive
- Increasing sophistication of customers and companies seeking sustainable solutions

1 ABS Population Projections, Australia, 2012 (base) to 2101.
2 Blue Environment – Waste Generation and Resource Recovery in Australia, 2010-2011.
3 Commonwealth of Australia, Budget 2017-18.

Strong fundamentals underpin high forecast growth in target markets[1]

1. insidewaste, Industry Report 2014-15, IBIS – Waste Disposal Services in Australia 2012 and Toxfree estimates.

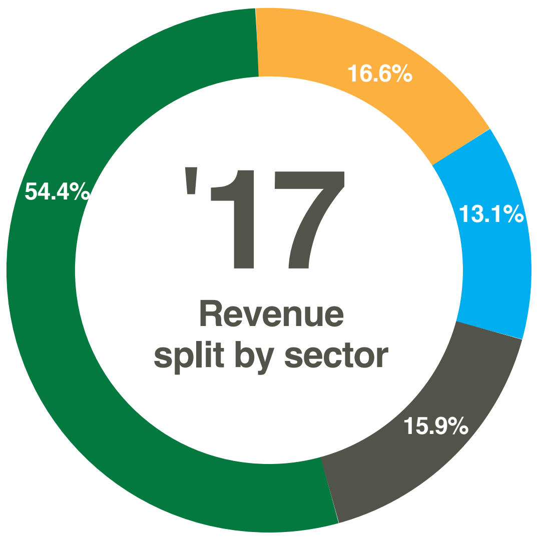
Integrated full-service waste management platform

Four core service lines form the foundation of Toxfree's comprehensive service offering for customers

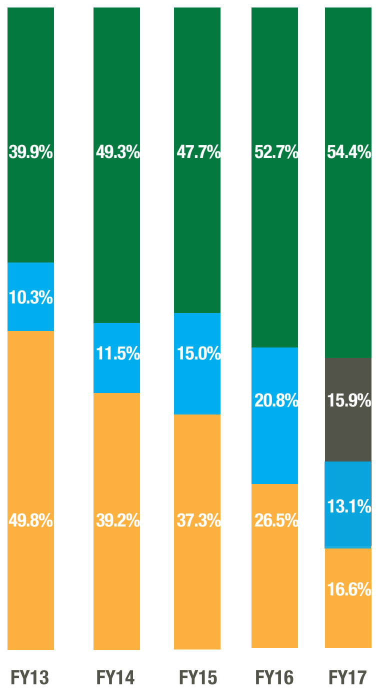
	Healthcare	Technical and Environmental	Waste Services	Industrial Services
Overview	Sharps & specialist medical waste collection and processing using proprietary technology	Specialist industrial and hazardous waste treatment and recycling	Solid and liquid waste collection and recycling	Industrial cleaning and asset maintenance
Customers	Hospitals Medical centres Pathology providers	Government product stewardship Mining Oil and gas Electrical utilities Universities Hospitals	Industrial Infrastructure Government Mining Oil and gas	Infrastructure Water authorities Councils Industrial Refining Oil and gas
Key services	Sharps management Medical waste Pharmaceutical waste Healthcare hazardous waste Quarantine waste	Hazardous and chemical waste Household hazardous waste Persistent organic pollutant management Industrial wastewater Contaminated site remediation e-waste recycling Gas destruction Environmental services compliance Waste tracking and reporting	Solid waste management (e.g. general waste, cardboard, plastics, glass) Bulk liquid waste management Resource recovery and recycling Landfill management	High pressure cleaning Pipeline commissioning and servicing Tank cleaning Vacuum loading Non-destructive digging Industrial coatings Chemical cleaning Emergency response
Key assets	Sharpsmart Clinismart Automated washing lines Autoclaves Incinerators	Treatment facilities Plasma Arc Coldevap HazPak BluBox Physiochemical treatment	Waste and truck depots Solid waste trucks Liquid and vacuum and tankers Material recovery facilities	Robotic hydro demolition Liquid and heavy vacuum tankers Non-destructive digging equipment High pressure cleaning equipment

Diversified operations

Toxfree's diversification strategy has successfully reduced earnings concentration risk

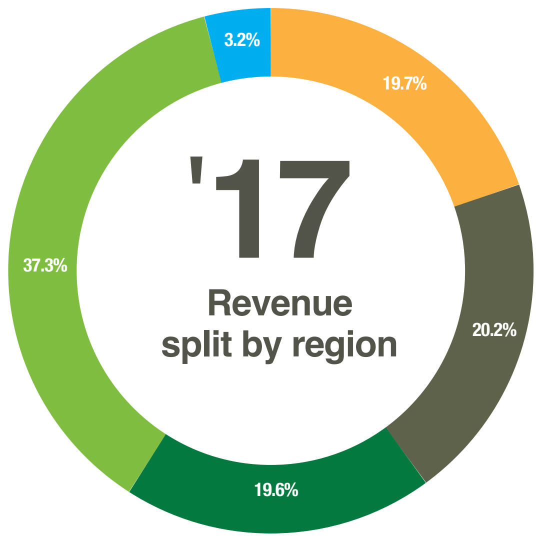


RESOURCES - CONSTRUCTION
RESOURCES PRODUCTION
HEALTH
NON RESOURCES



RESOURCES CONSTRUCTION
RESOURCES PRODUCTION
HEALTH
NON RESOURCES

annualised to reflect a full year contribution from Daniels



NSW
QLD
VIC/TAS
WA
NT/SA

Large, broad customer base with over 25,000 customers

annualised to reflect a full year contribution from Daniels

FY18 strategic priorities

Toxfree will leverage its technical expertise, brand positioning and excellence in customer service to drive near-term organic growth

INCREASE FOCUS ON ORGANIC GROWTH	Cross-sell additional services to existing customers	Grow market share in existing markets	Focus on longer term contracts with recurring revenue
OPTIMISE ASSETS AND PROCESSES TO IMPROVE PROFITABILITY	Improve plant and fleet utilisation	Leverage buying power to generate procurement savings	Improve earnings per share and return on invested capital through capital allocation and recycling initiatives
GROW IN NEW MARKETS	Expand core service offering	Target new high-growth markets	Explore opportunities to infill geographic footprint
TECHNOLOGY AND SAFETY INNOVATION	Develop and adopt new best-practice technologies	Focus on implementing effective safety initiatives	Engineering to increase productivity and reduce manual handling

Delivering value by expanding customer relationships

Extension of total waste management services to the Queensland healthcare sector

- As part of the Toxfree Group, Daniels Health is now able to provide integrated total waste management solutions, delivering additional services and deepening the customer relationship with existing Daniels Health customers
- Daniels Health has historically only provided sharps, clinical and related waste services but these services have now grown to include general waste, cardboard and paper recycling, comingled recyclables, secured document destruction and grease trap services
- Total waste management services are now provided to ten hospitals, eighteen age care facilities, three health care centres and four other specialist health centres across south-east Queensland

Market leading technology
Daniels Health Sharpsmart system

Australia's most widely used sharps disposal system

- Proprietary sharps management system developed in close consultation with medical practitioners to eliminate sharps injury risk, reduce infection transfer and minimise environmental impact
- Clinically proven as the world's safest and most environmentally responsibly sharps management system

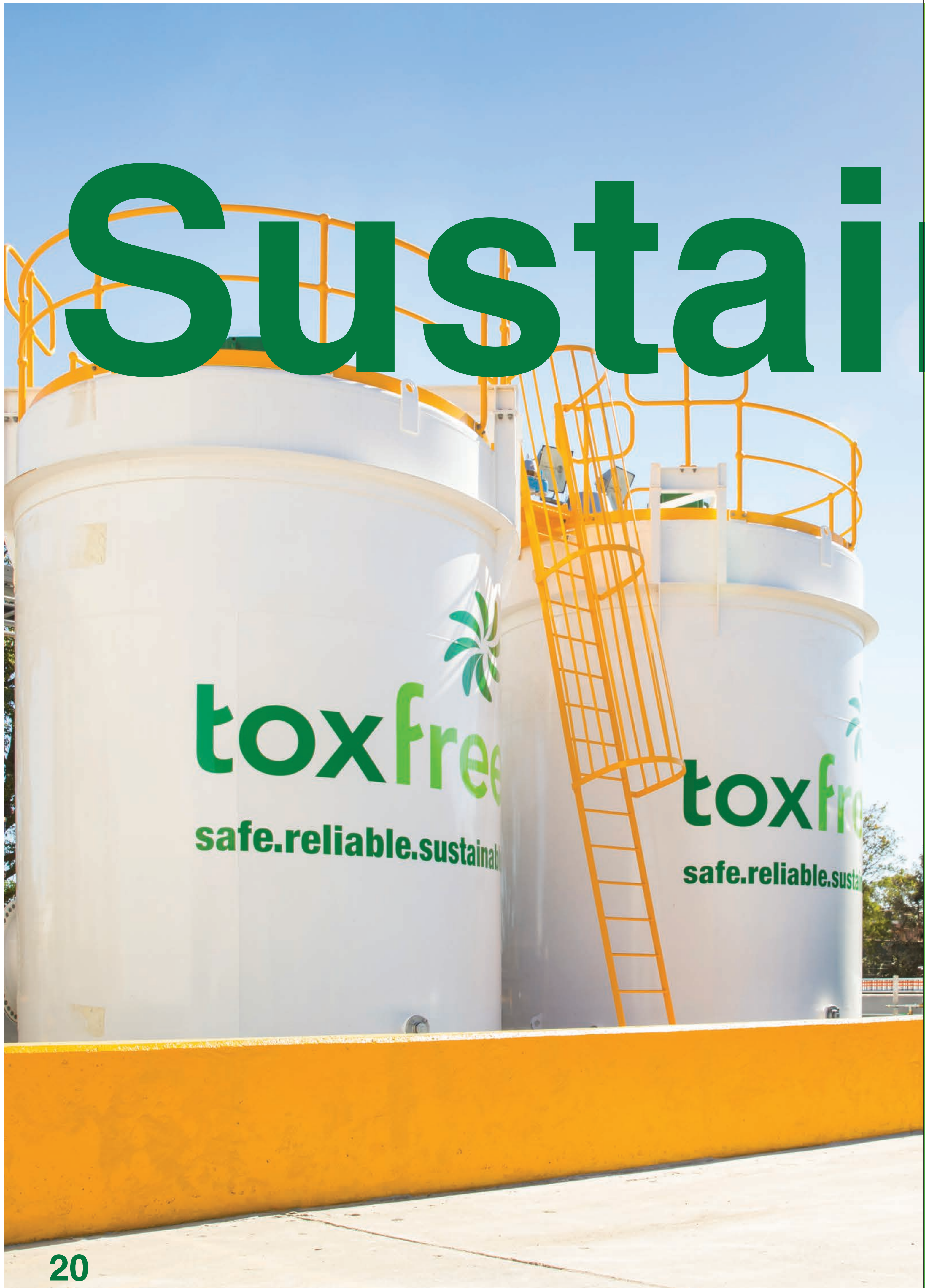
20k	estimated number of sharps injuries prevented since 1999
10k	customers
940k	kilograms of disposable sharps containers eliminated from landfills each year by using reusable Sharpsmart collectors
2.8m	Sharpsmart collectors serviced for re-use each year

Daniels Health has over 30 years of experience in making healthcare safer through technological innovation

Daniels
MAKING HEALTHCARE SAFER
Part of the toxfree Group

Toxfree works closely with customers to develop integrated waste management solutions which effectively meet their needs

- Fortescue Metals Group (FMG), a global leader in the iron ore industry, is widely recognised for its commitment to build long term, sustainable partnerships with indigenous businesses
- In 2011, Toxfree established an indigenous subsidiary, PT Environmental Services (PTES), to create engagement, training and ownership opportunities for indigenous communities across the Pilbara
- PTES was awarded contracts with FMG for waste management services including landfill management, liquid waste collections, front lift, hazardous waste management and recycling at Cloud Break and Christmas Creek mine sites in 2012, employing 11 people
- Today this has led to the establishment of two Toxfree joint venture businesses with local indigenous ownership, PTK Environmental Services (PTK) a joint venture with a traditional owners from the Nyiyaparli and Palyku people (King Kira) and PTW Environmental Services (PTW) a joint venture with the traditional land owner business Wintawari Guruma Enterprises Pty Ltd. The joint venture companies now employing a total of 48 people, 32% of which are indigenous Australians
- PTK has recently been awarded a long-term contract with FMG for site-wide waste management services across the Solomon, Christmas Creek and Cloudbreak mines as well as the port and rail
- PTW is currently working with FMG across the Solomon mine and the port and rail, providing industrial services to FMG's iron ore operations
- Toxfree is proud that, with its joint venture partners, it has grown and developed into a well respected and efficient diversified indigenous contractor in the Pilbara



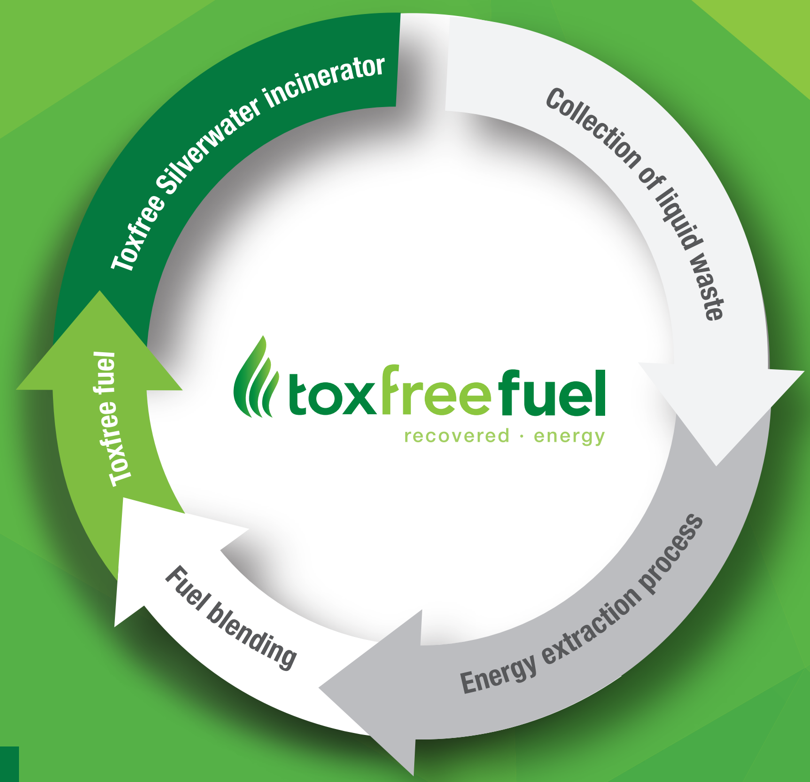
Sustainable and responsible organisation

Striving towards sustainable and environmentally conscious waste solutions

Toxfree is committed to embedding sustainability in its culture, values and operations and continues to find new and innovative ways to create long-term growth while minimising environmental footprint

Toxfree Fuel - improving sustainability by transforming waste into resources

- Exciting and innovative resource solution developed by Toxfree to transform various liquid waste products into fuel for industrial applications
- Enables Toxfree to leverage waste volumes and technology to minimise environmental impact while also reducing the impact of continued energy price increases
- Waste fuel blends utilised at Toxfree's Silverwater incinerator offset natural gas usage
- Further applications for Toxfree Fuel are in various stages of development



200,000 litres of Toxfree Fuel supplied through Toxfree Silverwater facility since inception

Proactive and collaborative approach to safety

Developing a workplace that is incident and injury free is a given at Toxfree. This involves an ongoing commitment to working safely, with an emphasis on ownership and accountability, in addition to recognising and rewarding positive safety behaviours

Harmfree Hero - Shaun Liptak

- In April 2017 a client asked Shaun's team to undertake a task in an area where a compressor blow was scheduled to occur, contradicting advice Shaun received from safety personnel
- Shaun exerted his stop work authority in order to clarify the relevant exclusion zone for the compressor blow and ensure Toxfree employees were not being exposed to an unsafe environment
- Shaun's decision to do so was proven correct, potentially avoiding a very serious incident
- The safe behaviour displayed by Shaun was highly commendable and embodied Toxfree's values of **safe.reliable.sustainable**

Chairman and Managing Director's letter

Dear Shareholders

Toxfree has grown significantly over the past decade. The organisation now employs over 1,550 people working across 81 operating locations throughout Australia. Those employees are servicing more than 25,000 customers across a range of sectors. This business platform has been developed through a program of strategic acquisitions and organic growth facilitated by investment in technology and people. Our near-term strategy is to optimise this platform through organic initiatives.

In FY17 we completed a transformational acquisition, delivered solid financial results, invested significantly in technological innovation and provided exceptional service to our customers, strengthening Toxfree's position as the market-leading specialist waste management company.

Transformational acquisition

In December 2016, Toxfree significantly expanded its specialist waste management capabilities, entering the attractive healthcare market by acquiring Daniels Health Australia (Daniels). Strategically and financially, this acquisition was highly compelling. Servicing the healthcare market generated approximately 25% of Toxfree's Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) for the second half of FY2017.

Daniels' position as the leading provider of medical waste solutions, collections and treatment in Australia, combined with its technical expertise, intellectual property and strong customer relationships, ensured it was a highly complementary fit to the Toxfree brand and strategy.

We expect continued growth in the healthcare market, underpinned by strong industry fundamentals, including Australia's ageing population and developments in treatment capabilities and infection control.

In addition to organic growth and cost synergies, we are also confident in our ability to cross-sell additional services to Daniels' large customer base, generating incremental revenue opportunities for Toxfree.

This acquisition has materially improved the risk profile of the Toxfree business through greater diversification of revenue and industry exposure and ensures we are better positioned for continued growth and success.

FY17 financial and operational performance

We are pleased to report that Toxfree performed well in FY17, growing revenue by 26% to $496.1m over the period. This growth was driven by a seven-month contribution from Daniels and continued momentum in Toxfree's east coast operations. Challenging market conditions in the Western Australian resources sector impacted the Company's performance. Notwithstanding this we won several new contracts for large-scale resource production projects in FY17 that will contribute to earnings in the latter half of FY18.

Underlying EBITDA of $82.8m increased by 14% before unusual items of $14.1m. Underlying Net Profit after Tax Pre-Amortisation (NPATA) increased 14% to $28.6m with 2016 statutory NPATA increasing 12% to $16.8m. Business mix changes and increased competition resulted in operating margin pressures. We are confident that the continued diversification of our earnings base and further progress in relation to operating efficiencies and synergies from integration will help us to protect, and grow our margins going forward. Our underlying Net Profit after Tax (NPAT) increased by 4% to $24.1m having been impacted by a significant step up in non-cash amortisation charges following the acquisitions of Worth in late FY16 and Daniels in FY17. Statutory NPAT decreased by 5% to $12.4m (2016 $13.1m).

Toxfree's capital management strategy remained focussed on maximising returns for shareholders whilst providing financial strength and flexibility to pursue future growth opportunities. As a result, Toxfree has reduced its net debt to equity ratio since the time of the Daniels acquisition to 41%, thereby improving the strength of the balance sheet.

Toxfree announced a fully franked final dividend of 5.0 cents per share, taking the full-year dividend to 9.5 cents per share which is a 6% increase on FY16. The dividend payout ratio of 76% of underlying NPAT is higher than prior years, reflecting the Board's careful consideration of the Company's cash flows, capital expenditure requirements and the timing of the Daniels settlement.

Toxfree worked hard throughout the year to enhance our customer service and we believe we continued to demonstrate excellence in this area.

Our strategy

Our short-term strategic priority is to drive value and growth from our core business while maintaining an appropriate cost base.

Specifically, we will:

- Increase our focus on organic growth by cross-selling additional services to existing customers, growing market share and transitioning our work mix to longer term, recurring revenue;
- Optimise our assets and processes by improving utilisation of our plants and fleet, with procurement initiatives to save costs and improving our earning per share and return on capital through capital recycling initiatives;
- Grow in new markets by expanding our service offering, entering markets identified as high-growth and infilling our geographic footprint across Australia; and
- Innovate in the areas of technology and safety to develop and adopt new best practices.

We believe our strategy will be supported by positive market drivers in the waste management market, such as population growth, tightening regulation and increased recycling and diversion from landfill, as well as specific factors within our target markets. Toxfree is well positioned to capture and benefit from this market growth.

Technological excellence and culture of innovation

As technology development and innovation in our industry accelerates, we are striving to remain ahead of the curve by providing the best and most efficient waste management solutions for our customers.

During FY17, we committed approximately $6m of capital to developing and implementing innovative solutions in an evolving market which improve operating processes and enhance productivity. This included our investment in BluBox electronic waste (e-waste) recycling technology. BluBox processes e-waste such as televisions, mobile phones and computers in a safe and efficient manner. Toxfree's BluBox recycling plants in Victoria and New South Wales contain sophisticated next-generation processing technology which maximises e-waste recycling and recovery, ensuring we are positioned as a provider of choice in this fast-growing market.

Safety and sustainability

Toxfree maintained its reputation as a proactive and responsible corporate citizen in 2017, reinforcing our firm commitment to employee safety in addition to reducing the environmental impact of our operations.

The safety of our employees is paramount and we endeavour to provide a safe, secure and positive workplace. This year, we implemented many safety initiatives focussed on reducing risk in the workplace. Two specific areas that have been a target of our attention are manual handling and mobile fleet and we have made good progress in reducing the risk of incident in these areas. Our Total Recordable Incident Frequency Rate was maintained at 6.7, and includes the Worth employees that joined Toxfree in May 2016. A key focus this year is the integration of Daniels and the alignment of our safety values

Sustainability is integral to the way in which Toxfree operates and we continue to dedicate resources to finding new ways to minimise our environmental footprint. One such initiative, of which we are immensely proud, is the development of Toxfree Fuel which is produced by transforming liquid waste products into fuel. We consider ourselves to be pioneers in this space and we look forward to making further progress in the coming years.

Our people

Our employees are integral to our ongoing success and we would like to acknowledge and thank them for their dedication and efforts over the course of the year.

We understand that harnessing the talent within and building capability across our workforce is critical to our success and in FY17 we continued to invest in employee training and development initiatives.

We were delighted to be named as the Australian Business Awards winner for Human Resources Management, recognising our Indigenous Traineeship Program which formed part of our "Closing the Gap" initiative.

Developed with the assistance of Aboriginal Elders, this program supports indigenous trainees by providing one-on-one mentoring in addition to educational programs. We are very proud of our involvement in this program and look forward to welcoming many new indigenous trainees into the Toxfree family in the future.

Outlook

The fundamentals of Toxfree's business remain sound and we believe we have significant opportunity ahead of us. Our established platform will enable us to execute our clear strategy, delivering future growth and maximising shareholder value.

In the short term our focus remains on the integration of Daniels and the realisation of synergies between the two organisations. There is significant synergy upside still to be realised as we progress the expansion of the two incinerators' capability and use of Toxfree fuel. We have also commenced the expansion of total waste management (TWM) services in the Sydney and Melbourne markets for our existing health and industrial customers. These two markets are the largest in Australia and Toxfree is confident in our ability to capture market share through our unique service offering and management of all waste types produced from our target customers within these areas. We also expect strong underlying growth in the health sector. The Health Services division is becoming the strongest, most defensive and highest returning business within the group and we expect this momentum to continue in years to come.

Within the resources sector the majority of construction activity has now finished. By the end of the calendar year the business is expected to reach an inflection point in which declining revenues from this sector will have abated. This marks the end of Toxfree's transition from the construction cycle to production and we look forward to more stable market conditions. Over the last five years Toxfree has strategically diversified the business into a broader range of market sectors, reducing the cyclicality of revenue which we have endured over recent years.

The Company has recently been successful in the award of several large production contracts within the resource sector. Services will progressively increase for recently awarded contracts for FMG's industrial services, Inpex's Ichthys project based in Darwin and waste services for Rusca Environmental Solutions for the Shell Prelude contract to name a few.

FY18 earnings growth is expected from a full-year contribution from Daniels, realisation of synergies, expansion of TWM services, new contracts commencing and organic growth of the existing business within the civil infrastructure, regulated and industrial sectors. This will largely offset the decline in earnings from contracts and resource construction activity that has contributed to FY17 earnings but will not continue into FY18. Recognising this, the Company is forecasting FY18 growth in underlying EBITDA of up to 4%.

Our business development pipeline remains strong and the Company is confident in its ability to continue to win market share across Australia.

We would like to thank our customers and shareholders for their continued support throughout the financial year.

Yours sincerely

Robert McKinnon
Non-Executive Chairman

Stephen Gostlow
Managing Director

Review of operations

Financial overview

Financial year 2017 was another successful year for Toxfree (the Company). Highlights included Toxfree's entry into the health sector through the acquisition of Daniels Health Australia (Daniels), growth in the Company's east coast businesses driven by momentum in infrastructure development and implementation of new waste treatment technologies to further improve business performance.

On the West Coast of Australia there was a further decline in activity from the resource sector however this was offset by growth from east coast operations and 7-month contribution from Daniels.

The Company delivered sound financial results. Revenue increased by 26% to $496.1m, underlying Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) increased by 14% to $82.8m and underlying Net Profit after Tax Pre-Amortisation (NPATA) increased by 14% to $28.6m*. Amortisation for FY17, post the acquisition of Daniels, increased to $4.4m and will increase again in FY18 to $5.0m. The amortisation of intangibles is a non-cash accounting adjustment. Underlying Net Profit After Tax was $24.1m an increase of 4% on FY16.

The Group's debtor days sales outstanding (DSO), excluding work in progress, was 51 days at the end of the period and associated gross cash flows from operations of $75.3m were 91% of EBITDA*.

Because of the Daniels acquisition, Toxfree's total borrowings increased to $191m at year end with a net debt to equity ratio of 41%.

Net Capital investment in plant and equipment was $36m (FY16: $32m) which included the completion of Hazpack, BluBox, the Toxfree Fuel project in NSW and the upgrade of the Daniels Silverwater facility.

The Board has announced the payment of a final dividend of 5 cents (FY16: 4.5 cents) per ordinary share, which will be fully franked based on tax paid of 30%. The 5 cents per share dividend represents a payout ratio of 65% of underlying NPATA and 76% of underlying NPAT*.

The Board decided to increase the final dividend per share in consideration of the Company's strong cash flow, capital expenditure requirements whilst acknowledging that the timing of the Daniels settlement meant the Company had a larger issue of shares with only seven months trading from Daniels. The dividend record date is 14 September 2017 and the payment date is expected to be 6 October 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 Friday 18th August 2017 to Thursday 14th September 2017. No discount will be applied to shares issued or transferred under the DRP.

*Non-IFRS Financial Information - Normalised for non-operational adjustments – See Table 2 on Page 30.

Market sector overview

Health

A highlight this financial year was the acquisition of Daniels, Australia's largest provider of sharps and medical waste services. Daniels has a strong business model which leverages proprietary technologies such as Sharpsmart and Clinismart reusable collection systems in addition to state-of-the-art robotic wash lines and medical waste treatment and destruction facilities.

Daniels has approximately 300 employees in Australia across 17 sites, operates two incineration facilities in Sydney and Melbourne and is a 50% shareholder in a joint venture in New Zealand.

The acquisition of Daniels provides Toxfree with exposure to the attractive and high-growth health sector and opportunities for significant synergy benefits, expands our service offering and further diversifies our customer base.

The health sector has a high level of recurring revenue and the market has demonstrated consistent growth over the last decade through fundamental drivers including Australia's growing and ageing population, more stringent regulation, increased prevalence of chronic illness advances in medical treatments and new technologies.

Daniels was acquired on 1 December 2016 and contributed seven months of trading to the FY17 result. The business has performed well during this period, generating EBITDA of $13.8m, in line with Toxfree's expectations and providing a platform for continued growth in the future.

Infrastructure

In FY17, there was high demand for industrial services in the infrastructure sector, particularly in New South Wales (NSW) and Victoria. Underlying EBITDA increased by 33% on FY16, benefiting from the addition of services in NSW from the Worth Recycling (Worth) acquisition. Toxfree expects this momentum to continue with over $50 billion of infrastructure spending forecast to occur over the next five years[1].

Resources

Waste volumes and earnings from the resource sector continued to decline in the period as construction projects in Western Australia and Queensland completed and fewer new projects were initiated.

EBITDA from resource construction activities reduced by $12.4m* but, importantly, the Company achieved good organic growth. New contract wins for producing assets such as the Inpex-led Ichthys project, Gladtone LNG (GLNG) Prelude FLNG, Fortescue and BHP's Olympic Dam will provide further growth for Toxfree in FY18.

Technical and Environmental Services

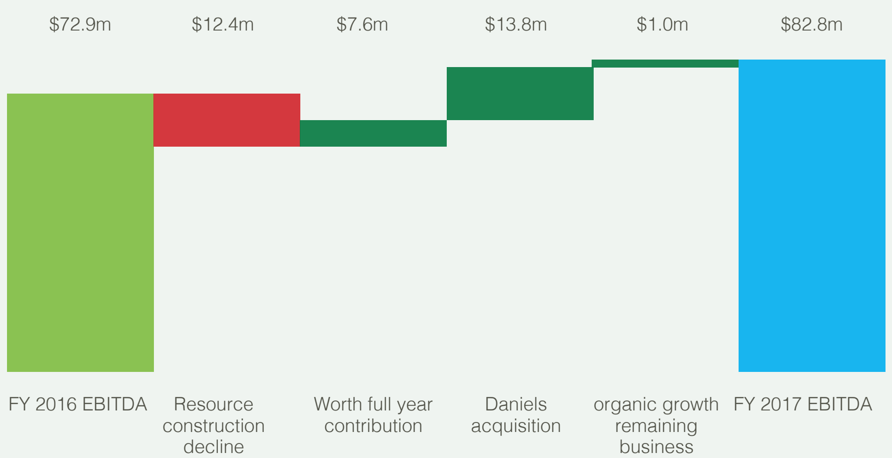
Toxfree has successfully diversified the business to focus on the management of newly emerging waste streams such as household hazardous wastes and electronic wastes (e-waste). Toxfree invested in state-of-the-art treatment technologies in late FY17 to sustainably and effectively manage these waste streams going forward.

