27 October 2010

ASX LIMITED

By Electronic Lodgement

Dear Sir / Madam

We confirm that the 2010 Annual Report and the Notice of Annual General Meeting, Explanatory Memorandum and Proxy Form have been dispatched to shareholders.

A copy of the Annual Report and Notice of Annual General Meeting are also available on our website www.toxfree.com.au.

Yours faithfully

TOX FREE SOLUTIONS LIMITED

David McArthur
Company Secretary

toxfree

Annual Report
30 June 2010

CONTENTS

CORPORATE DIRECTORY

Directors and Company Secretary

Robert McKinnon
Chairman
Appointed 13 July 2010

Douglas Wood
Non–Executive Director
Chairman until 13 July 2010

Richard Allen
Non–Executive Director

Michael Humphris
Non–Executive Director

Wynn Rees
Non–Executive Director
Retired 31 March 2010

Stephen Gostlow
Managing Director

Gerrard Styles
Executive Director
Resigned 13 July 2010

David McArthur
Company Secretary

Principal Registered Office in Australia

Suite 1A, 1050 Hay Street
WEST PERTH WA 6005
Telephone: +61 8 6216 7000
Facsimile: +61 8 6216 7001

PO Box 590
WEST PERTH WA 6872

Share Register

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008
Telephone: +61 8 6382 4600
Facsimile: +61 8 6382 4601

Bankers

Westpac Banking Corporation
109 St Georges Terrace
PERTH WA 6000

Securities Exchange

Tox Free Solution Limited's shares are listed on the Australian Securities Exchange (ASX) – code TOX.

The home exchange in Perth.

Website

www.toxfree.com.au

REVIEW OF OPERATIONS

Financial year 2010 was another successful year in the continued development of Tox Free Solutions (Tox Free).

Key achievements during the financial year included:

- Zero Lost Time Injuries (LTI) for the year
- The award of $78 M of additional contracted revenue over the next 3 years with Rio Tinto Iron Ore, Murrin Murrin Nickel Refinery and Boral Cement
- Commencement of the Toll Energy (Gorgon Barrow Island) Waste Management Contract
- Acquisition and integration of Envirochem Technologies in Melbourne
- Maiden dividend of 2 cents per share fully franked, representing 20%* payout ratio of full year profit
- Expansion of services within the Pilbara Region of Western Australia
- Revenue up 11.8% to $98.6M (FY09 = $88.2M)
- EBITDA up 11.5% to $25M* (FY09 = $22.4M*)
- EBIT up 10.9% to $16M* (FY09 = $14.5M*)
- NPAT up 24.3% to $9.2M* (FY09 = $7.4M*)
- Gross operating cash flow of $24.0M, 96.2% of EBITDA
- Equity raising – $25 million raised through institutional placement ($20M) and share purchase plan ($5M) for fund ongoing growth profile
- Cash at bank as of 1 July 2010 of $17.8M

Tox Free Solutions (Tox Free) is pleased to announce Group revenue for the 2010 financial year was $98.6M an increase of 11.8% compared to the previous corresponding financial year (2009: $88.2M). Earnings (EBITDA) increased by 11.5% to $25.0M* (2009: $22.4M*) before depreciation expense of $8.9M and financial expenses of $2.9M. EBIT increased by 10.9% to $16.0M* compared to the previous corresponding financial year (2009: $14.5M*).

The net profit of the Group for the financial year ended 30 June 2010 increased by 24.3% to $9.2M* (2009: $7.4M*) which includes income tax expense of $3.8M.

Over the last 12 to 18 months, Tox Free has made significant investment in its management team and management systems to set the foundations to accommodate the next growth phase in the Company's development. The revenue from recently awarded contracts will further improve earnings in financial year 2011.

During the period Tox Free was awarded four major long term contracts worth an additional $78 M in revenue over the next 3 years. Contracted revenue has increased from 15% to 36% during the period, which will continue to reduce the seasonality of the business and maintain consistent earnings.

Tox Free firmly believe the award of any long term contract is only the first step in creating value for our shareholders. The ongoing commitment to our client's success through delivery of safe and reliable waste and industrial services to our clients is aimed at cementing our relationship for the long term.

Tox Free has a significant pipeline of contacts that will contribute to earnings in financial year 2011 and beyond. The Company has cash reserves available and strong balance sheet to continue its growth strategy through organic growth of our existing divisions, further contract award and acquisitions of businesses that meet our Corporate Strategy.

The Board is pleased to announce the payment of Tox Free's first fully franked dividend. The 2 cent per share dividend represents a 20%* return of FY10 net profit to our shareholders.

** Excludes share based payments*

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

Health and Safety

Tox Free 'Harmfree' Vision

Tox Free's continued focus on safety as a core foundation for everything we do was further reinforced this year through Board and Executive approval of our national Quality, Environment, Safety and Training management system (QUEST) strategy. The strategy provides a clear focus on the reduction of risk in the workplace and continued, measurable reduction in all incidents.

Tox Free is proud to advise there have been no LTI's throughout the entire group this financial year. Our Lost Time Injury Frequency Rate is Zero and has trended downward consistently since 2005. Our leadership team, managers and front line staff continue to promote a safety culture where the safety of our employees and all stakeholders is more than a priority; it is an absolute given.

Areas of Harmfree focus this financial year (FY11) include:

- Continued safety leadership training for all management, supervisors and front line staff
- Continued implementation of Tox Free's QUEST
- Workplace risk reduction
- Staff training and competency

The Executive and Technical Services team continue to ensure our QUEST system is continuously updated to meet the current needs of the business.

Industrial Services

Description

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

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

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

Operational Update

Industrial services activity during the period was steady and in line with the previous financial year. There was growth within the Pilbara region as a result of the strong economic climate in the region whilst revenues from the East Coast were lower than the previous financial year as a result of the closure of the Adelaide and Canberra depots and divestment of the Melbourne based municipal street sweeping services.

The most significant events during the later part of the financial year were the award of long term contracts with Rio Tinto Iron Ore Operations, Murrin Murrin Nickel Refinery and Boral Cement

Rio Tinto

Award date	1 May 2010
Revenue per annum	$7 M (approximate revenue based on service schedule)
Contract term (years)	3 + 2
Scope of services	Rio Tinto Iron Ore - Pilbara Operations
	Hydrocarbon waste management and recycling
	Industrial cleaning and waste collection
	Solid waste management and recycling (coastal)
	Waste tracking and reporting
	Waste hydrocarbon remediation

Murrin Murrin

Award date	1 July 2010
Revenue per annum	$6 M (approximate revenue based on service schedule)
Contract term (years)	5
Scope of services	Murrin Murrin Nickel Refinery
	Industrial services
	Vacuum loading
	High pressure cleaning
	Catalyst handling

Boral Cement

Award date	1 July 2010
Revenue per annum	$2 M (approximate revenue based on service schedule)
Contract term (years)	2 + 1
Scope of services	Services provided to five Boral cement facilities in NSW and Victoria
	Industrial services
	Vacuum loading
	High pressure cleaning

The award of the Boral Cement contract represents a significant step in the transition of East Coast industrial services, provided under Barry Bros. to our target industry where there is an opportunity to obtain long term contracts. This will continue to be a focus point in financial year 2011.

With the commencement of the above contracts it is expected industrial services revenues will increase significantly during financial year 2011 and beyond.

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

Solid Waste Management

Description

Solid waste services are provided throughout the Kimberley and Pilbara regions of Western Australia.

Solid Waste Management includes the collection, resource recovery, recycling and disposal of solid municipal and commercial wastes.

Operational Update

The solid waste division grew significantly during the period with revenue increasing by 136.6% to $21.0 M and earnings (EBIT) by 125.9% to $6.1 M.

In October 2009, Tox Free was successful in the award of a contract with Toll Energy to manage waste produced from the Gorgon LNG Project on Barrow Island. The contract is performing very well and the efforts of our management and front line staff have been praised by our client. As construction continues, Tox Free expect further growth from this division.

Solid waste services are also provided to Rio Tinto and Woodside throughout their coastal operations in Karratha. Tox Free's relationship with Woodside continues to strengthen. This is reflected through the addition of waste management services for the new Woodside Pluto LNG plant being added to Tox Free's existing contract with Woodside. This is scheduled to commence in the third quarter of financial year 2011.

With the second stage expansion of the Pilbara Resource Recovery Centre in Karratha underway, Tox Free is well placed to manage the expected growth in waste volumes from the growing resource sector in the Pilbara region.

Continued growth is expected in the solid waste sector as Tox Free expands into the Australian solid waste market estimated to be approximately $8 billion in revenue and growing at average of 4% pa.

Hazardous and Liquid Waste Management

Description

Tox Free's liquid and hazardous waste services are provided from our Kwinana, Henderson, Karratha, Port Hedland, Kalgoorlie, Sydney, Brisbane and Melbourne facilities. Tox Free uses a number of technologies to manage this waste stream including, thermal desorption, incineration, stabilisation and fixation, physiochemical treatment and reuse and recycling.

Operational Update

Volumes of hazardous waste processed through all facilities increased during the period with revenue increasing by 34.1% to $14.3 M on an EBIT margin of 45%. Tox Free's Brisbane facility was the standout performer during the period with above forecast profits being achieved. Brisbane has continued to build its market presence with expansion of services into the Surat and Bowen basin regions of South West Queensland.

Hazardous waste services at Tox Free's Kwinana facility were steady and in line with budget expectations.

The acquisition of Envirochem Technologies (Envirochem) in May 2010 was another significant step in the implementation of Tox Free's corporate strategy. Tox Free now has a suite of hazardous waste management facilities Australia wide. The integration of Envirochem with the rest of the Tox Free group has been extremely successful. There have been a number of customer synergies realized from the existing client base in Melbourne and Sydney which have already demonstrated improvement in the financial performance of both Envirochem and Barry Bros.

Through a combination of Tox Free's technologies, intellectual property, hazardous waste licenses, experience and site locations Australia wide, Tox Free is the leading provider of hazardous waste management in Australia.

Volumes of liquid waste decreased compared to the previous financial year. This is attributed to slower economic conditions which have negatively impacted the manufacturing sector as well as the impact of the drought throughout Australia. As economic conditions improve it is expected volumes of liquid waste received from the manufacturing sector will also increase.

OUTLOOK

Financial year 2010 was a significant year in the continued implementation of the Tox Free's corporate strategy. This can be evidenced through the award of over $78 M in long term contracts with a number of blue chip clients Australia wide.

The revenue from the recently awarded contracts will positively impact earnings in financial year 2011 and beyond. We are committed to ensuring we provide the safest and best services to our clients. Through this commitment, Tox Free expect to strengthen the long term relationship with our clients.

Focus areas in financial year 2011 include: business development and further contract award throughout Australia, technology upgrades and operational synergies. As our management information systems continue to develop the Company expects further synergies will be realised.

Summary of developments that will contribute to financial year 2011 earnings include:

- Toll Energy (Barrow Island) waste management contract
- Contribution from the recently awarded Rio Tinto contract
- Contribution from the recently awarded Murrin Murrin Nickel Refinery contract
- Contribution from the Boral Cement contract
- Contribution from the recent acquisition of Envirochem
- Woodside Pluto Waste Management contract
- Further improvement in operational performance of industrial services
- Further award of contracts presently being tendered
- Organic growth in all divisions

The continuing success of the Company can only be achieved through the hard work and commitment of all Tox Free employees. On behalf of the shareholders and the Tox Free Board of Directors I would like to take this opportunity to thank all employees for their commitment. We look forward to the continued success and growth of the business in financial year 2011 and beyond.

