TOX FREE SOLUTIONS LIMITED

INTERIM REPORT | FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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Results Commentary | 31 December 2015

Tox Free Solutions Limited (Toxfree) is pleased to present the results commentary for the half-year ended 31 December 2015.

KEY HIGHLIGHTS

Financial

- Strong earnings performance continued.
- Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)* up 11% on 2nd half financial year 2015 (2H FY15) and 2% on 1st half financial year 2015 (1H FY15) to $38.2m.
- Underlying earnings before interest and tax (EBIT)* up 19% on 2H FY15 and 1% on 1H FY15 to $21.9m.
- Underlying profit after tax (NPAT)* up 31% on 2H FY15 and 2% on 1H FY15 to $13.1m.
- Statutory NPAT attributable to Toxfree members up 34% on 2H FY15 and 1% on 1H FY15 to $12.6m
- Underlying earnings per share (EPS)* for the period 9.51 cents, up 31% on 2H FY15 and down 2% on 1H FY15.
- Interim dividend for 1H FY16 of 4.5 cents (2H FY15: 4.5 cents and 1H FY15: 4 cents) per fully paid ordinary share fully franked.
- Net debt to equity at 27% (FY15: 32%).
- Strong cash flow, with gross cash inflows generated from operations of $35.9m, representing 94% (FY15: 100%) of EBITDA*.
- Group margins improved within the half through disciplined cost control and efficiency gains.

Strategy and Operations

- Award of waste and industrial services contract with BHP Billiton (BHPB) for the Olympic Dam operations in South Australia.
- Two year extension of Toxfree's contract with Chevron Australia securing Chevron under a long term contract until October 2021.
- Industrial services to civil infrastructure and municipal sectors performed well.
- Commercial waste services in Queensland continued to perform strongly with EBIT increasing by 12% on 1H FY15.
- Major production contracts to Origin, Rio Tinto Iron Ore, FMG, Chevron, QAL, Quantum, continued to perform strongly.
- Entry into the E-waste recycling market through acquisition of PGM Refiners Pty Ltd (PGM) a leading E-waste recycling business in Australia.
- Development of the Pilbara Thermal Treatment Plant in Karratha continues to progress in line with project timelines.
- Award of Wheatstone LNG Industrial Services Contract in Onslow WA.
- Expanded Industrial Services capability to include Chemical Cleaning through the acquisition of HKD Process Cleaning Pty Ltd (HKD).
- Household hazardous waste volumes continued to increase, particularly in NSW as Toxfree mobilises the NSW CRC Programme.
- Large contract pipeline in excess of $80m.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments: refer to page 6 Group Results for details)*

Sustainability and Our People

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

- No lost time injuries, maintaining our Lost Time Injury Rate of 0.
- Total Recordable Injury Frequency Rate (TRIFR) of 7.5, a 9% reduction on our FY15 result.
- All Injury Frequency Rate (AIFR) of 37.2, a 13.7% reduction on our FY15 result.
- Our safety lead indicators continue to strengthen and have improved by 30% on our FY15 result. We continue to improve our safety culture, interdependency and risk management controls.
- Toxfree was recognised by Rio Tinto Iron Ore for our contribution towards the Rio Tinto Utilities Division Global CEO Award for Safety for the second year running.
- Achievement of 5 years lost time injury free on Barrow Island.
- Award of a Workcover QLD Prevention and Performance Initiative Grant towards our work in the areas of Manual Handling and Fitness for Work.
- Implementation of a standardised asset maintenance system within our ERP.
- Toxfree supports diversity and is a strong advocate in increasing the number of female employees at Toxfree. Toxfree also has an endorsed Indigenous Reconciliation Action Plan. 20% of our total workforce is female and 5% are Indigenous Australians.

1H FY 16 OVERVIEW

The Company is very pleased with the first half performance of financial year 2016.

Revenue from Services was $197.7m, with underlying earnings (EBITDA) of $38.2m* which was an increase of 11% on the 2H FY15 and 2% on 1H FY15, before a depreciation and amortisation expense of $16.2m. Underlying EBIT of $21.9m* increased by 19% on 2H FY15 and by 1% on 1H FY15.

The Group underlying net profit after tax was $13.1m* an increase of 31% on 2H FY15 and by 2% on 1H FY15. Statutory net profit after tax was $12.9m an increase of 33% on 2H FY15 and by 5% on 1H FY15.

The Company's strategy to diversify the Company's services across all industry sectors has seen the Company's revenue continue to perform strongly within the period. This is particularly pleasing noting the challenges facing the Australian economy and the downturn in the resource sector. What was even more rewarding was the Company's focus on reducing costs and improving efficiencies has resulted in improvement in group margins overall.

The Company has also been able to pass on cost savings to our clients without comprising our values of providing our customers safe, reliable and sustainable waste management solutions.

The Company's cash flow was again extremely strong, achieving 94% of EBITDA* cash conversion. Through a disciplined approach to capital expenditure and cost reductions the Company was able to pay down debt reducing our net debt to equity to 27%.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments: refer to page 6 Group Results for details)*

Net capital investment in plant and equipment was $11.1m (2H FY15: $15.0M). Capital expenditure for the full year is expected to total $23-25m and capital continues to be invested in those areas of the business that achieve the Company's return criteria. Consideration payments made for the acquisition of businesses (net of cash acquired) was $1.96m (FY15: $5.3m).

The Company balance sheet is in excellent health and as a result the Board is also pleased to announce the payment of an interim dividend of 4.5 cents (2H FY15: 4.5 cents and 1H FY15: 4 cents) per ordinary share, which will be fully franked based on tax paid of 30%. The 4.5 cent per share dividend represents a 46% (FY15: 50%) return of underlying net profit after tax* to ordinary shareholders. The dividend record date is 11 March 2016 and the payment date is expected to be 25 March 2016. 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 15 February 2016 to 11 March 2016. No discount will be applied to shares issued or transferred under the DRP.