Over the period, Toxfree successfully commissioned an automated container de-packaging unit, Hazpak, which efficiently manages the separation of waste materials from containers for recycling and reuse and a BluBox electronic waste (e-waste) recycling plant in NSW to complement existing technologies and processes, ensuring Toxfree is well-positioned to manage this growing waste stream safely.

The recent award of NSW EPA contracts for the management of household hazardous waste for all NSW mobile collection events was a highlight for FY17. This complements our existing services with NSW EPA for the management of fixed-facility community recycling centres. Waste streams generated from households typically include paints, batteries, gas cylinders and pool chemicals.

[1]*Commonwealth of Australia, Budget 2017-18*

EBITDA* FY16 to FY17



**Non-IFRS Financial Information - Normalised for non-operational adjustments – see Table 2 on page 30*

Summary of results

Table 1 Group results

Group results	Statutory IFRS result 2017 $'000	Exclusion Adjustments $,000	Underlying Non IFRS result FY17 $'000	Underlying Non IFRS result FY16 $'000	% Change from FY16
Revenue - Services	496,115	-	496,115	393,380	26%
EBITDA	68,734	14,069*	82,803	72,875	14%
Amortisation	(4,438)	-	(4,438)	(1,914)	132%
Depreciation	(36,878)	-	(36,878)	(31,594)	17%
EBIT	27,418	14,069*	41,487	39,367	5%
Finance expenses	(7,246)	-	(7,246)	(6,154)	18%
Profit before tax	20,172	14,069*	34,241	33,213	3%
Income tax expense	(7,785)	(2,322)*	(10,107)	(9,957)	2%
Profit after tax pre-amortisation	16,825	11,747*	28,572	25,170	14%
Profit after tax	12,387	11,747*	24,134	23,256	4%
Profit attributable to Toxfree Owners	12,376	-	12,376	12,608	(2)%
Non-controlling interest in profit	11	-	11	446	(98)%
Earnings per share (cents) ordinary holders	7.1	6.7*	13.8	16.7	(17)%
Shares on issue at reporting date ('000)	194,100	-	194,100	143,920	35%
Weighted average number of shares ('000)	174,415	-	174,415	136,573	28%
Dividend (cents per share)	9.5	-	9.5	9.0	6%
Gross cash conversion as a % of EBITDA	110%	-	91%	102%	(1,100)bps

**Non-IFRS Financial Information - Normalised for non-operational adjustments – see Table 2 on page 30*

Table 2 Exclusion adjustments

Non-IFRS Financial Information:

Statutory EBITDA reconciliation to Underlying EBITDA:

	FY17 $'000	FY16 $'000
Statutory EBITDA	**68,734**	**59,705**
Pre-tax exclusion adjustments:		
Acquisition, integration and rebranding costs	8,465	4,728
Impairment losses – Port Hedland	-	2,639
Asset write-offs and make good – vacated sites	1,994	1,019
Redundancy and restructuring costs	3,080	4,425
Site closure costs	530	1,426
Reduction in contingent consideration	-	(1,067)
Total Underlying adjustments relating to EBITDA	**14,069**	**13,170**
Underlying EBITDA	**82,803**	**72,875**
Total Underlying Adjustments relating to Income Tax	**(2,322)**	**(2,968)**

The Company has four reportable segments.

1. Health Services (HS)
2. Technical and Environmental Services (TES)
3. Industrial Services (IS)
4. Waste Services (WS)

Health Services

Results	FY17 $'000	FY16 $'000	% change
Revenue	50,809	NA	NA
EBITDA	13,814	NA	NA
EBITDA margins (%)	27%	NA	NA
Amortisation	1,542	NA	NA
Depreciation	2,296	NA	NA
EBIT	9,976	NA	NA
EBIT margins (%)	20%	NA	NA

Toxfree established the HS segment after acquiring Daniels on 1 December 2016. This segment performed well, contributing seven months of earnings within the FY17 financial year.

Operational integration of Daniels with Toxfree has progressed smoothly. Realisation of synergies is going well including the use of Toxfree Fuel as an alternative to natural gas in the Daniels incinerator in NSW. This saves natural resources and lowers operational costs. Work will commence on the upgrade of the Victorian incinerator in FY18 to enable additional Toxfree Fuel synergies to be realised.

The division saw good year-on-year growth in sharps collections, medical waste volumes, Clinismart collection bins and other laboratory products. Overall EBITDA was up 18% on FY16.

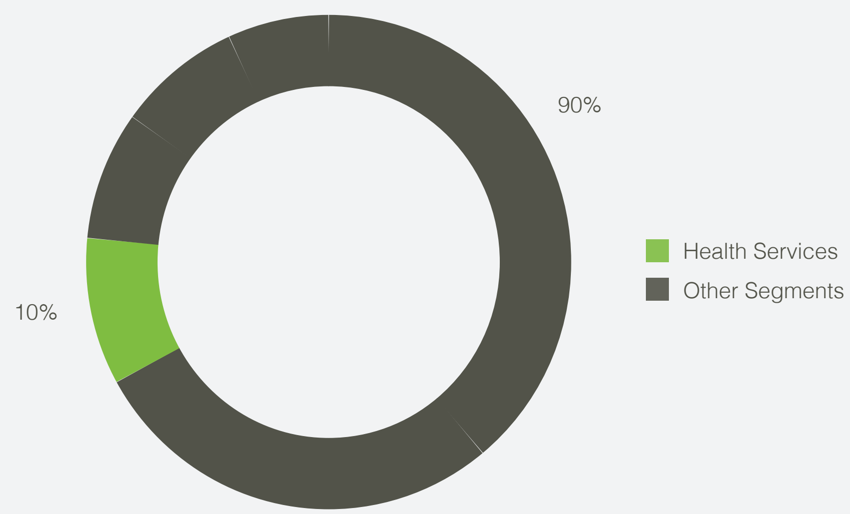
Market growth continued with the successful award of new contracts and the renewal of existing contracts with both pubilc and private hospitals, medical practices and other small healthcare providers across Australia.

The Victorian business was a highlight, achieving strong EBITDA growth of 20% in FY17. Daniels also increased its market share in Western Australia as services were provided to new hospitals. Western Australia achieved EBITDA growth of 20% through revenue growth and productivity improvements.

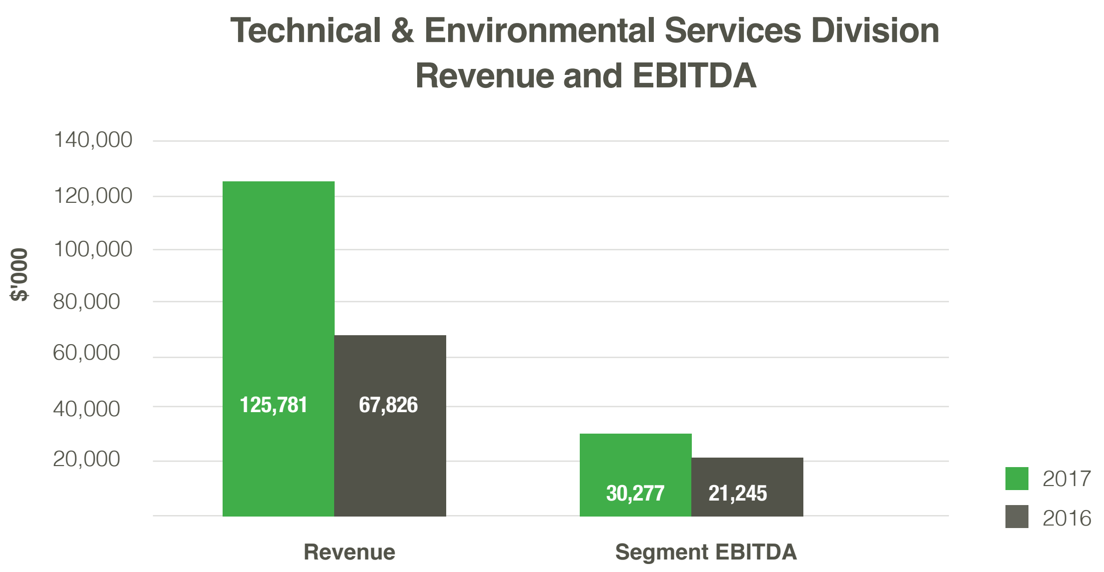
Pleasingly, Toxfree recently started providing total waste management services, including general waste collection and recycling, for a number of existing Daniels customers in Brisbane and Sydney, successfully expanding the range of services provided. Toxfree has also commenced providing similar services to a number of Daniels customers in Melbourne in FY18.

Toxfree expects organic growth to continue in this division as a result of additional volume growth, increasing market share, expansion of product and service offering and realisation of synergies with Toxfree's Technical and Environmental Services division. The increasing provision of total waste management services to Daniels customers in Brisbane, Sydney and Melbourne will also drive further growth opportunities for Toxfree.

FY17 Revenue as a Percentage of Group Revenue



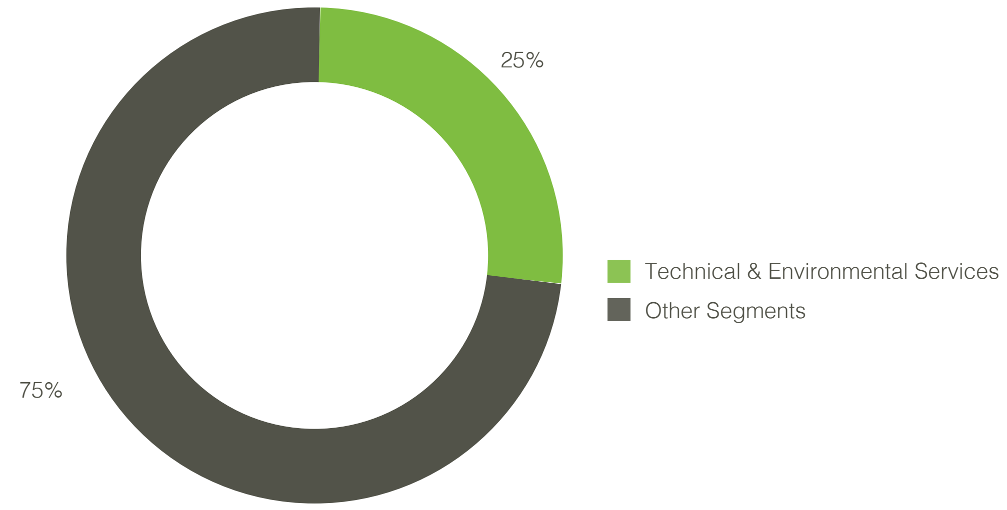
Technical and Environmental Services (TES)



Results	Statutory IFRS result 2017 $'000	Exclusion Adjustments $,000	Underlying Non IFRS result FY17 $'000	Underlying Non IFRS result FY16 $'000	% Change From FY16
Revenue	125,781	-	125,781	67,826	85%
EBITDA	29,857	420*	30,277	21,245	43%
EBITDA margins (%)	24%	-	24%	31%	(700)bps
Amortisation	1,165	-	1,165	678	72%
Depreciation	9.097	-	9,097	6,009	51%
EBIT	19,595	420*	20,015	14,558	37%
EBIT margins (%)	16%	-	16%	21%	(500)bps

**Non-IFRS Financial Information - Normalised for non-operational adjustments – refer to Tables 1 & 2 on pages 29-30 for further detail*

FY17 Revenue as a Percentage of Group Revenue



The TES division reported an improvement in underlying non IFRS EBITDA of 43% on FY16 (Statutory EBITDA improvement of 84%) primarily due to the additional nine months' contribution from Worth Recycling (Worth) which was acquired on 1 April 2016. Worth, (which has now been integrated and rebranded as Toxfree) is a leading industrial service, liquid waste treatment and contaminated soil remediation business operating throughout NSW. The business has several strategically licensed treatment facilities throughout NSW and is one of the largest providers of industrial services to the infrastructure and industrial sector.

After performing solidly in the first six months since acquisition, Worth did not meet expectations in the period from October 2016 to January 2017. This was due to an unusually dry summer in the Sydney region which resulted in a reduction in liquid waste volumes. Revenue was also affected by the earlier than anticipated completion of a soil remediation and industrial service project. The second half trading from February to end of the financial year was much improved as Sydney's rainfall returned to normal, generating greater volumes of liquid waste. There was also strong momentum in the civil infrastructure sector which resulted in increased revenue and volumes of liquid waste in the second half.

The contraction of the resource sector in Western Australia saw a general decline in volumes of waste within the Pilbara and Perth markets. Group EBITDA from this sector were down $12.4m on FY16. Pleasingly, it appears volumes of waste produced from these regions has now stabilised.

Volumes of household hazardous waste, including e-waste, increased in Sydney and Melbourne and volumes of waste from the manufacturing sector were stable.

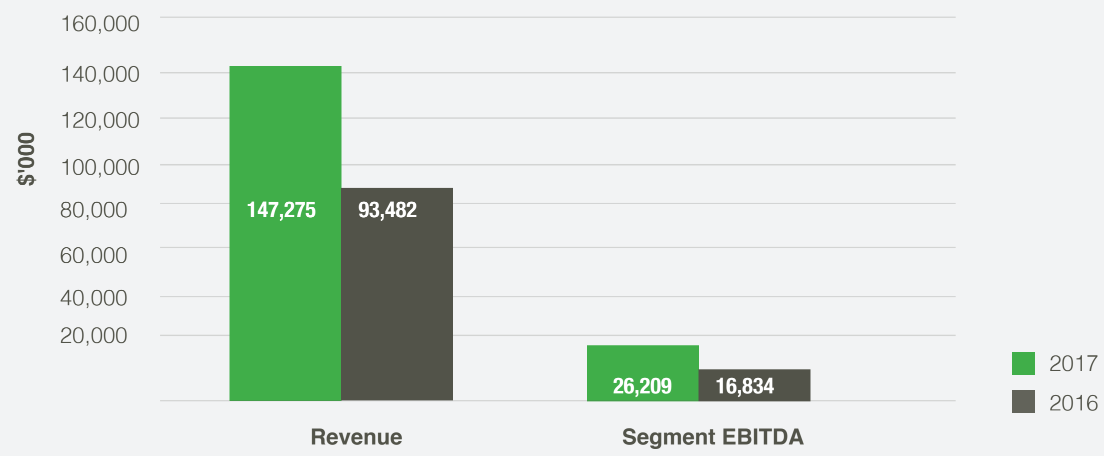
Highlights within TES include:

- Successfully completed the integration of Worth's liquid waste business in NSW into Toxfree's TES division;
- Awarded a total waste management contract with Glencore in the Hunter Valley coal fields;
- On behalf of the Western Australian State Government, successfully completed the remediation of the town of Yarloop that was devastated by bush fire in December 2016. This involved the demolition of over 187 fire-damaged houses and outbuildings and the removal of 80,000 tonnes of contaminated soil;
- Entered an agreement with Paintback Ltd for the states of Western Australia, Queensland, and Victoria which includes approximately 61 sites and further Toxfree sites around Australia that can accept paint as part of the scheme.
- Completed the construction of a new automated intrinsically safe container de-packaging unit called Hazpak in NSW that can efficiently process packaged hazardous chemicals;
- Expanded Toxfree's e-waste capabilities in NSW with the establishment of a second Blubox and an optical sorter for the recycling of electrical componentry;
- Completed one of the world's first toxicity and physiochemical testing programs for drilling waste fluids and solids from the oil and gas sector prior to disposal in a remote area of Papua New Guinea;
- Successfully developed a first of its type commercial perfluoroalkyl substances (PFAS) treatment capability for the newly emerging persistent organic pollutant waste stream which is contained in firefighting foam; and
- Successfully developed and commissioned the world's first dedicated hazardous chemicals decanting technology called Toxshield, designed to eliminate the risks associated with decanting hazardous chemicals.

Further development of technologies and programs to manage the treatment and recycling of mercury-related waste streams and naturally occurring radioactive materials (NORMs) produced by the oil and gas sector will continue in FY18.

Industrial Services

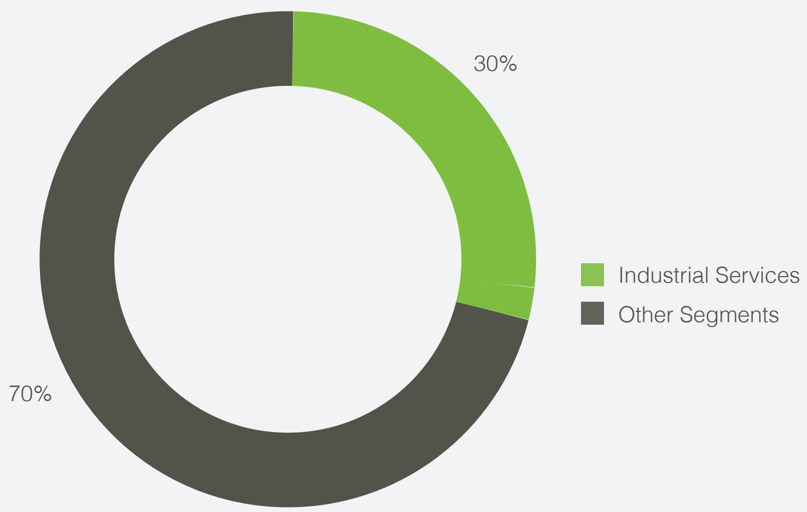
Industrial Services Division Revenue and EBITDA



Results	Statutory IFRS result 2017 $'000	Exclusion Adjustments $,000	Underlying Non IFRS result FY17 $'000	Underlying Non IFRS result FY16 $'000	% Change from FY16
Revenue	147,275	-	147,275	93,482	58%
EBITDA	25,578	631*	26,209	16,834	56%
EBITDA margins (%)	17%	-	18%	18%	0bps
Amortisation	628	-	628	-	100%
Depreciation	9,243	-	9,243	7,818	18%
EBIT	15,707	631*	16,338	9,016	81%
EBIT margins (%)	11%	-	11%	10%	100bps

**Non-IFRS Financial Information - Normalised for non-operational adjustments – refer to Tables 1 & 2 on pages 29-30 for further detail*

FY17 Revenue as a percentage of Group Revenue



The Industrial Servcues (IS) division performed strongly, improving earnings, margins and return on capital and increasing market share over the period. Growth was attributed to a full-year contribution from Worth industrial services in NSW, organic growth in the infrastructure sector on the east coast, increased scope of services for the Bechtel Wheatstone pre-commissioning contract in the Pilbara, full-year contribution from BHP Biliton (BHPB) Olympic Dam contract and contracts wins with GLNG, Origin and more recently Fortescue Metals Group.

The division expanded the scope of its services provided to the oil and gas refinery market with increased services on the Wheatstone LNG project to include: mechanical fitting and field engineering support, chemical cleaning, oil flushing, and remote visual inspection. In calendar year 2018 Toxfree will undertake tank cleaning services for one of the Shell refineries in Singapore using automated tank cleaning technology. This is Toxfree's first opportunity to provide services in Singapore and we look forward to this exciting expansion opportunity.

Toxfree's contract with BHPB for the Olympic Dam operations performed well, meeting both client and Company expectations. Services were performed without lost time injuries and additional remediation works will continue into FY18.

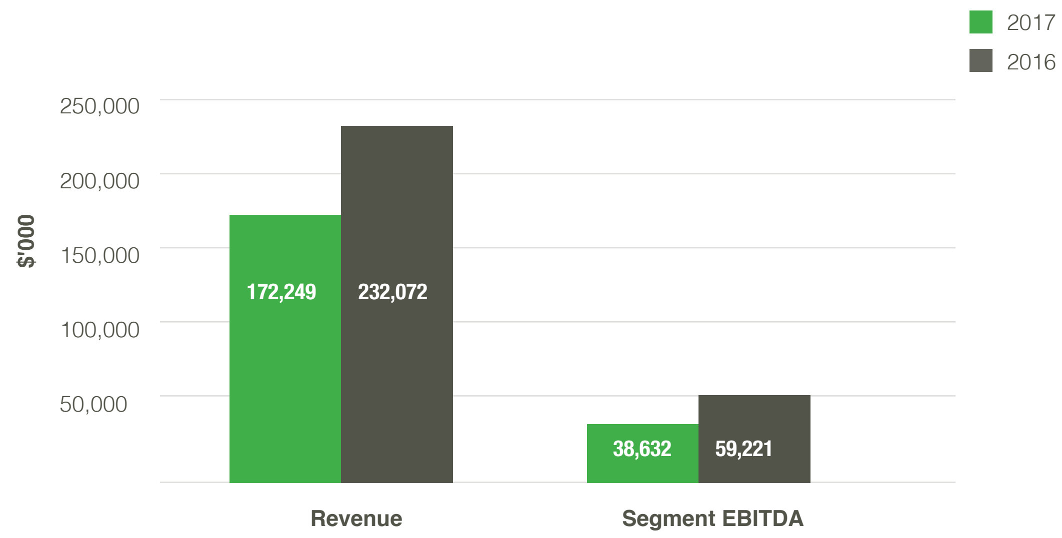
On 1 June 2017, Toxfree completed the sale of the Waste Services' Tasmanian and Rockhampton businesses and the purchase of JJ Richards' Central Queensland industrial business based in Roma. The transaction aligned to Toxfree's business strategy and provided opportunities for synergies with Toxfree's existing business in the region. Toxfree are also expecting growth in the Surat Basin through planned increases in drilling activity in the region.

Looking forward to FY18, both the GLNG and Origin contracts (direct and through Schlumberger) are expected to increase in the first half with increased drilling.

Finally, it is anticipated that the momentum in infrastructure projects on the east coast will continue in South East Queensland, Sydney and Melbourne, ensuring the IS division has a strong tender pipeline of opportunities for FY18 and beyond.

Waste Services

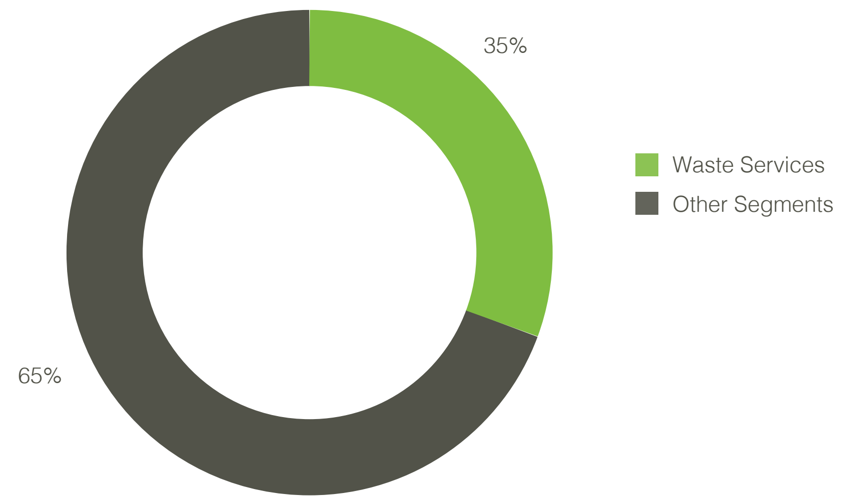
Waste Services Division Revenue and EBITDA



Results	Statutory IFRS result 2017 $'000	Exclusion Adjustments $,000	Underlying Non IFRS result FY17 $'000	Underlying Non IFRS result FY16 $'000	% Change from FY16
Revenue	172,249		172,249	232,072	(26)%
EBITDA	34,083	4,549*	38,632	59,221	(35)%
EBITDA margins (%)	20%	-	22%	26%	(400)bps
Amortisation	1,103	-	1,103	1,236	(11)%
Depreciation	14,336	-	14,336	16,070	(11)%
EBIT	18,644	4,549*	23,193	41,915	(45)%
EBIT margins (%)	11%	-	13%	18%	(500)bps

**Non-IFRS Financial Information - Normalised for non-operational adjustments – refer to Tables 1 & 2 on pages 29-30 for further detail*

FY17 Revenue as a Percentage of Group Revenue



The decline in the Waste Services (WS) divisional earnings is mainly attributed to the reduction in activity from the resource construction sector in Western Australia and Queensland. This resulted in an EBITDA reduction of 35% from FY16.

Waste volumes in Port Hedland, Newman, Tom Price and Karratha regions continued to decline during the year as construction projects completed. Importantly, services to iron ore customers including Rio Tinto and Fortescue continued to meet expectations.

Toxfree's services on Barrow Island finished on 30 June after seven years of incident and injury free. Although Toxfree will no longer provide services on Barrow Island, Toxfree has been awarded a master services agreement and contract for the Wheatstone offshore platform for the next three years. Toxfree will continue to develop waste solutions for the oil and gas sector and is particularly focused on the management of hazardous wastes generated from this sector.

Volumes of waste managed from the industrial and commercial sector in Queensland were in line with the previous year, however margins were impacted by increased competition and tightened economic conditions in the region. Tasmania also performed below expectations and this led to the sale of the business to JJ Richards as part of an effective asset swap where Toxfree purchased the JJ Richards industrial business, a more strategically aligned business with synergy upside.

Our strategy is to provide total waste management services to our customers in our target markets of health and technical, resources, industrial and infrastructure.

Solid waste services commenced in Sydney during the year and Melbourne is due to commence shortly. There is approximately $5m of revenue that Toxfree is currently sub-contracting to other solid waste businesses in these regions that will support the establishment of our own services. Both Sydney and Melbourne are the largest markets in Australia and Toxfree is confident that the early success achieved in FY17 can be built upon in FY18.

New contract awards including the Inpex-led Ichthys LNG project, GLNG, Shell Prelude, Fortescue waste for port and rail, as well as industrial services, and the Wheatstone platform will contribute in FY18.

Shared Services EBIT I Overview

Corporate	Statutory IFRS result 2017 $'000	Exclusion Adjustments $,000	Underlying Non IFRS result FY17 $'000	Underlying Non IFRS result FY16 $'000	% Change From FY16
Revenue – Services	496,115	-	496,115	393,380	26%
Finance costs	(7,246)	-	(7,246)	(6,154)	(18)%
Unallocated EBITDA	(34,598)	8,469*	(26,129)	(24,425)	7%
EBITDA to revenue	7%	-	5.3%	6.2%	(900)bps
Depreciation – corporate	(1,906)	-	(1,906)	(1,697)	12%
EBIT	36,504	8,469*	(28,035)	(26,122)	7%
EBIT to revenue	7%	-	5.7%	6.6%	(900)bps

**Non-IFRS Financial Information - Normalised for non-operational adjustments – refer to Tables 1 & 2 on pages 29-30 for further detail*

Toxfree's Shared Services includes the IT, finance, human resources, health, safety and environment, business development and risk teams.

An increase in overall unallocated corporate EBITDA* expenses by $1.7m primarily related to the growth of Toxfree's business development team. As revenue grew 26% over the period, Toxfree's EBITDA* to revenue ratio decreased to 5.3%, down 900bps from the previous financial year. Further efficiency gains will continue to reduce this ratio.

Group statement of cash flows

Results	FY17 $'000	FY16 $'000	% change
Gross operating cash flow	75,321	74,691	1%
Other income	307	217	41%
Interest received	432	344	26%
Finance costs paid	(7,034)	(6,887)	2%
Income taxes paid	(4,901)	(8,985)	(45)%
Net operating cash flows	**64,125**	**59,380**	**8%**
Payments for acquisition of businesses, net of cash acquired	(165,090)	(68,554)	141%
Proceeds from sale of property, plant and equipment	18,559	8,625	115%
Payments for property, plant and equipment	(40,300)	(32,007)	26%
Net investing cash flows	**(186,831)**	**(91,936)**	**103%**
Net proceeds from borrowings / (repayment of borrowings)	57,112	33,048	73%
Payments for shares acquired by Share Trust	(1,000)	(165)	506%
Dividends paid	(13,738)	(10,784)	27%
Dividends paid to non-controlling interests	(444)	(503)	(12)%
Net proceeds from the issue of ordinary shares	82,680	23,203	256%
Net financing cash flows	**124,610**	**44,799**	**178%**
Net increase in cash	**1,904**	**12,243**	**(84)%**
Cash at the beginning of the year	31,952	19,709	62%
Cash at the end of the year	**33,856**	**31,952**	**6%**

Group balance sheet

Balance sheet	30 June 2017 $'000	30 June 2016 $'000	% change
Cash	33,856	31,952	6%
Trade and other receivables	100,809	90,908	11%
Inventories	3,397	584	482%
Tax assets	11,184	11,414	(2)%
Property, plant and equipment	185,961	175,943	6%
Intangibles	354,963	181,337	96%
Total assets	**690,170**	**492,138**	**40%**
Trade and other payables	64,625	54,129	19%
Borrowings	191,170	133,853	43%
Employee benefits	13,915	10,346	34%
Tax liabilities	25,773	9,307	177%
Provisions	5,742	6,477	(11)%
Derivative financial instruments	725	1,663	(56)%
Total liabilities	**301,950**	**215,775**	**40%**
Total equity	**388,220**	**276,363**	**40%**
Gross debt to equity	**49%**	**48%**	**100bps**
Net debt to equity	**41%**	**37%**	**400bps**

Sustainability report

Sustainable leadership

Toxfree's Harmfree vision is to be Australia's leading industrial and waste services provider, achieving its objectives without harm to customers, the environment, and people

We recognise that sustainable leadership extends beyond financial and operational excellence and embraces the needs of all stakeholders, including:

- our customers large and small across all services and sectors;
- our shareholders and financiers who commit their support to enable Toxfree to operate and grow;
- our employees who place their trust in our business and service our customers needs on a daily basis;
- our suppliers who partner with us to provide access to expertise, technology and capabilities that underpin our operations;
- local communities which accommodate our business operations and where we provide support and benefit to build social capital and minimise environmental impacts; and
- the regulators and authorities who entrust us with the unique licenses and authority to manage complex and hazardous wastes in accordance with community expectations.

Toxfree is committed to meeting the needs of our stakeholders through its core values of safety, reliability and sustainability.

- **Safety** – in everything we do we are committed to putting safety first.
- **Reliability** – we pride ourselves on positive, long-term relationships with our customers, our employees, and our stakeholders.
- **Sustainability** – the decisions we make will ensure a better future for our environment, our business and our investors.

Ultimately we see these values of **Safe.Reliable.Sustainable** as core to our success now and into the future.

Sustainability framework

Our approach to sustainability is built on the following framework:

Vision
Our vision is to be the leading industrial and waste services provider with a HarmFree ethos of no harm to people, no harm to the environment and no harm to resources.