STEVE GOSTLOW
Managing Director

TOX FREE 2010 ANNUAL REPORT

DIRECTORS' REPORT CONTENTS

people

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as **the Group**) consisting of Tox Free Solutions Limited and the entities it controlled at the end of, or during, the year ended 30 June 2010.

Directors

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

Douglas Wood

Stephen Gostlow

Michael Humphris

Richard (Dick) Allen

Robert McKinnon was appointed as a Director and Chairman in July 2010 and continues in office at the date of this report.

Wynn Rees was a Director from the beginning of the financial year until his retirement in March 2010.

Gerrard (Ged) Styles was a Director for the whole of the financial year and resigned in July 2010.

Douglas Wood was Chairman for the whole of the financial year and resigned as Chairman in July 2010. Douglas continues in office as a Non-Executive Director at the date of this report.

Principal Activities

During the year the principal continuing activities of the Group consisted of the provision of industrial cleaning and waste management.

Dividends

Since the end of the financial year the Directors have recommended the payment of a final ordinary dividend of 2 cents per fully paid share, fully franked, to be paid out of retained earnings at 30 June 2010.

The proposed date for payment is 5 October 2010.

There were no dividends paid during the financial year (2009: nil).

Review of Operations

Information on the operations and financial position of the Group and its strategies and prospects is set out in the review of operations on pages 4 to 8 on this annual report.

Matters Subsequent to the end of the Financial Year

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

- The Group's operations in future financial years, or
- The results of those operations in future financial years, or
- The Group's state of affairs in future financial years

Likely Developments and Expected Results of Operations

The Group will continue to pursue its strategy of developing Australia's largest industrial services and waste management Company and increasing market share of its major business segments during the next financial year.

Some information around likely developments and expected results of operations have been included in the operations report.

Further information on likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Environmental Regulation

The Group's operations are subject to significant environmental regulation and as such hold environmental licenses for the operation of its waste facilities throughout Australia. These licenses relate to the management of waste including; storage, treatment, transportation and disposal.

There have been no breaches of the Group's license conditions during the period.

Greenhouse gas and energy data reporting requirements

The company has undertaken an assessment of its annual greenhouse gas emissions and energy use and is satisfied that it is not currently subject to the reporting requirements under the National Greenhouse and Energy Reporting Act 2007.

The company will continue to measure its annual greenhouse gas emissions and energy use to determine if or when it may be required to report in the future.

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Information on Directors

Robert McKinnon
Non-Executive Chairman
13 July 2010 – current
Age: 60

Experience and expertise
Robert McKinnon is a Fellow of CPA Australia and a Fellow of Chartered Secretaries Australia. Robert has been a Managing Director of Fleetwood Corporation Limited and Austal Limited. He has a career spanning 30 years in senior financial and general management positions.

Other current directorships
Non-Executive Director of Bank of Western Australia Limited
Non-Executive Director of Brierty Limited

Former directorships in the past 3 years
Non-Executive Director of Bank of Western Australia Limited
Period: May 2009 – current
Non-Executive Director of Brierty Limited
Period: February 2010 – current

Special responsibilities
Chair of the Board

Interest in shares and options
Nil

Stephen (Steve) Gostlow
Managing Director
2005 – current
Age: 37

Experience and expertise
Steve Gostlow is a qualified Environmental Scientist.
Steve has over 15 years experience in the waste management industry. He has a background in waste treatment, waste technologies and regulatory compliance.
Steve has been employed by Tox Free since 2002.

Other current directorships
None

Former directorships in the past 3 years
None

Special responsibilities
None

Interest in shares and options
1,120,138 ordinary shares and can elect to receive 1,100,000 share options

Douglas Wood
Non-Executive Director
2008 – current
Age: 66

Experience and expertise
Douglas Wood is a Chartered Accountant and a Fellow of the Taxation Institute of Australia. Doug has over 40 years' experience in the accounting and taxation profession and has been actively involved in the management of public companies for a number of years, fulfilling the roles of Chairman and managing director.

Other current directorships
None

Former directorships in the past 3 years
Non-Executive Director of AFT Corporation Ltd
Period: 28 November 2003 – 12 September 2007

Special responsibilities
Chairman until 13 July 2010
Member of the Audit and Risk Management Committee
Member of the Nominations and Remuneration Committee

Interest in shares and options
231,387 ordinary shares

Michael Humphris
Non-Executive Director
1998 – current
Age: 60

Experience and expertise
Michael Humphris is a Chartered Accountant with over 30 years experience in the areas of business advice, corporate recovery and dispute resolution. He has extensive experience in business reconstructions, enhancing value for shareholders, divestments, mergers and acquisitions.

Other current directorships
Non-Executive Director of Murray Irrigation Ltd
Period: 20 November 2007 – current
Non-Executive Director of Virax Holdings Ltd
Period: 16 January 2008 – current
Non-Executive Director of Centro Retail Ltd
Period: 01 October 2009 – current
Non-Executive Director of CMA Corporation Ltd
Period: 24 May 2010 – current

Former directorships in the past 3 years
As other current directorships

Special responsibilities
Chair of the Audit and Risk Management Committee
Member of the Nominations and Remuneration Committee

Interest in shares and options
2,200,000 ordinary shares

Richard (Dick) Allen
Non-Executive Director
2005 – current
Age: 60

Experience and expertise
Dick Allen is a Civil Engineer who has worked as a design and supervising engineer on road, bridge and structural projects in Australia, the UK and the Middle East before joining Baroid, a Houston, Texas based petroleum service based Company in May 1978. With Baroid, Dick filled a variety of technical and management positions culminating in the position of Manager for the Asia/Pacific region with responsibility for operations in 16 countries.
Since January 1999 Dick has been directly involved in the environmental services industry with specific focus on waste to energy and renewable energy projects and brings this expertise to the Group.

Other current directorships
Director of Plantation Energy Limited
Period: 9 August 2006 – current

Former directorships in the past 3 years
As other current directorships

Special responsibilities
Member of the Audit and Risk Management Committee
Chair of the Nominations and Remuneration Committee

Interest in shares and options
169,331 ordinary shares

Wynn Rees
Non-Executive Director
April 2007 – March 2010
Age: 76

Experience and expertise
Wynn Rees is a veteran of the waste management industry in WA. Wynn brings to the Group over 30 years of experience in establishing successful businesses throughout WA. Wynn was the owner of Kimberley Waste Services until 1 April 2007 when the Company acquired the business. Wynn founded Kimberley Waste in 1989 with a business plan to expand the services to all major towns in the Kimberley region of WA. This strategy was achieved in 1995 and the business has since grown to be the leading waste management Company in the Kimberley and Gascoyne regions of WA.
In 1976, prior to Wynn's involvement in the waste industry, he held senior management positions in the transport and stock and station industries.

Other current directorships
None

Former directorships in the past 3 years
None

Special responsibilities
None

Interest in shares and options
1,500,000 ordinary shares

Gerrard (Ged) Styles
Executive Director
March 2008 – July 2010
Age: 43

Experience and expertise
Ged Styles is a qualified petroleum geologist with experience gained in the North Sea, Europe and North Africa. Ged also holds an MBA.
Ged has 14 years of experience in the hazardous waste management industry in the UK and Australia, where he has held management positions with a number of waste management organizations.

Other current directorships
None

Former directorships in the past 3 years
None

Special responsibilities
None

Interest in shares and options
267,500 ordinary shares and can elect to receive 700,000 share options

Company Secretary

David McArthur, aged 52, is a Chartered Accountant with over 29 years of experience in the corporate management of publicly listed companies.

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 2010, and the numbers of meetings attended by each director were:

Director	Full meetings of directors		Meetings of audit and risk management committee		Meetings of nominations and remuneration committee	
	No. of meetings attended	No. of meetings held whilst a director	No. of meetings attended	No. of meetings held whilst a director	No. of meetings attended	No. of meetings held whilst a director
Robert McKinnon	–	–	–	–	–	–
Steve Gostlow	7	7	–	–	–	–
Douglas Wood	7	7	2	2	2	2
Michael Humphris	6	7	2	2	2	2
Dick Allen	7	7	2	2	2	2
Wynn Rees	5	5	–	–	–	–
Ged Styles	6	7	–	–	–	–

Remuneration Report – Audited

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

Principals used to determine the Nature and Amount of Remuneration

The Company has a Remuneration Policy that aims to provide remuneration that is fair and equitable in terms of external competitiveness. The policy is determined by the Board and administered by management at its discretion.

The policy relates individual remuneration to individual performance, the individual's position in the relevant salary market and the need for the organisation to retain and motivate the individual.

To give effect to this policy the Company reviews available information that measures the remuneration levels in the various labour markets in which it competes.

The expectation of the Company is that, for a particular grade of employee, the total fixed compensation will be at the median level of the relevant market.

Remuneration is not linked to Company performance.

Executive Remuneration Framework

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

Alignment to shareholders interests:

- has profit as a component of plan design
- focuses on sustained growth in shareholder wealth
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution

The framework comprises a mix of fixed and variable pay and a blend of short and long term incentives.

Non-Executive Remuneration Framework

Fees and payments to non executive directors reflect the responsibilities of the directors. Non-executive directors' fees are reviewed annually by the Board. Non-executive directors do not receive share options.

Directors' fees

The following fees have been applied in the current financial year:

Base fees	$
Chair	65,000
Other non-executive directors	48,000

Executive Pay

The executive pay and reward framework has three components:

- Base pay and benefits, including superannuation
- Short term incentives
- Long term incentives through participation in the Employee Share Option Plan

The combination of these comprises an executive's total remuneration. These are reviewed annually.

Base pay

Structured as a total employment package which may be delivered as a combination of cash and prescribed non-financial benefits. There are no guaranteed base pay increases included in any executives' contracts.

Benefits

Executives receive benefits such as fully maintained Company motor vehicles.

Superannuation

Superannuation contributions required under the Australian superannuation guarantee legislation are made in addition to the base pay.

Short term incentives

If the group achieves a pre-determined profit target set by the Board, a short term incentive is available to executives based on a pre-determined percentage of financial performance allocations.

The target for the 2010 financial year was an EBITDA of $25M, achievement of which would result in the following short term incentives being paid:

The Managing Director's bonus is based on the achievement of an agreed earnings target (EBITDA) of $25M. If the target is achieved the Managing Director is entitled to up to 50% of his base salary.

The Executive Director's bonus is based on the achievement of an agreed earnings target (EBITDA) of $25M. If the target is achieved the Executive Director is entitled to up to 40% of his base salary.

Long term incentives

Long term incentives are provided to certain employees via the Tox Free Solutions Limited Employee Share Option Plan. See page 50 for more information.