Strategically the Company continues to implement a number of initiatives aimed at increasing earnings per share and return on capital.

The initiatives can be broadly categorised as:

1. Broadening Toxfree's Total Waste Management Capability and 'One Stop Shop' services, treating a greater portion of our client's waste streams in-house.
2. Leveraging Toxfree existing waste treatment capabilities and licensed sites through investment in best practice waste treatment technologies providing the lowest operating cost in the market.
3. Expanding Toxfree's geographic coverage within Australia and overseas.
4. Reducing costs and increasing productivity by leveraging off the recently implemented Enterprise Resource Planning (ERP) system.
5. Business development – award of large, long term contracts with blue chip companies across Australia and overseas.
6. Acquisition of complementary businesses in line with Toxfree's strategy.

Significant progress has been made across all initiatives, including broadening Toxfree's service offering and total waste management capability. In November 2015, Toxfree broadened its waste treatment capability with entry into the E-Waste management sector through the acquisition of 91.4% of the shares in PGM based in Melbourne. Toxfree plans to expand E-waste collection and processing services across Australia to manage the rapid growth in E-waste within Australia. E-waste in Australia is the highest growing volume of waste produced and with further regulatory tightening expected to ban E-waste from landfill, Toxfree expects solid growth from this waste stream.

We have continued to build upon the competitive advantage of our waste treatment facilities announcing a number of new waste treatment technologies to be introduced to our sites, the most notable being the Thermal Treatment Plant for Karratha which is progressing well. We have also leveraged the recently implemented ERP to offer our clients the most comprehensive waste tracking and reporting system in the industry as well as commenced implementation of Optical Scanning Recognition technology to improve creditor processing efficiencies and reduce costs.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments: refer to page 6 Group Results for details)*

Waste Management and Industrial Services are essential requirements in all industry sectors. Despite the pressure on the overall economy, there are areas of market growth. Through a focus on service, our strategic initiatives, innovation and further costs reductions, we believe Toxfree is well placed to continue our performance.

SUMMARY OF RESULTS

Group Results	1H FY16 $'000	% Change 1H FY16 / 2H FY15	2H FY15 $'000	% Change 1H FY 16 / 1H FY15	1H FY15 $'000
Revenue - Services	197,721	(1)%	199,991	(5)%	207,287
EBITDA *	38,159	11%	34,531	2%	37,345
Depreciation	(15,435)	1%	(15,225)	7%	(14,430)
Amortisation	(802)	(6)%	(854)	(34)%	(1,219)
EBIT *	21,922	19%	18,452	1%	21,696
Finance expenses	(3,157)	(3)%	(3,240)	(3)%	(3,265)
Profit before tax *	18,765	23%	15,212	2%	18,431
Income tax expense *	(5,633)	9%	(5,153)	2%	(5,520)
Underlying Profit after tax *	13,132	31%	10,059	2%	12,911
Statutory Profit after tax	12,927	33%	9,689	5%	12,305
Profit attributable to Toxfree Owners	12,562	34%	9,362	1%	12,406
Non-controlling interest in profit	365	12%	327	(461)%	(101)
Earnings per share (cents) *	9.51	31%	7.27	(2)%	9.73
Dividend per share (cents)	4.5	0%	4.5	13%	4
Weighted average number of shares	134,190	0.3%	133,806	0.3%	133,752

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

Details	1H FY16 $'000	% Change 1H FY16 / 2H FY15	2H FY15 $'000	% Change 1H FY 16 / 1H FY15	1H FY15 $'000
Acquisition costs before tax ¥	293	(45)%	529	(66)%	866

¥ Acquisition costs include advisor, legal and rebranding costs.

REVIEW OF OPERATIONS

The Company has three operational segments. The three reportable segments are:

- Technical and Environmental Services
- Industrial Services
- Waste Services

Technical and Environmental Services (TES)

TES	1H FY16 $'000	2H FY15 $'000	1H FY15 $'000	% Change 1H FY16 / 2H FY15	% Change 1H FY 16 / 1H FY15
Revenue	26,115	25,181	28,186	3.7%	(7.3)%
EBITDA *	9,971	9,731	10,152	2.5%	(1.8)%
EBITDA margins (%) *	38.2%	38.6%	36.0%	(40)bps	220bps
Amortisation	138	138	162	0%	(14.8)%
Depreciation	2,668	2,622	2,330	1.8%	14.5%
EBIT *	7,165	6,971	7,660	2.8%	(6.5)%
EBIT Margins (%) *	27.4%	27.7%	27.2%	(30)bps	20bps

The Company is pleased with the continued performance of the Technical and Environmental Services division during the period.

Focus within this service line continues on lowering our costs of waste treatment and using best practice technology to provide better environmental outcomes for waste treated. Within the period volumes of waste from household hazardous waste collection programmes continued strongly.

In Western Australia volumes of waste from the resources sector were reduced, however we are expecting greater volumes of hazardous waste streams to increase within the next 12 to 24 months as the various LNG trains in the North West of Western Australia commence production.

We continue to invest in our Karratha site as the key resource recovery and treatment facility for the Pilbara. The site licence and capability was recently expanded to receive, store and manage mercury related waste streams from the oil and gas sector.

Development of Toxfree's planned Thermal Treatment Plant in Karratha continues. Construction of the plant by the supplier has commenced and the project is meeting its project timelines with the facility planned to commence operation in financial year 2018.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments: refer to page 6 Group Results for details)*

In November 2015, Toxfree entered the E-Waste management sector through the acquisition of 91.4% of the shares in PGM based in Melbourne. The expansion of our services into the E-Waste sector will broaden Toxfree's service offering into this growing market. In Australia, E-waste is growing three times faster than the rate of general domestic waste. Increased e-waste recycling is also driven by mandatory Federal legislation (*Product Stewardship Scheme*) for 'end-of-life' TVs and computers, requiring progressively higher rates of recycling from 50% in 2015/16 to 73% by 2024/25. There is continuing pressure to increase recycling rates by the Commonwealth and State Governments. In Victoria the government plans to ban E-waste from landfill by 2017.