Culture
We will realise our vision by building a consistent culture based on shared values, expectations and behaviours. The framework of how we attract, train and retain our people is core to this as we focus on selecting people who embody the Toxfree culture.

Governance
Toxfree has invested significant resources in order to build an integrated management system. This ensures our values are supported by robust and uniform systems, which enable disciplined and effective management of risk, ensuring it aligns to our risk appetite and strategy.

Our management system, QUEST, is core to our integrated, end-to-end service proposition, ensuring we deliver all of our customers and stakeholders the same safe, reliable and sustainable service nationally.

KEY FOCUS AREAS	Safety	Environment	People	Community & sustainable business
Priorities	• Reducing driving and mobile plant risk • Reducing manual handling intensity and frequency	• Development of Wastefree, our cradle-to-grave waste tracking and reporting system • Innovation and development of waste processing capabilities	• 20% female participation in the organisation • 5% indigenous employment and reconciliation	• Building local communities and improving environmental outcomes • Strengthen stakeholder relationships • Building robust systems and practices for a sustainable business

Safety

Since setting our goal in 2013 we have reduced our Total Recordable Injury Frequency Rate by 70% and our All Injury Frequency Rate by 66%

Commitment

Toxfree is committed to developing a workplace that is incident and injury free, by working together with employees and contractors to ensure they return home safely every day. Our journey requires us to recognise and manage the risks and behaviours which need to change in order to reach our goal. On our pathway to zero harm, Toxfree has set an objective of achieving an All Injury Frequency Rate[1] of 25 and Total Recordable Injury Frequency Rate[2] of 4 by FY20.

Progress

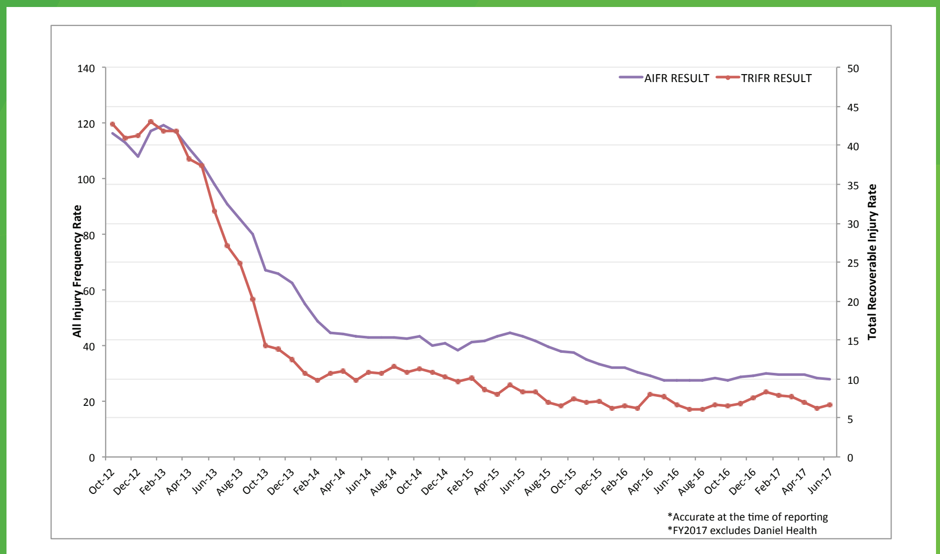
Since setting our goal in 2013 we have reduced our Total Recordable Injury Frequency Rate by 70% and our All Injury Frequency Rate by 66%. The Total Recordable Injury Frequency for the underlying business is steady at 6.7 in FY17. The Toxfree Group, including the recently acquired Daniels Health, recorded a Total Recordable Injury Frequency Rate[3] of 7.6 and a Lost Time Frequency Rate[4] of 0.3 for FY17.

Achievements

Driver Safety: Toxfree operates a large national fleet of heavy vehicles and mobile plant which represents an ever-present hazard. We have invested and continue to invest in training, systems and equipment to help reduce this risk to Toxfee employees and all other people. The three corners of our approach are:

- investment in safer and more productive fleet to improve engineered safety;
- our Right to Drive policy which focuses on ensuring aligned driver behaviours and education and reporting to ensure at-risk behaviours are detected, addressed and remedied; and
- traffic management and exclusion zones to ensure people and plants are separated and kept safe in areas where our people operate in proximity to vehicles.

Our initiatives in this area have demonstrated the mutual benefits of addressing safety, improving reliability and making the business more sustainable.



Future opportunities

Whilst we are pleased with the progress which we have continued to make in this realm, we have identified the following two areas where we intend to renew our focus in FY18.

- Continuing to integrate and align Toxfree's safety culture following the acquisition of Daniels Health; and
- Continuing to reduce risk in the driving and mobile plant.

[1] Sum of all First Aid Injuries, Medical Treatment Injuries, Restricted Work Injuries, Lost-Time Injuries in the twelve month period multiplied by 1,000,000, divided by the hours worked in the same twelve month period. Note the injury classification is accurate at the time of calculation but may be influenced by late development of injuries. This statistic is used as a basic indicator of latent hazards and potential harm.

[2] Sum of all Medical Treatment Injuries, Restricted Work Injuries, Lost-Time Injuries in the twelve month period multiplied by 1,000,000, divided by the hours worked in the same twelve month period. Note the injury classification is accurate at the time of calculation but may be influenced by late development of injuries. This statistic is used as an indicator of more severe injuries which capacity for harm.

[3] Sum of all Lost-Time Injuries in the twelve month period multiplied by 1,000,000, divided by the hours worked in the same twelve month period. Note the injury classification is accurate at the time of calculation but may be influenced by late development of injuries. This statistic is used as an indicator of severe injuries where an injured person has been unable to attend any duties for a complete shift.

[4] Safety statistics are correct as at the end of financial year development of all claims, noting that some active cases can develop or change classification post end of financial year.

At Toxfree, we are committed to continuous improvement in our waste treatment solutions to achieve better outcomes for the environment and for our business

Environment

Commitment

The waste management industry is rapidly changing as technology, regulations and environmental and sustainability practices evolve. While in a perfect world all waste would be reused or recycled, at this point it is not commercially practical. At Toxfree, we are committed to continuous improvement in our waste treatment solutions to achieve better outcomes for the environment and for our business.

Progress

Our strategy for a sustainable future comprises:

- building on our demonstrated trust and reliance with regulators and communities to manage complex waste streams and license regimes in a reliable, ethical and sustainable way without impact to the community or environment; and
- committing to continuous improvement and innovation to grow our national waste management capacity, resource recovery, reuse and to progressively contribute to a sustainable environment.

In FY17 Toxfree implemented two new technologies, Toxfree Fuel and BluBox, to enhance the sustainability of the treatment of waste.

Achievements

Toxfree Fuel: Following the acquisition of Daniels Health, Toxfree has implemented a program to replace the natural gas being used as a fuel in the medical waste incinerator in NSW and replace it with an alternative recycled fuel source “Toxfree Fuel”.

- Using HazPak units we crush and consolidate materials such as steel and paint from used paint tins and oil filters. The liquids are recovered and blended to create a fuel and the solids recovered and recycled.
- The fuel is sent to a Toxfree facility for use as an alternative fuel saving on the use of other primary fuels. This recovery process provides a vertically integrated solution that is environmentally friendly and saves cost.
- We appreciated the support in NSW from the Environmental Trust as part of the NSW EPA’s Waste Less, Recycle More initiative. This was funded from the waste levy, and used existing facilities in Victoria.

This project has reduced the use of one fuel source and recycled another fuel and demonstrates Toxfree’s abiltity to identify and deliver synergies from our acquisition program.

Next generation e-waste: e-waste is a growing and intractable waste which uses numerous valuable resources. To address the waste problem, Toxfree has extended the BluBox e-waste technology to its NSW St Marys treatment facility. BluBox is capable of:

- processing 10,000 tonnes of e-waste per year at a 92% to 96% recycling rate;
- reducing the equivalent of 150,000 flat screens per year from NSW landfill; and
- reducing the exposure of humans to hazardous waste streams and tasks during the recycling process.

In conjunction with the existing Victorian facility, Toxfree has now developed the best available solution for managing this problematic waste stream in a safe, economical and sustainable manner.

Future opportunities

As the industry develops we believe Toxfree, through its national network of treatment plants, will be increasingly well placed to act as a trusted industry provider of innovative solutions. Over time our progressive network of treatment and recovery solutions will replace the more traditional and obsolete industry players who are constrained to landfill-focused operations. Our core areas of focus in FY18 will be:

- realising remaining waste treatment synergies from the Daniels Health acquisition;
- building further recycling, recovery and reuse capacity to increase the diversion of waste from landfill and meet our customers needs; and
- using our Wastefree system to provide improved waste reporting and tracking.

People

Promoting diversity and equality of opportunity is a key priority

Commitment

Our people are the heart and soul of Toxfree, creating our unique character and personality, and are integral to our ongoing success. We endeavour to provide an inclusive and engaging workplace environment where our employees bring a breadth, depth and diversity of skills, shaping workplace culture and performance.

As part of Toxfree's corporate and social responsibilities, we have a Reconciliation Action Plan (RAP). We are committed to "closing the gap" for all disadvantaged Aboriginal and Torres Strait Islanders with the support and guidance from Elders within the community and Aboriginal mentors.

Toxfree is also commited to encouraging female participation at all levels throughout the organisation. We offer paid parental leave, above the statutory requirements, and flexible work opportunities for women returning to the workplace after parental leave. We are pleased to report that we are compliant with the Workplace Gender Equity Act requirements.

Promoting diversity and equality of opportunity is a key priority and therefore Toxfree have committed to the following targets in order to realise meaningful change in our workplace:

- 20% female participation in the organisation; and
- 5% indigenous employment as part of our registered RAP.

Progress

In FY17 we were proud of our continued success in supporting indigenous and local communities to address the resource and opportunity gap and build more resilient communities. In FY17 we were proud of our continued success in supporting indigenous and local communities to address the resource and opportunity gap and build more resilient communities.

We have been actively promoting equal opportunity positions when recruiting and have benchmarked our salaries for consistency between male and female employees.

Achievements

Closing the Gap Training Program: With assistance from Aboriginal Elders, Toxfree was able to develop a traineeship program that is culturally-aware, safety focused and provides economic empowerment. There is a focus on long term growth, with higher incomes, lower reliance on income support, increased home ownership and higher rates of full time and professional employment. Through the traineeship program, Toxfree ensures each new trainee feels welcome within the Toxfree family. This program, 'Closing the Gap', has been recognised as the winner for Human Resource management in 2016 by the Australian Business Awards 2016.

Employer of choice: Toxfree wish to be viewed as an employer of choice within its industry. Toxfree recognises that in light of an ageing population, sustaining the well-being of our experienced workers is key to maintaining our skilled workforce.

Toxfree is achieving this by:

- progressively innovating and developing engineering changes in our workplace to lower manual handling demands on our workers and improve their long term work capacity. For example, the investment in HazPak II has eliminated thousands of manual handling movements and lifts by consolidating flamable liquids; and
- introducing regular health screening to improve the early detection and adjustment to health factors to ensure all our employees maintain their well-being.

Our goal is to ensure all workers are supported in a whole-of-life work career which protects their well-being.

Future opportunities

In FY18, Toxfree will continue to focus on providing a safe, inclusive and engaging workplace for our employees, ensuring we attract and retain a workforce which will enable Toxfree's ongoing success.

We endeavour to provide an inclusive and engaging workplace environment where our employees bring a breadth, depth and diversity of skills, shaping workplace culture and performance

Community

Commitment

Toxfree has a national network of operating locations, many working in indigenous, rural and remote communities. We have a significant capacity to contribute to and support these communities, in addition to building social capital.

We advocate the support of local communities by buying and employing locally, being involved in community groups and in the active support of indigenous employment.

Progress

In FY17 we continued to support local communities by:

- emphasising local purchasing and support of local businesses;
- employing locally, especially within the indigenous community and investing in developing the skills in our workforce;
- involving ourselves in local community groups to provide support and resources and help them sustain their vital work; and
- educating communities on recycling initiatives.

Achievements

Stop. Look. Wave: In FY17, we were proud to continue our partnership with Volvo Australia as we rolled out our Stop Look Wave classroom safety program to more primary schools around Australia. This program has helped to educate many children, Australia's most vulnerable pedestrians, on road safety and the hazards around trucks and heavy vehicles.

Tidy Towns: Toxfree actively supports a wide range of community groups and organisations with education, training and resources. A recent example of integrating our business and community objectives involved supporting the Wickham Tidy Towns clean-up event in July 2017. In an effort to maintain a tidy town, families, community groups and local businesses collected more than 700 bags – two large Toxfree skip bins full – of rubbish.

Future opportunities

Our local operational teams are charged with identifying new ways in which to support and assist the local communities in which we operate. In FY18, we look forward to continuing our contributions to local communities by supporting relevant initatives.

Sustainable business model

Commitment
Toxfree is focussed on building strong stakeholder relationships, robust systems and strong governance practices to ensure sustainability of our business model and performance in the long term.

Our focus in this area is on:

- long-term value-creating relationships with customers, employees, suppliers and the community;
- risk awareness, ensuring in our strategic and operational decision making that every decision maker is empowered and answerable for managing risk;
- operating and developing an integrated management system, QUEST, which leverages a best of breed Enterprise Resource Planning (ERP) platform and governance framework to ensure effective control of operations; and
- providing balanced delegation of power to ensure our operations have the oversight and leadership required to deliver consistent sustainable performance.

Progress
In FY17, Toxfree continued to invest in a single management system and information management platform which enables the integration of all business operations. This system is underpinned by external certification and our commitment to the ASX Governance Recommendations and Principles.

We also continued to build enduring relationships, based on trust and respect, with our key stakeholders by:

- ensuring a customer-centric focus, with all Toxfree personnel servicing or supporting customer service;
- providing transparency of information to our stakeholders through regular and open dialogue, reporting and honesty;
- taking responsibility for actions and managing expectations;
- being responsive, flexible and courteous in our dealings; and
- collaborating with our stakeholders to resolve issues and challenges in an effective and timely manner.

Achievments
Customer focus: Every day our operations are servicing thousands of customers and co-ordinating hundreds of vehicles. In order to provide richer information and data services to our customers while delivering greater operational efficiencies at reduced cost, Toxfree has developed a proprietary Integrated Vehicle Management System (IVMS) Wastefree and customer portal. This portal leverages our integrated ERP. As we deploy Wastefree to all customers and operations, we envisage the following advantages:

- increased reliability and transparency of services for our customers who will have real-time access to their data and services;
- improved cost effectiveness as we eradicate thousands of hours of administrative processing through the reduction in the administration burden;
- improved assurance and reporting for compliance to the relevant regimes including National Heavy Vehicle Regulations and waste tracking; and
- improved utilisation and efficiency of vehicle operations through better vehicle operation and integration with our salesforce.

The Wastefree initiative is a strategic initative which ensures Toxfree is a market leader in delivering enhanced assurance, better reliability and significantly improved cost effectiveness.

Future opportunities
Completing the development of and progressing the rollout of Wastefree across our network will be a key focus in FY18 in order to deliver cradle-to-grave tracking and improved visibility of operations and waste movement.

In FY18 we will also increase our focus on strategic procurement processes and partnering with suppliers to improve price structures through our commitment to long term sustainable partnerships.

Conclusion

We understand and appreciate that while our investors, customers and employees are our core stakeholders, we have broader obligations to the community. Part of our principled approach is committing to the interests of the first Australians and a reconciliation action plan to close the current disadvantage gap.

Our actions are central to forming the relationships and trust which meet all our stakeholders needs, both now and in the future.

Through our values and our management systems we believe we will successfully build trust as a leading organisation that has the capacity and preparedness to ensure:

- the **safety** and wellbeing of all our people;
- building and sustaining **reliable** long-term relationships; and
- building a **sustainable** future for the business and environment.

The detailed alignment of our systems to the ASX Governance Principles and Recommendations is found at www.toxfree.com.au/corporate-governance/

toxfree

Directors' Report Contents

The Directors of Toxfree are pleased to present their report, together with the financial statements of the Group, being Tox Free Solutions Limited (Toxfree) and its controlled entities (the Group), for the financial year ended 30 June 2017.

Directors

The following persons were Directors of Toxfree during the whole of the financial year and up to the date of this report, unless indicated:

Non-Executive Directors
Robert McKinnon (Non-Executive Chairman)
Richard (Dick) Allen
Michael Humphris
Katherine Hirschfeld

Executive Directors
Stephen Gostlow

Principal activities

The principal activities of the Group during the financial year were the provision of industrial services and waste management.

There were no significant changes in the nature of the Group's principal activities during the financial year.

Dividends - Tox Free Solutions Limited

Dividends paid to members during the financial year were as follows:

	2017 $'000	2016 $'000
The following dividends were declared and paid:		
Final ordinary dividend for the year ended 30 June 2016 of 4.5 cents (2015: 4.5 cents) per share	**6,476**	6,031
Interim ordinary dividend for the year ended 30 June 2017 of 4.5 cents (2016: 4.5 cents) per share	**8,728**	6,047
Total dividends provided for or paid	**15,204**	12,078

Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $9,704,984 (5 cents per fully paid ordinary share) to be paid on 6th October 2017 out of retained earnings at 30 June 2017

Review of operations

Information on the Group's operations, financial position, strategies and prospects is set out in the Review of Operations. Please refer to page 26 of this Annual Report.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial year.

Events since the end of the financial year
Subsequent to the year end, the Directors of Toxfree recommended the payment of a final dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is $9,704,984 which represents a fully franked dividend of 5 cents per share.

Except for the above, no other matters or circumstances have arisen since 30 June 2017 that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments and expected results of operations
The Group will continue to pursue its strategy of developing into one of Australia's leading industrial services and waste management Groups and increasing market share of its major business segments during the next financial year.

Additional comments on the operations of the Group, its strategies and prospects are set out in the Review of Operations. Please refer to page 26 of this Annual Report.

Environmental Regulation
The Group's operations are subject to significant environmental regulations and as such Toxfree currently hold 93 licences and approvals for the operation of its waste facilities and waste transport fleet throughout Australia. These licences and approvals relate to the management of waste including; storage, treatment, transportation and disposal. They set conditions on how we transport waste, receive waste, operate our sites and manage our emissions and discharges

Our environmental legal requirements are assessed, managed and monitored through our ISO 14001 certified QUEST Management System. A rigorous internal audit program is in place to monitor compliance and continually improve our management system.

There have been no prosecutions commenced or pending against the Group's licences during the period.

National Greenhouse and Energy Reporting Scheme
The Group has a system for the collection and calculation of greenhouse gas emissions, energy production, energy consumption and other information specified under NGER legislation.

The Group triggered the corporate group threshold under the *National Greenhouse and Energy Reporting Act 2007* and registered in August 2014.

A report was submitted to the Clean Energy Regulator in October 2016, reporting the Group's corporate and facilities scope 1 and scope 2 emissions and energy consumption for the 2016 financial year. Finalisation of data collection and calculation for 2017 financial year is underway and Toxfree will report under the scheme in October 2017.

Information on Directors – 30 June 2017

Each Director has been in office since the start of the financial year to the date of this report unless otherwise stated.

ROBERT MCKINNON (FCPA FCIS FGIA MAICD)

(*Non-Executive Chair*)

Experience and expertise
Fellow CPA Australia; Fellow of the Chartered Institute of Secretaries and Administrators; Fellow of the Governance Institute of Australia; Member of the Australian Institute of Company Directors.

Robert has 40 years' experience in finance and general management positions in the light manufacturing and industrial sectors in Australia, New Zealand and Canada. He is the former Managing Director of Austal Ships and Fleetwood Corporation Limited, and spent 28 years with Capral Aluminium (formerly Alcan Australia) in various financial and senior executive positions. Mr McKinnon was also a Non-Executive Director of Bankwest until November 2012 and the Chairman of the Esperance Port Authority until September 2014.

Mr McKinnon was appointed a Non-Executive Director on 12 July 2010.

Other current directorships
Non-Executive Director of Programmed Maintenance Services Limited since November 2011 and Peet Limited since May 2014.

Former directorships in the last three years
None.

Special Responsibilities
Chair of the Board and Nomination Committee. Member of the Remuneration, Audit and Risk Committees.

Interests in shares, options and rights
108,899 ordinary shares in Tox Free Solutions Limited.

STEPHEN GOSTLOW (BSc GAICD)

(*Managing Director*)

Experience and expertise
Environmental Scientist, Graduate of the Australian Institute of Company Directors.

Stephen has over 19 years' experience in the waste management industry. His background includes experience in waste treatment, waste technologies and regulatory compliance. Stephen has been employed by Toxfree since 2002 and was appointed Managing Director in 2005.

Other current directorships
No other directorships of Australian listed entities.

Former directorships in the last three years
None.

Special Responsibilities
None.

Interests in shares, options and rights
1,265,833 ordinary shares in Tox Free Solutions Limited.
94,045 fixed annual remuneration share rights.
148,706 performance rights and;
386,732 share appreciation rights.

MICHAEL HUMPHRIS (FCA MAICD)

(*Non-Executive Director*)

Experience and expertise
Fellow Chartered Accountant; Member of the Australian Institute of Company Directors.

Michael has over 30 years' experience in areas of business advice, corporate recovery, dispute resolution and business recovery. Michael is also currently Chair of an unlisted public company and a government owned enterprise. He has held several other Non-Executive Director positions with listed companies in previous years.

Mr Humphris was appointed a Non-Executive Director on 14 July 1998.

Other current directorships
Non-Executive Director of Simonds Group Limited since March 2017, Chair of the Audit and Risk Committees.

Former directorships in the last three years
None.

Special Responsibilities
Chair of the Audit Committee, Member of the Risk, Remuneration and Nomination Committees.

Interests in shares, options and rights
710,000 ordinary shares in Tox Free Solutions Limited.

RICHARD ALLEN (BEng (Civil) MAICD)

(*Non-Executive Director*)

Experience and expertise
Richard Allen is a Civil Engineer and a Member of the Australian Institute of company Directors. He has held a wide range of senior business roles and has more than 30 years' experience as both executive and non-executive director in the listed and private sectors in Australia, Asia and the Middle East. Industry sectors in which he has executive and non-executive director experience include petroleum services, environmental services, safety technology and renewable energy.

Richard brings extensive experience in the management of petroleum waste streams, sustainable development and renewable energy.

Mr Allen was appointed a Non-Executive Director on 14 January 2005.

Other current directorships
No other directorships of Australian listed entities.

Former directorships in the last three years
None.

Special Responsibilities
Chair of Remuneration Committee and member of Nominations and Audit and Risk Committees.

Interests in shares, options and rights
163,069 ordinary shares in Tox Free Solutions Limited.

KATHERINE HIRSCHFELD (BE(Chem) HonFIEAus FTSE FIChemE FAICD)

(*Non-Executive Director*)

Experience and expertise
Ms Kathy Hirschfeld has over 12 years' experience as a non-executive director of listed (ASX, NZX, NYSE) companies primarily in the energy, engineering and services sectors. She has also served on boards in the public and non-profit sectors. With a background in Chemical Engineering, Kathy spent 20 years with BP in Australia, UK and Turkey. She was CEO of oil refining businesses in Australia and Turkey, with the bulk of her experience focussed around oil refining, logistics, exploration and production. She has significant experience in management and leadership, both nationally and internationally, including safety and risk management, manufacturing operations, capital management, HR and industrial relations and financial management.

Ms Hirschfeld was appointed a Non-Executive Director on 9 January 2013.

Other current directorships
No other directorships of Australian listed entities. Non-executive Director of Energy Queensland Limited.

Former directorships in the last three years
Non-Executive Director of Broadspectrum Limited (formerly Transfield Services Limited) from 28 October 2013 to 13 May 2016 and Non-Executive Director of InterOil Corporation from 1 January 2015 to 14 June 2016.

Special Responsibilities
Chair of the Risk Committee, Member of the Audit, Remuneration and Nomination Committees.

Interests in shares, options and rights
36,085 ordinary shares in Tox Free Solutions Limited.

Information on Company Secretary – 30 June 2017

Mr David McArthur has a Bachelor of Commerce Degree and is also a Chartered Accountant. David spent four years with a major international accounting firm and has been actively involved in the financial and corporate management of a number of public listed companies over the past 30 plus years. David has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions by public companies.

David was appointed Company Secretary on 21 June 2000 and has been Company Secretary for the full financial year and up to the date of this report.

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2017, and the numbers of meetings attended by each Director were:

	Directors' Meetings		Audit Committee		Risk Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Robert McKinnon	15	15	5	5	1	1
Stephen Gostlow ^	15	15	5	5	1	1
Michael Humphris	15	15	5	5	1	1
Richard Allen	15	15	5	5	1	1
Katherine Hirschfeld	15	15	5	5	1	1

	Remuneration Committee		Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Robert McKinnon	4	4	1	1
Stephen Gostlow ^	2	2	1	1
Michael Humphris	4	4	1	1
Richard Allen	4	4	1	1
Katherine Hirschfeld	4	4	1	1

^ Stephen Gostlow is an Executive Director and therefore not a member of each committee. Attendance requested at committee meetings by the relevant members of each committee.

REMUNERATION CHAIRMAN'S ADDRESS - 2017 REMUNERATION REPORT

To our Shareholders:

On behalf of the Board, I present Toxfree's Remuneration Report for 2017

Changes to the remuneration structure for 2017

1. **Performance Rights (PR) granted as part of Total Fixed Annual Remuneration (TFAR) to Executives**

In 2016, the Company conducted a benchmarking review of the Managing Director and Executive 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 total fixed annual remuneration (TFAR) at the 50th percentile of the market data. The benchmarking review determined that TFAR was significantly below the 50th percentile of the target peer group. The Board considered it appropriate and reasonable to adjust the Managing Director and Executive TFAR 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 (by way of performance rights) rather than cash salary, as this would further align Executive interests to shareholders by ensuring a proportion of TFAR is aligned to share price performance.

For additional information, please refer to SECTION D 'Executive Remuneration Strategy and Framework.'

2. **New Incentive Framework – Simplified Incentive Plan (SIP)**

The Toxfree Board is committed to a reward framework that is focused on creating sustainable Shareholder value, which is supported by an equity ownership culture.

In 2016, the Board carried out a detailed review of Toxfree's executive remuneration structure and principles. The guiding principles of this review were that Toxfree's remuneration scheme should have the following design and attributes:

- ensure that executive remuneration is fair, market-based, and sufficient to attract and retain a strong leadership team; and
- simplify executive remuneration by combining the features of a Short-Term Incentive (**STI**) and Long-Term Incentive (**LTI**) with a plan that is predominantly equity-based, that better supports and better aligns with the business strategy, while containing an element of retention through the ownership of equity that only becomes available over a period of time. This ensures alignment with long-term performance and Shareholders' interests.

The key outcome of the review was the creation of a new incentive framework, the Simplified Incentive Plan (SIP).

Why the Board thinks the Simplified Incentive Plan (SIP) model is the right answer for Toxfree?

Toxfree's dynamic business environment requires a flexible reward strategy that will support the execution of the business strategy. It is difficult to forecast long-term performance targets with any accuracy. Companies often find themselves stuck in a 'calibration dilemma', spending considerable amounts of time trying to set targets that may ultimately lose relevance part-way through the performance period.

Instead, the Board felt it was more appropriate to provide equity awards for performance which is aligned directly to the strategy of the Company, and which through longer-term vesting requirements, maximise shareholder alignment and a focus on long-term value creation.

The Board believe that the introduction of the SIP is aligned with Toxfree's equity ownership philosophy and provides a simple, transparent and fair reward structure for executives while creating true alignment with Shareholders.

Overview of the Board's remuneration review process

The Board was particularly focused on developing a remuneration framework that was aligned to Toxfree's business strategy and performance. As part of its review, the Board spent considerable time debating the merits of a traditional fixed + STI + LTI model compared to an equity ownership model, undertook detailed analysis, and considered market practice and proxy advisor viewpoints.

Taking into consideration the desire to keep executive remuneration simple and to foster an equity ownership culture throughout the organisation, it was decided that an equity ownership model was the most appropriate model to adopt.

Overview of Toxfree's FY17 reward framework

After the above rigorous review process, the Board determined that the remuneration of our executives will consist of the two key elements: *fixed remuneration + performance incentive remuneration*.

For additional information, please refer to SECTION D 'Executive Remuneration Strategy and Framework.'

3. Non-Executive Director Remuneration

In 2016, the Company conducted a benchmarking review of Non-Executive Directors 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 annual remuneration at the 50th percentile of the market data. The benchmarking review determined that the annual remuneration was significantly below the 50th percentile of the target peer group. The Board considered it appropriate and reasonable to adjust the Non-Executive Directors annual remuneration to align them with the 50th percentile of market data.

For additional information, please refer to SECTION H 'Non-Executive Director Remuneration.'

FY17 Performance Incentive Outcomes

Please refer to SECTION E 'FY17 Performance Incentive Outcomes for Executives' for details of internal key performance indicators and incentive outcomes for FY17.

Richard (Dick) Allen
Chairman, Remuneration Committee
Non-Executive Director

2017 REMUNERATION REPORT (AUDITED)

The Remuneration Report contains the following sections:

A. DIRECTORS AND EXECUTIVE KMP COVERED IN THIS REPORT

Name	Position
Directors	
Robert McKinnon	Non-Executive Chairman
Stephen Gostlow	Managing Director (MD)
Michael Humphris	Non-Executive Director
Katherine Hirschfeld	Non-Executive Director
Richard Allen	Non-Executive Director
Executive KMP	
Michael Constable	Chief Financial Officer (CFO)
Edward Goodwin	Chief Operating Officer (COO)
Jason Dixon	Executive General Manager - Corporate & Risk (EGM C&R)
Joshua Bovell	Chief Information Officer (CIO)
Sarah Bagshawe	Executive General Manager - Human Resources (EGM HR)

There were no changes to Directors and Executive KMP during the financial year under review.

safe.reliable.sustainable

B. REMUNERATION GOVERNANCE

The Remuneration Committee is a committee of the Board. It assists the Board in fulfilling its responsibilities relating to the remuneration of Directors, the remuneration of, and incentives for the MD and other Executive KMP, and remuneration practices, strategies and disclosures generally. The Remuneration Committee also reviews gender pay equity.