Details of Remuneration

	Short term employee benefits			Post employment benefits	Long term benefits	Termination benefits	Share based payments^	Total	Options as % of remuneration
	Cash salary and fees $	Cash bonus $	Non–monetary benefits $	Superannuation $	Long service leave $	$	Options $	$	
Robert McKinnon*	–	–	–	–	–	–	–	–	
30 June 2009	–	–	–	–	–	–	–	–	
Steve Gostlow	276,423	82,500	32,581	33,255	–	–	481,622	906,381	53%
30 June 2009	276,231	58,574	58,017	24,861	–	–	–	417,683	–
Douglas Wood	65,000	–	–	5,850	–	–	–	70,850	
30 June 2009	52,917	–	–	4,762	–	–	–	57,679	
Michael Humphris	48,000	–	–	4,320	–	–	–	52,320	
30 June 2009	55,000	–	–	4,950	–	–	–	59,950	
Dick Allen	48,000	–	–	11,430	–	–	–	59,430	
30 June 2009	43,300	–	–	–	–	–	–	43,300	
Wynn Rees**	36,000	–	–	–	–	–	–	36,000	
30 June 2009	55,000	–	–	–	–	–	–	55,000	
Ged Styles	215,303	63,000	34,509	25,749	–	–	262,703	601,264	44%
30 June 2009	214,517	45,853	40,762	19,307	–	–	–	320,439	–
David McArthur	36,000	–	–	–	–	–	–	36,000	
30 June 2009	36,000	–	–	–	–	–	–	36,000	
TOTAL	724,726	145,500	67,090	80,604	–	–	744,324	1,762,245	
30 June 2009 TOTAL	732,965	104,427	98,779	53,880	–	–	–	990,051	

*Appointed in July 2010 **Retired in March 2010
^Share based payments reflect the value of options to be issued over the period from 1 September 2010 to 1 September 2013.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk – Short Term Incentives		At risk – Long Term Incentives	
	2010	2009	2010	2009	2010	2009
Robert McKinnon	–	–	–	–	–	–
Steve Gostlow	38%	86%	9%	14%	53%	–
Douglas Wood	100%	100%	–	–	–	–
Michael Humphris	100%	100%	–	–	–	–
Dick Allen	100%	100%	–	–	–	–
Wynn Rees	100%	100%	–	–	–	–
Ged Styles	46%	86%	10%	14%	44%	–
David McArthur	100%	100%	–	–	–	–

Service Agreements

At the date of this report, service agreements with key management personnel were in the process of being completed and are unsigned.

Share Based Compensation

Options

Options over shares in Tox Free Solutions Limited are granted under the Tox Free Solutions Ltd Employee Share Option Plan (ESOP). The issue of options to executive directors and employees was approved by shareholders at the 2009 Annual General Meeting. The ESOP is designed to provide long term incentives for executives to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if the employees are still employed by the Group at the end of the vesting period. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Options are granted under the Plan for no consideration.

The terms of each grant of options affecting remuneration in the current or future reporting period are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date	% vested
28/10/2009	01/09/2010*	01/11/2011	$2.07	$0.94	–
28/10/2009	01/09/2011*	01/11/2012	$2.38	$0.94	–
28/10/2009	01/09/2012*	01/11/2013	$2.74	$0.95	–

Options granted under the Plan carry no dividend or voting rights.

When exercisable, each option is convertible to one ordinary share which will be issued by the Company within 10 business days of receiving written notice to exercise, together with monies representing the price of the options.

Share Options issued during the year

Details of options over ordinary shares in the Company provided, or to be provided, as remuneration to each Director of Tox Free Solutions Limited is set out below. Further information on options is set out in note 25 to the financial statements:

Name	Number of options granted during the year	Value of options at grant date	Number of options vested during the year	Number of options lapsed during the year	Value at lapse date
Steve Gostlow	1,100,000*	1,038,705	–	–	–
Ged Styles	600,000*	567,598	–	–	–

**At the 2009 AGM of the Company the shareholders approved the grant by the Company of an entitlement of 1,100,000 options to Steve Gostlow and 600,000 options to Ged Styles. The options have vesting dates as referred to above. None of the options have been issued at the date of this report. Pursuant to the terms of the options, Messrs Gostlow and Styles are able to make an election at the respective vesting dates whether they wish to be issued that tranche of options. Should they elect not to be issued the options, their individual entitlement to that tranche of options will be forfeited.*

Shares provided on exercise of Options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each Director of Tox Free Solutions Ltd are set out below:

Name	Number of shares	Amount paid per share
Steve Gostlow*	112,500	$1.04
	112,500	$1.08
	112,500	$1.12
Ged Styles	87,500	$1.04
	87,500	$1.08
	87,500	$1.12

**Options exercised by related party of Steve Gostlow*

No amounts are unpaid on any shares issued on the exercise of options.

This is the end of the Remuneration Report – Audited.

Loans to Directors and Executives

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 24 to the financial statements.

Shares under Option

Unissued ordinary shares of Tox Free Solutions Limited under option at the date of this report are as follows:

Expiry date	Issue price of shares	Number under option	Comments
28/02/2011	$1.55	137,500	
28/02/2011	$1.65	147,500	
28/02/2011	$1.75	135,000	
28/02/2011	$1.80	90,000	
28/02/2011	$1.90	195,000	
28/02/2011	$2.20	335,000	
01/07/2012	$1.40	200,000	
01/07/2012	$1.80	470,000	
01/07/2012	$2.20	670,000	
01/07/2012	$2.85	100,000	
01/07/2012	$3.50	100,000	
01/11/2011	$2.07	566,000	Director options*
01/11/2012	$2.38	566,000	Director options*
01/11/2013	$2.74	568,000	Director options*
01/11/2011	$2.07	550,000	
01/11/2012	$2.38	590,000	
01/11/2013	$2.74	635,000	
15/01/2014	$1.20	20,000	
15/01/2015	$2.64	20,000	
TOTAL		**6,085,000**	

**Refer to note on previous page.*

No option holder has any right under the options to participate in any other share issue of the Company.

Shares issued on the exercise of Options

The following ordinary shares of Tox Free Solutions Limited were issued during the year ended 30 June 2010 on the exercise of options granted under the Tox Free Solutions Limited ESOP. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
16/02/2006	$1.04	383,333
16/02/2006	$1.08	383,333
16/02/2006	$1.12	383,333
23/08/2007	$1.75	40,000
23/08/2007	$1.80	87,500
23/08/2007	$1.90	55,000
21/01/2009	$1.40	70,000
21/01/2009	$2.15	100,000
TOTAL		**1,502,499**

Insurance of Officers

During the financial year, Tox Free Solutions Limited paid a premium of $15,187 (excluding GST) to insure the Directors and Secretary of the Company.

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 the entity and 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 willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

During the financial year, the Company also paid a premium of $12,487 (excluding GST) being for income protection insurance for executive directors.

Indemnification of Officers and Auditors

The Company has agreed to indemnify the Directors of the Company against all liabilities to another person (other than the Company) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving lack of good faith.

No agreements have been entered into to indemnify the Company'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 2001* 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 purpose 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 Group are important.

Details of the amounts paid or payable to the auditor (BDO (Audit) WA Pty Ltd) for audit and non-audit services provided during the year are set out below.

	Consolidated	
	2010 $'000	**2009 $'000**
Audit and other assurance services		
Auditor's of the Company *BDO (Audit) WA Pty Ltd*		
Audit and review of financial reports	124	90
Total remuneration for audit and other assurance services	124	90
Non-audit and assurance services		
Tax compliance services	117	4
Total non-audit and assurance services	117	4
Other services		
Strategic planning and other consultancy services	6	–
Taxation and financial due diligence	–	153
Total other services	6	153
Total remuneration	247	247

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 19.

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. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

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

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

ROBERT McKINNON
Chairman

Perth
29 September 2010

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

29th September 2010

Board of Directors
Tox Free Solutions Limited
Suite 1A, 1050 Hay Street
WEST PERTH WA 6005

Dear Sirs,

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

As lead auditor of Tox Free Solutions Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- 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.

Glyn O'Brien
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

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) in each State or Territory other than Tasmania.

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

The Board of Directors

Role of the Board

The primary responsibilities of the Board are set out in a written policy and include:

- Establishment of long term goals of the Company and strategic plans to achieve those goals
- Monitoring the achievement of these goals
- Review of management accounts and reports to monitor the progress of the Company
- Review and adoption of budgets for the financial performance of the Company and monitoring the results on a regular basis to assess performance
- Review and approval of the annual and interim financial reports
- Nominating and monitoring the external auditor
- Approving all significant business transactions
- Appointing and monitoring senior management
- All remuneration, development and succession issues
- Ensuring the Company has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities

The board evaluates this policy on an ongoing basis.

Board Composition

The directors' report contains details of the directors' skills, experience and education. The board seeks to establish a board that consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Company's business with excellence. To maintain this, the Company's policy is that executive directors should serve at least 3 years. At the completion of the first 3 years, the position of the director is reviewed to ascertain if circumstances warrant a further term.

The Board comprises a non-executive Chairman, one executive director and three non-executive independent directors. Details of the directors are set out in the Directors' Report.

The Board is primarily responsible for identifying potential new directors but has the option to use an external consulting firm to identify and approach possible new candidates for directorship. The selection of the directors must be approved by the majority of the shareholders.

Retirement and re-election of Directors

The Constitution of the Company requires one third of directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting. Retiring directors are eligible for re-election by shareholders.

Independence of Directors

The Board has reviewed the position and association of each of the directors in office at the date of this report and considers that four directors are independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Best Practice Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate.

The Board considers that Mr Robert McKinnon, Mr Michael Humphris, Mr Wynn Rees (retired), Mr Richard Allen and Mr Douglas Wood meet the criteria in Principle 2. They have no material business or contractual relationship with the Company, other than as directors, and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly, they are considered to be independent.

Independent Professional Advice

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfill their duties and responsibilities as directors.

Board Performance Review

The performance of all directors is assessed through review by the Board as a whole of a director's attendance at and involvement in Board meetings, his performance and other matters identified by the Board or other directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a director's performance.

The Company has not conducted a performance evaluation of the members of the Board during the reporting period, however the Board conducts a review of the performance of the Company against budgeted targets on an ongoing basis.

Director Remuneration

Details of the Company's remuneration policies are included in the "Directors' and key management emoluments" section of the Directors' Report.

Non-executive directors will be remunerated by cash benefits alone and will not be provided with retirement benefits (except in exceptional circumstances). Executive directors may be remunerated by both fixed remuneration and equity performance based remuneration and no termination payments will be agreed other than a reasonable period of notice of termination as detailed in the executive's employment contract.

Managing Business Risk

The Company maintains policies and practices designed to identify and manage significant business risks, including:

- regular budgeting and financial reporting
- procedures and controls to manage financial exposures and operational risks
- the Company's business plan
- corporate strategy guidelines and procedures to review and approve the Company's strategic plans
- insurance and risk management programs which are reviewed by the Board.

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Company's risk profile is reviewed annually. The Board may consult with the Company's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The Board receives regular reports about the financial condition and operating results of the consolidated group. The Managing Director (or in his absence the Chairman) and Chief Financial Officer annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

- the Company's financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Company's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

Internal Controls

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Company, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the executive directors perform the following procedures:

- ensure appropriate follow-up of significant audit findings and risk areas identified;
- review the scope of the external audit to align it with Board requirements; and
- conduct a detailed review of published accounts.

Audit and Risk Management Committee

The role of the Audit and risk management committee is documented in a Charter which is approved by the Board of Directors. In accordance with this charter, all members of the Committee must be non-executive directors. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

The members of the Audit and risk management committee for the Company at the date of this report were:

- Mr. D Wood (Non-Executive Director)
- Mr. R Allen (Non-Executive Director); and
- Mr. M Humphris (Non-Executive Director)

The auditors and the managing director are invited to Audit and risk management committee meetings at the discretion of the Committee. The Committee met two times during the year.

The responsibilities of the Audit and Risk Management Committee include:

- Reviewing the financial report and other financial information distributed externally;
- Monitoring corporate risk assessment processes;
- Reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- Reviewing audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Reviewing the nomination and performance of the auditor;
- Liaising with the external auditors and ensuring that the annual and half-year statutory audits are conducted in an effective manner;
- Monitoring the establishment of an appropriate internal control framework and considering enhancements;
- Monitoring the establishment of appropriate ethical standards;
- Monitoring the procedures in place to ensure compliance with the Corporations Act 2001 and Australian Stock Exchange Listing Rules and all other regulatory requirements;
- Addressing any matters outstanding with auditors, the Australian Taxation Office, the Australian Securities and Investments Commission, the Australian Stock Exchange and financial institutions; and
- Improving the quality of the accounting function.

The Audit and risk management committee reviews the performance of the external auditors on an annual basis and meets with them during the year.