E-waste recycling is a complementary activity to our existing focus on consumer based waste types including our household hazardous waste collection programmes.

Industrial Services (IS)

IS	1H FY16 $'000	2H FY15 $'000	1H FY15 $'000	% Change 1H FY16 / 2H FY15	% Change 1H FY 16 / 1H FY15
Revenue	47,049	52,058	51,770	(9.6)%	(9.1)%
EBITDA *	8,415	9,009	9,087	(6.6)%	(7.4)%
EBITDA margins (%) *	17.9%	17.3%	17.6%	60bps	30bps
Amortisation	-	-	103	0%	(100)%
Depreciation	3,974	4,053	4,038	(2)%	(2)%
EBIT *	4,441	4,956	4,946	(10.4)%	(10.2)%
EBIT Margins (%) *	9.4%	9.5%	9.6%	(10)bps	(20)bps

Industrial services have seen solid performance in the civil infrastructure and municipal markets, however there has been a downturn in the resource and manufacturing sectors which resulted in revenue declining from previous halves. Margins were maintained through the efforts of the company to cut costs in line with the downturn in demand from the resource sector.

The Company is pleased to announce it has been awarded a 5 year contract with BHPB for the Olympic Dam operations. Located 560 kilometres north of Adelaide, South Australia, Olympic Dam is Australia's largest underground mine, producing copper cathode, uranium oxide concentrate, gold and silver. Toxfree will provide both industrial services and waste management services to BHPB for the Olympic Dam site. The contract is expected to commence in June 2016.

On 1 July 2015, Toxfree commenced a new industrial services contract with Bechtel for the Wheatstone LNG project in Onslow WA. The contract has performed better than expected with the scope of work increasing 10% above the initial base contract.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments: refer to page 6 Group Results for details)*

Significant work has also been achieved to expand Toxfree's service offering to the expanding LNG production market in Australia. During the period Toxfree acquired the business of HKD. HKD have 20 years' experience in chemical cleaning to production facilities including the LNG sector. Toxfree's strategy is to offer our LNG customers a full suite of industrial services including chemical cleaning and waste management. We expect the market for industrial services to the LNG sector to increase substantially over the next 12 months as Gorgon, Wheatstone, Inpex and Prelude LNG plants commence production.

Services to the civil infrastructure and municipal sectors continued to perform strongly. We have completed a number of civil infrastructure projects around the country. In New South Wales and Victoria the pipeline for civil infrastructure projects is increasing and we are confident of growth in this sector.

There continues to be a number of contract opportunities and at the time of writing this report the company has a tender pipeline in excess of $80m. Our focus is to continue to develop our industrial services through continued organic growth and development of innovative ways to improve services to our clients.

Waste Services (WS)

WS	1H FY16 $'000	2H FY15 $'000	1H FY15 $'000	% Change 1H FY16 / 2H FY15	% Change 1H FY 16 / 1H FY15
Revenue	124,557	122,752	127,331	1.5%	(2.2)%
EBITDA *	32,451	29,539	32,545	9.9%	(0.3)%
EBITDA margins (%) *	26.1%	24.1%	25.6%	200bps	50bps
Amortisation	664	717	954	(7.4)%	(30.4)%
Depreciation	7,972	7,818	7,550	2.0%	5.6%
EBIT *	23,815	21,004	24,041	13.4%	(0.9)%
EBIT Margins (%) *	19.1%	17.1%	18.9%	200bps	20bps

The Waste Services division continued to perform well during the period with revenue of $124.5m and EBITDA* $32.5m. EBITDA* margins improved by 50 basis points on 1H FY15.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments: refer to page 6 Group Results for details)*

East Coast Waste Services performed well. Our strategy to diversify our client base into the commercial and municipal sector has helped counteract the downturn in activity in the resource related parts of our business. The Queensland operations achieved 12% EBIT growth on the prior corresponding period. We continue to focus on leveraging our waste tracking and reporting systems to improve productivity and ensure we maintain our low cost commercial waste services.

In late 2015, Toxfree was awarded a further two year extension of our existing contract with Chevron. This extends Toxfree's contract with Chevron until October 2021. Toxfree's safety performance on Barrow Island continues to meet global standards and the Company has also introduced a significant number of cost saving initiatives for Chevron. Toxfree have been rewarded for this performance with the two year extension. Toxfree has commenced services to Chevron's Wheatstone offshore operations and once the onshore gas plant commences production Toxfree's contract will expand to include this scope of work.

Municipal contracts in the Kimberley and Tasmania have performed consistently with previous periods and by streamlining the operations these business units have improved their performance on pcp.

In the Pilbara our services to producing customers including Rio Tinto, FMG and Chevron continued to perform well. Our indigenous joint venture for services to FMG continued strongly and we are progressing two new indigenous joint ventures for Roy Hill operations and the Solomon hub in the Pilbara region.

Unallocated Corporate Expenses | *Overview*

Corporate	1H FY16 $'000	2H FY15 $'000	1H FY15 $'000	% Change 1H FY16 / 2H FY15	% Change 1H FY 16 / 1H FY15
Revenue - Services	197,721	199,991	207,287	(1.1)%	(4.6)%
Finance expenses	(3,157)	(3,240)	(3,265)	(2.6)%	(3.3)%
Unallocated EBITDA	(12,971)	(14,273)	(15,305)	(9.1)%	(15.2)%
Unallocated EBITDA*	(12,678)	(13,744)	(14,439)	(7.8)%	(12.2)%
EBITDA* to Revenue (%)	6.4%	6.9%	7.0%	(50)bps	(60)bps
Depreciation - corporate	(821)	(731)	(512)	12.3%	60.4%
Unallocated EBIT	(13,792)	(15,004)	(15,817)	(8.1)%	(12.8)%
Unallocated EBIT*	(13,499)	(14,475)	(14,951)	(6.7)%	(9.7)%
EBIT* to Revenue (%)	6.8%	7.2%	7.2%	(40)bps	(40)bps

Efficiencies associated with the implementation of the Enterprise Resource Planning (ERP) system, simplification of the corporate structure and overall tight management of corporate costs have combined to decrease Unallocated Corporate Expenses by 6.7% on 2H FY15 and by 9.7% on 1H FY15 to $13.5m*.