It is critical that the Remuneration Committee is independent of management when making decisions affecting employee remuneration. Accordingly, the Remuneration Committee is comprised solely of Non-Executive Directors, all of whom are independent.

A critical objective of the Remuneration Committee is to ensure that remuneration policies and structures are fair, competitive and aligned with the long-term interests of the Group. In doing this, during the year the Remuneration Committee sought assistance from independent remuneration consultants. Refer to SECTION C 'Use of Remuneration Consultants' for details.

The membership of the Remuneration Committee did not change during the 2017 financial reporting year.

The Corporate Governance Statement provides further information on the role of the Remuneration Committee. Please refer to the Corporate Governance Statement set out on page 88.

C. USE OF REMUNERATION CONSULTANTS

During the year, PricewaterhouseCoopers (PwC) was engaged to provide a range of remuneration services including benchmarking of KMP remuneration, review and provide market practice information on equity plan designs and assistance with the implementation of the approved plan, including drafting legal documents and providing tax advice. PwC did not provide any remuneration recommendations (as defined in the Corporations Act) during the year ended 30 June 2017. PwC was paid a total of $38,862 (excluding GST) for these services.

D. EXECUTIVE REMUNERATION STRATEGY AND FRAMEWORK

The Group's executive remuneration strategy is designed to attract, retain and motivate a highly qualified and experienced management team with the necessary skills and attributes to lead the Group in achieving its business objectives. The strategy also aims to encourage management to strive for superior performance by rewarding the achievement of targets that are challenging, clearly understood and within the control of individuals to achieve through their own actions.

The objective of the Group's executive remuneration framework is to ensure that remuneration for performance is competitive and appropriate for the results delivered. The framework aligns executive remuneration with achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice for delivery of reward.

The Board ensures that executive remuneration satisfies the following key criteria for good reward governance practices:

- Competitive and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority within the Group, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

The Executive Remuneration Framework consists of two key elements:

1. **Total Fixed Annual Remuneration (TFAR)**
   Total fixed annual remuneration comprises:
   - FAR = base pay, superannuation, other prescribed benefits and in addition;
   - FAR PR = fixed annual remuneration performance rights.

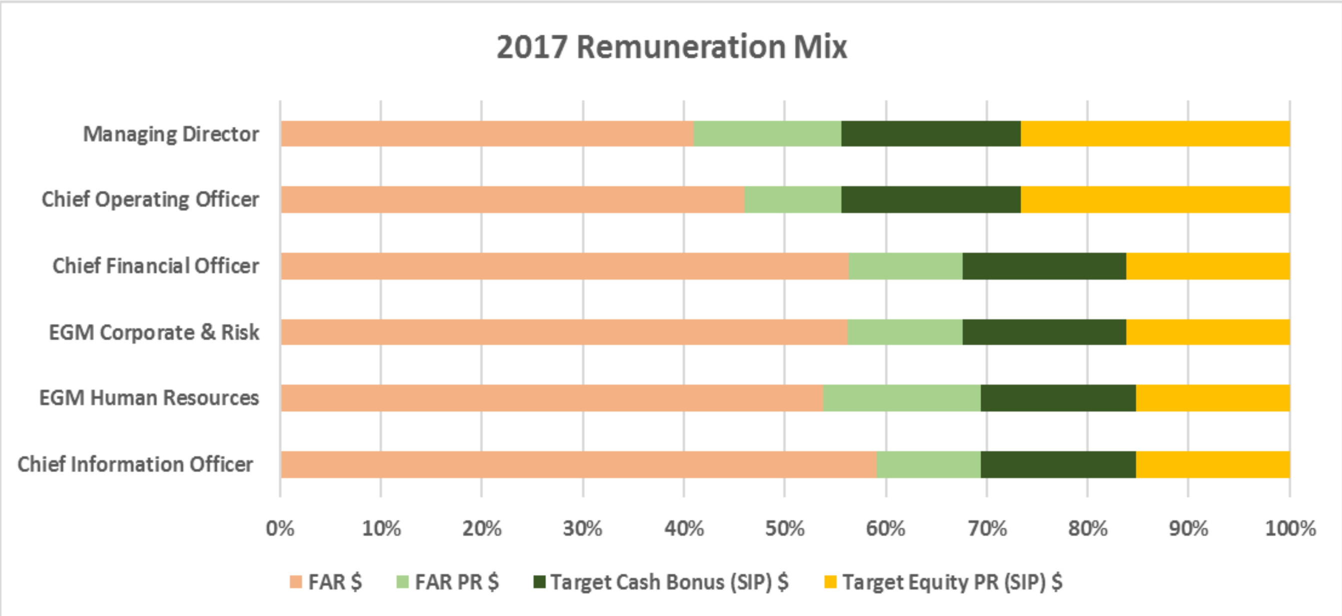
2. **Simplified Incentive Plan (SIP)**
   The SIP will be delivered by a mix of equity i.e. a grant of performance rights (PR) and a cash bonus. The equity and cash bonus split is controlled and determined by the Board.

The combination of the above comprises an Executive's Total Annual Remuneration (TAR).

2017 Executive Remuneration Mix

The remuneration of the MD and other Executive KMP was structured as a mix of fixed remuneration and variable or 'at risk' remuneration through short-term and long-term incentive components.

Target remuneration mix for the year to 30 June 2017 was:



safe.reliable.sustainable

Target Remuneration

Position	FAR $	FAR PR $	Benchmark TFAR $	Target Cash Bonus (SIP) $	Target Equity - PR (SIP) $	Total SIP $	Target Remuneration $
MD	642,935	229,470	**872,405**	279,170	418,754	**697,924**	**1,570,329**
COO	538,392	111,608	**650,000**	208,000	312,000	**520,000**	**1,170,000**
CFO	383,860	76,140	**460,000**	110,400	110,400	**220,800**	**680,800**
EGM C&R	382,318	77,682	**460,000**	110,400	110,400	**220,800**	**680,800**
EGM HR	271,163	78,837	**350,000**	77,000	77,000	**154,000**	**504,000**
CIO	297,959	52,041	**350,000**	77,000	77,000	**154,000**	**504,000**

a) Total Fixed Annual Remuneration (TFAR)

Executives receive their base pay, superannuation, other prescribed benefits and FAR performance rights as a total fixed annual remuneration package (TFAR). The TFAR package:

- Provides a base level of reward for effective completion of business and specific accountabilities.
- Is not "at risk" but is appropriately benchmarked and set with reference to role, responsibilities, skills and experience.

There are no guaranteed TFAR increases in any executive employment agreements. TFAR levels are reviewed annually by the Remuneration Committee with reference to an individual's role, experience and performance, as well as relevant comparative market data. Independent remuneration consultants and surveys, internal relativities and market conditions also provide guidance. An executive's TFAR is also reviewed on a change in role and upon promotion.

Fixed Annual Remuneration Performance Rights (FAR PR)

In 2016, the Company conducted a benchmarking review of the Managing Director and Executive 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 total fixed annual remuneration (TFAR) at the 50th percentile of the market data. The benchmarking review determined that TFAR was significantly below the 50th percentile of the target peer group. The Board considered it appropriate and reasonable to adjust the Managing Director and Executive TFAR 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 (by way of performance rights) rather than cash salary, as this would further align Executive to shareholders by ensuring a proportion of TFAR is aligned to share price performance.

The adjustments to benchmark TFAR resulted in a grant of FAR performance rights. The grant was based on 5-day volume weighted average price of $2.44 from 1 September 2016. The vesting period of the FAR 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.

Details of the FAR performance rights grant are as follows:

Executive	Value of FAR PR $	Number of FAR PR granted as remuneration
Managing Director ^	229,470	94,045
Chief Operating Officer	111,608	45,741
Chief Financial Officer	76,140	31,205
EGM Corporate & Risk	77,682	31,837
EGM Human Resources	78,837	32,310
Chief Information Officer	52,041	21,328
	625,778	**256,466**

^ The grant to the Managing Director was approved by the shareholders at the Annual General Meeting held on 30 November 2016.

b) Performance Incentive Remuneration

New incentive plan – Simplified Incentive Plan (SIP)

The Toxfree Board is committed to a reward framework that is focused on creating sustainable Shareholder value, which is supported by an equity ownership culture.

In 2016, the Board carried out a detailed review of Tox Free's executive remuneration structure and principles. The guiding principles of this review were that Tox Free's remuneration scheme should have the following design and attributes:

- ensure that executive remuneration is fair, market-based, and sufficient to attract and retain a strong leadership team; and
- simplify executive remuneration by combining the features of a Short-Term Incentive (**STI**) and Long-Term Incentive (**LTI**) and replacing it with a scheme that is predominantly equity-based and better supports and better aligns with the business strategy The shareholding retention requirement for a fixed period ensures alignment with long-term performance and Shareholders' interests.

The key outcome of the review was the creation of a new incentive framework, the Simplified Incentive Plan (SIP).

Executive SIP target opportunities will be set at a percentage of fixed remuneration and an additional percentage for stretch performance and will be assessed against a scorecard of key business performance indicators (KPI). The SIP will be delivered via a cash bonus and performance rights split.

Under the new remuneration model, the total remuneration opportunity will be at a significant discount to the quantum that could be available under the traditional STI and LTI model. This reduction in quantum was a deliberate design outcome under the new model, positioned as the trade-off for the simpler remuneration framework and to ensure a conservative approach to remuneration outcomes is taken.

FY17 Executive SIP Target Opportunities

Position	TFAR $	Target % of TFAR	Target SIP $	Cash Bonus % of payout	Target Cash Bonus (SIP) $	PR % of payout	Target Value of PR (SIP) $	Target number of PR issued
MD	872,405	80%	697,924	40%	279,170	60%	418,754	171,620^
COO	650,000	80%	520,000	40%	208,000	60%	312,000	127,869
CFO	460,000	48%	220,800	50%	110,400	50%	110,400	45,246
EGM C&R	460,000	48%	220,800	50%	110,400	50%	110,400	45,246
EGM HR	350,000	44%	154,000	50%	77,000	50%	77,000	31,557
CIO	350,000	44%	154,000	50%	77,000	50%	77,000	31,557

^ The grant to the Managing Director was approved by the shareholders at the Annual General Meeting held on 30 November 2016.

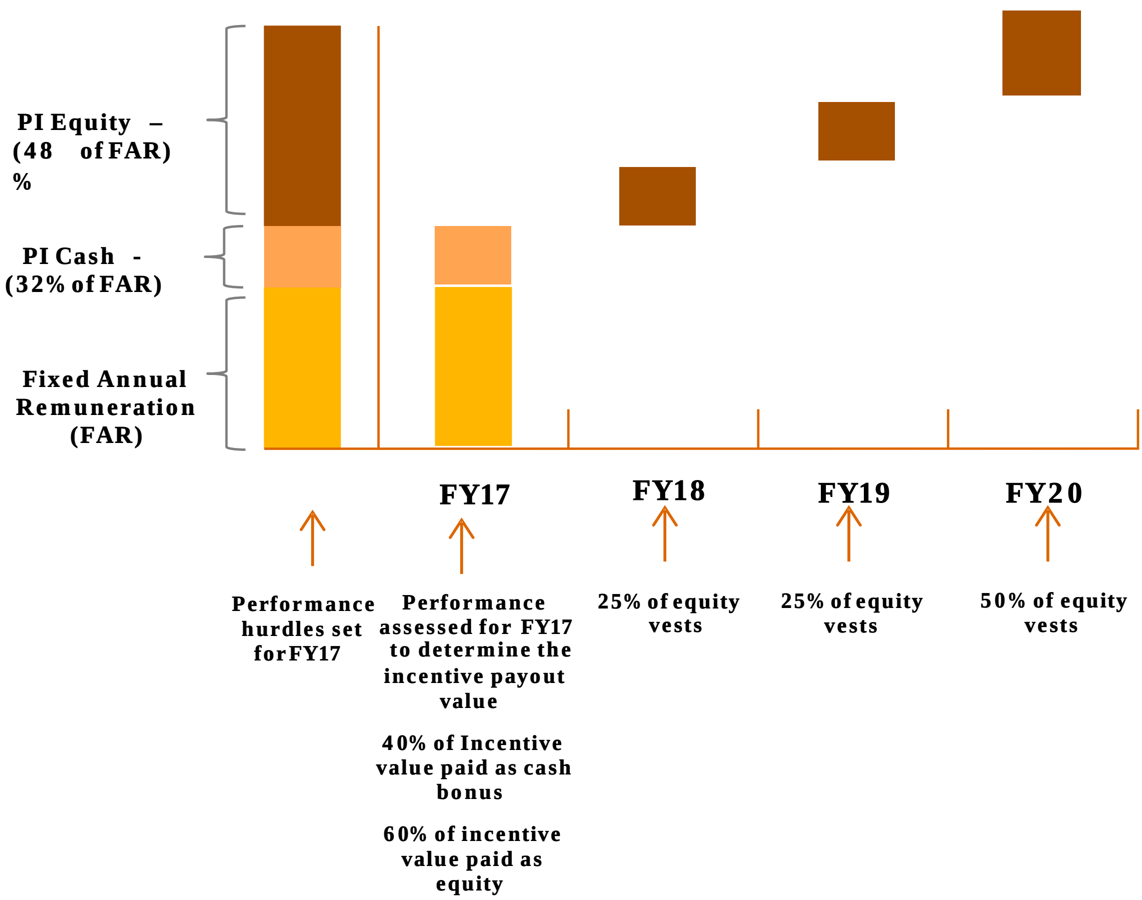
The PR grant is based on a 5-day volume weighted average price of $2.44 from 1 September 2016. The performance period is 1 July 2016 to 30 June 2017 and performance is assessed against a scorecard of internal key performance indicators as determined by the Board.

Once assessed, the PR become performance qualified and vesting is then based purely on continuous service, this serves as a retention strategy for Executives. 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.

Please refer to SECTION E 'FY17 PERFORMANCE INCENTIVE OUTCOMES FOR EXECUTIVES' for details of internal key performance indicators and outcomes for FY17.

Summary of the Simplified Incentive Plan FY17

The following diagram illustrates the operation of the Simplified Incentive Plan (SIP) using the Managing Director as an example:



PI – performance incentive

The following outlines the key terms of the SIP which is effective from 1 July 2016. The Managing Director has been used as an example.

PI vehicle	Performance Incentive (PI) to be d**elivered in the form of up to 40% cash and 60**% Performance Rights (being a right to receive one Share).
PI quantum	Target Incentive for FY17: Managing Director = 80% of Total Fixed Annual Remuneration (**TFAR**). There is an opportunity to earn up to 100% of TFAR for exceptional performance.

safe.reliable.sustainable

Grant date and allocation methodology	PI applied annually on a rolling basis. The number of Performance Rights to be granted will be determined at the start of the 12 month performance period and granted at this time. This structure will operate as follows: 1. the maximum target equity value of the PI award is determined; 2. the number of Performance Rights to be granted is calculated by dividing the maximum equity award dollar value by an appropriate VWAP around the time of the grant date; and 3. the total number of Performance Rights are granted (post shareholder approval if applicable) and will vest subject to achievement of the required Key Performance Indicators (**KPI**).
PI performance period	Performance is assessed over the FY17 financial year.
PI performance criteria	Performance will be assessed over a 12-month period against a scorecard of KPIs as determined by the Board.
Performance Rights vesting schedule	Once Performance Rights become performance qualified, on assessment against the KPIs, there are no further performance based vesting conditions. Any Performance Rights which do not vest due against the KPIs will lapse, there is no retest of the KPI performance. For performance qualified Performance Rights vesting is based purely on service i.e. for the Performance Rights to vest the participant must remain continuously employed by the Company at the vesting date. The vesting schedule is as follows: - 25% vest at year 2 after the grant date - 25% vest at year 3 after the grant date - 50% vest at year 4 after the grant date
Exercise / expiry date	Vested rights can be exercised by the participant at their choosing, subject to being exercised prior to the expiry date of 1 July 2031.
Exercise price	Nil
Treatment of awards on cessation of employment	Unvested awards will lapse, unless otherwise determined by the Board. Vested awards will be retained by the participant.
Treatment of awards on change of control	Rights will vest on a change of control.

safe.reliable.sustainable

E. FY17 PERFORMANCE INCENTIVE OUTCOMES FOR EXECUTIVES

To support the business plan for the financial year, the Board set performance targets for each member of the Executive. The targets were linked to financial, safety and strategic objectives. Financial targets included achievement of FY17 EBITDA for the underlying business, achievement of EBITDA relating to Daniels for the 7 months of ownership and achievement of Daniels synergies. The Executive met the Daniels EBITDA and synergy targets however the group EBITDA was below expectation. On average, an 87% score was achieved against this objective.

The Board acknowledge that growth in earnings per share and return on capital are important metrics that drive shareholder wealth. The Board set target EPS growth of 7% on FY16 and improvement in return on capital. The Board recognise market fluctuations and strategic decisions, such as acquisitions can affect these two metrics in the short term, however neither of the two targets was met.

Toxfree's safety performance continued to meet expectations with a reduction in the number and severity of injuries in the workplace. The Executive are working towards a long-term vision of a Harmfree workplace. The Executive met 93% of the safety objectives for the year.

Strategically the company continued its diversification strategy with entry into the Health sector through the acquisition of Daniels. The Daniels acquisition and integration was managed exceptionally well by management and this objective was met. Other strategic objectives included the retention of the award of the Chevron production contract and implementation of waste treatment technologies. The Chevron contract was not awarded. Technologies including Hazpack, the Silverwater Incinerator upgrade, BluBox and Mercury licensing were completed during the year and the Executive scored 50% against this objective.

1. **Stephen Gostlow - Managing Director**
Target Performance Incentive (PI) opportunity is set at 80% of Total Fixed Annual Remuneration (TFAR) per the Simplified Incentive Plan (SIP) and 100% for stretch performance and is assessed against a scorecard of key business performance indicators (KPI). 60% of the PI will be delivered via a grant of Performance Rights and 40% by way of a cash bonus. TFAR set at $872,405 and PI set at $697,924.

	KPI Weighting %	PI target per KPI $	KPI Outcome %	Total Payout $	Cash bonus $ (40% of total payout)	PR Value $ (60% of total payout)
KPI - Financial Measures and Objectives						
Achieve Board approved group budget EBITDA, Daniels budget EBITDA and Daniels target synergies.	20%	139,585	87%	121,394	48,558	72,836
Achieve target EPS growth.	20%	139,585	0%	-	-	-
Increase return on capital as per business plan targets.	20%	139,585	0%	-	-	-
KPI – Health and Safety						
Achieve reduction in Total Recordable Injury Frequency Rate as per business plan targets.	10%	69,792	93%	64,584	25,834	38,750
KPI - Strategic Plan						
Strategic KPIs include completion and integration of the Daniels Acquisition, implementation of new technologies to improve business performance, retention of key contract and award of new contracts as approved by the Board.	30%	209,377	50%	104,688	41,875	62,813
	100%	**697,924**	**42%**	**290,666**	**^ 116,267**	**174,399**

The value of the PR incentive payout resulted in 71,475 PR becoming performance qualified.
^cash bonus includes superannuation.

2. Edward Goodwin - Chief Operating Officer

Target PI opportunity is set at 80% of TFAR per the SIP and 100% for stretch performance and is assessed against a scorecard of key business performance indicators (KPI). 60% of the PI will be delivered via a grant of Performance Rights and 40% by way of a cash bonus. TFAR set at $650,000 and PI set at $520,000.

	KPI Weighting %	PI target per KPI $	KPI Outcome %	Total Payout $	Cash bonus $ (40% of total payout)	PR Value $ (60% of total payout)
KPI - Financial Measures and Objectives						
Achieve Board approved group budget EBITDA, Daniels budget EBITDA and Daniels target synergies.	20%	104,000	87%	90,446	36,178	54,268
Achieve target EPS growth.	20%	104,000	0%	-	-	-
Increase return on capital as per business plan targets.	20%	104,000	0%	-	-	-
KPI – Health and Safety						
Achieve reduction in Total Recordable Injury Frequency Rate as per business plan targets.	10%	52,000	93%	48,120	19,248	28,872
KPI - Strategic Plan						
Strategic KPIs include completion and integration of the Daniels Acquisition, implementation of new technologies to improve business performance, retention of key contract and award of new contracts as approved by the Board.	30%	156,000	50%	78,000	31,200	46,800
	100%	**520,000**	**42%**	**216,566**	**^ 86,626**	**129,940**

The value of the PR incentive payout resulted in 53,254 PR becoming performance qualified.
^ cash bonus includes superannuation.

safe.reliable.sustainable

3. Michael Constable - Chief Financial Officer

Target PI opportunity is set at 48% of TFAR per the SIP and 68% for stretch performance and is assessed against a scorecard of key business performance indicators (KPI). 50% of the PI will be delivered via a grant of Performance Rights and 50% by way of a cash bonus. TFAR set at $460,000 and PI set at $220,800.

	KPI Weighting %	PI target per KPI $	KPI Outcome %	Total Payout $	Cash bonus $ (50% of total payout)	PR Value $ (50% of total payout)
KPI - Financial Measures and Objectives						
Achieve Board approved group budget EBITDA, Daniels budget EBITDA and Daniels target synergies.	20%	44,160	87%	38,406	19,203	19,203
Achieve target EPS growth.	20%	44,160	0%	-	-	-
Increase return on capital as per business plan targets.	20%	44,160	0%	-	-	-
KPI – Health and Safety						
Achieve reduction in Total Recordable Injury Frequency Rate as per business plan targets.	5%	11,040	93%	10,216	5,108	5,108
KPI - Strategic Plan						
Complete and integrate Daniels Acquisition, achieve reduction in Group debtors' days sales and progress the refinancing of banking facilities as approved by the Board.	35%	77,280	98%	75,624	37,812	37,812
	100%	**220,800**	**56%**	**124,246**	**^ 62,123**	**62,123**

The value of the PR incentive payout resulted in 25,460 PR becoming performance qualified.
^ cash bonus includes superannuation.

4. Jason Dixon - Executive GM Corporate &Risk

Target PI opportunity is set at 48% of TFAR per the SIP and 68% for stretch performance and is assessed against a scorecard of key business performance indicators (KPI). 50% of the PI will be delivered via a grant of Performance Rights and 50% by way of a cash bonus. TFAR set at $460,000 and PI set at $220,800.

	KPI Weighting %	PI target per PI $	KPI Outcome %	Total Payout $	Cash bonus $ (50% of total payout)	PR Value $ (50% of total payout)
KPI - Financial Measures and Objectives						
Achieve Board approved group budget EBITDA, Daniels budget EBITDA and Daniels target synergies.	20%	44,160	87%	38,406	19,203	19,203
Achieve target EPS growth.	20%	44,160	0%	-	-	-
Increase return on capital as per business plan targets.	20%	44,160	0%	-	-	-
KPI – Health and Safety						
Achieve reduction in Total Recordable Injury Frequency Rate as per business plan targets.	15%	33,120	93%	30,648	15,324	15,324
KPI - Strategic Plan						
Complete and integrate Daniels Acquisition, reduce group risk profile and lower insurance costs through renegotiation of insurance premiums and reduction in the number of days of open WorkCover claims.	25%	55,200	100%	55,200	27,600	27,600
	100%	**220,800**	**56%**	**124,254**	**^ 62,127**	**62,127**

The value of the PR incentive payout resulted in 25,462 PR becoming performance qualified.
^ cash bonus includes superannuation.

5. Sarah Bagshawe – Executive GM Human Resources

Target PI opportunity is set at 44% of TFAR per the SIP and 64% for stretch performance and is assessed against a scorecard of key business performance indicators (KPI). 50% of the PI will be delivered via a grant of Performance Rights and 50% by way of a cash bonus. TFAR set at $350,000 and PI set at $154,000.

	KPI Weighting %	PI target per KPI $ *	KPI Outcome %	Total Payout $	Cash bonus $ (50% of total payout)	PR Value $ (50% of total payout)
KPI - Financial Measures and Objectives						
Achieve Board approved group budget EBITDA, Daniels budget EBITDA and Daniels target synergies.	20%	24,640	87%	21,430	10,715	10,715
Achieve target EPS growth.	20%	24,640	0%	-	-	-
Increase return on capital as per business plan targets.	20%	24,640	0%	-	-	-
KPI – Health and Safety						
Achieve reduction in Total Recordable Injury Frequency Rate as per business plan targets.	5%	6,160	93%	5,700	2,850	2,850
KPI - Strategic Plan						
Integrate Daniels acquisition, implementation of organisational design project and effective management of industrial relations strategy.	35%	43,120	79%	33,880	16,940	16,940
	100%	**123,200**	**50%**	**61,010**	**^ 30,505**	**30,505**

The value of the PR incentive payout resulted in 12,502 PR becoming performance qualified.
^ cash bonus includes superannuation.
* 80% of target – employee works a four-day working week.

safe.reliable.sustainable

6. Joshua Bovell – Chief Information Officer

Target PI opportunity is set at 44% of TFAR per the SIP and 64% for stretch performance and is assessed against a scorecard of key business performance indicators (KPI). 50% of the PI will be delivered via a grant of Performance Rights and 50% by way of a cash bonus. TFAR set at $350,000 and SIP set at $154,000.

	KPI Weighting %	PI target per KPI $	KPI Outcome %	Total Payout $	Cash bonus $ (50% of total payout)	PR Value $ (50% of total payout)
KPI - Financial Measures and Objectives						
Achieve Board approved group budget EBITDA, Daniels budget EBITDA and Daniels target synergies.	20%	30,800	87%	26,786	13,393	13,393
Achieve target EPS growth.	20%	30,800	0%	-	-	-
Increase return on capital as per business plan targets.	20%	30,800	0%	-	-	-
KPI – Health and Safety						
Achieve reduction in Total Recordable Injury Frequency Rate as per business plan targets.	5%	7,700	93%	7,126	3,563	3,563
KPI - Strategic Plan						
Integrate Daniels Acquisition, deliver Enterprise Resource Planning modifications, infrastructure upgrades, data privacy legislative changes and ensure cyber-attack plan is in place.	35%	53,900	93%	50,050	25,025	25,025
	100%	**154,000**	**55%**	**83,962**	**^ 41,981**	**41,981**

The value of the PR incentive payout resulted in 17,205 PR becoming performance qualified.
^ cash bonus includes superannuation.

Assessment of Performance

Performance against the Group's targets is assessed by the Board. The MD's performance is assessed against the individual KPIs by the Remuneration Committee which then makes recommendations to the Board. The performance of other Executive KMP against their individual KPIs is assessed by the MD, who confers with the Remuneration Committee and then the Board regarding this assessment.

The Board believes the method of assessment is rigorous and provides a balanced evaluation of the MD and other Executive KMP performance.

After the year end accounts have been audited and related KPIs assessed, the Board approves the cash bonus and performance rights awards. The FY17 cash bonus awards will be paid in September 2017. The amounts have been accrued in the FY17 results.

For additional information please refer to Part F 'FY17 EXECUTIVE REMUNERATION PAID AND ACCRUED.'

Cessation of Employment

Under the service agreements for Senior Executives in place for the year ended 30 June 2017, if a Senior Executive ceased employment with the Group before performance against targets were assessed, they would generally not be entitled to receive any awards, unless otherwise determined by the Board.

FIVE YEAR GROUP PERFORMANCE SUMMARY

Details	2017	2016	2015	2014	2013
Share price at year end (cents)	240	259	302	338	345
Dividend paid per share (cents) ¥	9.5	9.0	8.5	6.0	5.0
Revenue ($'000)	496,115	393,380	407,278	369,997	284,723
Statutory NPAT ($'000)	12,387	13,054	21,994	21,724	13,604
Underlying NPAT ($'000) ℈	24,134	23,256	22,970	22,982	21,703
Number of ordinary shares ('000)	194,100	143,920	134,013	133,752	132,530
Weighted average number of shares ('000)	174,415	136,573	133,806	133,064	117,917
Market capitalisation ($'000)	465,839	372,752	404,720	452,083	457,228
Statutory earnings per share (cents)	7.10	9.23	16.27	16.33	11.54
Underlying earnings per share (cents) ℈	13.80	16.70	17.00	17.27	18.41
KMP cash bonus ^ as a % of Underlying NPAT ℈	1.5%	3.2%	3.7%	4.3%	4.4%

^ Cash bonus incentive calculation excludes superannuation component

¥ includes proposed final dividend for each specific financial year under review.

safe.reliable.sustainable

Non-IFRS Financial Information:
Adjustments that were excluded to reflect the underlying performance of the Group are:

Exclusions	FY17 $'000	FY16 $'000
Acquisition, integration and rebranding costs	8,465	4,728
Impairment losses – Port Hedland	-	2,639
Asset write-offs and make-good – vacated sites	1,994	1,019
Redundancy and restructuring costs	3,080	4,425
Site closure costs	530	1,426
Reduction in contingent consideration	-	(1,067)
Income tax expense	(2,322)	(2,968)
Total costs after tax	**11,747**	**10,202**

F. FY17 EXECUTIVE REMUNERATION PAID AND ACCRUED

	Short-term Benefits				Post-employment benefits	Leave benefits	Share-based payments				
	Cash Salary	PI Δ 2017	STI 2016	Other /Non-monetary Benefits ¥	Superan-nuation ϡ	Annual and long service leave β	Rights	Total	Fixed Remuner-ation	At risk PI(Bonus) /STI	At risk PI(PR) /LTI
	$	$	$	$	$	$	$	$	%	%	%
Executive Director											
Stephen Gostlow											
2017	573,000	106,180	-	18,255	65,011	5,142	237,603	**1,005,191**	**88%**	**11%**	**1%**
2016	573,000	-	239,476	15,720	78,750	16,474	175,138	**1,098,558**	**60%**	**24%**	**16%**
Other Executive KMP											
Edward Goodwin											
2017	454,000	79,111	-	52,950	52,027	14,549	120,338	**772,975**	**88%**	**11%**	**1%**
2016	449,216	-	198,254	41,632	63,482	20,766	111,083	**884,433**	**62%**	**25%**	**13%**
Michael Constable											
2017	348,000	56,733	-	2,212	39,510	11,154	81,598	**539,207**	**87%**	**12%**	**1%**
2016	348,000	-	94,484	1,543	44,240	23,204	53,217	**564,688**	**73%**	**18%**	**9%**
Jason Dixon											
2017	348,000	56,737	-	944	39,701	13,162	83,141	**541,685**	**88%**	**11%**	**1%**
2016	345,413	-	115,364	994	47,833	42,733	53,217	**605,554**	**70%**	**21%**	**9%**

FY17 EXECUTIVE REMUNERATION PAID AND ACCRUED (CONTINUED)

	Short-term Benefits				Post-employment benefits	Leave benefits	Share-based payments				
	Cash Salary	PI Δ 2017	STI 2016	Other /Non-monetary Benefits ¥	Superannuation ⅋	Annual and long service leave β	Rights	Total	Fixed Remuneration	At risk PI (Bonus) /STI	At risk PI (PR) /LTI
	$	$	$	$	$	$	$	$	%	%	%
Other Executive KMP (continued)											
Sarah Bagshawe ^											
2017	200,552	27,858	-	2,602	20,995	(5,445)	80,463	**327,025**	**90%**	**9%**	**1%**
2016	92,316	-	30,995	434	11,031	7,575	29,792	**172,143**	**63%**	**20%**	**17%**
Joshua Bovell											
2017	263,077	38,339	-	2,004	28,897	(2,077)	55,993	**386,233**	**88%**	**11%**	**1%**
2016	266,538	-	57,188	2,433	31,872	8,308	35,240	**401,579**	**75%**	**16%**	**9%**
Total											
2017	2,186,629	364,958	-	78,967	246,141	36,485	659,136	**3,572,316**			
2016	2,074,483	-	735,761	62,756	277,208	119,060	457,687	**3,726,955**			

Δ The FY17 PI (Cash Bonus) has been accrued and will be paid in September 2017.