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Remuneration and Nomination Committee

The remuneration and nomination committee consists of the following non-executive directors, all of whom are independent:

- Richard Allen (Non-Executive Director);
- Michael Humphris (Non-Executive Director); and
- Douglas Wood (Non-Executive Director)

Details of directors' attendance at remuneration and nomination committee meetings are set out in the directors' report on page 14.

The remuneration and nomination committee operates in accordance with its charter. The main responsibilities of the committee are:

- Review the size and composition of the board
- Review and advise the board on the range of skills available on the board and appropriate balance of skills for future board membership
- Review and consider succession planning for the Managing Director, the chairman and other directors and key executives
- Develop criteria and procedures for the identification of candidates for appointment as directors and apply the criteria and procedures to identify prospective candidates for appointment as a director and make recommendations to the board
- Make recommendations to the board regarding any directors who should not continue in office
- Nomination for approval by the board external experts
- Determine remuneration policies and remuneration of directors
- Determine remuneration and incentive policies of key executives
- Determine the Company recruitment, retention and termination policies and procedures for senior management
- Determine and review incentive schemes
- Determine and review superannuation arrangements of the Company
- Determine and review professional indemnity and liability insurance for directors and senior management

Ethical Standards

In pursuit of the highest ethical standards, the Company has adopted a Code of Conduct which establishes the standards of behaviour required of directors and employees in the conduct of the Company's affairs. This Code is provided to all directors and employees. The Board monitors implementation of this Code. Unethical behaviour is to be reported to the Company's Managing Director (or in his or her absence, the Chairman) as soon as practicable.

The Code of Conduct is based on respect for the law, and acting accordingly, dealing with conflicts of interest appropriately, using the consolidated entity's assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences.

Trading in the Company's Securities by Directors and Employees

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all directors and employees. Under the policy, directors are prohibited from short term or "active" trading in the Company's securities and directors and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information. The Company's Managing Director (or in his or her place the Chairman) must also be notified of any proposed transactions.

This policy is provided to all directors and employees. Compliance with it is reviewed on an ongoing basis in accordance with the Company's risk management systems.

Continuous Disclosure

The Company has in place a continuous disclosure policy, a copy of which is provided to all Company officers and employees who may from time to time be in the possession of undisclosed information that may be material to the price or value of the Company's securities.

The continuous disclosure policy aims to ensure timely compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules and ensure officers and employees of the Company understand these obligations.

The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who, in consultation with the Board (where practicable) and any other appropriate personnel will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in every 12 month period, the Board will review the Company's compliance with this continuous disclosure policy and update it from time to time, if necessary.

Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders as follows:

- as the Company is a disclosing entity, regular announcements are made to the Australian Stock Exchange in accordance with the Company's continuous disclosure policy, including half-year audit reviewed accounts, year end audited accounts and an annual report;
- the Board ensures the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments;
- shareholders are advised in writing of key issues affecting the Company by effective use of the Company's share registry or electronically via the website;
- any proposed major changes in the Company's affairs are submitted to a vote of shareholders, as required by the Corporations Act 2001;
- the Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Company's strategies and goals. All shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Company; and
- the external auditor is requested to attend the annual general meetings to answer any questions concerning the audit and the content of the auditor's report.

The Board reviews this policy and compliance with it on an ongoing basis.

ASX corporate governance principles and recommendations not followed – "if not, why not" approach

Pursuant to the ASX Listing Rule 4.10.3, the Company advises that it follows all of the ASX corporate governance principles and recommendations (2nd edition).

environment

FINANCIAL STATEMENTS CONTENTS

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
Revenue	9	98,686	88,198
Cost of sales	11	(66,097)	(57,607)
Gross profit		32,589	30,591
Other income		866	182
Finance income	10	657	227
Occupancy expenses		(2,413)	(1,770)
Administrative expenses	11	(16,954)	(15,170)
Finance expenses	10	(2,918)	(3,753)
Profit before income tax		11,827	10,307
Income tax expense	12	(3,863)	(3,261)
Profit from continuing operations		7,964	7,047
Profit for the year attributable to the owners of Tox Free Solutions Limited		7,964	7,047
Total comprehensive income for the year attributable to the owners of Tox Free Solutions Limited		7,964	7,047
Earnings per share		Cents	Cents
Basic earnings per share	33	9.25	9.29
Diluted earnings per share		9.12	9.12

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

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Consolidated Statement of Financial Position
As at 30 June 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
ASSETS			
Cash and cash equivalents	13a	17,893	4,576
Trade and other receivables	14	25,313	22,083
Inventories	15	434	142
Prepayments		331	1,017
Deferred tax assets	12	–	1,001
Total current assets		43,971	28,819
Deferred tax assets	12	1,791	790
Property, plant and equipment	17	58,628	46,655
Intangibles	18	27,490	25,024
Total non-current assets		87,909	72,469
TOTAL ASSETS		131,880	101,288
Liabilities			
Trade and other payables	19	9,851	7,722
Loans and borrowings	20	17,630	3,595
Employee benefits	21	1,961	1,713
Current tax payable		204	942
Total current liabilities		29,646	13,972
Loans and borrowings	20	13,442	33,869
Employee benefits	21	93	106
Deferred tax liability	12	55	55
Total non-current liabilities		13,590	34,030
TOTAL LIABILITIES		43,236	48,002
NET ASSETS		88,644	53,288
EQUITY			
Share capital	22	68,113	42,027
Reserves	35	3,604	2,297
Retained earnings		16,927	8,963
TOTAL EQUITY		88,644	53,288

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
Cash flows from operating activities			
Cash receipts from customers		97,767	83,611
Cash paid to suppliers and employees		(73,691)	(65,065)
Cash generated from operations		24,076	18,545
Interest received		657	227
Interest paid		(2,918)	(3,854)
Income taxes paid		(4,197)	(5,098)
Net cash from/(used in) operating activities	13b	17,618	9,819
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		796	–
Acquisition of subsidiary or businesses, net of cash acquired	7	(2,790)	(10,430)
Acquisition of property, plant and equipment		(21,769)	(9,733)
Net cash from/(used in) investing activities		(23,763)	(20,163)
Cash flows from financing activities			
Proceeds from the issue of share capital		25,855	12,616
Proceeds from borrowings		1,000	13,999
Repayment of borrowings		(7,393)	(13,298)
Net cash from/(used in) financing activities		19,462	13,317
Net increase/(decrease) in cash and cash equivalents		13,317	2,973
Cash and cash equivalents at 1 July		4,576	1,603
Cash and cash equivalents at 30 June	13a	17,893	4,576

The above 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 2010

	Notes	Contrib. equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009		42,027	2,297	8,963	53,288
Total comprehensive income for the year		–	–	7,964	7,964
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	22	26,086	–	–	26,086
Employee share options (net of cancellations)	35	–	1,307	–	1,307
Balance at 30 June 2010		68,113	3,604	16,927	88,644
Balance at 30 June 2008		29,286	1,962	1,843	33,092
Total comprehensive income for the year as reported in the 2009 financial statements		–	–	7,628	7,628
Adjustment on correction of error	8	–	–	(579)	(579)
Restated total comprehensive income for the year		–	–	(7,047)	(7,047)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	22	12,741	–	–	12,741
Employee share options (net of cancellations)	35	–	334	73	407
Balance at 30 June 2009		42,027	2,297	8,963	53,288

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

TOX FREE 2010 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTENTS

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

Note 1

Reporting Entity

Tox Free Solutions Limited (the Company) is a Company domiciled in Australia. The address of the Company's registered office is suite 1A, 1050 Hay Street West Perth WA 6872. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities). The Group primarily is involved in the provision of industrial cleaning and waste management.

Note 2

Basis of Preparation

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. Compliance with AASBs also ensures that the financial report complies with International Financial Reporting Standards in their entirety.

The financial statements were approved by the Board of Directors on 29th September 2009.

(b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis unless otherwise stated.

(c) Functional and Presentation Currency

The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency for the rest of the Group. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Financial Statement Presentation

The Group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(e) Removal of Parent

Separate financial statements of Tox Free Solutions Limited, as an individual entity, are no longer presented as a consequence of a change to the Corporations Act 2001. Financial information for Tox Free Solutions Limited as an individual entity is included in note 16.

(f) Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 7 – acquisitions of subsidiaries and business assets

Note 12 – income tax expense

Note 25 – measurement of share based payments

Note 26 – valuation of financial instruments

Note 29 – contingencies

Note 18 – impairment

(i) Estimated impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy set out in note 3(g). The recoverable amount of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer to note 18 for details of these assumptions and the potential impact of changes to the assumptions.

Note 3

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions Eliminated on Consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Financial Instruments

(i) Non-derivative Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest 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 of 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 receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the carrying allowance is the difference between the asset's 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 immaterial.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Accounting for finance income and expense is discussed in note 3(k).

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(c) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is also shown at cost.

Costs include expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit and loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) 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 derecognized. The costs of day to day servicing of property, plant and equipment are recognised in profit and loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit and loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Class of property, plant and equipment	Estimated useful life
Buildings	10 years
Leasehold improvements	5 years
Plant and equipment	3 – 10 years
Motor vehicles	4 – 7 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(d) Intangible Assets

(i) Goodwill

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

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the group's operating segments.

Subsequent Measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Business Licenses

Business licenses acquired as part of a business combination are recognized separately from goodwill. The business licenses are carried at their fair value at the date of acquisition less impairment losses. Business licenses 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 licenses are allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the group's operating segments.

(e) Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leases assets are not recognised on the Group's consolidated statement of financial position (see note 3(j)).

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. Inventories comprise consumables and fuels paid for and on hand at year end and are not for resale, rather for consumption in providing services.

(g) Impairment

(i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit and loss.

(ii) Non-financial Assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets, 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, 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 licenses 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 the 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 and 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 if there has been a change in the estimates used to determine the recoverable amount. 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 amortization, if no impairment loss had been recognised.

(h) Employee Benefits

(i) Defined Contribution Plans

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 plans are recognised as a personnel expense in profit and loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other long term Employee Benefits

The Group's net obligation in respect of long term employee benefits 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 AA credit terms or Government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. These obligations are included in provisions in the balance sheet.

(iii) 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.

(iv) Short Term Benefits

Liabilities for employee benefits for wages, salaries, annual leave and personal leave represent present obligations resulting from employees' services provided to 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 provisions in the balance sheet.

(v) Share Based Payment Tansactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, expect for those that fail to vest due to market conditions not being met.

Where the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

(i) Revenue

(i) Services

The Group recognizes service revenue in the following 4 categories.

- Liquid waste
- Hazardous waste
- Solid waste
- Industrial services

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and trade allowances.

The Group recognizes 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 recognized upon delivery of the waste treatment service or industrial service to the customer.

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(ii) Interest Income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(j) Lease Payments

Payments made under operating leases are recognised in profit and loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(k) Finance Income and Expense

Finance income comprises interest income on funds invested. Interest income is recognised as it accrued in profit and loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit and loss using the effective interest method.

(l) Income Tax

IIncome tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted, or substantially enacted, by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Tax Consolidation

Tox Free Solutions Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Tox Free Solutions Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Tox Free Solutions Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under the tax funding arrangement with the tax consolidated entities are recognised as accounts receivable from or payable to other entities in the Group.

(m) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(o) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to 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 strategic steering committee.

Change in accounting policy

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in no change to the operating segments being presented.