Overall unallocated corporate expenses were 6.8% of Revenue from Services down from 7.2% on 2H FY15 and also 7.2% on 1H FY15. Unallocated Corporate includes the IT, Finance, Human Resources, Health, Safety and Environment, Business Development and Risk teams.

To support Toxfree's strategic plan, in November 2015, an unsecured rolling 3 year Syndicated Facility Agreement was signed with ANZ and Westpac Banking Groups, whereby each bank is a 50 / 50 lender for the core facilities. Pricing, covenants, terms and conditions are more favourable than those contained in the previous facility.

The Group's debtor day's sales outstanding (DSO) excluding work in progress were 58 days (FY15: 50 days) at the end of the period, with cash in bank of $22.6m (FY15: $19.7m) and total borrowings of $92.9m (FY15: $100.5m). The Balance Sheet is in good order with net assets at $258.7m (FY15: $250.7m) and net debt to equity of 27% (FY15: 32%). Gross cash inflows generated from operations of $35.9m were 94% (FY15: 100%) of EBITDA*.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments: refer to page 6 Group Results for details)*

CASH FLOW

Group Cash Flow	HY ended 31 Dec 2015 $'000	HY ended 31 Dec 2014 $'000	% change
Gross operating cash flow	35,888	23,485	53%
Net interest paid	(2,266)	(2,291)	(1)%
Income taxes paid	(4,173)	(3,383)	23%
Net operating cash inflows	29,449	17,811	65%
Payments for acquisition of businesses – net of cash acquired	(1,957)	(5,169)	(62)%
Net purchases of property, plant and equipment	(11,096)	(24,244)	(54)%
Net investing cash (outflows)	(13,053)	(29,413)	(56)%
Net proceeds from borrowings/(repayment of borrowings)	(7,799)	19,424	(140)%
Payments for shares acquired by Employee Share Trust	(165)	(775)	(79)%
Dividends paid	(5,079)	(4,013)	27%
Dividends paid to non-controlling interests in subsidiaries	(503)	(2,240)	(78)%
Net financing cash (outflows) / inflows	(13,546)	12,396	(209)%
Net increase in cash	2,850	794	259%
Cash at the beginning of the half year	19,709	16,168	22%
Cash at the end of the half year	22,559	16,962	33%

BALANCE SHEET

Group Balance Sheet	31 Dec 2015 $'000	30 June 2015 $'000	31 Dec 2014 $'000	% change 31 Dec 2015 / 30 June 2015	% change 31 Dec 2015 / 31 Dec 2014
Cash	22,559	19,709	16,962	14%	33%
Trade and other receivables	82,264	88,586	103,812	(7)%	(21)%
Inventories	415	241	172	72%	141%
Tax assets	8,028	7,954	8,612	1%	(7)%
Property, plant and equipment	152,235	153,486	151,944	(1)%	0.2%
Intangibles	151,013	151,388	150,899	(0.2)%	0.1%
Total assets	416,514	421,364	432,401	(1)%	(4)%
Trade and other payables	39,668	46,451	43,827	(15)%	(9)%
Borrowings	92,866	100,517	119,555	(8)%	(22)%
Employee benefits	9,035	8,487	8,829	6%	2%
Tax liabilities	8,507	6,908	5,280	23%	61%
Waste provisions	6,015	6,402	7,269	(6)%	(17)%
Derivative Financial Instruments	1,731	1,864	1,984	(7)%	(13)%
Total liabilities	157,822	170,629	186,744	(8)%	(15)%
Total equity	258,692	250,735	245,657	3%	5%
Gross debt to equity	36%	40%	49%	(400)bps	(1,300)bps
Net debt to equity	27%	32%	42%	(500)bps	(1,500)bps

STRATEGY AND OUTLOOK

Toxfree has a sound strategy based on the principles of providing our clients with safe, reliable and sustainable waste management and industrial services. Our strategy is based on the following fundamentals:

- Diversification
  - Servicing multiple industry sectors and geographies across Australia to ensure consistent revenue. Toxfree has over 50 individual business units and contracts servicing all industry sectors across Australia. This ensures Toxfree is well placed to grow over the long term as each industry sector moves through its varying economic phases.
- Barriers to entry and competitive advantage
  - Toxfree has a number of strategically located, licensed industrial waste treatment and recycling facilities across Australia. The licenses and technologies provide a high barrier to entry to other competitors. When combined with Toxfree's other waste management and industrial services, Toxfree can offer its clients a complete solution for all of their industrial cleaning and waste management requirements. The ability for Toxfree to provide a complete integrated package provides Toxfree a competitive advantage in the market.
- Defensiveness
  - Waste management is an essential service; all industry sectors and people produce waste. At Toxfree we are focussed on innovating to be the lowest cost, most efficient and safest service provider in the industry. The market in Australia is estimated at $14 Bn pa and growing at approximately 5% pa.

Recently the Company developed a number of initiatives in line with our strategy aimed at increasing earnings per share and return on capital over the coming years.

The initiatives can be broadly categorised as:

- Broadening Toxfree's Total Waste Management Capability and 'One Stop Shop' services, treating a greater portion of our client's waste streams in house.
- Leveraging Toxfree existing waste treatment capabilities and licensed sites through investment in best practice waste treatment technologies providing the lowest operating cost in the market.
- Expanding Toxfree's geographic coverage within Australia and overseas.
- Reducing costs and increasing productivity by leveraging off the recently implemented Enterprise Resource Planning (ERP) system.
- Business development – award of large, long term contracts with blue chip companies across Australia and overseas.
- Acquisition of complementary businesses in line with Toxfree's strategy.