¥ Other and non-monetary benefits include fringe benefits tax and insurance paid.

β Represents the value of the movement in the annual leave and long service leave entitlement accruals.

⅋ Superannuation includes the values paid and accrued relating to salary, PI/STI and the movement in annual leave and long service leave entitlements.

^ Sarah Bagshawe: FY17 based on a 4-day working week. FY16 maternity leave from 16 March 2015 until 11 January 2016.

G. SERVICE AGREEMENTS

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Group in the form of a contract of appointment. The contract summarises the Board's policies and terms, including compensation relevant to the Officer or Director.

Remuneration and other forms of employment for the MD, COO and other Executive KMP are also formalised in service agreements. Each of these agreements also provides for performance related incentives and other benefits. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with Executives may be terminated without cause early by either party providing notice, subject to termination payments detailed below:

Name	Term of agreement	Employee notice period	Employer notice period	Base salary *	Termination benefit ^
Stephen Gostlow	Ongoing from November 2010	6 months	12 months	$802,470	¥
Edward Goodwin	Ongoing from December 2010	6 months	12 months	$565,608	12 months base salary
Michael Constable	Ongoing from July 2010	6 months	6 months	$424,140	6 months base salary
Jason Dixon	Ongoing from October 2010	6 months	6 months	$425,682	6 months base salary
Sarah Bagshawe **β**	Ongoing from November 2011	6 months	6 months	$259,070	6 months base salary
Joshua Bovell	Ongoing from October 2013	6 months	6 months	$322,041	6 months base salary

***** Base salaries (including FAR rights) are quoted for the year ended 30 June 2017. They are reviewed annually by the Remuneration Committee and exclude superannuation.

^ Termination benefits are payable on early termination by the Group, other than for gross misconduct. Unless otherwise indicated they are equal to base salary (including FAR rights and superannuation) for the notice period.

¥ Annual contractual remuneration including incentives or an amount equal to the average remuneration received from the Company during the last 12 months prior to termination, whichever is the lesser amount.

β S Bagshawe; part-time and base salary is based on a four-day working week as at 30 June 2017.

H. NON-EXECUTIVE DIRECTOR REMUNERATION

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board.

In 2016, the Company conducted a benchmarking review of Non-Executive Directors 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 annual remuneration at the 50th percentile of the market data. The benchmarking review determined that the annual remuneration was significantly below the 50th percentile of the target peer group. The Board considered it appropriate and reasonable to adjust the Non-Executive Directors 2017 annual remuneration to align them with the 50th percentile of market data.

Current approved fees:

	Board fees including committee fees and superannuation obligations $
Chair	200,000
Non-Executive Directors	130,000

Superannuation contributions required under the Australian superannuation guarantee legislation continue to be made and are deducted from the Directors' overall fee entitlements.

Non-Executive Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $700,000 per annum and was approved by Shareholders at the Annual General Meeting on 24 November 2011.

REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of Non-Executive Directors Remuneration for the years ended 30 June 2017 and 30 June 2016 are set out below:

	Short-term benefits Fees $	Post –employment benefits Superannuation¥ $	Total $
Current Non-Executive Directors			
Robert McKinnon			
2017	182,648	17,352	**200,000**
2016	137,615	13,073	150,688
Michael Humphris			
2017	118,721	11,279	**130,000**
2016	87,156	8,280	95,436
Richard Allen			
2017	130,000	-	**130,000**
2016	95,000	-	95,000
Katherine Hirschfeld			
2017	118,721	11,279	**130,000**
2016	87,156	8,280	95,436
Total			
2017	550,090	39,910	**590,000**
2016	406,927	29,633	436,560

¥ Superannuation contributions are made on behalf of Non-Executive Directors to satisfy the Group's obligations under applicable superannuation guarantee legislation.

I. OTHER - KMP DISCLOSURES

1. KMP - Option Holdings – 30 June 2017

No options were granted to KMP as remuneration (2016: nil), no options were exercised (2016: nil) and 500,000 (2016: nil) were forfeited during the financial year under review. There are no options affecting remuneration in the current or a future reporting period. The maximum total value of the options yet to vest from a Share-based payment expense perspective is $nil (2016: $nil).

30 June 2017	Number of Options at beginning of year	Granted as Remuner-ation	Forfeited / Expired	Number of Options at the end of year	Number of Options vested and exercisable	Unvested
KMP						
E Goodwin	500,000	-	(500,000)	-	-	-

2. KMP – Right Holdings – 30 June 2017

Performance Rights

30 June 2017	Beginning of year	Granted as remuneration	Exercised	Forfeited	End of year	Vested and Exercisable	Unvested
Directors							
S Gostlow	137,507	265,665	-	(160,421)	242,751	94,045	148,706
Other KMP							
E Goodwin	92,684	173,610	-	(116,306)	149,988	45,741	104,247
M Constable	41,836	76,451	(28,605)	(38,170)	51,512	2,600	48,912
J Dixon	41,836	77,083	(29,184)	(38,168)	51,567	2,653	48,914
S Bagshawe	24,056	63,867	(29,618)	(29,352)	28,953	2,692	26,291
J Bovell	27,268	52,885	(10,664)	(26,457)	43,032	10,664	32,368
	365,187	**709,561**	**(98,071)**	**(408,874)**	**567,803**	**158,395**	**409,408**

Share Appreciation Rights

30 June 2017	Beginning of year	Granted as remuneration	Exercised	Forfeited	End of year	Vested and Exercisable	Unvested
Directors							
S Gostlow	667,326	-	-	(280,594)	386,732	-	386,732
Other KMP						-	
E Goodwin	449,424	-	-	(194,078)	255,346	-	255,346
M Constable	203,018	-	-	(85,581)	117,437	-	117,437
J Dixon	203,018	-	-	(85,581)	117,437	-	117,437
S Bagshawe	116,834	-	-	(47,935)	68,899	-	68,899
J Bovell	132,282	-	-	(56,353)	75,929	-	75,929
	1,771,902	**-**	**-**	**(750,122)**	**1,021,780**	**-**	**1,021,780**

3. Equity instruments granted as a result of exercise of Rights

Details of ordinary shares in the Group provided as a result of the exercise of remuneration rights to Directors and other KMP of the Group for FY2017 are set out below:

Name	No. of shares issued as result of exercise of Rights	Intrinsic value of Rights exercised during the year ➂
M Constable	28,605	$71,487
J Dixon	29,184	$72,934
S Bagshawe	29,618	$66,021
J Bovell	10,664	$26,660

➂ The fair value is determined as the market value at the date of exercise and reflects the intrinsic value of the Rights.

4. KMP – Shareholdings – 30 June 2017

The number of ordinary shares in Toxfree held by KMP (and their related parties) of the Group during the financial year is as follows:

30 June 2017	Balance at beginning of year	Exercise of rights	Other Additions	Disposals	Balance at end of year
Directors					
R McKinnon	50,858	-	58,041	-	108,899
M Humphris	650,000	-	60,000	-	710,000
R Allen	153,231	-	9,838	-	163,069
K Hirschfeld	20,284	-	15,801	-	36,085
S Gostlow	1,250,833	-	15,000	-	1,265,833
Other KMP					
E Goodwin	64,349	-	-	(44,349)	20,000
M Constable	12,912	28,605	-	-	41,517
J Dixon	137,572	29,184	40,242	-	206,998
S Bagshawe	24,610	29,618	-	-	54,228
J Bovell	-	10,664	-	(10,664)	-
	2,364,649	**98,071**	**198,922**	**(55,013)**	**2,606,629**

safe.reliable.sustainable

5. Rights to Ordinary Shares – Remuneration

For each grant of Rights to Ordinary Shares, the percentage of the grant that was paid, or that vested in the financial year, and the percentage that was forfeited because the KMP did not meet the service and performance criteria is set out below. The minimum value of the Rights yet to vest is nil, as the Rights will be forfeited if the vesting conditions are not met. The maximum value of the Rights yet to vest is determined as the amount of the grant date fair value that is yet to be expensed.

Performance Rights:

Name	FY granted	Number granted	Share price at date of grant ($)	Vested % ^	Vested number	Perfor-mance qualified %	Forfeited %	FY in which shares may vest	Estimated maximum value yet to vest ($)
Director									
S Gostlow	2015	60,276	3.36	0%	-	-	100%	2017	-
	2016	77,231	3.06	-	-	-	-	2018	57,300
TFAR	2017	94,045	2.66	100%	94,045	-	0%	2017	-
SIP	2017	171,620	2.66	-	-	42%	58%	2018/20	116,266
KMP									
E Goodwin	2015	41,691	3.36	0%	-	-	100%	2017	-
	2016	50,993	3.06	-	-	-	-	2018	37,833
TFAR	2017	45,741	2.66	100%	45,741	-	0%	2017	-
SIP	2017	127,869	2.66	-	-	42%	58%	2018/20	86,627
M Constable	2015	18,384	3.36	0%	-	-	100%	2017	-
	2016	23,452	3.06	-	-	-	-	2018	17,400
TFAR	2017	31,205	2.66	100%	31,205	-	0%	2017	-
SIP	2017	45,246	2.66	-	-	56%	44%	2018/20	41,415
J Dixon	2015	18,384	3.36	0%	-	-	100%	2017	-
	2016	23,452	3.36	-	-	-	-	2018	17,400
TFAR	2017	31,837	2.66	100%	31,837	-	0%	2017	-
SIP	2017	45,246	2.66			56%	44%	2018/20	41,418
S Bagshawe	2015	10,297	3.36	0%	-	-	100%	2017	-
	2016	13,759	3.06	-	-	-	-	2018	10,209
TFAR	2017	32,310	2.66	100%	32,310	-	0%	2017	-
SIP	2017	31,557	2.66	-	-	40%	60%	2018/20	20,337
J Bovell	2015	12,105	3.36	0%	-		100%	2017	-
	2016	15,163	3.06	-	-		-	2018	11,250
TFAR	2017	21,328	2.66	100%	21,328		0%	2017	-
SIP	2017	31,557	2.66	-	-	55%	45%	2018/20	27,987

^ FY15 grant = forfeited: EPS and TSR performance conditions were not met at the end of the performance period i.e. 30 June 2017.

TFAR – Performance rights granted as part of total fixed annual remuneration.

SIP – Performance rights granted as part of the equity portion of the Simplified Incentive Plan. Performance qualified rights vest as follows; 25% 30 June 2018; 25% 30 June 2019 and 50% 30 June 2020.

Share Appreciation Rights

Name	FY granted	Number granted	Share price at date of grant ($)	Vested %	Vested number	Forfeited %	FY years in which shares may vest	Estimated maximum value yet to vest ($)
Director								
S Gostlow	2015	280,594	3.36	0%	-	100%	2017	-
	2016	386,732	3.06	-	-	-	2018	57,300
KMP								
E Goodwin	2015	194,078	3.36	0%	-	100%	2017	-
	2016	255,346	3.06	-	-	-	2018	37,833
M Constable	2015	85,581	3.36	0%	-	100%	2017	-
	2016	117,437	3.06	-	-	-	2018	17,400
J Dixon	2015	85,581	3.36	0%	-	100%	2017	-
	2016	117,437	3.06	-	-	-	2018	17,400
S Bagshawe	2015	47,935	3.36	0%	-	100%	2017	-
	2016	68,899	3.06	-	-	-	2018	10,209
J Bovell	2015	56,353	3.36	0%	-	100%	2017	-
	2016	75,929	3.06	-	-	-	2018	11,250

^ FY15 grant = forfeited: EPS and TSR performance conditions were not met at the end of the performance period i.e. 30 June 2017.

6. Loans to Key Management Personnel

There were no loans made to Directors and other Key Management Personnel during the financial year under review. In addition, there were no loan balances outstanding at the end of the year.

7. Changes to Key Management Personnel

There have been no changes to KMP in the reporting period and in the period after the reporting date and prior to the date when the financial report is authorised for issue.

J. VOTING AND COMMENTS MADE AT THE COMPANY'S 2016 ANNUAL GENERAL MEETING

Toxfree received more than 98% of "yes" votes on its Remuneration Report for the 2016 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

THIS IS THE END OF THE REMUNERATION REPORT AUDITED

Rights

Unissued ordinary shares of Toxfree under Rights *at the date of this report* are as follows:

Performance Rights

Grant Date	End of performance period	Type/ Tranche ¥	Number of Rights
1 July 2015 *	30 June 2018	Legacy - 1	101,251
1 July 2015 *	30 June 2018	Legacy - 2	157,134
1 July 2016 *	30 June 2017	TFAR	87,696
1 July 2016 *	30 June 2018/20	SIP	278,309
1 July 2017 *	30 June 2018	TFAR	303,941
1 July 2017 *	30 June 2019/21	SIP	548,829
Total			**1,477,160**

Share Appreciation Rights

Grant Date	End of performance period	Type/ Tranche ¥	Number of Rights
1 July 2015 *	30 June 2018	Legacy - 1	625,123
1 July 2015 *	30 June 2018	Legacy - 2	668,736
Total			**1,293,859**

***** Includes Executive and other senior employee rights.

¥ Tranche 1 = EPS performance condition; tranche 2 TSR performance condition.

TFAR – Performance rights granted as part of total fixed annual remuneration.

SIP – Performance rights granted as part of the equity portion of the Simplified Incentive Plan.
Performance qualified rights vest as follows; 25% 30 June 2018; 25% 30 June 2019 and 50% 30 June 2020.

For additional information on unissued ordinary shares of Toxfree under Rights, current and legacy share schemes, please refer to note 30 Share-based Payments.

Insurance and Indemnity of Officers

During the financial year, Toxfree paid a premium of $90,923 (2016: $80,779) excluding GST, to insure the Directors and Secretary of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against Officers in their capacity as Officers of entities in the Group, and any other payments arising from liabilities incurred by the Officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the Officers or the improper use by the Officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Group paid a premium of $16,712 (2016: $14,303) excluding GST for life and income protection insurance for the Executive Director. The Group has agreed to indemnify the Directors of the Group against all liabilities to another person (other than the Group) that may arise from their position as Directors of the Group, except where the liability arises out of conduct involving lack of good faith.

Indemnity of Auditors

No agreements have been entered into to indemnify the Group's current auditors against any claims by third parties arising from their report on the Annual Financial Report.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2011 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and / or the Group are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out in note 31 to the financial statements.

The Board of Directors has considered the position and, in accordance with advice from the Audit Committee, is satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services are reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants.

The following fees were paid or payable to the auditors (BDO Audit (WA) Pty Ltd) and its related practices for non-audit services provided during the year ended 30 June 2017:

	2017 $	2016 $
Taxation Services		
Tax advice and compliance services (BDO Corporate Tax (WA) Pty Ltd)	**277,685**	214,381
Tax advice and compliance services (Network Firm – BDO PNG)	**5,074**	-
	282,759	214,381
Other services (BDO (Audit) WA Pty Ltd)		
Accounting advice and review of information	**30,842**	7,663
Business combinations and acquisitions	**22,830**	35,627
Total – Other services	**53,672**	43,290
Total	**336,431**	257,671

BDO (Audit) WA Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Auditor's Independence Declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 89.

Rounding of Amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and in the financial statements. Amounts in the Directors' report and the financial statements have been rounded to the nearest thousand dollars.

This Director's report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Director - Chairman - Robert McKinnon

Dated this 30th day of August 2017

safe.reliable.sustainable

Corporate Governance Statement

Tox Free Solutions Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Tox Free Solutions Limited has reviewed its corporate governance practices against Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2017 Corporate Governance Statement is dated as 30 June 2017 and reflects the corporate governance practices in place throughout the 2017 financial year. The 2017 Corporate Governance Statement was approved by the Board on 30th June 2017. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at http://www.toxfree.com.au/wp-content/uploads/2017/08/Corporate-Governance-Statement.pdf

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor of Tox Free Solutions Limited for the year ended 30 June 2017, 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 audit; and

2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Dean Just

Director

Perth, 30 August 2017

Consolidated Statement of Profit or Loss
For the Year Ended 30 June 2017

	Note	2017 $'000	2016 $'000
Continuing operations			
Revenue	3	**496,115**	393,380
Other income		**2,015**	1,907
		498,130	395,287
Expenses	4		
Waste disposal and other non-employee benefit related direct costs		**(147,448)**	(117,820)
Outsourcing costs		**(45,865)**	(35,224)
Employee benefits expense		**(180,220)**	(137,057)
Administrative expenses		**(25,901)**	(19,003)
Amortisation		**(4,438)**	(1,914)
Depreciation		**(36,878)**	(31,594)
Impairment losses, write-offs and make-good costs		**(1,994)**	(3,658)
Finance costs		**(7,246)**	(6,154)
Occupancy costs		**(14,723)**	(11,636)
Acquisition, integration and rebranding costs		**(8,465)**	(4,728)
Site closure and restructuring costs		**(3,611)**	(5,851)
Other expenses		**(1,169)**	(605)
Profit before income tax		**20,172**	20,043
Income tax expense	5	**(7,785)**	(6,989)
Profit after income tax for the year		**12,387**	13,054
Profit is attributable to:			
Owners of Tox Free Solutions Limited		**12,376**	12,608
Non-controlling interests		**11**	446
		12,387	13,054
Earnings per share for profit attributable to the ordinary equity holders of the company:		**Cents**	Cents
Basic earnings per share (cents)	32	**7.10**	9.23
Diluted earnings per share (cents)	32	**7.07**	9.22

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income
For the Year Ended 30 June 2017

	Note	2017 $'000	2016 $'000
Profit for the year		**12,387**	13,054
Other comprehensive income (expense)			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	18	**937**	201
Income tax relating to these items	5	**(281)**	(60)
Other comprehensive income (expense) for the year, net of tax		**656**	141
Total comprehensive income for the year		**13,043**	13,195
Total comprehensive income for the year is attributable to:			
Owners of Tox Free Solutions Limited		**13,032**	12,749
Non-controlling interests		**11**	446
		13,043	13,195

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

Consolidated Balance Sheet
As at 30 June 2017

	Note	2017 $'000	2016 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	**33,856**	31,952
Trade and other receivables	6	**100,809**	90,908
Inventories	14	**3,397**	584
Current tax assets		**-**	2,898
TOTAL CURRENT ASSETS		**138,062**	126,342
NON-CURRENT ASSETS			
Property, plant and equipment	11	**185,961**	175,943
Intangibles	12	**354,963**	181,337
Deferred tax assets	13	**11,184**	8,516
TOTAL NON-CURRENT ASSETS		**552,108**	365,796
TOTAL ASSETS		**690,170**	492,138
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	**62,853**	53,204
Borrowings	9	**2,234**	3,598
Derivative financial instruments	10	**725**	-
Current tax liabilities		**1,921**	-
Employee benefit obligations	15	**13,915**	10,346
Provisions	16	**5,742**	6,477
TOTAL CURRENT LIABILITIES		**87,390**	73,625
NON-CURRENT LIABILITIES			
Borrowings	9	**188,936**	130,255
Derivative financial instruments	10	**-**	1,663
Deferred tax liabilities	13	**23,852**	9,307
Other payables	8	**1,772**	925
TOTAL NON-CURRENT LIABILITIES		**214,560**	142,150
TOTAL LIABILITIES		**301,950**	215,775
NET ASSETS		**388,220**	276,363

Consolidated Balance Sheet
As at 30 June 2017

	Note	2017 $'000	2016 $'000
EQUITY			
Contributed Equity	17	**308,727**	195,457
Reserves	18	**6,512**	4,687
Retained earnings	18	**70,435**	73,240
Capital and reserves attributable to owners of Tox Free Solutions Limited		**385,674**	273,384
Non-controlling interests	25	**2,546**	2,979
TOTAL EQUITY		**388,220**	276,363

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

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2017

	Note	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		**550,077**	416,780
Payments to suppliers and employees (inclusive of goods and services tax)		**(474,756)**	(342,089)
		75,321	74,691
Other income		**307**	217
Interest received		**432**	344
Finance costs paid		**(7,034)**	(6,887)
Income taxes paid		**(4,901)**	(8,985)
Net cash inflow from operating activities	19	**64,125**	59,380
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for the acquisition of businesses, net of cash acquired	24	**(165,090)**	(68,554)
Payments for property, plant and equipment		**(40,300)**	(32,007)
Proceeds from the sale of property, plant and equipment		**18,559**	8,625
Net cash (outflow) from investing activities		**(186,831)**	(91,936)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of ordinary shares		**82,680**	23,203
Proceeds from borrowings		**152,000**	209,500
Repayment of borrowings		**(94,888)**	(176,452)
Payments for shares acquired by Employee Share Trust		**(1,000)**	(165)
Dividends paid to company's shareholders		**(13,738)**	(10,784)
Dividends paid to non-controlling interests in subsidiaries		**(444)**	(503)
Net cash inflow from financing activities		**124,610**	44,799
Net increase in cash and cash equivalents		**1,904**	12,243
Cash and cash equivalents at beginning of year		**31,952**	19,709
Cash and cash equivalents at end of financial year	7	**33,856**	31,952

Non-cash financing and investing activities (refer to note 19)

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

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2017

	Note	Share Capital and Other Equity $'000	Share-based Payments Reserve $'000	Cash Flow Hedging Reserve $'000	Equity Reserve $'000	Retained Earnings $'000	Total $'000	Non-controlling Interests $'000	Total Equity $'000
Balance at 1 July 2015		**170,885**	**7,155**	**(1,305)**	**(1,474)**	**72,488**	**247,749**	**2,986**	**250,735**
Profit for the year		-	-	-	-	12,608	12,608	446	13,054
Other comprehensive income (expense)	18	-	-	141	-	-	141	-	141
Total comprehensive income for the year		-	-	141	-	12,608	12,749	446	13,195
Transactions with owners in their capacity as owners									
Contribution of equity, net of transaction costs and tax	17	24,737	-	-	-	-	24,737	-	24,737
Share-based payment – current period expense	18 & 30	-	605	-	-	-	605	-	605
Share-based payment – vested and reclassified	18	-	(222)	-	-	222	-	-	-
Settlement of employee share schemes	17	(180)	-	-	-	-	(180)	-	(180)
Net disposal / (acquisition) of treasury shares	17	15	-	-	-	-	15	-	15
Acquisition of subsidiaries		-	-	-	-	-	-	185	185
Transactions with non-controlling interests	18	-	-	-	(213)	-	(213)	(135)	(348)
Dividends paid or provided for	23 & 25	-	-	-	-	(12,078)	(12,078)	(503)	(12,581)
		24,572	383	-	(213)	(11,856)	12,886	(453)	12,433
Balance at 30 June 2016		**195,457**	**7,538**	**(1,164)**	**(1,687)**	**73,240**	**273,384**	**2,979**	**276,363**

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2017

	Note	Share Capital and Other Equity $'000	Share-based Payments Reserve $'000	Cash Flow Hedging Reserve $'000	Equity Reserve $'000	Retained Earnings $'000	Total $'000	Non-controlling Interests $'000	Total Equity $'000
Balance at 1 July 2016		**195,457**	**7,538**	**(1,164)**	**(1,687)**	**73,240**	**273,384**	**2,979**	**276,363**
Profit for the year		-	-	-	-	12,376	12,376	11	12,387
Other comprehensive income (expense)	18	-	-	656	-	-	656	-	656
Total comprehensive income for the year		-	-	656	-	12,376	13,032	11	13,043
Transactions with owners in their capacity as owners									
Contribution of equity, net of transaction costs and tax	17	84,861	-	-	-	-	84,861	-	84,861
Share issue: consideration for a business combination	17 & 24	29,409	-	-	-	-	29,409	-	29,409
Share-based payment – current period expense	18 & 30	-	1,169	-	-	-	1,169	-	1,169
Settlement of employee share schemes	17	(580)	-	-	-	-	(580)	-	(580)
Net disposal / (acquisition)of treasury shares	17	(420)	-	-	-	-	(420)	-	(420)
Dividends paid or provided for	23 & 25	-	-	-	-	(15,204)	(15,204)	(444)	(15,648)
Dividends received by the Tox Free Share Trust	18	-	-	-	-	23	23	-	23
		113,270	1,169	-	-	(15,181)	99,258	(444)	98,814
Balance at 30 June 2017		**308,727**	**8,707**	**(508)**	**(1,687)**	**70,435**	**385,674**	**2,546**	**388,220**

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

safe.reliable.sustainable

CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Introduction

This financial report includes the consolidated financial statements and notes of Tox Free Solutions Limited and its subsidiaries (the 'Group'). The consolidated financial statements were authorised for issue by the Board of Directors on 30th August 2017.

The separate financial statements and notes of the parent entity, Tox Free Solutions Limited, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001. The Parent entity financial information is included in note 34.

In preparing the 2017 consolidated financial statements, the Company has made a number of changes to the structure, layout and wording in order to make the consolidated financial statements less complex and more relevant for shareholders and other users.

As disclosed in the contents page of the notes to the consolidated financial statements on page 97, Toxfree have grouped the notes to the consolidated financial statements into five key sections, namely:

1. HOW THE NUMBERS ARE CALCULATED
2. RISK
3. GROUP STRUCTURE
4. UNRECOGNISED ITEMS
5. OTHER INFORMATION

Significant accounting policies specific to a note are included within that note and where possible, wording has been simplified to provide clearer commentary on the consolidated financial statements of the Group. Accounting policies determined non-significant are no longer included in the consolidated financial statements and remain unchanged.

2. Segment Information

Accounting policy

Operating segments are reported in a manner consistent with the internal reporting provided by the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

The Group is managed primarily based on service offerings as the diversification of the Group's operations inherently has notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

For the purpose of impairment testing, intangibles are allocated to five (2016: five) cash generating operating units; refer to note 12 Intangibles. The cash generating units are based on the aggregation of cost centres. The Managing Director considers the business strategically and operationally from a service perspective and has identified four (2016: three) reportable segments:

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

Three reportable service segments remain unchanged from the previous financial year; Waste, Industrial and Technical and Environment. The Health Services operations became part of the Group from 1 December 2016, when Toxfree acquired the Daniels Health Group, please refer to note 24 Business Combinations for further details.

Performance is measured based on segment earnings before interest, tax, depreciation and amortisation (EBITDA) as included in the internal financial reports. 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.

Types of services by reportable segment

(i) Waste Services

The Waste Services Division is committed to providing solid waste services to the IS, TES and HS businesses, as well as providing solid waste services to a range of customers throughout Australia as part of Toxfree's total waste management service offering. Waste Services currently provides solid waste services in South-West Western Australia, the Kimberley region, the Northern Territory, Far North Queensland and South-East Queensland, Sydney and the Melbourne metropolitan region.

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

(ii) Industrial Services

The Industrial Services Division provides onsite industrial cleaning to the oil and gas, mining, heavy manufacturing, civil infrastructure, municipal and utilities sectors. Services include; shutdown, tank and drain cleaning, high pressure water jetting, vacuum loading, non-destructive digging and liquid and 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 Group'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 safe work practices, safe equipment, and mobile vehicle fleet.

(iii) Technical and Environmental Services

Toxfree has a national network of waste management facilities throughout Australia that specialise in the treatment of regulated wastes. Services are provided from facilities located in Kalgoorlie, Kwinana, Henderson, Karratha, Port Hedland, Brisbane, Adelaide, Newcastle, Sydney, Hobart, and Melbourne. Toxfree uses several technologies to manage this waste stream including, thermal desorption, waste water and oil treatment, plasma arc, base catalytic de-chlorination, stabilisation and fixation, physiochemical treatment, E-Waste recycling and reuse and recycling.

(iv) Health Services

The Health Services Division focuses on the management and treatment of regulated clinical waste. It is a market leader in the collection, treatment, and disposal of clinical waste in Australia. The Division markets proprietary technology of a world class standard in the reduction of the risk of infection and injury in the disposal of clinical waste. The Division competes in regional markets for contracts to service medical waste generators. In order to support these service lines and treat the underlying medical waste, the Division operates incinerators and alternative treatment technologies. Furthermore, the Division owns a fleet of trucks that transport medical waste and provides equipment including washed bins to customers. In addition, the Division also supplies the inventory needs of laboratories and recycling services to medical waste generators.