(p) New Standards and Interpretations not yet adopted

The following standards, amendment to standards and interpretations have been identified as those which may impact the Group in the period of initial recognition. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report:

Revised AASB or amendment	Nature of change	Potential impact on the Group's financial report	Application date for the Group
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2]	The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognize an expense for those goods or services regardless of which entity in the Group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment should be measured, that is, whether it is measured as an equity or a cash-settled transaction.	The Group will apply these amendments retrospectively for the financial reporting period commencing 1 July 2010. There will be no impact on the Group's or Parent entity's financial statements.	1 July 2010
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.	The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's or Parent entity's financial statements.	1 July 2010
AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.	The group is yet to assess its full impact.	1 July 2013
Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards	In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for Government-related entities to disclose details of all transactions with the Government and other Government-related entities and clarifies and simplifies the definition of a related party.	The Group will apply these amendments retrospectively for the financial reporting period commencing 1 July 2011. There will be no impact on the Group's or Parent entity's financial statements.	1 July 2011
AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19	AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognized in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.	The Group will apply these amendments retrospectively for the financial reporting period commencing 1 July 2010. There will be no impact on the Group's or Parent entity's financial statements.	1 July 2010
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognize an asset for a prepayment of contributions made to cover minimum funding requirements.	The Group does not make any such prepayments. The amendment is therefore not expected to have any impact on the group's or the parent entity's financial statements.	1 July 2011.

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(q) Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, 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, the liabilities incurred and the equity interest issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. 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. On an acquisition-by-acquisition basis, the group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share 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 and the measurement of all amounts has been reviewed, the difference is recognized 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 recognized in profit or loss.

Change in accounting policy

A revised AASB 3 Business Combinations became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Group's previous policy, contingent payments were only recognized when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognized as part of the cost of acquisition and therefore included in Goodwill.

Non-controlling interests in an acquiree are now recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the controlling interest was always recognized at its share of the acquiree's net identifiable assets.

If the Group recognizes previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to Goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

The changes were implemented prospectively from 1 July 2009 and affected the accounting for the acquisition of the business assets of Envirochem Technologies Pty Ltd disclosed in note 7. Acquisition costs of $41,600 were recognized in profit or loss.

(r) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and redemption amount is recognized in the income statement over the period of borrowings using the effective interest method. Fees paid on the establishment of a facility are capitalized as a prepayment 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 recognized in other income or finance cost.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(t) Borrowing Costs

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(u) 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 “rounding off” of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 4

Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, Plant and Equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices/replacement value for similar items.

Trade and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Share Based Payment Transactions

The fair value of employee stock options is measured using the binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends and the risk free interest rate (based on Government bonds). Service and non-market performance conditions attached to the transaction are not taken into account in determining fair value.

Note 5

Financial Risk Management

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout the financial report.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit and risk management 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.

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

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base has less of an influence on credit risk. There is no concentration of risk with one particular debtor within the Group and there is no concentration of risk geographically. No single debtor comprises greater than 10% of total debtors at the year end or at any stage during the year.

The board of directors has established a credit policy under which each new customer is analysed individually for credit worthiness before the Group's standard payment terms and conditions are offered. The Group's review includes reference checks and external credit ratings when available. Customers that fail to meet the Group benchmark credit worthiness may transact with the Group only on a prepayment 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 their estimate of 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 (see note 26).

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's 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.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The contractual maturities of financial liabilities are shown in note 26.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates arising from borrowings and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Price risk

The Group is not exposed to any material price risk.

Currency risk

The Group is not exposed to currency risk as all sales, purchases and borrowings are denominated in the Australian dollar (AUD).

Interest rate risk

The Group adopts a policy of ensuring that approximately 46% of its exposure to changes in interest rates on borrowings is on a fixed basis (see note 26).

Capital Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as finance debt divided by EBITA for the past 12 months. During 2010, the Group's strategy, which was unchanged from 2009, was to maintain a gearing ratio of no greater than 3 times EBITA. The gearing ratios at 30 June 2010 and 30 June 2009 were as follows:

		Consolidated	
	Note	2010 $'000	2009 $'000
Finance debt	20	31,072	37,464
EBITA		14,745	14,060
Gearing ratio		2.10 times	2.66 times

Note 6

Segment Information

(a) Description of Segments

There are no differences from the last annual financial statements in the basis of segmentation or on the basis of measurement of segment profit or loss. The Managing Director considers the business from a service perspective and has identified four reportable segments being:

- Liquid waste
- Hazardous waste
- Solid waste
- Industrial services

These services are currently provided in Australia only.

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

Segment Information

	Liquid waste $'000	Hazardous waste $'000	Solid waste $'000	Industrial services $'000	Total $'000
30 June 2010					
Total segment revenue	14,586	15,309	21,747	55,147	106,789
Inter segment revenue	4,040	1,001	656	2,407	8,104
Revenue from external customers	10,546	14,308	21,091	52,740	98,686
EBIT	3,800	6,431	6,136	6,883	23,250
Depreciation	1,053	973	1,865	4,616	8,507
Income tax expense	1,740	1,137	1,081	663	4,622
30 June 2009					
Total segment revenue	14,113	10,662	8,911	54,512	88,198
Inter segment revenue	–	–	–	–	–
Revenue from external customers	14,113	10,662	8,911	54,512	88,198
EBIT	5,293	4,463	2,716	6,853	19,325
Depreciation	890	786	840	5,061	7,577
Income tax expense	819	828	471	1,579	3,698
Segment assets					
30 June 2010	15,009	17,753	31,670	43,410	107,843
Unallocated assets	–	–	—	–	–
Total segment assets	12,363	12,045	19,474	36,451	80,333
Additions to non-current assets	2,630	4,216	9,354	6,610	22,810
30 June 2009	20,561	18,864	17,082	56,071	112,578
Unallocated assets	–	–	–	–	–
Total segment assets	20,561	18,864	17,082	56,071	112,578
Additions to non-current assets	3,121	1,681	1,624	3,170	9,596
Segment liabilities					
30 June 2010	1,179	1,657	2,582	14,398	19,816
Unallocated liabilities	–	–	–	–	–
Total segment liabilities	1,179	1,657	2,582	14,398	19,816
30 June 2009	2,013	1,525	1,174	19,845	24,557
Unallocated liabilities	–	–	–	–	–
Total segment liabilities	2,013	1,525	1,174	19,845	24,557

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

	Consolidated	
	2010 $'000	2009 $'000
EBIT	23,250	19,325
Finance costs (net)	(2,918)	(3,363)
Share options granted to directors and employees	(1,306)	(345)
Employee expenses	(4,007)	(2,333)
Business combination costs	(41)	–
Other corporate costs	(3,150)	(2,977)
Profit before income tax from continuing operations	11,827	10,307

A reconciliation of segment assets to total assets is provided as follows:

	Consolidated	
	2010 $'000	2009 $'000
Segment assets	107,843	112,578
Intersegment eliminations	-	(11,290)
Unallocated assets:		
Cash and cash equivalents	17,894	–
Other receivables	200	–
Inventories	435	–
Prepayments	329	–
Deferred tax assets	1,791	–
Property, plant and equipment	3,388	–
Intangibles	-	–
Total assets per the Statement of Financial Position	131,880	101,288

A reconciliation of segment liabilities to total liabilities is provided as follows:

	Consolidated	
	2010 $'000	2009 $'000
Segment liabilities	19,816	24,557
Intersegment eliminations	–	–
Unallocated liabilities:		
Other payables	1,493	–
Loans and borrowings	19,612	20,629
Employee benefits	2,055	1,819
Current tax payable	204	942
Deferred tax liability	55	55
Total assets per the Statement of Financial Position	43,236	48,002

Note 7

Acquisitions of Subsidiaries and Business Assets

Envirochem Technologies Pty Ltd

On 1 May 2010 the Group acquired the business assets of Envirochem Technologies Pty Ltd (Envirochem) for $3,000,000 plus incidentals, less the cost of disposal of undisposed waste. 55,000 ordinary shares were also issue as part of the consideration.

Envirochem is a leading provider of chemical waste collection, treatment and disposal services in all major cities throughout the east coast of Australia including Tasmania. Envirochem operates a licensed hazardous waste management facility located in Melbourne, Victoria. The facility is licensed to treat a broad range of industrial and hazardous waste and has been in operation since 1993.

In the 2 months since acquisition the Envirochem business contributed approximately $503K in revenue, $177K in EBIT and $153K in after tax profit to the Group result.

If the acquisition had occurred on 1 July 2009, Group consolidated revenues and profits before tax for the year ended 30 June 2010 would have been $101.3M and $12.3M respectively.

The acquisition has had the following effect on the Group's assets and liabilities:

	Carrying amount $'000	Fair value $'000
Property, plant and equipment	646	646
Net identifiable assets and liabilities	646	646
Business licenses	–	2,486
Total purchase price	646	3,132
Components of purchase consideration		
Cash paid		3,000
Share capital issued – 55,000 shares @ $2.40		132
Total purchase consideration		3,132

	Fair value $'000
Outflow of cash to acquire the business assets	
Cash consideration	3,000
Less: liabilities assumed	(271)
Add: expenses reimbursed	61
Outflow of cash	2,790

Prior Period

Barry Bros. Specialised Services Pty Ltd

On 1 July 2008 the Group acquired 100% of the share capital of Barry Bros. Specialised Services Pty Ltd (Barry Bros.) for $25,000,000 plus incidentals, fully funded by debt.

Barry Bros. is one of the largest industrial service companies in Australia with ten strategically located operations throughout the east coast of Australia.

In the first 12 month period since acquisition to the Barry Bros. business contributed revenues of approximately $43,240,000 and profit after tax of approximately $900,000.

The profit after tax for that 12 month period since acquisition included the following one-off expenses:

- $68K of share based payments
- $241K of prior year tax expense
- $406K of integration costs

Had the 12 month profit not included these one-off expenses then Barry Bros. would have contributed profit after tax of approximately $1,600K to the Group result.

The acquisition has had the following effect on the Group's assets and liabilities:

	Carrying amount $'000	Fair value $'000
Trade and other receivables	8,535	8,535
Other assets	980	980
Property, plant and equipment	21,338	21,338
Trade and other payables and provisions	(7,063)	(7,063)
Loans and borrowings**	(164)	(164)
Net identifiable assets and liabilities	23,626	23,626
Goodwill on acquisition*	1,736	1,736
Total purchase price	25,362	25,362
Components of purchase consideration		
Cash paid		10,163
Direct costs relating to the acquisition		446
Retained liabilities forming part of purchase consideration		14,753
		25,362
Outflow of cash to acquire subsidiary		
Cash consideration		10,609
Less: balances acquired		
Bank overdraft		(179)
Outflow of cash		10,430

The goodwill is attributable to the workforce and the perceived integration synergies of the acquired business. The fair value of assets and liabilities acquired are based on the carrying amounts. No acquisition provisions were created.

**No separably identifiable intangible assets were acquired during the acquisition*

*** The finance leases were used to provide financial assistance to the parent entity to acquire the shares in Barry Bros. They amounted to approximately $14.753M.*

Note 8

Correction of Error and Variation from Preliminary Report

Correction of error in recording 2008 under/over tax expense in 2009 financial year

Due to an accumulation of immaterial misstatements prior to 30 June 2009, a review of the current tax liability position found that it was understated by $579K. This error had the effect of understating the consolidated current tax liability and current tax expense for the year ended 30 June 2009 by $579K, overstating consolidated net assets by $579K, overstating consolidated profit after income tax by $579K and overstating opening retained earnings by $579K.

In the 2009 financial year, a current tax liability of $565K was incorrectly shown as employee entitlement provisions. This error had the effect of overstating employee entitlement provisions of $565K and understating current tax liability of the same amount.

The error has been corrected by restating each of the affected financial statement line items for the prior year, as described above.

Basic and diluted earnings per share for the prior year have also been restated. The impact on basic and diluted earnings per share is a decrease of 0.77 and 0.75 cents per share, respectively.