The Company achieved sound progress against each of the initiatives within the half, which assisted the business improve Company earnings as well as increase its return on capital. Focus remains on progressing each of the initiatives over the coming months.

The first half of financial year 2016 has started well, however trading conditions are expected to remain challenging, particularly in the resource and manufacturing sectors, in the short term. There are opportunities for growth and we expect continued performance in the commercial, civil infrastructure and municipal sectors. The volumes of waste produced from the Gorgon LNG construction project have progressively reduced over the last 6 months as the project nears completion; however the volumes of hazardous and industrial waste are expected to increase as the various LNG plants in the Pilbara commence production.

We continue to remain focussed on organic growth opportunities through award of total waste management and industrial service contracts with blue chip clients throughout Australia. Toxfree looks forward to the opportunity to demonstrate it's capability to BHPB through the award of the Olympic Dam contract. The current contract pipeline remains strong with over $80m of contracts to be tendered.

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

STEVE GOSTLOW
Managing Director

RESULTS FOR ANNOUNCEMENT TO THE MARKET

REPORTING PERIOD:	HALF YEAR ENDED 31 DECEMBER 2015
PREVIOUS CORRESPONDING REPORTING PERIOD:	HALF YEAR ENDED 31 DECEMBER 2014

		%		$'000
Revenue from ordinary activities	Down	5	to	197,721
Profit from ordinary activities after tax attributable to members	Up	1.3	to	12,562
Net profit for the period attributable to members	Up	1.3	to	12,562
Total comprehensive income for the period attributable to members	Up	7	to	12,656

Dividends

The 2014 Gross Final Dividend Payment of $6,030,608 was paid on 29 September 2015. $5,079,293 was paid in cash and $951,315 was satisfied by the issue of ordinary shares via the dividend reinvestment plan.

On 23 February 2016, the directors proposed the payment of a 2016 interim dividend of 4.5 cents per fully paid ordinary share, fully franked based on tax paid of 30%. The interim dividend is expected to be paid on 25 March 2016. The dividend reinvestment plan is available for shareholders at no discount.

	31 December 2015 cents	31 December 2014 cents
Net tangible assets per security	80.14	70.85
Basic Earnings per share	9.36	9.28
Diluted earnings per share	9.34	9.26

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

PGM Refineries Pty Ltd: 1 December 2015; control gained.

HKD Process Cleaning Pty Ltd: 14 December 2015; control gained.

Audit status

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

Your directors present their report on the consolidated entity consisting of Tox Free Solutions Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2015.

DIRECTORS

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

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

REVIEW OF OPERATIONS

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

AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING OF AMOUNTS

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

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

ROBERT MCKINNON
Chairman

Perth
23 February 2016

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Australia

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

As lead auditor for the review of Tox Free Solutions Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 23 February 2016

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation *other than for the acts or omissions of financial services licensees*

	Notes	Half year 31 Dec 2015 $'000	31 Dec 2014 $'000
Revenue from continuing operations			
Services		197,721	207,287
Other revenue		140	376
Total Revenue		197,861	207,663
Other income	3	103	81
Expenses	4		
Waste disposal, consumables and other non-employee benefit related direct costs		(57,789)	(63,919)
Outsourcing costs		(16,933)	(17,312)
Employee benefits expense		(67,768)	(71,503)
Administrative expenses		(10,857)	(11,167)
Amortisation		(802)	(1,219)
Depreciation		(15,435)	(14,430)
Finance costs		(3,157)	(3,265)
Occupancy costs		(5,959)	(6,102)
Acquisition and rebranding costs		(293)	(866)
Share-based payment expense		(499)	(396)
Profit before income tax		18,472	17,565
Income tax expense		(5,545)	(5,260)
Profit after income tax for the half-year		12,927	12,305
Profit for the half-year is attributable to:			
Owners of Tox Free Solutions Limited		12,562	12,406
Non-controlling interests		365	(101)
		12,927	12,305
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		9.36	9.28
Diluted earnings per share		9.34	9.26

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

	Half year	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Profit for the half-year period	12,927	12,305
Other comprehensive income (expense)		
Items that may be reclassified to profit and loss		
Changes in the fair value of cash flow hedges	133	(886)
Income tax relating to these items	(39)	266
Other comprehensive income (expense) for the half-year, net of tax	94	(620)
Total comprehensive income for the half-year	13,021	11,685
Total comprehensive income for the half-year is attributable to:		
Owners of Tox Free Solutions Limited	12,656	11,786
Non-controlling interests	365	(101)
	13,021	11,685

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

	Notes	31 Dec 2015 $'000	30 Jun 2015 $'000
Current assets			
Cash and cash equivalents		22,559	19,709
Trade and other receivables		82,264	88,586
Inventories		415	241
Total current assets		105,238	108,536
Non-current assets			
Property, plant and equipment		152,235	153,486
Deferred tax assets		8,028	7,954
Intangible assets	11	151,013	151,388
Total non-current assets		311,276	312,828
Total assets		416,514	421,364
Current liabilities			
Trade and other payables		39,668	46,451
Borrowings	12	4,179	12,314
Current tax liabilities		1,594	542
Employee benefits		9,035	8,487
Provisions		6,015	6,402
Total current liabilities		60,491	74,196
Non-current liabilities			
Borrowings	12	88,687	88,203
Derivative financial instruments		1,731	1,864
Deferred tax liabilities		6,913	6,366
Total non-current liabilities		97,331	96,433
Total liabilities		157,822	170,629
Net assets		258,692	250,735
Equity			
Contributed equity	6	171,672	170,885
Reserves		4,688	4,376
Retained profits		79,241	72,488
Capital and reserves attributable to owners		255,601	247,749
Non-controlling interests		3,091	2,986
Total equity		258,692	250,735