(a) Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(b) Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(c) Segment performance

	WS		IS		TES		HS		TOTAL	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Revenue										
Total segment revenue	**181,231**	250,630	**153,613**	101,168	**157,174**	100,317	**54,271**	-	**546,289**	452,115
Inter-segment revenue	**(8,982)**	(18,558)	**(6,338)**	(7,686)	**(31,392)**	(32,491)	**(3,462)**	-	**(50,174)**	(58,735)
External customers	**172,249**	232,072	**147,275**	93,482	**125,782**	67,826	**50,809**	-	**496,115**	393,380
Amortisation	**1,103**	1,236	**628**	-	**1,165**	678	**1,542**	-	**4,438**	1,914
Depreciation	**14,336**	16,070	**9,243**	7,818	**9,097**	6,009	**2,296**	-	**34,972**	29,897
Impairments/write-offs	**1,922**	175	**70**	-	**-**	3,483	**-**	-	**1,992**	3,658
Segment EBIT	**18,644**	38,684	**15,707**	8,884	**19,595**	9,594	**9,976**	-	**63,922**	57,162
Segment EBITDA	**34,083**	55,990	**25,578**	16,702	**29,857**	16,281	**13,814**	-	**103,332**	88,973
Segment assets										
Total segment assets	**155,967**	193,814	**92,281**	73,867	**156,293**	161,286	**211,477**	-	**616,018**	428,967
Capital Expenditure	**9,154**	16,660	**8,003**	4,814	**14,759**	8,606	**5,576**	-	**37,492**	30,080
Segment liabilities										
Total segment liabilities	**18,941**	18,130	**13,306**	6,511	**27,987**	26,318	**8,043**	-	**68,277**	50,959

(d) **Reconciliations**

	2017 $'000	2016 $'000
Reconciliation of segment EBITDA to operating profit before income tax:		
Segment EBITDA	**103,332**	88,973
Share-based payments	**(1,169)**	(605)
Finance costs	**(7,246)**	(6,154)
Employee expenses	**(19,236)**	(19,134)
Acquisition, integration and rebranding costs	**(8,465)**	(4,728)
Site closure, restructuring and write-off costs	**(5)**	(1,181)
Travel and motor vehicle expenses	**(1,845)**	(1,702)
Depreciation and amortisation	**(41,316)**	(33,508)
Occupancy costs	**(1,685)**	(735)
Other corporate costs	**(2,959)**	(2,587)
Reduction to contingent consideration	**-**	1,067
Other income	**766**	337
Total net profit before tax	**20,172**	20,043
Reconciliation of segment assets to total assets per the Balance Sheet:		
Segment assets	**616,018**	428,967
Cash and cash equivalents	**33,856**	31,952
Other receivables	**2,664**	2,588
Inventories	**3,397**	584
Prepayments	**6,024**	4,671
Prepaid tax	**-**	2,898
Deferred tax assets	**11,184**	8,516
Property, plant and equipment	**17,027**	11,962
Total assets per the Consolidated Balance Sheet	**690,170**	492,138
Reconciliation of segment liabilities to total liabilities per the Balance Sheet:		
Segment liabilities	**68,277**	50,959
Other payables and derivative liabilities	**2,815**	11,310
Loans and borrowings	**191,170**	133,853
Employee benefits	**13,915**	10,346
Current tax payable	**1,921**	-
Deferred tax liabilities	**23,852**	9,307
Total liabilities per the Consolidated Balance Sheet	**301,950**	215,775

3. Revenue

Accounting policy

The Group recognises Service revenue in the following four categories:

- Waste Services
- Industrial Services
- Technical and Environmental Services
- Health Services

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is generally recognised upon delivery of the service to the customer.

All revenue is stated net of the amount of goods and services tax (GST).

Critical accounting estimates and judgements

Revenue recognition under contract variations requires estimates and judgements based on future economic benefit and is typically when the variations / overruns have been agreed and approved by the customer.

	2017 $'000	2016 $'000
The Group derives the following types of Revenue:		
Sales - Provision of services	**496,115**	393,380
Total Revenue	**496,115**	393,380

4. Expenses

Accounting policy

Finance costs
Finance costs include finance charges in respect of finance leases and the interest expense on borrowings. The interest expense on borrowings is recognised as it accrues in profit or loss, using the effective interest rate method.

Profit before income tax includes the following specific expenses:

	2017 $'000	2016 $'000
Interest and finance charges paid/payable	5,510	4,599
Establishment and other fees	1,736	1,555
Total finance costs	7,246	6,154
Amortisation	4,438	1,914
Bad debts	330	227
Depreciation	36,878	31,594
Impairment losses and write-offs	1,994	3,658
Insurance and workers compensation costs	5,289	4,392
Labour costs	165,863	125,456
Motor vehicle expenses	25,110	20,870
Hire of equipment and operating lease rental expenses	28,195	23,787
Share-based payments expense	1,169	605
Superannuation contributions	10,705	8,478
Travel expenses	5,053	4,452

5. Income Tax Expense

Accounting policy

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

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

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

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tox Free Solutions Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Accounting policy (continued)

Investment allowances and similar tax incentives
Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for the allowances as tax credits, which means that the allowances reduce the income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

Critical accounting estimates and judgements
Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future profits.

(a) The components of current income tax expense comprise:

	2017 $'000	**2016 $'000**
Current tax expense		
Current tax	**8,581**	6,693
Deferred tax	**(394)**	200
Prior year adjustment	**(402)**	96
	7,785	6,989

Deferred income tax expense / (revenue) included in the income tax expense comprises:		
(Increase) / decrease in deferred tax assets	**(554)**	96
Increase in deferred tax liabilities	**160**	104
	(394)	200

(b) Numerical reconciliation of income tax expense to prima facie tax payable:

	2017 $'000	2016 $'000
Profit from continuing operations before income tax expense	**20,172**	20,043
Tax at the Australian tax rate of 30% (2016: 30%)		
Consolidated Group	**6,052**	6,013
	6,052	6,013
Add: Tax effect of:		
Entertainment	**74**	56
Share-based payments	**-**	182
Other	**2,061**	286
	8,187	6,537
Less: Tax effect of:		
Adjustment for current tax of prior period	**(402)**	96
Deferred taxes: previously unrecognised - acquisitions	**-**	356
Income tax expense	**7,785**	6,989
The applicable weighted average effective tax rates are as follows:	**39%**	35%

(c) Tax expense relating to items of other comprehensive income

	Note	2017 $'000	2016 $'000
Cash flow hedges	18	**281**	60

6. Trade and Other Receivables

Accounting policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable in question.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the carrying allowance is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is considered immaterial. Due to the short-term nature of the current receivables, their carrying amounts are assumed to approximate their fair value.

Critical accounting estimates and judgements
The value of the provision for impairment of receivables is estimated by considering the aging of receivables, communication with debtors and prior history.

Current assets	Note	2017 $'000	2016 $'000
Trade receivables		**86,738**	76,895
Provision for impairment of receivables	6(a)	**(933)**	(873)
		85,805	76,022
Other receivables – accrued revenue		**6,598**	7,358
Other sundry receivables		**2,382**	2,857
Prepayments		**6,024**	4,671
		100,809	90,908

(a) Provision for impairment of receivables

Movement in the Provision for impairment of receivables is as follows:

	2017 $'000	2016 $'000
Balance at beginning of the year	**(873)**	(264)
Provision for impairment	**(390)**	(836)
Receivables written off during the year as uncollectible	**330**	227
Balance at end of the year	**(933)**	(873)

The creation and release of the Provision for Impaired Receivables has been included in Administrative expenses in the Consolidated Statement of Profit or Loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Credit risk - Trade and Other Receivables

The following table details the Group's Trade and Other Receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counter-party to the transaction.

Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross receivables $'000	Past due and impaired $'000	< 30 $'000	30-60 $'000	61-90 $'000	> 90 $'000
2017						
Trade receivables	**86,738**	**(933)**	**56,535**	**19,915**	**5,104**	**5,184**
2016						
Trade receivables	76,895	(873)	50,576	20,115	3,225	2,979

The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

Impairment losses
Based on historic default rates the Group believes that no general impairment allowance is necessary in respect of trade receivables not past due or past due up to 90 days. Amounts due from customers which are past due 91 days and over generally relate to customers who are traditional late payers but not an impairment risk. Where there is a specific customer related impairment risk then an impairment allowance is made against that customer receivable.

The credit quality of financial assets that are not past due or impaired are considered robust and all amounts deemed recoverable with no impairment issues noted by management. The other classes of receivables do not contain impaired assets.

For additional information on the Group's exposure to credit risk please refer to note 21.

7. Cash and Cash Equivalents

Accounting policy

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the Consolidated Balance Sheet.

(a) Reconciliation to cash at the end of the year

The below figures are reconciled to cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows as follows:

Current assets	2017 $'000	2016 $'000
Cash at Bank and in hand	**33,856**	31,952
Balance per Consolidated Statement of Cash Flows	**33,856**	31,952

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in note 21. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

8. Trade and Other payables

Accounting policy

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months of the reporting date. Due to their short-term nature, they are measured at amortised cost and are not discounted.

Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all applicable conditions.

Government grants relating to the purchase of property, plant and equipment are included in liabilities as deferred income and credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

	2017 $'000	2016 $'000
Current liabilities		
Trade payables	**36,621**	34,529
Other payables	**26,232**	18,675
	62,853	53,204
Non-current liabilities		
Government grants received	**1,837**	972
Less: current portion included in other payables	**(65)**	(47)
	1,772	925
Total trade and other payables	**64,625**	54,129

Information about the Group's exposure to liquidity risk is provided in Note 21.

safe.reliable.sustainable

9. Borrowings

Accounting policy

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of the loan facilities are capitalised as a prepayment for services and amortised over the period of the facility to which it relates.

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting period.

Borrowing costs
Borrowings costs are expensed in the period in which they are incurred.

Finance Leases
Leases of property, plant and equipment, where substantially all the risks and benefits incidental to the ownership of the assets, but not the legal ownership that are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Operating leases
Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Secured liabilities	Note	2017 $'000	2016 $'000
Current liabilities			
Bank cash advance facilities ^		**(290)**	(290)
Lease liabilities	27	**2,524**	3,888
Current borrowings		**2,234**	3,598
Non-current liabilities			
Bank cash advance facilities ^		**187,067**	125,862
Lease liabilities	27	**1,869**	4,393
Non-current borrowings		**188,936**	130,255
Total borrowings		**191,170**	133,853

^ Prepaid bank establishment costs of $473,169 (2016: $677,938) have been offset against the bank cash advance facility liability. There is no contractual current portion payable on the cash advance facility.

(a) Banking Security and Covenants

The banking syndicated facility agreement is secured by certain Group company guarantees and in addition, the Group is required to operate within certain covenant ratios at each calculation date. For additional information, please refer to note 22 Capital Management.

Lease liabilities are secured by the underlying leased assets.

(b) Interest rate swap agreements

Bank Cash Advance Facilities have been drawn as a source of long-term finance. They have a rolling maturity period within the facility. The Cash Advance Facilities bear interest at variable rates ranging from 2.52% to 2.67%, payable in arrears (2016: 2.64% to 2.81%). Per the terms and conditions of the banking facility arrangement, there is no requirement to repay any current portion of the banking facilities.

It is Group policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Swaps currently in place cover 24% (2016: 37%) of the variable loan principal outstanding. The contracts require settlement of net interest receivable or payable every 30 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

For additional information of the swaps please refer to note 10 Derivative Financial Instruments.

The Group's exposure to interest rate and liquidity risk is detailed in note 21.

(c) Finance leases

Finance lease liabilities are financed at fixed interest rates. The average fixed interest rate for the 2017 financial year was approximately 5.68% (2016: 6.13%). Estimated monthly repayments including finance charges for the next financial year are $227,500 (2016: $356,000).

(d) Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

(e) Fair value

The carrying amounts and fair values of borrowings at the end of the reporting period are disclosed in note 21.

(f) Bank loan facilities utilised / available

	2017 $'000	2016 $'000
Total loan facilities	**285,000**	190,000
Loan facilities – utilised ^	**(204,331)**	(140,580)
Loan facilities - available	**80,669**	49,420

^ includes bank guarantees; please refer to note 26 Contingencies.

The Group has access to a syndicated facility from its bankers. The purpose of the facility is to assist with acquisitions, purchasing and leasing of assets and for general operating requirements.

Finance will be granted under the facilities provided the Group has not breached any borrowing requirements and the required financial ratios are met.

safe.reliable.sustainable

10. Derivative Financial Instruments

Accounting policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of the derivative financial instruments used for hedging purposes are disclosed below. Movements in the Hedging Reserve in Shareholders' Equity are shown in note 18. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. The remaining maturity of the hedged item is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as a cash flow hedge is recognised in Other Comprehensive Income and accumulated in Reserves in Equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within Other Income or Other Expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

	2017 $'000	2016 $'000
Current liability		
Interest rate swap contracts – cash flow hedges	**725**	-
Long-term liability		
Interest rate swap contracts – cash flow hedges	**-**	1,663
	725	1,663

Instruments used by the Group
The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies, refer to note 21.

Interest rate swap contracts – cash flow hedges
Bank loans of the Group currently bear an average variable interest rate of 2.55% (2016: 2.72%). It is policy to protect *part* of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Details of interest rate swaps as at 30 June 2017 are as follows:

1. $36,250,000 hedging instrument
The interest cash flows under an "in arrears" bullet interest rate swap with a notional value of AUD $36,250,000.

Counterparty	Notional Value - Start	Notional Value - Maturity	Fixed Rate	Floating Rate Basis	Start Date	Maturity Date
ANZ	$36,250,000	$22,000,000	3.97%	1 month BBSY	13 May 2013	10 April 2018

The notional amount at 30 June 2017 was $24,250,000 (2016: $27,250,000).

2. $20,000,000 hedging instrument
The interest cash flows under an "in arrears" bullet interest rate swap with a notional value of AUD $20,000,000.

Counterparty	Notional Value - Start	Notional Value - Maturity	Fixed Rate	Floating Rate Basis	Start Date	Maturity Date
ANZ	$20,000,000	$20,000,000	3.27%	1 month BBSY	18 May 2015	17 May 2018

The notional amount at 30 June 2017 was $20,000,000 (2016: $20,000,000).

The Swaps in place currently cover over 24% (2016: 37%) of the variable loan principal outstanding. The contracts require settlement of net interest receivable or payable every 30 days. The settlement dates primarily coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income and Accumulated in Reserves in Equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within Other income or Other expenses.

There was no hedge ineffectiveness in the current year.

During the year, the following gains / (losses) were recognised in profit or loss and other comprehensive income in relation to the interest rate swaps:

	Note	2017 $'000	2016 $'000
Net gain / (loss) recognised in other comprehensive income	**18**	**656**	141
Gains reclassified from other comprehensive income to profit or loss		**-**	-

Risk exposures and fair value measurements
Information about the Group's exposure to interest rate risk and about the methods and assumptions used in determining fair values is provided in note 21.

safe.reliable.sustainable

11. Property, Plant and Equipment

Accounting policy

General information
Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property
Land and buildings are measured at cost less accumulated depreciation and impairment losses.

Plant and equipment
Plant and equipment are measured on the cost basis. Cost includes expenditure that is directly attributable to the asset.

Depreciation
The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Land is not depreciated.

The estimated useful lives used for each category of depreciable assets are:

Category of Fixed Asset	Useful Life
Buildings	10 - 40 years
Plant and Equipment	3 - 12 years
Motor Vehicles	4 - 10 years
Leasehold Improvements	Period of lease

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day to day servicing of property, plant or equipment are recognised in profit or loss as incurred.

Gains and losses on disposal
Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included within "Other Income (gains) or Other Expenses (losses)" in the Consolidated Statement of Profit or Loss.

Critical accounting estimate
Major ERP software is deemed to have a 10-year useful life and is amortised on a straight-line basis.

Non-current assets	2017 $'000	2016 $'000
Plant and equipment		
At cost	**324,067**	281,298
Accumulated depreciation	**(147,405)**	(129,023)
Total plant and equipment	**176,662**	152,275
Land, buildings and leasehold improvements		
At cost	**17,153**	33,250
Accumulated depreciation	**(7,854)**	(9,582)
Total land, buildings and leasehold improvements	**9,299**	23,668
Total Property, Plant and Equipment	**185,961**	175,943

(a) Movements in carrying amounts

Movement in the carrying amounts for each category of property, plant and equipment between the beginning and the end of the current financial year:

	Note	Plant and Equipment $'000	Land, Buildings and Leasehold Improvements $'000	Total $'000
Balance at 30 June 2017				
Balance - beginning of year		**152,275**	**23,668**	**175,943**
Additions		**38,859**	**1,348**	**40,207**
Additions - Business combinations	24	**34,678**	**-**	**34,678**
Disposals		**(3,423)**	**(14,490)**	**(17,913)**
Disposals – Business combinations	24	**(8,932)**	**-**	**(8,932)**
Asset write-offs		**(1,144)**	**-**	**(1,144)**
Depreciation expense		**(35,651)**	**(1,227)**	**(36,878)**
		176,662	**9,299**	**185,961**
Balance at 30 June 2016				
Balance - beginning of year		130,726	22,760	153,486
Additions		29,313	2,694	32,007
Additions - Business combinations		26,088	7,960	34,048
Disposals		(1,003)	(7,343)	(8,346)
Impairments and write-offs		(2,823)	(835)	(3,658)
Transfers and reclassifications		(122)	122	-
Depreciation expense		(29,904)	(1,690)	(31,594)
		152,275	23,668	175,943

(b) Leased assets

The Group leases a number of vehicles under finance lease agreements and some leases provide the Group with the option to purchase the equipment at a beneficial price at the end of the lease term. The leased vehicles secure the lease obligations.

(c) Assets in the course of construction

The carrying amount of the assets disclosed above include $14,845m (2016: $7.831m) in relation to property, plant and equipment which is in the course of construction.

12. Intangible Assets

Accounting policy

Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. When the excess is negative (bargain purchase), it is recognised immediately in profit or loss. Goodwill is not amortised. Instead, Goodwill is tested for impairment at each reporting date or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of Goodwill relating to the entity sold.

Goodwill is allocated to one of five cash generating units for the purpose of impairment testing. Each of those cash generating units is represented in the Group's operating segments.

Business licenses
Business licences acquired as part of a business combination are recognised separately from Goodwill. The Business licences are carried at their fair value at the date of acquisition less impairment losses. Business licences have an indefinite useful life on the basis that they will continue to be renewed and future cash flows cannot be earned without them.

Business licences are allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the Group's operating segments.

Intellectual property and Customer contracts and relationships
Both Intellectual Property and Customer Contracts and Relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

Amortisation is recognised in profit or loss from the date that the intangibles are available for use on either a straight-line basis over their estimated useful life or based on the expected revenue contribution profile. The estimated useful lives for each category are:

Accounting policy (continued)

Category of Intangible	Useful Life
Intellectual Property	10-15 years
Customer Contracts	3-10 years
Customer Relationships^	1-20 years

^ based on the expected revenue contribution profile

Impairment of non-financial assets
Impairment testing is performed at each reporting date for Goodwill and intangible assets with indefinite lives.

The carrying amount of the Group's intangible assets with definite lives are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For Goodwill and Business Licences, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

The Goodwill and Business licences acquired in a business combination, for the purpose of impairment testing, are allocated to cash generating units that are expected to benefit from the synergies of combination.

An impairment loss is recognised if the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any Goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of Goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Critical accounting estimates and judgements
The recoverable amount of Goodwill and other intangibles has been calculated using a number of estimates and assumptions as discussed in Note 12(b).

Non-current assets	2017 $'000	2016 $'000
Goodwill		
Cost	**300,466**	170,756
Net carrying value	**300,466**	170,756
Intellectual Property		
Cost	**19,079**	3,325
Accumulated amortisation	**(3,568)**	(2,766)
Net carrying value	**15,511**	559
Business Licenses		
Cost	**3,878**	3,878
Net carrying value	**3,878**	3,878
Customer Contracts and Relationships		
Cost	**47,796**	15,196
Accumulated amortisation	**(12,688)**	(9,052)
Net carrying value	**35,108**	6,144
Total Intangibles	**354,963**	181,337

Movements in carrying amounts of each category of intangible during the year:

	Intellectual Property $'000	Customer Contracts $'000	Business Licenses $'000	Goodwill $'000	Total $'000
Year ended 30 June 2017					
Balance - beginning of the year	**559**	**6,144**	**3,878**	**170,756**	**181,337**
Additions – business combinations	**15,200**	**32,600**	**-**	**129,640**	**177,440**
Additions - other	**554**	**-**	**-**	**-**	**554**
Adjustments	**-**	**-**	**-**	**70**	**70**
Amortisation	**(802)**	**(3,636)**	**-**	**-**	**(4,438)**
Closing value at 30 June 2017	**15,511**	**35,108**	**3,878**	**300,466**	**354,963**

	Intellectual Property $'000	Customer Contracts $'000	Business Licenses $'000	Goodwill $'000	Total $'000
Year ended 30 June 2016					
Balance - beginning of the year	659	4,198	3,878	143,817	152,552
Additions – business combinations	-	3,760	-	27,018	30,778
Adjustments	-	-	-	(79)	(79)
Amortisation	(100)	(1,814)	-	-	(1,914)
Closing value at 30 June 2016	559	6,144	3,878	170,756	181,337

(a) Impairment disclosures

The aggregate carrying amounts of Intangibles allocated to the Group's reportable segments is:

	2017 $'000	2016 $'000
Health Services	**173,611**	-
Industrial Services	**17,242**	29,613
Technical and Environmental Services	**80,417**	77,621
Waste Services	**83,693**	74,103
Total	**354,963**	181,337

For the purpose of impairment testing, intangibles are allocated to five (2016: five) cash-generating units (CGU). The CGU and aggregate carrying amounts are structured to fall in line with the Group operations, cash-flow, management and reporting changes. The Health Services operations became part of the Group from 1 December 2016, when Toxfree acquired the Daniels Health Group, please refer to note 24 Business Combinations for further details.

2017: The aggregate carrying amounts of intangibles allocated to five CGUs are:

	2017 $'000
Health Services (HS)	173,611
Industrial Services – East (ISE)	17,242
Industrial Services – West (ISW) **^**	-
Technical and Environmental Services (TES)	80,417
Waste Services – East (WSE)	54,885
Waste Services – West (WSW)	28,808
Closing value at 30 June 2017	**354,963**

^ The intangible asset allocation across the ISW and TES business has been revised in 2017 to reflect the impact of organisation restructures.

2016: The aggregate carrying amounts of intangibles allocated to five CGUs are:

	2016 $'000
Industrial Services – East (ISE)	26,419
Industrial Services – West (ISW)	3,194
Technical and Environmental Services (TES)	77,621
Waste Services – East (WSE)	44,494
Waste Services – West (WSW)	29,609
Closing value at 30 June 2016	**181,337**

During the year ending 30 June 2017, there is no impairment of any CGU (2016: nil). The recoverable amount of each CGU is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a projected five-year period and then estimating a year five terminal value. The cash flow for 2018 is based on the 2018 budget adopted by the Board. The terminal value growth rate does not exceed the industry long-term average growth rate. The discount rate is based on an industry Weighted Average Cost of Capital with cash flow projections being adjusted for CGU specific risks. The cash flows are discounted using a discount rate of 10%.

(b) Significant estimate: key assumptions used for value-in-use calculations

Other than the 2018 budget projections, the following table sets out the key assumptions for CGU value-in-use calculations:

2017	**HS**	**ISE**	**TES**	**WSE**	**WSW**
EBITDA (% annual growth rate) **^**	6%	3.5%	3.5%	3.5%	3%
Capital spend rate **^^**	4%	1%	2%	3%	1%

2016	**ISE**	**ISW**	**TES**	**WSE**	**WSW**
EBITDA (% annual growth rate) **^**	3-50%	3-23%	4-33%	3-12%	Nil
Capital spend rate **^^**	1%	16%	4%	5%	1%

^ Growth rates have been calculated with the FY18 normalised budgeted EBITDA as a base.

^^ Reflects capital spend as a % of revenue calculated as the 5-year average of forecast spend.

Management has determined the values assigned to each of the above key estimates as follows:

Assumption	Approach used to determine values
EBITDA	Growth rates have been determined with reference to external sources including CPI forecast and industry specific forecasts, adjusted for management's best estimate of growth achievable in the current economic and competitive environment.
Annual Capital Expenditure	Expected costs to maintain assets in current condition. Capital spend reflects the Group's continued focus on managing capital through increased utilisation of fleet.

(c) Sensitivity to change in assumptions

The Directors and management have considered and assessed reasonably possible changes to key assumptions that result in a change to the recoverable amount for each CGU. With regard to the assessment, management recognises that the actual time value of money may vary from the estimated and the discount rate used.

Estimated reasonably possible changes in the key assumptions would have the following approximate impact on impairment of each CGU as at 30 June 2017:

2017	**Reasonable possible change**	**HS $'000**	**ISE $'000**	**TES $'000**	**WSE $'000**	**WSW $'000**
Decrease in EBITDA growth rate %	2% to 3%	Nil – 8,490	Nil	Nil – 2,754	Nil	Nil
Increase in capital spend rate	2.5%	1,580	Nil	9,287	Nil	Nil
Increase in discount rate	1%	Nil	Nil	Nil	Nil	Nil

2016
None of the above changes would have resulted in an impairment for any CGU.

Each of the sensitivities above assumes that the specific assumption moves in isolation, whilst all of the other assumptions are held constant.

13. Deferred Tax Balances

(a) Recognised deferred tax assets

	Note	2017 $'000	2016 $'000
Deferred tax assets	**13(c)**	**11,184**	8,516

Deferred tax assets to be recovered within 12 months	**8,338**	6,639
Deferred tax assets to be recovered after 12 months	**2,846**	1,877

(b) Recognised deferred tax liabilities

	Note	2017 $'000	2016 $'000
Deferred tax liabilities	**13(c)**	**23,852**	9,307

Deferred tax liabilities to be recovered within 12 months	**889**	1,756
Deferred tax liabilities to be recovered after 12 months	**22,963**	7,551

(c) Deferred tax assets and liabilities - consolidated

	Note	Opening Balance $'000	Charged to Provision $'000	Charged to Profit or loss $'000	Business Acquisitions $'000	OCI^ $'000	Closing Balance $'000
Deferred tax assets							
Provisions - employee benefits		**3,355**	**50**	**(109)**	**1,174**	**-**	**4,470**
Transaction costs on equity issue		**334**	**(4)**	**(297)**	**193**	**738**	**964**
Borrowing costs		**43**	**-**	**58**	**6**	**-**	**107**
Cash Flow Hedging Reserve		**499**	**-**	**-**	**-**	**(281)**	**218**
Other		**4,285**	**-**	**902**	**238**	**-**	**5,425**
Balance at 30 June 2017	**13(a)**	**8,516**	**46**	**554**	**1,611**	**457**	**11,184**
Provisions - employee benefits		2,791	-	113	451	-	3,355
Transaction costs on equity issue		311	(3)	26	-	-	334
Borrowing costs		67	-	(24)	-	-	43
Cash Flow Hedging Reserve		559	-	-	-	(60)	499
Other		4,226	(3)	(212)	274	-	4,285
Balance at 30 June 2016		7,954	(6)	(97)	725	(60)	8,516
Deferred tax liabilities							
PPE		**7,187**	**(59)**	**754**	**-**	**-**	**7,882**
Other		**2,120**	**55**	**(594)**	**14,389**	**-**	**15,970**
Balance at 30 June 2017	**13(b)**	**9,307**	**(4)**	**160**	**14,389**	**-**	**23,852**
PPE		5,972	545	670	-	-	7,187
Other		1,558	-	(566)	1,128	-	2,120
Balance at 30 June 2016		7,530	545	104	1,128	-	9,307

^ Other Comprehensive Income

safe.reliable.sustainable

14. Inventories

Accounting policy

Raw Materials, consumables and finished goods are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumables including fuels paid for and on-hand at year end and are not for resale, rather for consumption in providing services.

Current assets	2017 $'000	2016 $'000
At cost:		
Finished goods	**2,334**	472
Raw materials and consumables	**1,063**	112
Total Inventories	**3,397**	584

15. Employee Benefit Obligations

Accounting policy

Employee benefits
Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on corporate bond rates with terms to maturity that match the expected timing of cash flows.

Defined contribution schemes
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Termination benefits
Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer is accepted, and the number of acceptances can be estimated reliably.

Short-term benefits
Liabilities for employee benefits for wages, salaries, annual leave and personal leave represent present obligations resulting from employee's services provided to reporting date, expected to be settled wholly within 12 months after the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation, insurance and payroll tax.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. This liability is included in the provisions in the Consolidated Balance Sheet.

Accounting policy (continued)

Other long-term benefits
The Group's net obligation in respect of long-term employee benefits and not expected to be settled wholly within 12 months after reporting date, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted.

This discount rate is the yield at the reporting date on corporate bond rates that have maturity dates approximating the terms of the Group's obligation. The calculation is performed using the projected unit credit method. These obligations are included in provisions in the Consolidated Balance Sheet.

Share-based payment transactions
The Group provides benefits to executive and senior management personnel with a combination of Fixed Annual Remuneration Share Rights, Performance Rights, and Share Appreciation Rights in exchange for them rendering their services.

For additional details please refer to the Remuneration Report and note 30 Share-Based Payments.

	2017 $'000	2016 $'000
Current liabilities		
Annual and long service leave	**13,915**	10,346

The current provision for employee benefits includes accrued annual and long-service leave. For long-service leave it covers all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro-rata payments. The entire amount of the provision of $13.915M (2016: $10.346M) is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, The Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2017 $'000	2016 $'000
Amounts not expected to be settled within the next 12 months		
Leave obligations expected to be settled after 12 months	**4,738**	3,985

16. Provisions

Accounting policy

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

Critical accounting estimate and judgements

Waste Destruction

Management have provided for the estimated costs to process, transport and dispose of various legacy waste streams.

All waste is sorted and quantities determined as soon as received so the customers can be billed appropriately and the revenue recognised. The waste is then grouped according to its end destination and then further broken down into waste type.

The value attributed to the waste is a combination of the internal processing costs, made up of labour, as well as the cost to transport the waste to its end destination and the cost to treat the waste by the receiver at that end destination. This could be an external supplier or another Toxfree facility.

Waste treated in Toxfree facilities is carried at the standard processing cost attributed to that category of waste. Standard processing costs are set annually but are continuously re-evaluated during the year to pick up cost differentials. At each quarter, a full stocktake is conducted to measure waste on hand, and actual costs to remediate are recalculated. Any difference between the carrying value of the waste and that of the provision is charged to profit or loss. The total of the quantity on hand and the cost to remediate that category of waste represents the value of the provision for Waste Destruction.

Current liabilities	2017 $'000	2016 $'000
Waste destruction	**5,742**	6,477
	5,742	6,477

17. Contributed Equity

Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When the Company purchases its own equity instruments, for example because of a share-based payment plan or a share buy-back, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Tox Free Solutions Limited as treasury shares until the shares are reissued or cancelled. When such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Tox Free Solutions Limited.