Variation from Preliminary Report

Subsequent to the release of the Company's preliminary report to the ASX, it was noted that a share capital issue of 87,500 shares at $1.12 per share had been omitted from the share capital reconciliation.

The effect of this variation is an increase in share capital of $98,000, an increase in the number of shares on issue at year end of 87,500 shares and an increase in trade and other receivables of $98,000.

Note 9

Revenue

	Consolidated	
	2010 $'000	2009 $'000
Services rendered	98,686	88,198

Note 10

Finance Income and Expenses

	Consolidated	
	2010 $'000	2009 $'000
Recognised in profit and loss		
Interest income on bank deposits	657	227
Total finance income	657	227
Interest expense on financial liabilities measured at amortised cost	(2,918)	(3,753)
Total finance expense	(2,918)	(3,753)
Net finance income and expense	(2,261)	(3,526)

Note 11

Profit for the Year

Profit for the year includes the following items:

	Consolidated	
	2010 $'000	2009 $'000
Gross profit for the year includes the following items:		
Depreciation of non-current assets	8,509	7,295
Share based payment expense	51	63
Administrative expenses for the year includes the following items:		
Depreciation of non-current assets	463	283
Share based payment expense	1,255	345
Employee expenses	8,899	8,895
Impairment of assets	–	1,102
Insurances	399	657

Note 12

Income tax expense

	Consolidated	
	2010 $'000	2009 $'000
Income tax expense		
Current tax	3,863	3,661
Deferred tax	–	(960)
Under/(over) provision in prior years	–	560
Income tax expense from continuing operations	3,863	3,261
Deferred income tax expense/(revenue) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	–	(970)
(Decrease)/increase in deferred tax liabilities	–	10
	–	(960)

	Consolidated	
	2010 $'000	2009 $'000
Numerical reconciliation between tax expense and pre – tax accounting profit		
Profit/(loss) for the period	11,827	10,307
Tax at Australian tax rate of 30%	3,548	3,072
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment	11	19
Share based payments	320	–
Other	16	(306)
Investment allowance	(84)	–
	3,811	2,785
Adjustment for current tax of prior periods	–	560
Previously unrecognized temporary differences used to reduce deferred tax expense	–	153
Previously unrecognized timing differences now recouped to increase/(reduce) current tax expense	52	(239)
	3,863	3,261
Amounts recognized directly in equity Aggregate current and deferred tax arising in the reporting period and not recognized in net profit or loss but directly debited or credited to equity:		
Current tax	–	–
Net deferred tax	–	125
	–	125

	Consolidated	
	2010 $'000	2009 $'000
Deferred tax assets		
The balance comprises differences attributable to:		
Charged to income statement:		
Property, plant and equipment	536	536
Employee benefits	752	752
Others	251	251
Share issue costs	107	107
Borrowing costs	18	18
Charged to equity:		
Share issue costs	125	125
	1,791	1,791
Deferred tax assets to be recovered within 12 months	1,001	1,001
Deferred tax assets after 12 months	790	790
	1,791	1,791
Opening balance	1,791	157
Charged/(credited) to income statement	–	1,509
Charged/(credited) to equity	–	125
Closing balance	1,791	1,791
Deferred tax liabilities		
The balance comprises differences attributable to:		
Charged to income statement:		
Property, plant and equipment	55	55
Others	–	–
	55	55
Deferred tax liabilities to be recovered within 12 months	–	–
Deferred tax liabilities after 12 months	55	55
Movements		
Opening balance	55	45
Charged/(credited) to income statement	–	10
Charged/(credited) to equity	–	–
Closing balance	55	55

Note 13a

Cash and Cash Equivalents

	Consolidated	
	2010 $'000	2009 $'000
Bank balances	17,893	4,576
Cash and cash equivalents in the cash flow statement	17,893	4,576

Note 13b

Reconciliation of Cash Flows from Operating Activities

	Consolidated	
	2010 $'000	2009 $'000
Profit/(loss) for the period	7,964	7,047
Adjustments for:		
Depreciation	8,973	7,577
Profit/(loss) on sale of fixed assets	140	–
Equity settled share based payment transactions	1,306	407
Operating profit/(loss) before changes in working capital and provisions	18,383	15,031
Change in trade and other receivables	(3,131)	(4,420)
Change in inventories	(292)	(71)
Change in prepayments	688	(223)
Change in trade and other payables and provisions	2,522	2,628
Change in tax assets and liabilities	(552)	(3,126)
Net cash from/(used in) operating activities	17,618	9,819

Note 14

Trade and Other Receivables

	Consolidated	
	2010 $'000	2009 $'000
Trade receivables	24,644	22,776
Provision for impairment of receivables	(699)	(716)
Promissory note (Remtech)	–	386
Impairment of promissory note (Remtech)	–	(386)
Other receivables	1,368	23
	25,313	22,083

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in note 26.

Note 15

Inventories

	Consolidated	
	2010 $'000	2009 $'000
Raw materials and consumables	434	142
	434	142

Inventories recognised as expense during the year ended 30 June 2010 amounted to $118K (2009: $95K).

Note 16

Other Financial Assets

Parent Entity Information

The following details information related to the parent entity, Tox Free Solutions Limited, at 30 June 2010. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Consolidated	
	2010 $'000	2009 $'000
Current assets	19,383	4,299
Non-current assets	43,014	41,775
Total assets	62,397	46,074
Current liabilities	11,899	3,277
Non-current liabilities	5,853	19,745
Total liabilities	17,752	23,022
Contributed equity	68,015	42,027
Accumulated losses	(26,932)	(21,282)
Share based payment reserve	3,562	2,307
Total equity	44,645	23,052
Profit/(loss) for the year	(5,068)	(1,647)
Other comprehensive income/(loss) for the year	–	–
Total comprehensive income/(loss) for the year	(5,068)	(1,647)

Included in the capital commitments in note 28 are commitments incurred by the Parent entity relating to the acquisition of fixed assets in 2011 for an amount of $1,460,000.

Note 17

Property, Plant and Equipment

	Land and buildings $'000	Leasehold improvements $'000	Plant and equipment (inc. vehicles) $'000	Total $'000
Cost or deemed cost				
Balance at 1 July 2009	4,600	1,064	70,494	76,158
Additions	2,990	14	18,764	21,768
Disposals	–	–	(4,679)	(4,679)
Transfers and reclassifications	873	(974)	(255)	(356)
Acquisitions through business combinations	–	–	646	646
Balance at 30 June 2010	8,463	104	84,970	93,537
Balance at 1 July 2008	4,584	250	26,926	34,760
Additions	16	814	8,468	9,298
Disposals	–	–	(5,084)	(5,084)
Acquisitions through business combinations	–	–	40,184	40,184
Balance at 30 June 2009	4,600	1,064	73,494	76,158
Accumulated depreciation				
Balance at 1 July 2009	367	237	28,889	29,493
Acquisitions through business combinations	–	–	–	–
Transfers and reclassifications	173	(237)	(44)	(107)
Depreciation for the year	145	–	8,827	8,973
Disposals and write (downs)/ups	–	–	(3,448)	(3,448)
Balance at 30 June 2010	685	–	34,224	34,911
Balance at 1 July 2008	272	76	8,046	8,394
Acquisitions through business combinations	–	24	18,846	18,870
Depreciation for the year	95	137	7,345	7,577
Disposals and write (downs)/ups	–	–	(5,348)	(5,348)
Balance at 30 June 2009	367	237	28,889	29,493
Carrying amounts				
At 1 July 2009	4,233	827	41,605	46,665
At 30 June 2010	7,779	104	50,745	58,628
At 1 July 2008	4,312	174	18,880	23,366
At 30 June 2009	4,233	827	41,605	46,665

Leased plant and machinery

The Group leases some vehicles under a number of 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.

Security

At 30 June 2010 all of the property, plant and equipment is subject to a fixed and floating charge to secure bank debt.

Assets in the Course of Construction

The carrying amount of the assets disclosed above include the $613K (2008: $1.573M) in relation to property, plant and equipment which is in the course of construction.

Note 18

Intangibles

	Consolidated 2010 $'000	Consolidated 2009 $'000
Goodwill		
Balance at 1 July	25,024	23,288
Acquisition through business combinations	–	1,736
Other adjustments	(20)	–
Balance at 30 June	25,004	25,024
Business licenses		
Balance at 1 July	–	–
Acquisition through business combinations	2,486	–
Balance at 30 June	2,486	–
Total intangibles	27,490	25,024

As prescribed in AASB 138, goodwill and other separable identifiable intangibles are not amortised. Rather they are tested for indications of impairment on an annual basis. No impairment losses were recognized against intangibles during the financial year (2009: nil).

Impairment Testing for Intangibles with an Indefinite Useful Life

Goodwill and business licenses are allocated to the Group's Cash Generating Units (CGUs) identified according to operating segments. A CGU must not be greater than an operating segment and an operating segment represents the lowest level within the Group at which separable identified intangibles are monitored for management purposes.

The aggregate carrying amount of goodwill and business licenses allocated to each operating segment is as follows:

	Consolidated 2010 $'000	Consolidated 2009 $'000
Liquid waste	2,647	2,647
Hazardous waste	5,688	3,222
Solid waste	12,196	12,196
Industrial services	6,959	6,959
	27,490	25,024

Key Assumptions used for Value In Use Calculations

The recoverable amount of goodwill is based on its value in use. Value in use has been determined by discounting the future cash flows on future budgets approved by management covering a five year period generated from the continuing use of the unit and its potential termination value upon sale.

A growth rate of 5% pa has been used to determine future cash flows and a discount rate of 14% has been used to discount those future cash flows. The same rate has been assumed for all CGUs.

Impact of Possible Changes in Key Assumptions

Management does not believe that a reasonable possible change in a key assumption detailed above would result in a CGU's carrying amount exceeding its recoverable amount.

Note 19

Trade and Other Payables

	Consolidated 2010 $'000	Consolidated 2009 $'000
Trade payables	6,658	5,359
Non-trade payables and accrued expenses	3,193	2,363
	9,851	7,722

The Group's exposure to liquidity risk related to trade payables is disclosed in note 26.

Note 20

Loans and Borrowings

This note provides information about the contractual terms of the Company's and Group's interest bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's and Group's exposure to interest rate and liquidity risk, see note 26, and security of loans, see note 17.

	Consolidated 2010 $'000	Consolidated 2009 $'000
Current		
Secured bank loans	13,850	2,600
Finance lease liabilities	3,780	995
	17,630	3,595
Non-current		
Secured bank loans	5,784	19,434
Finance lease liabilities	7,658	14,435
	13,442	33,869
Total loans and borrowings	31,072	37,464

Terms and Repayment Schedule

Terms and conditions of outstanding loans were as follows:

	Consolidated				
				Carrying amount	
	Currency	Nominal interest rate %	Year of maturity	2010 $'000	2009 $'000
Secured bank loan (commercial bill)	AUD	4 – 6	2010	–	2,400
Secured bank loan (commercial bill)	AUD	6.98	2010	10,000	9,000
Secured bank loan (commercial bill)	AUD	7.75	2011	2,850	2,850
Secured bank loan (commercial bill)	AUD	4 – 6	2012	6,784	7,784
Asset finance liabilities	AUD	8 – 10	2012 – 2013	11,438	15,430
				31,072	37,464

Asset Finance Liabilities

Asset finance liabilities of the Group are as follows:

	Consolidated		
2010	Future minimum lease payments $'000	Interest $'000	PV of minimum lease payments $'000
< 1 year	4,578	818	3,760
1 – 5 years	8,614	936	7,678
> 5 years	–	–	–
	13,193	1,754	11,438

	Consolidated		
2009	Future minimum lease payments $'000	Interest $'000	PV of minimum lease payments $'000
< 1 year	1,398	403	995
1 – 5 years	17,081	2,646	14,435
> 5 years	–	–	–
	18,479	3,049	15,430

Asset finance liabilities are in the form of hire purchase or commercial loan and are used to finance fleet acquisitions (truck and car). The term of the lease is generally 5 years with a residual value at the end of the lease.