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

Consolidated	Notes	Ordinary Shares $'000	Cash Flow Hedging Reserve $'000	Share-based Payment Reserve $'000	Equity Reserve $'000	Retained Earnings $'000	Total $'000	Non-controlling Interests $'000	Total Equity $'000
Balance at 1 July 2014		170,885	(769)	7,145	-	59,721	236,982	-	236,982
Profit for the half year		-	-	-	-	12,406	12,406	(101)	12,305
Other comprehensive income (expense)		-	(620)	-	-	-	(620)	-	(620)
Comprehensive income for the half year		-	(620)	-	-	12,406	11,786	(101)	11,685
Transactions with owners:									
Acquisition of subsidiaries		-	-	-	-	-	-	3,622	3,622
Transactions with non-controlling interests		-	-	-	(1,454)	-	(1,454)	1,454	-
Share-based payments - current period expense		-	-	396	-	-	396	-	396
Share-based payments - vested and reclassified		-	-	(364)	-	364	-	-	-
Settlement of vested executive rights	6	(760)	-	-	-	-	(760)	-	(760)
Acquisition of treasury shares	6	(15)					(15)		(15)
Dividends paid	5	-	-	-	-	(4,013)	(4,013)	(2,240)	(6,253)
		(775)	-	32	(1,454)	(3,649)	(5,846)	2,836	(3,010)
Balance at 31 December 2014		170,110	(1,389)	7,177	(1,454)	68,478	242,922	2,735	245,657

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

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

	Notes	Half year 31 Dec 2015 $'000	Half year 31 Dec 2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		223,189	206,873
Payments to suppliers and employees (inclusive of goods and services tax)		(187,301)	(183,388)
Cash generated from operations		35,888	23,485
Other revenue		140	84
Interest paid		(2,406)	(2,375)
Income taxes paid		(4,173)	(3,383)
Net cash inflow from operating activities		29,449	17,811
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	7	(1,957)	(5,169)
Proceeds from the sale of property, plant and equipment		807	571
Purchase of property, plant and equipment		(11,903)	(24,815)
Repayment of loans by related parties		-	116
Net cash (outflow) from investing activities		(13,053)	(29,297)
Cash flows from financing activities			
Payments for shares acquired by the Employee Share Trust		(165)	(775)
Proceeds from borrowings		139,500	35,200
Repayment of borrowings		(147,299)	(15,892)
Dividends paid to company's shareholders	5	(5,079)	(4,013)
Dividends paid to non-controlling interest in subsidiaries		(503)	(2,240)
Net cash (outflow) / inflow from financing activities		(13,546)	12,280
Net increase in cash and cash equivalents		2,850	794
Cash and cash equivalents at the beginning of the half-year		19,709	16,168
Cash and cash equivalents at the end of the half-year		22,559	16,962

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

1 | BASIS OF PREPARATION OF HALF YEAR REPORT

Statement of Compliance
This general purpose financial report for the interim half-year reporting period ended 31 December 2015 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with IAS 34.

This interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the 30 June 2015 annual financial report and any public announcements made by Tox Free Solutions Limited (Toxfree) during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

Impact of standards issued but not yet applied by the entity
There were no new standards issued since 30 June 2015 applied by Toxfree. The 30 June 2015 annual report disclosed that Toxfree anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2015.

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

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2015.

2 | SEGMENT INFORMATION

The Group has three reportable segments: Technical and Environmental Services (TES), Industrial Services (IS) and Waste Services (WS). The Managing Director (chief operating decision maker) assesses the performance of the operating segments based on a measure of EBITDA. This measure excludes the effects of equity settled share-based payment transactions. Interest income and expenditure are not allocated to segments as this type of activity is driven by the central treasury function which manages the cash position of the Group.

	TES	IS	WS	Total
Half year 31 December 2015	$'000	$'000	$'000	$'000
Total segment revenue	41,020	52,545	137,742	231,307
Inter segment revenue	(14,905)	(5,496)	(13,185)	(33,586)
Revenue from external customers	26,115	47,049	124,557	197,721
EBITDA	9,971	8,415	32,451	50,837
EBIT	7,165	4,441	23,815	35,421
Half year 31 December 2014				
Total segment revenue	45,259	56,316	135,589	237,164
Inter segment revenue	(17,074)	(4,546)	(8,257)	(29,877)
Revenue from external customers	28,185	51,770	127,332	207,287
EBITDA	10,152	9,087	32,545	51,784
EBIT	7,660	4,946	24,041	36,647
Total segment assets				
31 December 2015	101,456	63,109	206,138	370,703
30 June 2015	99,378	64,264	215,262	378,904
Total segment liabilities				
31 December 2015	17,696	6,356	15,084	39,136
30 June 2015	18,562	11,050	23,139	52,751

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

	Half-year	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Segment EBITDA	50,837	51,784
Finance costs	(3,157)	(3,265)
Share-based payment expense	(499)	(396)
Depreciation and amortisation	(16,237)	(15,649)
Employee expenses	(9,356)	(11,123)
Travel and motor vehicle expenses	(851)	(985)
Occupancy costs	(495)	(687)
Other corporate costs	(1,477)	(1,248)
Acquisition and rebranding costs*	(293)	(866)
Profit before income tax from continuing operations	18,472	17,565

* refer to page 6 for additional information.