Shares held by the Tox Free Solutions Limited Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

	Notes	2017 Shares	2016 Shares	2017 $'000	2016 $'000
(a) Share capital					
Ordinary shares					
Fully paid	**17(c)**	**194,099,670**	143,919,669	**309,147**	195,457
(b) Other equity securities					
Treasury shares – Tox Free Employee Share Trust	**17(d)**	**(176,738)**	-	**(420)**	-
Total		**193,922,932**	143,919,669	**308,727**	195,457

safe.reliable.sustainable

(c) Movements in Ordinary Share Capital

Date	Details	Notes	2017 Number	2016 Number	2017 $'000	2016 $'000
	On issue at 1 July		**143,919,669**	134,013,376	**195,457**	170,900
	Movements:					
26/08/2015	Employees Share Scheme issues	**17(d)**	-	-	-	(180)
29/09/2015	Dividend reinvestment plan issue	**17(e)**	-	353,910	-	952
29/03/2016	Dividend reinvestment plan issue	**17(e)**	-	139,079	-	342
29/03/2016	7,843,137 Share placement @ $2.55		-	7,843,137	-	20,000
29/04/2016	1,570,167 Share purchase plan @ $2.55		-	1,570,167	-	4,003
30/06/2016	Capital raising transaction costs during the year		-	-	-	(800)
30/06/2016	Deferred tax asset on transaction costs		-	-	-	240
29/09/2016	Dividend reinvestment plan issue	**17(e)**	440,665	-	1,086	-
08/11/2016	Institutional Entitlement Offer @ $2,30		26,110,047	-	60,053	-
29/11/2016	Retail Entitlement Offer @ $2.30		10,907,644	-	25,088	-
01/12/2016	Daniels Health Acquisition @$2.34 fair value	**24(b)**	12,568,000	-	29,409	-
24/03/2017	Dividend reinvestment plan issue	**17(e)**	153,645	-	357	-
30/06/2017	Employees Share Scheme issues during the year	**17(d)**	-	-	(580)	
30/06/2017	Capital raising transaction costs during the year		-	-	(2,461)	-
30/06/2017	Deferred tax asset on transaction costs		-	-	738	-
	On issue at 30 June		**194,099,670**	143,919,669	**309,147**	195,457

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Group. One a show of hands at meetings of the of the Group, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

(d) Treasury Shares – Toxfree Employee Share Trust

Details	2017 Number	2017 $'000	2016 Number	2016 $'000
Opening balance 1 July	-	-	(6,536)	(15)
Acquisition of shares	(421,645)	(1,000)	(62,756)	(165)
Employee Share Scheme Issues	244,907	580	69,292	180
Closing balance 30 June	**(176,738)**	**(420)**	**-**	**-**

(e) Dividend Reinvestment Plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at no discount to the market price.

(f) Employee Share Schemes

Information relating to Toxfree employee share schemes is set out in note 30 Share-based payments.

(g) Rights and Options

(i) Information relating to Rights and Options granted, exercised, and lapsed during the financial year and the Rights and Options holdings at the end of the financial year is set out in note 30 Share-based payments.

(ii) Information relating to Rights and Options granted to Key Management Personnel during the financial year, please refer to the Remuneration Report.

18. Reserves

(a) Other Reserves

	2017 $'000	2016 $'000
Share-Based Payments Reserve	**8,707**	7,538
Cash Flow Hedging Reserve	**(508)**	(1,164)
Equity Reserve	**(1,687)**	(1,687)
	6,512	4,687

Share-Based Payments Reserve	2017 $'000	2016 $'000
Opening balance	**7,538**	7,155
Share-based payments expense – current year	**1,169**	605
Transfers to retained earnings	**-**	(222)
Closing balance	**8,707**	7,538

The Share-Based Payments Reserve is used to recognise the grant date fair value of Rights and Options and issued to employees but not exercised.

Cash Flow Hedging Reserve	2017 $'000	2016 $'000
Opening balance	**(1,164)**	(1,305)
Revaluation - gross	**937**	201
Deferred tax	**(281)**	(60)
Closing balance	**(508)**	(1,164)

The Cash Flow Hedging Reserve is used to record gains and losses on cash flow hedging instruments that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedge transaction effects profit or loss. For additional information, please refer to the note 10 Derivative Financial Instruments accounting policy.

Equity Reserve	2017 $'000	2016 $'000
Opening balance	**(1,687)**	(1,474)
Transactions with non-controlling interests	**-**	(213)
Closing balance	**(1,687)**	(1,687)

The Equity Reserve represents a change in ownership interest, being the difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid.

(b) Retained Earnings

	2017 $'000	2016 $'000
Opening balance	**73,240**	72,488
Profit for the year	**12,376**	12,608
Transfers from share-based payments reserve	**-**	222
Dividends paid	**(15,204)**	(12,078)
Dividends received by the Tox Free Share Trust	**23**	-
Closing balance	**70,435**	73,240

^ includes a dividend paid of $23K received by the Tox Free Share Trust

safe.reliable.sustainable

19. Cash Flow Information

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	2017 $'000	2016 $'000
Profit for the year	**12,387**	13,054
Adjustments for		
Reversal of contingent consideration	**-**	(1,067)
Amortisation	**4,438**	1,914
Bad and doubtful debts	**867**	433
Depreciation	**36,878**	31,594
Net gain on disposal of property, plant and equipment	**(553)**	(279)
Impairment losses, write-offs and make-good costs	**1,994**	3,658
Share-based payments transactions	**1,169**	605
Changes in operating assets and liabilities, net of the effects from purchase and disposal of subsidiaries:		
Decrease in trade and other receivables	**3,177**	13,967
Decrease / (increase) in inventories	**656**	(8)
Increase / (decrease) in trade and other payables	**57**	(2,190)
Decrease / (increase) in net tax assets	**3,447**	(2,089)
Decrease in provisions	**(392)**	(212)
Net cash inflow from operating activities	**64,125**	59,380

(b) Non-cash Financing and Investing Activities

	Note	2017 $'000	2016 $'000
Issue of shares – dividend reinvestment plan	23	**1,443**	1,294
Issue of shares – business combination	24	**29,409**	-
		30,852	1,294

20. Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates which will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Management evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

(i) Key estimates and judgements

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 3 Revenue
- Note 5 Income Tax Expense and Deferred Tax Balances
- Note 6 Trade and Other Receivables
- Note 11 Property, Plant and Equipment
- Note 12 Intangibles
- Note 16 Provisions
- Note 24 Business Combination
- Note 26 Contingencies
- Note 30 Share-based Payments

21. Financial Risk Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk, consisting of interest rate risk. The Group is not significantly exposed to foreign currency risk and is not exposed to equity price risk.

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, bank loans, loans to and from subsidiaries, finance leases, and derivatives.

The Group holds the following financial instruments by category:

	Note	2017 $'000	2016 $'000
Financial Assets			
Trade and other and receivables **^**	6	**94,785**	86,237
Cash and cash equivalents	7	**33,856**	31,952
Total financial assets		**128,641**	118,189
Financial Liabilities			
Financial liabilities at amortised cost			
Trade and other payables	8	**64,625**	54,129
Borrowings **^**	9	**191,643**	134,531
Derivatives used for hedging			
Derivative financial instruments	10	**725**	1,663
Total financial liabilities		**256,993**	190,323

^ excludes prepayments and prepaid establishment costs

Financial risk management policies

The Board of Directors has overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's risk and finance functions under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer and the Executive General Manager Corporate and Risk have been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate risk and assessment of market forecasts for interest rate movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

The Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Toxfree does not actively engage in the trading of financial assets for speculative purposes.

There have been no significant changes from the way risk was managed in the prior financial year.

Mitigation strategies for specific risks faced are described below:

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential failure by a customer to meet contractual obligations that could lead to a financial loss to the Group and arises principally from the Group's receivables from customers and cash and cash equivalents. The Group's exposure to credit risk is influenced mainly by individual characteristics of each customer. The demographics of the Group's customer base have little influence on credit risk and there is no concentration of risk geographically.

It is the Group's policy that all customers who wish to trade on credit terms undergo a credit assessment process which considers the customer's financial position, past experience and other factors. Credit limits are then set based on ratings in accordance with the limits set by the Board of Directors; these limits are reviewed on a regular basis.

Key customers have been transacting with the Group for a long period of time and losses have occurred infrequently.

The Group has established an allowance for impairment that represents the estimate of potential incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Exposure to credit risk
The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at reporting date was:

	Consolidated	
	2017	2016
Current	**$'000**	**$'000**
Cash and cash equivalents	**33,856**	31,952
Trade and other receivables ^	**94,785**	86,237
	128,641	118,189

^ excludes prepayments

The Group's maximum exposure to credit risk for trade receivables at the reporting date was primarily attributable to Australian customers. No collateral risk is held as security for this credit risk. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. There were no favourable derivative financial instruments at the end of the reporting period.

(b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk through the following mechanisms:

- preparing a forward-looking cash flow analysis in relation to its operational, investing and financial activities which are monitored on a monthly basis;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses and servicing financial obligations for a period of 30 days. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted.

The banking funds available to the Group are disclosed in note 9 and the contractual commitments of the Group are disclosed in note 27.

The tables below reflect the contractual undiscounted maturity analysis for financial liabilities including estimated interest payments and excluding the impact of netting agreements. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the period.

Contractual maturities of financial liabilities

At 30 June 2017	Within 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non-derivatives					
Trade and other payables	62,853	1,772	-	64,625	64,625
Borrowings ^	4,759	193,840	-	198,599	187,250
Lease liabilities	2,731	1,965	-	4,696	4,393
Total contractual outflows	**70,343**	**197,577**	**-**	**267,920**	**256,268**
Derivatives					
Net settled - Interest rate swaps	**725**	**-**	**-**	**725**	**725**

^ excludes prepaid establishment costs

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

^ excludes prepaid establishment costs

Financial assets pledged as collateral
Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Interest rate swaps
Interest rate risk is managed by maintaining a portion of borrowings at fixed interest rates through the use of interest rate swaps. At 30 June 2017, approximately 24% (2016: 37%) of the Group secured bank loan debt is hedged at a fixed rate.

Bank loans of the Group currently bear an average variable interest rate of 2.55% (2016: 2.72%) before applicable line fees. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover 24% (2016: 37%) of the variable loan principal outstanding. The fixed interest rates range between 3.27% and 3.97% (2016: 3.27% and 3.97%) and the variable rates between 2.52% and 2.67% (2016: 2.64% and 2.81%).

The contracts require settlement of net interest receivable or payable on a monthly basis. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

At the end of the reporting period, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	30 June 2017		30 June 2016	
Category	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank Loans – cash advance facilities^	**2.55**	**187,250**	2.72	126,250
Interest rate swaps	**3.65**	**(44,250)**	3.67	(47,250)
Net exposure to variable cash flow interest rate risk		**143,000**		79,000

^ excludes prepaid establishment costs

Finance lease liabilities are not disclosed above as they are financed at fixed interest rates. The weighted average fixed interest rate at the end of the 2017 reporting period was 5.68% (2016: 6.13%).

Sensitivity analysis
The following analysis summarises the sensitivity of the Group's financial assets and liabilities to interest rate risk.

At 30 June 2017, if interest rates had increased by 100 basis points or decreased by 100 basis points from year end rates with all other variables held constant, pre-tax profit for the period would have been $1,527,000 (2016: $895,000) higher / lower mainly as a result of higher / lower interest costs from variable rate debt.

The sensitivity analysis is calculated on a consistent basis with the previous reporting period.

Fair values versus carrying amounts
The fair values of financial assets and liabilities, together with the carrying amounts shown in the Consolidated Balance Sheet, are as follows:

Consolidated	2017 Carrying Amount $'000	2017 Fair Value $'000	2016 Carrying Amount $'000	2016 Fair Value $'000
Cash and cash equivalents	**33,856**	**33,856**	31,952	31,952
Trade and other receivables ^	**94,785**	**94,785**	86,237	86,237
Secured bank loans ^ ℈	**(187,250)**	**(188,946)**	(126,250)	(127,809)
Lease liabilities €	**(4,393)**	**(4,531)**	(8,281)	(8,489)
Trade and other payables ¥	**(64,625)**	**(64,625)**	(54,129)	(54,129)
	(127,627)	**(129,461)**	(70,471)	(72,238)

^ excludes prepayments and prepaid establishment costs.

℈ The fair value of borrowings are based on cash flows discounted at a rate of 2.62% (2016: 2.64%).

€ The fair value of lease liabilities are based on cash flows discounted at a rate of 4.5% (2016: 4.5%).

¥ The cash flows on the long-term portion of other payables are regarded as insignificant and have not been discounted.

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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 (as prices) or indirectly (derived from prices) (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 assets and liabilities measured and recognised at fair value at 30 June 2017 and 30 June 2016:

At 30 June 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivatives used for hedging	-	725	-	725
Total liabilities				725

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

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.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities 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 fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

22. Capital Management

(a) Risk Management

Management controls the capital of the Group in order to ensure the entity continues as a going concern as well as to maintain optimal returns to Shareholders and benefits for other Stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital through the gearing ratio. This ratio is calculated as net finance debt divided by EBITDA for the previous 12 months. During 2017, the Group's strategy was to maintain a gearing ratio of no greater than 2.75 times (2016: 2.75 times) EBITDA.

	2017 $'000	2016 $'000
Net Finance Debt	**158,039 ^**	103,564 ^
EBITDA	**92,115 ***	82,541 *
Gearing ratio	**1.716 times**	1.255 times

^ Includes derivative financial instruments.

* Non-IFRS information – EBITDA reconciled as follows:

	FY17 $'000	FY16 $'000
Statutory EBITDA	68,734	59,705
Add: Adjustment: Daniels acquisition Annualised EBITDA	9,312	-
Add: Adjustment: Worth acquisition Annualised EBITDA	-	9,666
Add: Exclusions		
Acquisition, integration and rebranding costs	8,465	4,728
Impairment losses – Port Hedland	-	2,639
Asset write-offs and make-good – vacated sites	1,994	1,019
Redundancy and restructuring costs	3,080	4,425
Site closure costs	530	1,426
Reduction in contingent consideration	-	(1,067)
EBITDA used for gearing ratio purposes	**92,115**	**82,541**

There have been no significant changes in the strategy adopted by management during the year.

(i) Loan Covenants

The banking syndicated facility agreement is secured by certain Group company guarantees. The Group is required to operate within certain loan covenant ratios at each calculation date, namely:

- Net debt to adjusted EBITDA must be <2.75
- Fixed charge cover ration must be >2.0
- Guarantor coverage for both Assets and adjusted EBITDA must be >90%

The Group has complied with these covenants throughout the reporting period.

23. Dividends

Dividends provided for or paid	2017 $'000	2016 $'000
The following dividends were declared and paid:		
Final ordinary dividend for the year ended 30 June 2016 of 4.5 cents (2015: 4.5 cents) per share	**6,476**	6,031
Interim ordinary dividend for the year ended 30 June 2017 of 4.5 cents (2016: 4.5 cents) per share	**8,728**	6,047
Total dividends provided for or paid	**15,204**	12,078
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2017 and 30 June 2016 were as follows:		
Paid in cash **^**	**13,761**	10,784
Satisfied by the issue of shares – dividend reinvestment plan	**1,443**	1,294
	15,204	12,078

^ includes a dividend paid of $23k received by the Tox Free Share Trust

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

Proposed dividends	2017 $'000	2016 $'000
Proposed final 2017 fully franked ordinary dividend of 5 cents (2016: 4.5 cents) per share to be paid on 6th October 2017	**9,705**	6,476

The proposed final dividend for 2017 was declared after the end of the reporting period and therefore has not been provided for in the financial statements. There are no income tax consequences arising from this dividend at 30 June 2017.

Franking account	2017 $'000	2016 $'000
Franking credits available for subsequent financial years at a tax rate of 30%	49,442	33,283

The above available balance is based on the dividend franking account at year-end adjusted for:

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

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

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

The impact on the franking credit of the dividends proposed after the end of the reporting period is to reduce it by $4.159M (2016 $2.776M). The ability to use the franking credits is dependent upon the entity's future ability to declare dividends.

safe.reliable.sustainable

24. Business Combinations

Accounting policy

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(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
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
Deferred tax assets	2
Trade payables	(76)
Other payables and accruals	(164)
Net identifiable assets acquired	4,122
Add: Goodwill	2,287
	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, plant and equipment and tax balances as fair value assessments have not been finalised.

(i) Acquisition-related costs
Acquisition-related costs for the acquisition of AIS of $31,500 are included in the Consolidated Profit or Loss.

(ii) Revenue and profit contribution
AIS contributed revenue of $5.1m and net profit before tax of $0.7m to the Toxfree Group for the period 1 August 2016 (acquisition date) to 30 June 2017. If the acquisition had occurred earlier on 1 July 2016, combined revenues of $5.4m and net profit before tax of $0.8m would have been the estimated contribution for the period 1 July 2016 to 30 June 2017.

safe.reliable.sustainable

(b) Acquisition of the 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
Cash paid	162,861
Ordinary shares issued	29,409
Total Purchase consideration	192,270

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.

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

	Fair Value $'000
Cash and cash equivalents	4,187
Trade receivables	12,733
Prepayments and other receivables	1,429
Inventories	3,679
Plant and equipment	22,906
Deferred tax assets	1,516
Intangibles – customer relationships	32,600
Intangibles – intellectual property	15,200
Trade payables	(4,700)
Accrual and other payables	(6,162)
Employee Benefits	(3,317)
Deferred tax liabilities	(14,388)
Income tax payable	(766)
Net identifiable assets acquired	64,917
Add: Goodwill	127,353
	192,270

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.

Critical accounting estimates and judgements

The intangible assets acquired are recognised at their fair value on the date of acquisition. The fair value of acquired intangibles was determined using the following key assumptions:

- Customer relationships: assumed level of future revenue and assumed EBITDA margin
- Intellectual property: assumed level of future revenue and estimated royalty rate.

The Group has reported provisional amounts for intangibles, plant and equipment and tax balances as fair value assessments have not been finalised.

(i) Acquisition-related costs
Acquisition-related costs for the acquisition of Daniels of $4.25M are included in the Consolidated Profit or Loss.

(ii) Revenue and profit contribution
Daniels contributed revenue of $50.8m and net profit before tax of $10.95m to the Toxfree Group for the period 1 December 2016 (acquisition date) to 30 June 2017. If the acquisition had occurred earlier on 1 July 2016, combined revenues of $86.9m and net profit before tax of $15.9m would have been estimated contribution for the period 1 July 2016 to 30 June 2017.

(c) Acquisition of J.J. Richards & Sons Pty Ltd (JJ) industrial business in Roma

On 1 June 2017, Toxfree announced a strategic swap transaction with JJ, involving the acquisition of a JJ industrial business in Roma, Queensland and the sale of Toxfree's Tasmania and Rockhampton waste businesses to JJ.

The acquisition of the JJ industrial business in Roma is a strong fit with Toxfree's strategy to service the Coal Seam Gas (CSG) resource sector in Queensland. The business will complement Toxfree's existing business activities in the Surat Basin region of Queensland and will enable Toxfree to realise synergies by integrating businesses. The clients, employees and assets have been transferred to Toxfree as part of the transaction.

Details of the sale transaction are as follows:

	Fair Value $'000
Plant and equipment	8,932
Inventories	210
Employee benefits	(454)
Cash paid to JJ	7
Total sale consideration to JJ	8,695

Details of the acquisition transaction are as follows:

	Fair Value $'000
Plant and equipment	8,782
Employee entitlements	(363)
Net identifiable assets acquired by Toxfree	8,419
Add: Cash amount due by JJ to Toxfree	276
	8,695

safe.reliable.sustainable

Critical accounting estimates and judgements
The transfer of non-cash assets and liabilities as consideration in a business combination requires these assets and liabilities are remeasured at their fair value on acquisition date. Any difference between the fair value and carrying amount is recognised in profit or loss.

The fair value of the non-cash assets and liabilities transferred as consideration for the JJ acquisition are equal to their carrying values immediately prior to acquisition date.

The Group has reported provisional amounts for plant and equipment and employee entitlements as part of the acquisition of the industrial business.

(i) Acquisition-related costs
Acquisition-related costs for the acquisition of the industrial business of $0.3m are included in the Consolidated Profit or Loss.

(ii) Revenue and profit contribution
The industrial business operations were incorporated into the Tox Free Australia Pty Ltd from the date of acquisition.

(d) Prior reporting period and reduction to contingent consideration

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

(e) Purchase consideration – cash outflow

	2017 $'000	**2016 $'000**
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration - AIS	**6,409**	-
Cash consideration - Daniels	**162,861**	-
Cash consideration - JJ	**7**	-
Cash consideration - Worth	**-**	70,000
Cash consideration - PGM	**-**	2,429
Cash consideration - HKD	**-**	2,130
Total cash consideration	**169,277**	74,559
Less: Balances acquired		
Cash - Daniels	**4,187**	-
Cash – Worth	**-**	3,733
Cash - PGM	**-**	1,574
Bank overdraft - HKD	**-**	698
	4,187	6,005
Net outflow of cash – investing activities	**165,090**	68,554

25. Interests in Other Entities

(a) Parent and ultimate controlling entity

The parent and ultimate controlling entity is Tox Free Solutions limited, incorporated in Australia.

(b) Controlled entities

The investments in subsidiaries are measured at cost in the parent company financial statements.

Subsidiary	Country of Incorporation	Holding % 2017	Holding % 2016
Tox Free (Australia) Pty Ltd (TFA)	Australia	**100**	100
Entities controlled by TFA			
Active Industrial Solutions Pty Ltd	Australia	**100**	-
T Environmental Services Pty Ltd	Australia	**100**	-
Daniels Manufacturing Australia Pty Ltd	Australia	**100**	-
Daniels Health Pty Ltd (DH)	Australia	**100**	-
Entities controlled by DH			
Daniels Health NSW Pty Ltd	Australia	**100**	-
Daniels Health Services Pty Ltd	Australia	**100**	-
Daniels Health VIC Pty Ltd	Australia	**100**	-
Daniels Health Wollongong Pty Ltd	Australia	**100**	-
Redlam Waste Services Pty Ltd	Australia	**100**	-
RWS Admin Pty Ltd	Australia	**100**	-
Daniels Health Laboratory Products Pty Ltd (DHLP)	Australia		
Entities controlled by DHLP			
Daniels FMD Pty Ltd	Australia	**100**	-
Sterihealth Sharpsmart Pty Ltd (SS)	Australia	**100**	-
Entities controlled by SS			
Daniels Health Australia Pty Ltd	Australia	**100**	-
Pilbara Logistics Pty Ltd (PL)	Australia	**60**	60
Entities controlled by PL			
PTW Environmental Services Pty Ltd **^**	Australia	**49**	49
PTES Environmental Services Pty Ltd **Ω**	Australia	**75**	75

^ 65.6% held directly by Pilbara Logistics Pty Ltd and 9.4% held by Tox Free Solutions Limited.
Ω 46.87% held by Tox Free Solutions Limited and 46.87% held by Pilbara Logistics Pty Ltd.

(c) Non-controlling interests (NCI)

Set out below is summarised financial information for the Pilbara Logistics Group that has non-controlling interests that are significant to the Group. The amounts disclosed are before inter-company eliminations.

Summarised balance sheet:	2017 $'000	2016 $'000
Current assets	**4,984**	7,128
Current liabilities	**(2,685)**	(3,833)
Current net assets	**2,299**	3,295
Non-current assets	**3,985**	4,123
Non-current liabilities	**(17)**	-
Non-current net assets	**3,968**	4,123
Net assets	**6,267**	7,418
Accumulated NCI	**2,546**	2,979

Summarised statement of comprehensive income:	2017 $'000	2016 $'000
Revenue	**22,651**	31,600
Profit for the period after tax	**102**	1,337
Other comprehensive income	**-**	-
Total comprehensive income	**102**	1,337
Profit allocated to NCI	**11**	435
Dividends paid to NCI	**444**	503

Summarised cash flows:	2017 $'000	2016 $'000
Cash inflows from operating activities	**265**	3,808
Cash (outflows) / inflows from investing activities	**(14)**	30
Cash outflows from financing activities	**(1,253)**	(2,247)
Net (decrease) / increase in cash and cash equivalents	**(1,002)**	1,591

safe.reliable.sustainable

26. Contingencies

The Group had the following contingencies at the end of the reporting period:

Contingent Instruments

Bank Guarantees to the value of $14.421m (2016: $7.828m), all of which are expected to be recovered without claim. Bank guarantees are provided in certain customer contracts and property rental agreements as a percentage of the contract sum. Generally, bank guarantees are provided to guarantee the performance of contractual terms until practical completion. There is no liability that should be recognised in relation to these guarantees.

Contingent Liabilities

During the 2017 financial year, Tox Free continued to monitor facilities for compliance with legal and other requirements and to assess for contingent liabilities. Based on our ongoing monitoring program there are two sites with potential contingent liabilities; Kwinana and Port Hedland.

If Tox Free were to vacate the current Kwinana facility, then Tox Free would have an obligation to remediate contaminated soil on the Kwinana site, to decontaminate equipment and to treat and dispose of accumulated waste product to the vendor of the business. This site is currently classified by the Department of Environment Regulation as “Contaminated - Restricted Use.” This does not affect the current use of the site, as the soil is capped and enabling ongoing monitoring of the risk. Remediation of the site must be completed prior to vacating the site.

Tox Free remains committed to this facility and has no current plan to vacate the site. In 2017 as part of a range of developments which commenced in 2016 remediation of the previous tank farm location was completed under the guidance of a suitably qualified environmental consultancy. It is expected that any contingent liability for this site will continue to be remediated through similar programs to an immaterial level.

The Port Hedland facility is currently classified by the Department of Environment Regulation as “Contaminated – Remediation Required.” Toxfree has continued its groundwater monitoring program over the past 12 months as part of its investigation program of the site contamination. Under the guidance of a Contaminated Sites Auditor additional investigation studies are underway. A Contaminated Sites Site Based Management Plan is expected to be finalised in the first half of financial year 2018. It is expected that this will provide advice on remediation and the contingent liability. The contingent liability for this site is not yet determined.

Significant Judgement

The Directors are of the opinion that a provision is not required for these as the expected costs are not capable of reliable measurement at this point and there is also no set timeframe to remediate the soil.

Apart from those contingencies detailed above, there are no further material contingent assets and/or liabilities at the reporting date.

27. Commitments

(a) Finance lease commitments

	2017 $'000	2016 $'000
Payable - minimum lease payments:		
- no later than 1 year	**2,731**	4,277
- between 1 year and 5 years	**1,964**	4,696
- greater than 5 years	**-**	-
Minimum lease payments	**4,695**	8,973
Less: finance changes	**(302)**	(692)
Present value of minimum lease payments	**4,393**	8,281

Finance leases are in place for fleet acquisitions and normally have a lease term between 5 and 7 years.

(b) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements.

	2017 $'000	2016 $'000
Payable - minimum lease payments:		
- no later than 1 year	**16,202**	11,948
- between 1 year and 5 years	**31,153**	24,104
- greater than 5 years	**31,514**	6,689
	78,869	42,741

Operating leases have been taken out for a number of sites, office facilities and a fleet of light and heavy motor vehicles. Operating leases typically run for a period of between 3 and 7 years with an option to renew the lease after that date. Lease payments for sites and office facilities are generally increased on an annual basis in line with market related / consumer price index increases.

(c) Capital expenditure commitments

	2017 $'000	2016 $'000
Capital expenditure commitments contracted for:		
Capital – no later than 1 year	**5,771**	2,000
Total Capital contracted for	**5,771**	2,000

28. Events occurring after the Reporting Period

Recommended Dividend

On 23rd August 2017, the Directors of Tox Free Solutions Limited declared a final dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is $9,704,984 which represents a fully franked dividend of 5 cents per share.

No other matters or circumstances have arisen since the end of the financial year 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 years.

29. Related Party Transactions

(a) Key Management Personnel (KMP) compensation

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity are considered KMP.

The totals of remuneration paid to KMP of the Group during the year are as follows:

	2017 $	2016 $
Short-term employee benefits	**3,180,644**	3,279,927
Post-employment benefits	**286,051**	306,841
Leave benefits	**36,485**	119,060
Share-based payments	**659,136**	457,687
	4,162,316	4,163,515

Detailed remuneration disclosures are provided in the Remuneration Report.

(b) Other transactions with Related parties

Dividend revenue

During the year, the parent company received dividend revenue of $809,371 (2016: $1,747,401) from the Pilbara Logistics Group. The transactions are eliminated on consolidation.

30. Share-Based Payments

At 30 June 2017, the Group has the following share-based payment schemes:

1 New - Performance Rights (PR) Granted as part of Total Fixed Annual Remuneration

In 2016, the Company conducted a benchmarking review of the Managing Director and Executive 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 total fixed annual remuneration (TFAR) at the 50th percentile of the market data. The benchmarking review determined that TFAR was significantly below the 50th percentile of the target peer group. The Board considered it appropriate and reasonable to adjust the Managing Director and Executive TFAR 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 (by way of performance rights) rather than cash salary, as this would further align Executive to shareholders by ensuring a proportion of FAR is aligned to share price performance.

In addition to the Managing Director and Executive, Senior Management (SM) were benchmarked to comparable companies in the industry and it was also determined that the SM FAR was below the 50th percentile. The Board considered it appropriate and reasonable to adjust the SM TFAR, by way of performance rights rather than cash salary, to align them with the 50th percentile of the industry.

The adjustments to TFAR 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.

Details of the performance rights grant are as follows:

Employee category	Number of Performance Rights granted as part of TFAR
Managing Director ^	94,045
Executive	162,421
Senior Management	48,953
	305,419

^ The grant to the Managing Director was approved by the shareholders at the Annual General Meeting held on 30 November 2016.

The scheme is administered by the Tox Free Solutions Employee Share Trust (Trust) and the Trust is consolidated in accordance with the principles of note 35(c).

Shares issued by the Trust to the employees are acquired on-market prior to the issue. Shares held by the Trust and not yet issued to employees at the end of the reporting period are shown as Treasury shares in the financial statements. Please refer to note 17(d).

For additional information please refer to the Remuneration Report.