Note 21

Employee Benefits

	Consolidated	
	2010 $'000	2009 $'000
Current		
Liability for annual leave and long service leave (including on-costs)	1,961	1,713
	1,961	1,713
Non-current		
Liability for annual leave and long service leave (including on-costs)	93	106
	93	106
Total employee benefits	2,054	1,819

The Group makes contributions to defined contribution superannuation plans only and no defined benefit plans were sponsored by the Group.

Note 22

Share Capital

		Number		Amount	
		2010 Shares	2009 Shares	2010 $'000	2009 $'000
On issue at 1 July		79,147,091	69,847,091	42,027	29,286
Share issues:					
18/09/09	25,000 share options exercised @ $1.04	25,000	–	26	–
18/09/09	25,000 share options exercised @ $1.08	25,000	–	27	–
18/09/09	25,000 share options exercised @ $1.12	25,000	–	28	–
20/11/09	8,695,653 shares issued @ $2.30	8,695,653	–	20,000	–
22/12/09	2,173,757 shares placed @ $2.30	2,173,757	–	5,000	–
31/12/09	10,000 share options exercised @ $1.40	10,000	–	14	–
15/01/10	87,500 share options exercised @ $1.04	87,500	–	91	–
15/01/10	87,500 share options exercised @ $1.08	87,500	–	94	–
15/01/10	87,500 share options exercised @ $1.12	87,500		98	
18/02/10	18,750 share options exercised @ $1.04	18,750	–	19	–
18/02/10	18,750 share options exercised @ $1.08	18,750	–	20	–
18/02/10	18,750 share options exercised @ $1.12	18,750	–	21	–
18/02/10	12,500 share options exercised @ $1.04	12,500	–	13	–
18/02/10	12,500 share options exercised @ $1.08	12,500	–	14	–
18/02/10	12,500 share options exercised @ $1.12	12,500	–	14	–
24/02/10	112,500 share options exercised @ $1.04	112,500	–	117	–
24/02/10	112,500 share options exercised @ $1.08	112,500	–	121	–
24/02/10	112,500 share options exercised @ $1.12	112,500	–	126	–
24/02/10	100,000 share options exercised @ $2.15	100,000	–	215	–
25/02/10	33,333 share options exercised @ $1.04	33,333	–	35	–
25/02/10	33,333 share options exercised @ $1.08	33,333	–	36	–
25/02/10	33,333 share options exercised @ $1.12	33,333	–	37	–
25/02/10	87,500 share options exercised @ $1.04	87,500	–	91	–
25/02/10	87,500 share options exercised @ $1.08	87,500	–	94	–
25/02/10	87,500 share options exercised @ $1.12	87,500	–	98	–
26/02/10	6,250 share options exercised @ $1.04	6,250	–	6	–
26/02/10	6,250 share options exercised @ $1.08	6,250	–	6	–
26/02/10	6,250 share options exercised @ $1.12	6,250	–	7	–
09/03/10	10,000 share options exercised @ $1.75	10,000	–	17	–
09/03/10	10,000 share options exercised @ $1.90	10,000	–	19	–
09/03/10	15,000 share options exercised @ $1.75	15,000	–	26	–
09/03/10	20,000 share options exercised @ $1.90	20,000	–	38	–
29/03/10	87,500 share options exercised @ $1.80	87,500	–	157	–
07/04/10	15,000 share options exercised @ $1.75	15,000	–	26	–
15/04/10	30,000 share options exercised @ $1.40	30,000	–	42	–
16/04/10	20,000 share options exercised @ $1.90	20,000	–	38	–
14/05/10	55,000 shares issued @ $2.40 as part consideration for the Envirochem acquisition	55,000	–	132	–
30/06/10	30,000 share options exercised @ $1.40	30,000	–	42	–
	Capital raising costs	–	–	(933)	–
17/11/08	9,300,000 shares placed @ $1.40 each	–	9,300,000	–	13,020
	Capital raising costs	–	–	–	(279)
On issue at 30 June		91,574,000	79,147,091	68,113	42,027

The Company also has share options on issue (see note 25).

Terms and conditions of Ordinary Shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Nature and Purpose of Reserves

Share Based Payment Reserve

The share based payment reserve relates to the amount expensed in relation to share options issued to employees as determined by the option valuation model (see note 25). See note 35 for a reconciliation of the share based payment reserve.

Note 23

Dividends

It is proposed to pay a fully franked dividend of 2 cents per share before the end of this calendar year.

Note 24

Related Parties and Key Management Personnel Disclosures

Key Management Personnel Compensation

The key management personnel compensation is as follows:

	Consolidated	
	2010 $'000	2009 $'000
Short term employee benefits	937	936
Post-employment benefits	81	54
Share-based payments	744	-
	1,762	990

Note that there were no personnel in addition to the Directors and Company Secretary who are considered to be captured under the key management personnel category.

Individual Directors and Executives Compensation Disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the audited remuneration report section of the directors' report.

Apart from the details disclosed above, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving director's interests existing at year end.

Loans to Key Management Personnel and their Related Parties

Short-term credit was made available to Steve Gostlow and Ged Styles for the purchase of their motor vehicles before the end of the financial year. They received credit on the same terms as all other external customers and the balances were repaid in full before the 30 day credit terms expired. The balances due were as follows:

	2010	2009
Steve Gostlow	42,000	–
Ged Styles	42,000	–

Other Key Management Personnel Disclosures

During the year the following transactions took place between the Group and key management personnel:

Steve Gostlow

- Purchase of a Toyota Prado for $16,100 including GST
- Purchase of a Toyota Landcruiser for $42,000 including GST
- Remuneration of $880 including GST paid to a related party of Steve Gostlow for handyman services

Ged Styles

- Purchase of a Toyota Landcruiser for $42,000 including GST

Wynn Rees

- Rental of $200,460 paid for properties in the Kimberley for the Kimberley Waste Services business

All of the above transactions were entered into on an arms-length basis.

There were no other transactions with key management personnel during the year and there were no balances outstanding at year end (2009: nil) except for those shown in the table above.

Options and Rights over Equity Instruments

The movement during the reporting period in the number of options over ordinary shares in Tox Free Solutions Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2010 Directors	Held at 1 July 2009	Granted as compensation	Exercised	Other changes*	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
R McKinnon	–	–	–	–	–	–	–
D Wood	–	–	–	–	–	–	–
S Gostlow	337,500	1,100,000*	(337,500)	–	1,100,000	–	–
M Humphris	–	–	–	–	–	–	–
R Allen	–	–	–	–	–	–	–
W Rees	–	–	–	–	–	–	–
G Styles	362,500	600,000*	(262,500)	–	700,000	–	–
	700,000	1,700,000	(600,000)	–	1,800,000	–	–

*Granted but not issued

2009 Directors	Held at 1 July 2008	Granted as compensation	Exercised	Other changes*	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
D Wood	–	–	–	–	–	–	–
S Gostlow	337,500	–	–	–	337,500	–	337,500
M Humphris	–	–	–	–	–	–	–
R Allen	–	–	–	–	–	–	–
W Rees	–	–	–	–	–	–	–
G Styles	362,500	–	–	–	362,500	–	362,500
	700,000	–	–	–	700,000	–	700,000

**Other changes represent options that expired or were forfeited during the year.*

No options were held by key management person related parties.
No options held by key management personnel are vested but not exercisable at 30 June 2009 or 2010.

Movements in Shares

The movement during the reporting period in the number of ordinary shares in Tox Free Solutions Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2010 Directors	Held at 1 July 2009	Purchases	Received on exercise of options	Sales	Held at 30 June 2010
R McKinnon	–	–	–	–	–
D Wood	231,387	–	–	–	231,387
S Gostlow	932,638	–	337,500	(150,000)	1,120,138
M Humphris	2,575,000	–	–	(375,000)	2,200,000
R Allen	167,944	1,387	–	–	169,331
W Rees	1,500,000	–	–	–	1,500,000
G Styles	125,000	–	262,500	(120,000)	267,500
	5,531,969	1,387	600,000	(645,000)	5,488,356

2009 Directors	Held at 1 July 2008	Purchases	Received on exercise of options	Sales	Held at 30 June 2009
D Wood	231,387	–	–	–	231,387
S Gostlow	932,638	–	–	–	932,638
M Humphris	2,575,000	–	–	–	2,575,000
R Allen	167,944	–	–	–	167,944
W Rees	2,000,000	–	–	(500,000)	1,500,000
G Styles	125,000	–	–	–	125,000
	6,031,969	–	–	(500,000)	5,531,969

No shares were granted to key management personnel during the reporting period as compensation (2009: nil). No shares were held by related parties of key management personnel.

Changes in Key Management Personnel in the period after the reporting date and prior to the date when the financial report is authorized for issue

By virtue of his appointment as Non-executive Director and Chairman, Robert McKinnon has become a key management person subsequent to the end of the financial year and prior to the date when the financial report is authorized for issue.

Wynn Rees has retired as a director (March 2010) as is no longer a key management person. Ged Styles resigned as a director in July 2010 and is no longer a key management person.

There have been no other changes in key management personnel in the period after the reporting date and prior to the date when the financial report is authorized for issue.

Non-Key Management Personnel Disclosures

Refer to note 30 for details of companies within the Group.

Related Party Transactions

Subsidiaries

Loans are made by the Company to wholly owned subsidiaries for capital purchases and general operating expenditure. Loans outstanding between the Company and its subsidiaries have no fixed date of repayment and are non-interest bearing. The amount due to the Company at 30 June 2010 was $20,382K (2009: $14,971K)

Intra group transactions have been eliminated and are not disclosed as related party transactions in the consolidated financial statements, as are all loan balances. Sales made between subsidiaries during the year amounted to approximately $8.1M (2009: $4.5M) and have been eliminated on consolidation.

Other Related Parties

There have been no transactions with other related parties during the period and there were no balances outstanding at period end (2009: nil).

Note 25

Share Based Payments

The Company has established an employee share option program (ESOP) that entitles senior employees to purchase shares in the Company. The ESOP was designed to provide long term incentives for senior managers and above (including executive directors) to deliver long term shareholder returns. Participation in the plan 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 as specified in the ESOP and are granted under the ESOP for no consideration.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The maximum term of an option is 5 years from grant date and options are settled in cash.

Options on issue at Period End

The terms and conditions of grants still not exercised at year end are as follows: all options are to be settled by physical delivery of shares.