3 | OTHER INCOME

	Half-year	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Sundry and other income	103	81
	103	81

4 | EXPENSES

Profit before income tax includes the following specific expenses:

	Half-year	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Amortisation	802	1,219
Bad and doubtful debts	289	674
Depreciation	15,435	14,430
Insurance and workers compensation costs	2,330	1,982
Labour costs	62,025	65,305
Motor vehicle expenses	9,728	11,092
Net (gain) / loss on disposal of plant and equipment	(397)	117
Rental expenses relating to operating leases	9,476	8,628
Share-based payment expense*	499	396
Superannuation contributions	4,215	4,826
Travel expenses	2,111	2,677
Finance costs include:		
Interest and finance charges paid	2,264	2,415
Establishment and other fees	893	850
	3,157	3,265

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

5 | DIVIDENDS

Ordinary shares	Half-year 31 Dec 2015 $'000	31 Dec 2014 $'000
Dividend paid during the half-year	6,031	4,013
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
Paid in cash	5,079	4,013
Satisfied by the issue of shares – dividend reinvestment plan	952	-
	6,031	4,013

Dividends not recognised at the end of the half-year	Half-year 31 Dec 2015 $'000	31 Dec 2014 $'000
Since the end of the half-year the directors have recommended the payment of an interim dividend of 4.5 cents per fully paid ordinary share (2014: 4 cents), fully franked based on tax paid of 30%. The aggregate amount of the proposed dividend expected to be paid on 25 March 2016 out of retained earnings at 31 December 2015, but not recognised as a liability at the end of the half-year, is	6,047	5,350

6 | CONTRIBUTED EQUITY

a) Share capital	31 Dec 2015 Shares	31 Dec 2014 Shares	31 Dec 2015 $'000	31 Dec 2014 $'000
On issue 1 July	134,013,376	133,752,359	170,900	170,885
Share issues during the half year				
Dividend reinvestment plan issue	353,910	-	952	-
Settlement of vested executive rights	-	-	(180)	(760)
On issue 31 December	134,367,286	133,752,359	171,672	170,125
b) Other equity securities				
Treasury shares – Employee share trust				
Opening balance 1 July	(6,536)	-	(15)	-
Acquisition of shares	(62,756)	(278,116)	(165)	(775)
Executive LTI issue	69,292	271,580	180	760
On issue 31 December	-	(6,536)	-	(15)
Total contributed equity	134,367,286	133,745,823	171,672	170,110

7 | BUSINESS COMBINATION

a) Acquisition of PGM Refineries Pty Ltd

On 1 December 2015, Toxfree acquired a 91.4% controlling interest in PGM Refiners Pty Ltd (PGM). PGM are a well-regarded E-waste recycling company based in Melbourne and the acquisition of PGM will give Toxfree a service stream complimentary to our existing metropolitan hazardous waste sector services. Toxfree has an option to acquire the remaining 8.6% non-controlling interest.

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

	$'000
Purchase consideration	
Cash paid for the 91.4% controlling interest	2,079
Total purchase consideration	2,079

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

	Fair Value $'000
Cash	1,574
Trade receivables	405
Other receivables	62
Prepayments	42
Inventory	63
Plant and equipment	2,439
Trade payables	(200)
Other payables and accruals	(1,117)
Employee Entitlements	(65)
Waste provision	(94)
Borrowings	(966)
Net identifiable assets acquired	2,143
Less: Non-controlling interests	(184)
	1,959
Add: Goodwill	120
	2,079

The goodwill is attributable to the number of synergies that can be achieved through combining with Toxfree's existing activities. These include, but are not limited to, access to Toxfree's customer base and collection catchment, future utilisation of Toxfree's sites, the utilisation of Toxfree's support services, and possible heightened access to capital and government grants.

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

The Group has reported provisional amounts for goodwill and plant and equipment acquired as part of the purchase of PGM as fair value assessments have not been finalised.

(i) Acquisition-related costs

Acquisition-related costs for the acquisition of PGM of $0.056m are included in acquisition costs in the Consolidated Income Statement.

(ii) Revenue and profit contribution

PGM contributed revenue of $0.267m and net profit before tax of $0.02m to the Toxfree Group for the period 1 December 2015 (acquisition date) to 31 December 2015. If the acquisition had occurred earlier on 1 July 2015, combined revenues of $1.99m and net profit before tax of $0.12m would have been estimated contribution for the period 1 July 2015 to 31 December 2015.

(iii) Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in PGM, the Group elected to recognise the non-controlling interests in at its proportionate share of the acquired net identifiable assets.

Transactions with Non-controlling interests (NCI)

	$'000
Transactions with NCI:	
NCI arising on business combination	184
NCI share of profit	1
Non-controlling interests - carrying value 31 December 2015	185

b) Acquisition of HKD Process Cleaning Pty Ltd

On 14 December 2015, Toxfree acquired 100% interest in HKD Process Cleaning Pty Ltd (HKD) for a cash consideration of $2.15M. HKD is a chemical cleaning business, servicing industrial sectors such as Oil & Gas, Mining, Power Plants, Automotive, Chemical Processing and Refineries.

There is a potential deferred payment payable of $1M, subject to the below conditions being satisfactorily met:

- within 12 months after completion occurs,
- Toxfree enters into an unconditional contract with a customer to provide chemical cleaning and other industrial services,
- realising a Project EBIT Margin under the project contract in excess of 25%; and
- receiving Project Revenues under the project contract in excess of $10,000,000 excluding GST.

No contingent consideration has been recognised to date as the likelihood of making the payment is currently regarded as uncertain.

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

	$'000
Purchase consideration	
Cash paid	2,150
Total purchase consideration	2,150

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

	Fair Value $'000
Cash	698
Trade receivables	50
Other receivables	502
Inventory	52
Plant and equipment	606
Trade payables	(5)
Other payables	(51)
Income tax payable	(30)
Net identifiable assets acquired	1,822
Add: Goodwill	328
	2,150

The goodwill is attributable to the benefits derived from broadening the capabilities of our existing industrial services business. None of the goodwill is expected to be deductible for tax purposes.

The Group has reported provisional amounts for goodwill and plant and equipment acquired as part of the purchase of HKD as fair value assessments have not been finalised.

(i) Acquisition-related costs

Acquisition-related costs for the acquisition of HKD of $0.037m are included in acquisition costs in the Consolidated Income Statement.