2 Performance Rights Granted as part of the Simplified Incentive Plan (SIP)

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 Simplified Incentive Plan (SIP).

The Board determined that the remuneration of executives and senior management will consist of two key elements i.e. Total Fixed Annual Remuneration (TFAR) and the Simplified Incentive Plan (SIP). The SIP will be delivered by way of equity i.e. a grant of performance rights (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 SIP. 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 internal 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.

Details of the performance rights grant are as follows:

Employee category	**Number of Performance Rights granted as part of SIP**
Managing Director **^**	171,620
Executive	281,475
Senior Management	93,050
	546,145

^ The grant to the Managing Director was approved by the shareholders at the Annual General Meeting held on 30 November 2016.

The scheme is also administered by the Tox Free Solutions Employee Share Trust (Trust).

For additional information please refer to the Remuneration Report.

3 Shares issued under an employee retention scheme

During the year 101,961 ordinary shares were issued to participating employees under a retention scheme. In addition, another 101,961 ordinary shares vested and will be issued to participants in July 2017. The shares had a granht date fair value of $2.66.

The retention scheme commenced from 1 July 2016 for a period of five years. Ordinary shares are issued to participants after every six months of completed service. Participation in the scheme is conditional on the participants remaining a Toxfree employee. No participants in the employee retention scheme are key management personnel.

4 Legacy - Tox Free Employee Share Option Program (ESOP)

The ESOP was designed as an incentive for Executives to deliver long-term Shareholder returns. Under the plan, Executives are entitled to purchase shares in the Company. Participation in the program is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The Options vest on a time scale basis as specified in the ESOP and is granted for no consideration. Options granted under the plan carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share. The maximum term of an option is 5 years from grant date and options are settled in cash.

No Options were granted during the financial year under this program.

5 Legacy - Tox Free Executive Long-Term Incentive (LTI) Plan

On 24 November 2011, the Shareholders approved the adoption of an LTI Plan that provides the Board with the discretion to grant Performance Rights (PR) and/or Share Appreciation Rights (SAR) that will vest subject to the satisfaction of performance hurdles.

The LTI Plan grants will vest subject to satisfaction of Total Shareholders Return (TSR) (50% of the grant value) and Earnings Per Share (EPS) (50% of the grant value) performance hurdles. These performance hurdles are mutually exclusive so that if only one of the hurdles is satisfied, vesting occurs for that performance hurdle.

EPS performance will be assessed against compound annual growth rate targets set by the Board. The target set for LTI Plan grants is currently 10% compound average growth rate. If the compound average growth rate over the 3-year performance period is 10% or greater, the grant will become 100% performance qualified. Performance vesting is staggered; no rights will vest for less than 5% compound annual growth over the 3-year performance period.

TSR performance is measured against selected ASX 300 Companies. The minimum award is at the 50th percentile (50% vests) and increments up to the 75th percentile, at which point, or above, 100% vests.

The value of Rights that an executive is entitled to receive per annum is set at a fixed percentage of their fixed annual fixed remuneration and ranges from 25% to 60%.

No PR or SAR were granted during the year under this plan as the LTI plan has been replaced by the above mentioned new incentive plan.

6 Option and Rights Holdings

(a) Options

At 30 June 2017, a summary of the Group Options issued and not exercised are as follows:

2017 Grant Date	Vesting date	Expiry Date	Exercise price	Start of the year	Granted during the year	Exercised during the year	Forfeited / Expired during the year	Balance at the end of the year	Vested and exercisable at the end of the year
23/11/2010	01/09/2013	01/11/2016	$3.00	500,000	-	-	(500,000)	-	-
Total				**500,000**	**-**	**-**	**(500,000)**	**-**	**-**

During the year ended 30 June 2017, 500,000 (2016: 20,000) options expired. No options were granted to employees during the year (2016: Nil).

At 30 June 2016, a summary of the Group options issued and not exercised are as follows:

2016 Grant Date	Vesting date	Expiry Date	Exercise price	Start of the year	Granted during the year	Exercised during the year	Forfeited / Expired during the year	Balance at the end of the year	Vested and exercisable at the end of the year
26/02/2010	26/02/2010	15/01/2016	$2.39	20,000	-	-	(20,000)	-	-
23/11/2010	01/09/2013	01/11/2016	$3.00	500,000	-	-	-	500,000	500,000
Total				**520,000**	**-**	**-**	**(20,000)**	**500,000**	**500,000**

safe.reliable.sustainable

(b) Rights

At 30 June 2017, a summary of the Group's *Performance Rights* (PR) issued and not exercised are as follows:

Note	Grant Date	End of performance period	Scheme type	Start of year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at year end	Vested and exercisable at year end
(i)	1 July 2014	30 June 2017	Legacy – LTI (EPS)	83,033	-	-	(83,033)	-	-
(ii)	1 July 2014	30 June 2017	Legacy – LTI (TSR)	129,841	-	-	(129,841)	-	-
(iii)	1 July 2015	30 June 2018	Legacy – LTI (EPS)	105,102	-	-	(3,851)	101,251	-
(iii)	1 July 2015	30 June 2018	Legacy – LTI (TSR)	163,111	-	-	(5,977)	157,134	-
(iv)	1 July 2016	30 June 2017	New - TFAR	-	305,419	(142,946)		162,473	162,473
(v)	1 July 2016	30 June 2017	New - SIP	-	546,145	-	(267,836)	278,309	-
Total				**481,087**	**851,564**	**(142,946)**	**(490,538)**	**699,167**	**162,473**

Each PR represents a right to be issued one ordinary share at the end of the performance period and no exercise price will be payable.

(i) 83,033 PR were forfeited. 1,616 because an employee resigned and 81,417 because the EPS performance condition was not met.
(ii) 129,841 PR were forfeited. 2,528 because an employee resigned and 127,313 because the TSR performance condition was not met.
(iii) 3,851 PR (EPS) and 5,977 PR (TSR) were forfeited because an employee resigned. The PR grants will vest subject to satisfaction of TSR and EPS performance hurdles. The hurdles are mutually exclusive so that if only one of the hurdles is met, vesting occurs for that performance hurdle. The PR expire 5 years after the grant date.
(iv) The total fixed annual remuneration PR vesting condition is based on continued service, with 1/12th of the rights vesting each month of completed service during the vesting period. During the year, 142,946 PR were exercised. The PR expire 15 years after the grant date.
(v) The PR granted as the equity portion of the simplified incentive plan remuneration is assessed against a scorecard of internal key performance indicators (KPI) set by the Board. Once assessed, the PR become performance qualified and vesting is then based purely on continuous service. The vesting schedule is then 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. The PR expire 15 years after the grant date. At 30 June 2017, the outcome of the assessment resulted in 278,309 PR becoming performance qualified and 267,836 PR being forfeited.

The weighted average remaining contractual life of the PR outstanding at year-end was 9.94 (2016: 3.56) years.

At 30 June 2016, a summary of the Group's *Performance Rights* (PR) issued and not exercised are as follows:

Grant Date	End of performance period	Scheme type	Start of year	Granted during the year	Exercised during the year	Forfeited during the year ^	Balance at year end	Vested and exercisable at year end
3 October 2012	30 June 2015	Legacy – LTI (TSR)	21,549	-	(21,549)	-	-	-
14 November 2012	30 June 2015	Legacy – LTI (TSR)	16,196	-	(16,196)	-	-	-
1 July 2013	30 June 2016	Legacy – LTI (EPS)	68,665	-	-	(68,665)	-	-
1 July 2013	30 June 2016	Legacy – LTI (TSR)	113,263	-	-	(113,263)	-	-
1 July 2014	30 June 2017	Legacy – LTI (EPS)	83,033	-	-		83,033	-
1 July 2014	30 June 2017	Legacy – LTI (TSR)	129,841	-	-		129,841	-
1 July 2015	30 June 2018	Legacy – LTI (EPS)	-	105,102	-	-	105,102	-
1 July 2015	30 June 2018	Legacy – LTI (TSR)	-	163,111		-	163,111	-
Total			**432,547**	**268,213**	**(37,745)**	**(181,928)**	**481,087**	**-**

^ 1 July 2013 grant - forfeited: EPS and TSR performance conditions were not met at 30 June 2016, the end of the performance period.

Each PR represents a right to be issued one ordinary share at the end of the performance period. No exercise price will be payable and the applicable performance hurdles must be met to be eligible to receive the shares. The PR grants will vest subject to satisfaction of TSR (50% of the grant) and the EPS (50% of the grant). The performance hurdles are mutually exclusive so that if only one of the hurdles is satisfied, vesting occurs for that performance hurdle. The PR expire 5 years after the grant date.

At 30 June 2017, a summary of the Group's *Share Appreciation Rights* (SAR) issued and not exercised are as follows:

Note	Grant Date	End of performance period	Scheme type	Start of year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at year end	Vested and exercisable at year end
(i)	1 July 2014	30 June 2017	Legacy – LTI (EPS)	481,591	-	-	(481,591)	-	-
(ii)	1 July 2014	30 June 2017	Legacy – LTI (TSR)	509,375	-	-	(509,375)	-	-
(iii)	1 July 2015	30 June 2018	Legacy – LTI (EPS)	648,900	-	-	(23,777)	625,123	-
(iv)	1 July 2015	30 June 2018	Legacy – LTI (TSR)	694,172	-	-	(25,436)	668,736	-
	Total			**2,334,038**	**-**	**-**	**(1,040,179)**	**1,293,859**	**-**

(i) 481,591 PR were forfeited. 9,375 because an employee resigned and 472,216 because the EPS performance condition was not met.
(ii) 509,375 PR were forfeited. 9,826 because an employee resigned and 499,459 because the TSR performance condition was not met.
(iii) 23,777 PR were forfeited because an employee resigned.
(iv) 25,436 PR were forfeited because an employee resigned.

The weighted average remaining contractual life of the SAR outstanding at year-end was 3.00 (2016: 3.58) years

Each SAR represents a right to receive a payment equal to the positive difference between the share price at grant date and the share price at vesting date. The total value of all SAR on vesting date will be settled via the provision of shares of an equivalent value payable and the applicable performance hurdles must be met to be eligible to receive the shares. The SAR grants will vest subject to satisfaction of TSR (50% of the grant) and EPS (50% of the grant). The performance hurdles are mutually exclusive so that if only one of the hurdles is satisfied, vesting occurs for that performance hurdle. The SAR expire 5 years after the grant date.

At 30 June 2016, a summary of the Group's *Share Appreciation Rights* (SAR) issued and not exercised are as follows:

Grant Date	End of performance period	Scheme type	Start of year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at year end	Vested and exercisable at year end
3 October 2012	30 June 2015	Legacy – LTI (TSR)	73,625	-	(73,625)	-	-	-
14 November 2012	30 June 2015	Legacy – LTI (TSR)	58,533	-	(58,533)	-	-	-
1 July 2013	30 June 2016	Legacy – LTI (EPS)	348,776	-	-	^ (348,776)	-	-
1 July 2013	30 June 2016	Legacy – LTI (TSR)	372,424	-	-	^ (372,424)	-	-
1 July 2014	30 June 2017	Legacy – LTI (EPS)	481,591	-	-	-	481,591	-
1 July 2014	30 June 2017	Legacy – LTI (TSR)	509,375	-	-	-	509,375	-
1 July 2015	30 June 2018	Legacy – LTI (EPS)	-	648,900	-		648,900	-
1 July 2015	30 June 2018	Legacy – LTI (TSR)	-	694,172	-		694,172	-
Total			**1,844,324**	**1,343,072**	**(132,158)**	**(721,200)**	**2,334,038**	**-**

^ 1 July 2014 grant - forfeited: EPS and TSR performance conditions were not met at 30 June 2016, the end of the performance period.

Each SAR represents a right to receive a payment equal to the positive difference between the share price at grant date and the share price at vesting date. The total value of all SAR on vesting date will be settled via the provision of shares of an equivalent value payable and the applicable performance hurdles must be met to be eligible to receive the shares. The SAR grants will vest subject to satisfaction of TSR (50% of the grant) and EPS (50% of the grant). The performance hurdles are mutually exclusive so that if only one of the hurdles is satisfied, vesting occurs for that performance hurdle. The SAR expire 5 years after the grant date.

7 Expenses arising from Share-based payments transactions

	2017 $	2016 $
Performance rights - TFAR	**745,233**	-
Performance rights - SIP	**83,287**	-
Ordinary shares - Employee retention scheme	**542,434**	-
Performance Rights – LTI legacy	**-**	522,067
Share Appreciation Rights – LTI legacy	**364,850**	522,067
Reversal of unvested rights	**(566,329)**	(439,463)
	1,169,465	604,671

TFAR – part of total fixed annual remuneration.
SIP – part of simplified incentive plan remuneration.

8 Critical accounting estimates and Judgements

The valuation of Share-based payments involves making estimates and assumptions about the number of options and rights being issued. The issue of some 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.

31. Remuneration of Auditor

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices. No fees were paid or payable for services provided by non-related audit firms.

	2017 $	2016 $
BDO Australia		
Audit and assurance services		
Audit and review of the financial statements	**372,000**	300,358
Taxation Services		
Tax advice and compliance services	**277,685**	214,381
Other services		
Accounting advice and review of information	**30,842**	7,663
Business combinations and acquisitions	**22,830**	35,627
Total other services	**53,672**	43,290
Total Remuneration of BDO Australia	**703,357**	558,029
Network firms of BDO Australia		
Taxation Services		
Tax advice and compliance services	**5,074**	-
Total Remuneration of network firms of BDO Australia	**5,074**	-
Total Auditors' Remuneration	**708,431**	558,029

safe.reliable.sustainable

32. Earnings Per Share

Accounting policy

Basic Earnings per share
Basic earnings per share is calculated by dividing:

- the profit attributable to the owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(a) Reconciliation of earnings used in calculating earnings per share:

	2017 $'000	2016 $'000
Basic earnings per share		
Profit from continuing operations attributable to ordinary equity holders of the Company	**12,376**	12,608
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**12,376**	12,608

(b) Weighted average number of ordinary shares used as the denominator

	2017 Number	2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**174,415,324**	136,572,652
Adjustments for calculation of diluted earnings per share:		
Weighted average number of dilutive rights	**608,663**	231,136
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**175,023,987**	136,803,788

33. Deed of Cross-Guarantee

Tox Free Solutions Limited and wholly-owned operating subsidiaries listed in note 25 (the closed group) are parties to a deed of cross-guarantee under which each company guarantees the debt of others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Australian Securities and Investment Commission (ASIC) Corporations Instrument 2016/785. There are no material differences in the Statement of Profit or Loss and Other Comprehensive Income or Balance Sheet between the amounts shown for the consolidated group and amounts for members of the closed group.

34. Parent Entity financial Information

The financial information for Tox Free Solutions Limited has been extracted from the books and records of the parent and has been prepared on the same basis as the consolidated financial statements except as described below:

Investments in subsidiaries, associates and joint ventures
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

Tax consolidation legislation
Tox Free Solutions Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated Group.

For additional information please refer to the Income Tax Expense accounting policy set out in note 5.

Guarantees entered into by the parent entity
Tox Free Solutions Limited has provided bank guarantees of $6.61M (2016: $5.94M). Please refer to note 26 for additional information on Group guarantees.

Tox Free Solutions Limited is a party to a deed of cross-guarantee. Please refer to note 33 for additional information.

Contingent liabilities of the parent entity
Tox Free Solutions Limited did not have any contingent liabilities as at 30 June 2017. Please refer to note 26 for details of Group contingencies.

Capital expenditure commitments of the parent entity
As at 30 June 2017, the parent entity had no contractual commitments for the acquisition of property, plant or equipment. Please refer to Note 27 for additional information on Group Commitments.

The individual statements for the parent entity show the following aggregate amounts:

Balance Sheet	2017 $'000	2016 $,000
Current assets	**21,772**	17,599
Non-current assets	**500,752**	352,057
Total assets	**522,524**	369,656
Current liabilities	**3,345**	3,812
Non-current liabilities	**199,960**	131,769
Total liabilities	**203,305**	135,581
Net assets	**319,219**	234,075
Contributed equity	**308,727**	195,457
Retained earnings	**2,293**	32,244
Cash Flow Hedging Reserves	**(508)**	(1,164)
Share-based payment Reserve	**8,707**	7,538
Total Shareholders' Equity	**319,219**	234,075
Loss / (Profit) for the year	**14,750**	(34,086)
Total comprehensive expense / (income) for the year	**14,094**	(34,227)

35. Summary of Other Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in other notes. Accounting policies including insignificant policies no longer disclosed, have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporation Act 2001. Tox Free Solutions Limited is a for-profit entity for the purpose of preparing the consolidated financial statements. The consolidated financial statements are presented in Australian Dollars, which is the Group's functional currency.

(i) Compliance with IFRS

The consolidated financial statements of the Toxfree Solution Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2016:

- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB 101

The amendments did not affect any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) New standards and interpretations not yet adopted

New accounting standards for application in future periods, refer to note 35(f).

(b) Comparative figures

When required by Accounting Standards, comparative figures have been restated to conform to changes in presentation for the current financial year.

(c) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

A list of significant controlled entities is contained in Note 25 to the financial statements.

(ii) Changes in ownership interest

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in an Equity Reserve.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(d) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Consolidated Balance Sheet are shown inclusive of GST. The Group was GST Consolidated from 1 April 2013.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(e) Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(f) New accounting standards for application in future periods

Certain new accounting Standards and Interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new Standards and Interpretations is set out below. In all cases the Group intends to apply these standards from the application date as indicated in the table below.

Reference	Title	Standard application date	Group application date	Key Requirements	Impact
AASB 9	Financial Instruments	1 January 2018	1 July 2018	AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.	The entity currently applies hedge accounting. It is expected that the application of the new amendments will not have an impact on the entity's financial statements.

Reference	Title	Standard application date	Group application date	Key Requirements	Impact
(continued) AASB 9	Financial Instruments	1 January 2018	1 July 2018	For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.	

Reference	Title	Standard application date	Group application date	Key Requirements	Impact
AASB 15	Revenue from Contracts with Customers	1 January 2018	1 July 2018	The objective of AASB 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB117 (or AASB 16 Leases, once applied). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: 1. Identify the contract(s) with a customer. 2. Identify the performance obligations in the contract. 3. Determine the transaction price. 4. Allocate the transaction price to the performance obligations in the contract. 5. Recognise revenue when (or as) the entity satisfies a performance obligation.	Although the 1 July 2017 transition date has passed, the entity has not disclosed the impact of any transition adjustments on the 1 July 2017 Balance Sheet because it has not yet made a decision as to which transition method will be adopted (full or modified retrospective restatement), and it has not completed its assessment of the impacts of the new standard.

Reference	Title	Standard application date	Group application date	Key Requirements	Impact
(continued) AASB 15	Revenue from Contracts with Customers	1 January 2018	1 July 2018	When applying AASB 15, an entity shall consider the terms of the contract and all relevant facts and circumstances, including the use of any practical expedients, consistently to contracts with similar characteristics and in similar circumstances. AASB 15 specifies the accounting for an individual contract with a customer. However, as a practical expedient, an entity *may* apply this Standard to a portfolio of contracts (or performance obligations) with similar characteristics if the entity reasonably expects that the effects on the financial statements of applying this Standard to the portfolio would not differ materially from applying this Standard to the individual contracts (or performance obligations) within that portfolio. When accounting for a portfolio, an entity shall use estimates and assumptions that reflect the size and composition of the portfolio. On transition, management can choose to either fully retrospectively restate comparatives from 1 July 2017, or apply the modified retrospective restatement method with practical expedients, or the cumulative effective method with adjustments made via retained earnings on 1 July 2018.	

Reference	Title	Standard application date	Group application date	Key Requirements	Impact
AASB 16	Leases	1 January 2019	1 July 2019	AASB16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.	To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019**,** right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

Reference	Title	Standard application date	Group application date	Key Requirements	Impact
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018	1 July 2018	This objective of this standard is to make consequential amendments to various other accounting standards because of the issuance of AASB 15 Revenue from Contracts with Customers. The application date was originally for periods beginning on or after 1 January 2017. In line with the IASB's deferral of IFRS 15, the application date has been deferred to 1 January 2018 for-profit entities.	Management will assess the impact of this standard in conjunction with the adoption of the Revenue standard.
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	1 July 2017	This standard makes amendments to AASB 112 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.	There will be no significant impact on the Group's results on the adoption of this standard.

Reference	Title	Standard application date	Group application date	Key Requirements	Impact
AASB 2016-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107	1 January 2017	1 July 2017	The amendments to AASB 107 Statement of Cash Flows are part of the IASB's disclosure initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).	There will be no significant impact on the Group's results on the adoption of this standard. The necessary disclosures will be applied on adoption of the standard.
AASB 2016-3	Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	1 July 2018	This Standard amends AASB 15 Revenue from Contracts with Customers to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. In addition, it provides further practical expedients on transition to AASB 15.	Management will assess the impact of this standard in conjunction with the adoption of the Revenue standard.

safe.reliable.sustainable

Reference	Title	Standard application date	Group application date	Key Requirements	Impact
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	1 July 2018	This Standard amends AASB 2 Share-based Payment to address: (a) the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	There will be no significant impact on the Group's results on the adoption of this standard.
AASB 2017-1	Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvement Cycle and Other Amendments	1 January 2018	1 July 2018	This Standard clarifies certain requirements in: (a) AASB 1 to delete some short-term exemptions for first-time adopters that were available only for reporting periods that have passed and to add exemptions arising from AASB Interpretation 22. (b) AASB 128 to clarify that: (i) a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture; and (ii) an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method. This choice is available separately for each investment entity associate or joint venture. (c) AASB 140 to reflect the principle that an entity transfers a property to, or from, investment property when, and only when, there is a change in use of the property supported by evidence that a change in use has occurred. (d) AASB 12 Disclosure of Interests in Other Entities – clarification of scope.	There will be no significant impact on the Group's results on the adoption of this standard.

Reference	Title	Standard application date	Group application date	Key Requirements	Impact
AASB 2017-2	Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	1 January 2017	1 July 2017	This Standard amends AASB 12 Disclosure of Interests in Other Entities as a consequence of the issuance of International Financial Reporting Standard Annual Improvements to IFRS Standards 2014–2016 Cycle by the International Accounting Standards Board.	There will be no significant impact on the Group's results on the adoption of this standard.
AASB Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	1 July 2018	The interpretation clarifies that in determining the spot exchange rate to use on the initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.	There will be no significant impact on the Group's results on the adoption of this standard.

There are no other standards that are not yet effective and that would be expected to have a material impact on Toxfree in the current or future period and on foreseeable future transactions.

Director's Declaration
For the Year Ended 30 June 2017

The Directors of the Group declare that:

1. The financial statements and notes, as set out on pages 90 to 184, are in accordance with the *Corporations Act 2001,* and:

   a. comply with Accounting Standards, which, as stated in accounting policy note 35 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); the Corporations Regulations 2001; and other mandatory reporting requirements; and

   b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the Group;

2. the Chief Executive Officer and Chief Financial Officer have each declared that:

   a. the financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   b. the financial statements and notes for the financial year comply with the Accounting Standards; and

   c. the financial statements and notes for the financial year give a true and fair view.

3. In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The Group and its wholly-owned subsidiaries have entered into a deed of cross-guarantee under which the Group and its subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

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

Director- Chairman Robert McKinnon

Director - Stephen Gostlow

Dated: 30th August 2017

safe.reliable.sustainable

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Tox Free Solutions Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Tox Free Solutions Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 30 June 2017, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Business Acquisitions

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 24 of the financial report, the Group acquired a number of businesses during the year. The most significant acquisition was Daniels Health Australia comprising Daniels Health Pty Ltd and Daniels Manufacturing Pty Ltd (together 'Daniels'). The accounting for the acquisition of Daniels is a key audit matter due to the significant judgements and estimates made by the Group, including: • Determination of the fair value of the total purchase consideration for the acquisition; and • Estimation of the fair value of assets and liabilities acquired, in particular determining the fair value of the identifiable intangible assets.	Our procedures included, but were not limited to: • Reading the purchase and sale agreements to understand the terms and conditions of the acquisitions and evaluating management's application of the relevant accounting standards; • Assessing management's determination of total purchase consideration by agreeing key items to underlying data including contracts and settlement statements; • Challenging management on the key assumptions used in deriving the fair value of the assets and liabilities and the key estimates used in separately identifying and valuing the intangible assets; and • Assessing the adequacy of the Group's disclosures of the acquisitions in Note 24 of the financial report.

Recoverability of goodwill

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 12 of the financial report, the Group has recognised goodwill of $300million at 30 June 2017, as a result of both historic acquisitions over a number of years and business acquisitions in the current year. Management's assessment of the recoverability of goodwill is supported by a value in use cash flow forecast. The cash flow forecasts depend upon assumptions about future operating and financial performance, which include significant judgements and estimates over the expectation	Our procedures included, but were not limited to the following: • Assessing the appropriateness of the Group's categorisation of Cash Generating Units (CGUs) and management's allocation of goodwill to the carrying value of CGUs based on our understanding of the Group's business and the Group's internal reporting; • Evaluating management's ability to accurately forecast cash flows by assessing the precision of the prior year forecasts against actual outcomes;

of future EBITDA, cost assumptions, expected growth rates and the discount rate applied. This recoverability assessment is a key audit matter due to the significant judgements and estimates as described in Note 12.	• Challenging key inputs used in the value in use calculations including the following: o Comparing the discount rate utilised by management to an independently calculated discount rate; o Comparing growth rates with 3rd party data for the waste industry; o Comparing the Group's forecast cash flows to the board approved budget; and o Performing sensitivity analysis on the growth and discount rates. • Assessing the adequacy of the related disclosures in Note 12 of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 59 to 84 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Tox Free Solutions Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 30 August 2017

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 3 August 2017:

1. Distribution of Equity Securities

Range	Total Holders	Ordinary Shares	% of Issued Capital
1 - 1,000	1,396	655,906	0.33
1,001 - 5,000	2,268	6,479,854	3.34
5,001 - 10,000	971	7,249,807	3.74
10,001 - 100,000	1,103	25,834,849	13.31
100,000 and over	65	153,879,254	79.28
Total	**5,803**	**194,099,670**	**100.00**

There were 394 holders of less than a marketable parcel of ordinary shares.

2. Twenty Largest Shareholders

	Ordinary shares	
	Number held	% of issued shares
HSBC Custody Nominees (Australia) Limited	74,155,720	38.20
J P Morgan Nominees Australia Limited	29,386,925	15.14
Citicorp Nominees Pty Limited	9,457,906	4.87
Australian Foundation Investment Company Limited	9,046,154	4.66
BNP Paribas Noms Pty Ltd < DRP>	2,559,744	1.32
RBC Investor Services Australia Nominees Pty Ltd <BKCust A/C	2,463,685	1.27
Sandhurst Trustees Ltd <DMP Asset Management A/C>	2,414,446	1.24
National Nominees Limited	2,318,784	1.19
Buttonwood Nominees Pty Ltd	1,924,079	0.99
BNP Paribas Nominees Pty Ltd < Agency Lending DRP A/C>	1,873,121	0.97
Sandhurst Trustees Ltd <SISF A/C>	1,870,000	0.96
Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	1,527,442	0.79
Mirrabooka Investments Limited	1,130,769	0.58
Spar Nominees Pty Ltd	1,035,000	0.53
BNP Paribas Noms (NZ) Ltd < DRP>	938,107	0.48
Australian Executor Trustees Limited < No 1 Account >	909,657	0.47
Stephen James Gostlow	653,387	0.34
Netwealth Investments Limited <Wrap Services A/C>	573,701	0.30
Mr John Paterson	565,000	0.29
Netwealth Investments Limited <Super Services A/C>	563,594	0.29

3. Substantial Shareholders

The announced substantial Shareholders are set out below:

Shareholders	Number of shares
Catalina Nominees Pty Ltd	12,568,000
Challenger Limited	9,866,265
Greencape Capital Pty Ltd	9,715,624
Investors Mutual Limited	18,995,846
Wellington Management Group LLP	17,639,583

4. Voting rights

Ordinary Shares
On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

Rights
No voting rights.

5. Rights

There are 1,477,160 Performance Rights and 1,293,859 Share Appreciation Rights issued to 10 employees under the Tox Free Solutions Limited free Incentive Plan to take up ordinary shares.

6. Securities Exchange Listing

Securities in Tox Free Solutions Limited (TOX) are quoted on the Australian Securities Exchange.

7. Shareholder Inquiries

Shareholders can obtain information about their shares and dividend payments by contacting the Company's share registry:

Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace
PERTH WA 6000

TEL: +61 8 9323 2000

8. Publications

The annual report is the main source of information for shareholders.

9. Tox Free Solutions Limited Website

Tox Free Solutions Limited has an internet address at **www.toxfree.com.au**

This contains the Company's latest annual report and media statements released through the Australian Securities Exchange.

Corporate Directory
30 June 2017

Directors

Robert McKinnon | Non-Executive Chairman

Katherine Hirschfeld | Non-Executive Director

Richard Allen | Non-Executive Director

Michael Humphris | Non-Executive Director

Stephen Gostlow | Managing Director

Secretary

David McArthur

Principal place of business

Level 5, 20 Parkland Road
OSBORNE PARK WA 6017
PO Box 1108
OSBORNE PARK WA 6916

TEL: +61 8 6216 7000
FAX: +61 8 6216 7001

Registered office in Australia

Level 1, 31 Cliff Street
FREMANTLE WA 6959
PO Box 5845
FREMANTLE WA 6959

TEL: +61 8 9435 3200
FAX: +61 8 6444 7408

Website address: www.toxfree.com.au

Corporate Directory
30 June 2017

Share register

Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace
PERTH WA 6000

TEL: +61 8 9323 2000

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

TEL: +61 8 6382 4600
FAX: +61 8 6382 4601

Bankers

ANZ – Corporate Banking
Level 2, 100 Queen Street
MELBOURNE VIC 3000

Westpac Banking Group
Level 7, 150 Collins Street
MELBOURNE VIC 3000

Legal advisor

Clayton Utz, Perth
QV1 250 St Georges Terrace
PERTH WA 6000

Securities exchange

Tox Free Solutions Limited's shares are listed on the Australian Securities Exchange (ASX) – code TOX. The home exchange is in Perth.

toxfree

www.toxfree.com.au