(ii) Revenue and profit contribution

The HKD operations were incorporated into Tox Free Australia Pty Ltd from the date of acquisition.

c) Prior period

Details of provisional amounts were disclosed in note 6: Business Combination of the Group's annual financial statements for the year ended 30 June 2015. There have been no significant adjustments made to any of these provisional amounts in total in the current reporting period.

8 | CONTINGENCIES

Details of Contingencies were disclosed in note 31 of the Group's annual financial statements for the year ended 30 June 2015.

There has been no significant change in the contingent assets or contingent liabilities of the Group since 30 June 2015.

9 | EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 23 February 2016, the Directors of Tox Free Solutions Limited declared an interim dividend in respect of the 2016 financial year. The total amount of the dividend is $6,046,528, which represents a fully franked dividend of 4.5 cents per ordinary share based on tax paid of 30%.

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

10 | RELATED PARTY TRANSACTIONS

<u>Rights</u>
On 1 July 2015, 268,213 performance rights and 1,343,072 share appreciation rights were granted to Key Management Personnel and to Senior Management under the Executive LTI Plan. The rights vest on 30 June 2018. Specific disclosure details of the 1 July 2015 grant are as follows:

Details	Performance Rights Granted	Share Appreciation Rights Granted	Total
Directors			
S Gostlow *	77,231	386,732	463,963
KMP			
E Goodwin	50,993	255,346	306,339
M Constable	23,452	117,437	140,889
J Dixon	23,452	117,437	140,889
S Bagshawe	13,759	68,899	82,658
J Bovell	15,163	75,929	91,092
Senior Management	64,163	321,292	385,455
	268,213	1,343,072	1,611,285

* The grant to Mr S Gostlow was approved by the shareholders at the Annual General Meeting held on 20 November 2015.

The above grants made under the Executive LTI Plan will vest subject to the satisfaction of Relative Total Shareholder Return (TSR) (50% of the grant) and Absolute Earnings Per Share (EPS) (50% of the grant) hurdles. These performance hurdles are mutually exclusive so that if only one of the hurdles is satisfied, vesting will still occur for that portion of the grant but not the other if that other hurdle is not met.

The valuation of the Rights is based on an adjusted form of the Black Scholes Option Pricing Model (BSM) that includes a Monte Carlo Simulation model to value the TSR right. The Monte Carlo model has been modified to incorporate an estimate of the probability of achieving the TSR hurdle and the number of associated Rights vesting.

Key Assumptions made at Grant date are summarised below:

	Details for new issue
Date of grant	1 July 2015
Share price	$3.06
Effective exercise price (SAR's only)	$3.09
Risk free rate	2.04%
Volatility factor	25.00%
Dividend yield	2.50%

The share-based payment expense to 31 December 2015 was $499,000 (2014: $396,000).

11 | INTANGIBLES

	31 Dec 2015	30 Jun 2015
	$'000	$'000
Opening cost	161,292	157,403
Opening accumulated impairment	(9,904)	(7,831)
Opening net book amount	151,388	149,572
Movements:		
Opening net book amount	151,388	149,572
Customer contracts acquired	-	668
Goodwill acquired during acquisition of businesses (refer to note 7)	448	3,221
Goodwill adjustment	(21)	-
Amortisation	(802)	(2,073)
Closing net book amount	151,013	151,388
Closing cost	161,719	161,292
Closing accumulated amortisation	(10,706)	(9,904)
Closing net book amount	151,013	151,388

12 | LOANS AND BORROWINGS

As at 31 December 2015, the contractual maturities of the Group's financial liabilities were as follows:

Contractual maturities of financial liabilities At 31 December 2015	Within 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Contractual cash flows $'000	Carrying amount liabilities $'000
Non-derivatives					
Trade payables and other payables	39,668	-	-	39,668	39,668
Borrowings (excludes prepaid costs)	2,430	9,727	82,250	94,407	82,250
Finance lease liabilities	5,046	7,483	-	12,529	11,439
Total non-derivatives	47,144	17,210	82,250	146,604	133,357
Derivatives					
Net settled – interest rate swaps	-	1,731	-	1,731	1,731

Contractual maturities of financial liabilities At 30 June 2015	Within 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Contractual cash flows $'000	Carrying amount liabilities $'000
Non-derivatives					
Trade payables and other payables	46,451	-	-	46,451	46,451
Borrowings	9,940	37,615	49,588	97,143	87,338
Finance lease liabilities	5,470	9,081	-	14,551	13,179
Total non-derivatives	61,861	46,696	49,588	158,145	146,968
Derivatives					
Net settled – interest rate swaps	-	1,864	-	1,864	1,864

13 | FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

The following table presents the Group's applicable financial assets and financial liabilities measured and recognised at fair value at 31 December 2015 and 30 June 2015 on a recurring basis:

At 31 December 2015	Level 1 000's $	Level 2 000's $	Level 3 000's $	Total 000's $
Liabilities				
Derivatives used for hedging	-	1,731	-	1,731
Total liabilities				1,731

At 30 June 2015	Level 1 000's $	Level 2 000's $	Level 3 000's $	Total 000's $
Liabilities				
Derivatives used for hedging	-	1,864	-	1,864
Total liabilities				1,864

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

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

Non-current liabilities	31 Dec 2015 Carrying amount $'000	31 Dec 2015 Fair value $'000	30 June 2015 Carrying amount $'000	30 June 2015 Fair value $'000
Non-current borrowings comprise:				
Bank loans (excludes prepaid costs)	82,250	80,485	79,788	78,345
Lease liabilities	6,969	6,711	8,415	8,145
Total non-current borrowings	89,219	87,196	88,203	86,490

The carrying amounts of trade receivables and trade 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.

The directors of the company declare that:

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

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

   (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.

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

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

Robert McKinnon
Chairman

Perth
23 February 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tox Free Solutions Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tox Free Solutions Limited, which comprises the consolidated balance sheet as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tox Free Solutions Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 23 February 2016