Grant date	Employees entitled	Number of options	Vesting conditions	Exercise price $	Contractual life (Years)	Expiry date
23/08/07	Issued to key management employees and senior employees as announced on 23/08/07	137,500	1/3rd vest immediately, 1/3rd vest after 12 months of continuous service and the remainder vest after 24 months continuous service	1.55	3	28/02/11
		147,500		1.65	3	28/02/11
		135,000		1.75	3	28/02/11
		90,000		1.80	3	28/02/11
		195,000		1.90	3	28/02/11
		325,000		2.20	3	28/02/11
21/01/09	Issued to key management employees and senior employees as announced on 21/01/09	200,000	1/3rd vest on 01/07/09, 1/3rd vest on 01/07/10 and 1/3rd vest on 01/07/11	1.40	3	01/07/12
		470,000		1.80	3	01/07/12
		670,000		2.20	3	01/07/12
		100,000		2.85	3	01/07/12
		100,000		3.50	3	01/07/12
28/10/09	Granted to executive directors (not yet issued but granted) after shareholder approval at AGM	566,000	1/3rd vest on 01/09/10, 1/3rd vest on 01/09/11 and 1/3rd vest on 01/09/12	2.07	3	01/11/11
		566,000		2.38	3	01/11/12
		568,000		2.74	3	01/11/13
23/09/09	Issued to key management employees	550,000	1/3rd vest on 01/09/10, 1/3rd vest on 01/09/11 and 1/3rd vest on 01/09/12	2.07	3	01/11/11
		590,000		2.38	3	01/11/12
		635,000		2.74	3	01/11/13
26/02/10	Issued to senior management pursuant to a prior business acquisition	20,000	Fully vested on date of issue	1.20	–	15/01/14
		20,000		2.64	–	15/01/15
		6,085,000				

Movement during the Period

The number and exercise prices of share options are as follows:

	2010		2009	
	Weighted average exercise price $	Number of options	Weighted average exercise price $	Number of options
Outstanding at 1 July		4,216,250		2,693,748
Forfeited during the period	1.08	(143,751)	1.23	(174,998)
Exercised during the period	1.26	(1,502,499)	1.12	(12,500)
Granted during the period	2.40	3,515,000	2.07	1,710,000
Outstanding at 30 June	2.24	6,085,000	1.70	4,216,250
Vested and exercisable	1.99	3,056,000	1.54	2,023,750

Information pertaining to the options outstanding at 30 June 2010 can be seen in the first table.

Valuation of Share Options

The fair value of services received in return for share options granted during the period is based on the fair value of share options granted, measured using the binomial lattice model, incorporating the probability of the relative total shareholder return vesting condition being met, with the following inputs:

Model input	2010	2009
Underlying share price	$1.81 & $2.58	$1.17
Expected volatility	42.65%	38%
Contractual life	3 years	3 years
Expected dividends	Nil	Nil
Risk free rate of return	4.31%	2.55%
Grant date	01/07/09 & 28/10/09	21/01/09
Expiry date	01/11/11 & 01/11/13	01/07/12
Dividend yield	0%	0%

Volatility is determined by referring to the share price volatility for the 30, 60 and 90 day periods prior to the grant of the options and taking the mid-point and adjusting for any unusual market conditions during that period.

The fair value of share options issued during the period at grant date is as follows:

Option issue		2010 Exercise price (each) $	2010 Fair value $
28/10/09	566,000*	2.07	0.9375
28/10/09	566,000*	2.38	0.9450
28/10/09	568,000*	2.74	0.9521
23/06/09	550,000	2.07	0.2731
23/06/09	590,000	2.38	0.3503
23/06/09	635,000	2.74	0.4889
26/02/10	20,000	1.20	1.3270
26/02/10	20,000	2.64	0.7950
21/01/09	270,000	1.40	0.2850
21/01/09	470,000	1.80	0.1920
21/01/09	670,000	2.20	0.1324
21/01/09	100,000	2.15	0.1384
21/01/09	100,000	2.85	0.0752
21/01/09	100,000	3.50	0.0449

* Granted but not issued

During the year $1,306K was expensed as share based payments (2009: $407K).

Note 26

Financial Instruments

Refer note 5 for the Group's financial risk management policy.

Credit Risk

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:

Current	Consolidated 2010 $'000	Consolidated 2009 $'000
Loans and receivables	25,313	22,083
Cash and cash equivalents	17,893	4,576
Other financial assets	–	–
	43,206	26,659

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

Impairment losses

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

	Consolidated 2010 $'000	Consolidated 2009 $'000
Not past due 0 – 30 days	12,710	10,152
Past due 31 – 60 days	4,931	6,787
Past due 61 – 90 days	2,813	4,367
Past due 91 days and over	4,190	1,469
	24,644	22,775

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Current	Consolidated impairment loss 2010 $'000	Consolidated impairment loss 2009 $'000
Balance at 1 July	(716)	–
Impairment loss recognised	17	(716)
Balance at 30 June	(699)	(716)

The parent entity has not recognized an impairment loss allowance during the year.

The impairment loss recognised during the 2009 year related to companies who entered administration and were wound up, or amounts receivable were subject to insurance claims, and it was not expected that any, of the full amount, would be recouped.

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.

In the prior period an impairment loss of $386K was recognized for the promissory note (Remtech Investment) leaving the carrying value at Nil.

The credit quality of financial assets that are neither past due nor impaired are considered robust and all amounts deemed recoverable with no impairment issues noted by management.

In the prior period an impairment loss of $386K was recognized for the promissory note (Remtech Investment) leaving the carrying value at Nil.

The credit quality of financial assets that are neither past due nor impaired are considered robust and all amounts deemed recoverable with no impairment issues noted by management.

Liquidity Risk

The following are the contractual maturities of financial liabilities of the Group, including estimated interest payments and excluding the impact of netting agreements:

2010	Consolidated Carrying amount $'000	Contractual cash flows $'000	Within 12 months $'000	1 – 5 years $'000
Secured bank loans	19,634	21,402	14,989	6,413
Finance lease liabilities	11,438	13,193	4,578	8,614
Trade and other payables	9,851	9,851	9,851	–
	40,923	44,446	29,418	15,027

2009	Consolidated Carrying amount $'000	Contractual cash flows $'000	Within 12 months $'000	1 – 5 years $'000
Secured bank loans	22,034	23,953	4,068	19,884
Finance lease liabilities	15,430	18,479	1,398	17,081
Trade and other payables	7,722	7,722	7,722	–
	45,186	50,154	13,188	36,965

Currency Risk

The Group does not have any material exposure to foreign currency risk as they trade in Australian dollars.

Interest Rate Risk

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

Fixed rate instruments	Consolidated impairment loss 2010 $'000	Consolidated impairment loss 2009 $'000
Financial assets	–	–
Financial liabilities	(14,233)	(27,280)
	(14,233)	(27,280)

The weighted average interest rate during the financial year was 8.60% (2009: 9.38%).

Variable rate instruments	Consolidated impairment loss 2010 $'000	Consolidated impairment loss 2009 $'000
Financial assets	–	–
Financial liabilities	(16,839)	(10,184)
	(16,839)	(10,184)

Fair value sensitivity analysis

The Group's financial instruments are non-derivate financial instruments and approximately 46% of the value is at a fixed interest rate for a term of 3 years. The below sensitivity analysis has been prepared for the total debt despite the fact that 46% of the debt is not sensitive to interest rate change.

A change of 100 basis points in interest rates would have increased or decreased the Group's profit by $339,233 (2009: $400,000) and increased or decreased the Group's equity by the same amount.

Fair Values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	2010 Carrying amount $'000	2010 Fair value $'000	2009 Carrying amount $'000	2009 Fair value $'000
Loans and receivables	25,313	25,313	22,083	22,083
Cash and cash equivalents	17,893	17,893	4,576	4,576
Secured bank loans	(19,634)	(19,634)	(22,034)	(22,034)
Finance lease liabilities	(11,438)	(11,438)	(15,430)	(15,430)
Trade and other payables	(9,851)	(9,851)	(7,722)	(7,722)
	2,283	2,283	(18,527)	(18,527)

There are no differences between carrying amounts and fair values as financial assets and liabilities are carried at fair value (the amount we will outlay in the future to extinguish the financial liability or the amount we expect to received from others to settle our financial assets).

The basis for determining fair values is disclosed in note 4.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the Government yield curve at the reporting date and were as follows:

	2010	2009
Loans and borrowings	4.54% - 8.95%	4.54% - 8.95%
Asset finance	6.0% - 10.0%	6.0% - 10.0%

Note 27

Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2010 $'000	2009 $'000
Less than one year	1,850	1,611
Between one and five years	3,466	6,446
More than five years	–	–
	5,316	8,057

The Group leases a number of warehouse and office facilities under operating lease as well as crown land from the Department for Planning and Infrastructure (a department of the State Government of Western Australia). Leases typically run for a period of between 3 and 5 years with an option to renew the lease after that date. Lease payments are generally increased in line with CPI on an annual basis or as and when required. During the year ended 30 June 2010 $2,413K was recognised as an expense in the group income statement in respect of operating leases (2009: $1,770K).

Note 28

Capital and Other Commitments

The Group (and Company) was committed to capital expenditure of $3,878,941 at 30 June 2010 (2009: nil). The Group was not committed to any other expenditure at 30 June 2010 (2009: nil).

Note 29

Contingencies

In April 2001 the Company acquired ELI Eco Logic Australia Pty Ltd (now known as Tox Free (Kwinana) Pty Ltd). Pursuant to the agreement upon acquisition, the Company has an obligation to remediate contaminated soil on the Kwinana site to decontaminate equipment and to treat and dispose of accumulated waste produced by the vendor of the business. This must be done before Tox Free (Kwinana) Pty Ltd vacates the site.

Most of the site has now been remediated; however the estimated cost to the Company to treat the known remaining contaminated soil, decontaminate equipment and treat accumulated waste is approximately $682,500. This estimate was prepared as part of the negotiations with the vendor upon acquisition and was based on general methods for valuing potential environmental liabilities.

There is no set time frame for treatment of this soil.

The directors are of the opinion that a provision is not required for this amount as the amount is not capable of reliable measurement.

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

Note 30

Group Entities

Parent and Ultimate Controlling Entity

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

Significant Subsidiaries

Subsidiary	Country of incorporation	Ownership interest 2010	Ownership interest 2009
Tox Free (Kwinana) Pty Ltd	Australia	100%	100%
Oil Energy Corporation Pty Ltd	Australia	100%	100%
Tox Free Industrial Solutions Pty Ltd*	Australia	100%	100%
Tox Free (Henderson) Pty Ltd ATF The Specialized Tank Cleaning Unit Trust	Australia	100%	100%
Specialized Investments Pty Ltd*	Australia	100%	100%
Grimefighters Fluidclean Pty Ltd	Australia	100%	100%
Waste Services Australia Pty Ltd	Australia	100%	100%
Tox Free (Queensland) Pty Ltd	Australia	100%	100%
Tox Free (Karratha) Pty Ltd	Australia	100%	100%
Tox Free (New South Wales) Pty Ltd	Australia	100%	100%
Barry Bros. Specialised Services Pty Ltd	Australia	100%	100%
Tox Free (Victoria) Pty Ltd*	Australia	100%	100%

Used to acquire the business assets of Envirochem during the year.

In the financial statements of the Company investments in subsidiaries are measured at cost.

Note 31

Subsequent Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Note 32

Auditor's Remuneration

	Consolidated	
	2010 $'000	2009 $'000
Audit and other assurance services		
Auditor's of the Company *BDO (Audit) WA Pty Ltd*		
Audit and review of financial reports	124	90
Total remuneration for audit and other assurance services	124	90
Non-audit and assurance services		
Tax compliance services	117	4
Total non-audit and assurance services	117	4
Other services		
Strategic planning and other consultancy services	6	–
Taxation and financial due diligence	–	153
Total other services	6	153
Total remuneration	247	247

The Group engaged the Auditor's of the Company to assist with the preparation of a Strategic Plan during the financial year.

Note 33

Earnings Per Share

Basic earnings per share

	2010 Cents	2009 Cents
From continuing operations attributable to the ordinary equity holders of the company	9.25	9.29
From discontinued operation	–	–
Total basic earnings per share attributable to the ordinary equity holders of the company	9.25	9.29

Diluted earnings per share

	2010 Cents	2009 Cents
From continuing operations attributable to the ordinary equity holders of the company	9.12	9.12
From discontinued operation	–	–
Total diluted earnings per share attributable to the ordinary equity holders of the company	9.12	9.12

Reconciliation of earnings used in calculating earnings per share

Basic earnings per share

	2010 $'000	2009 $'000
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
From continuing operations	7,964	7,047
	7,964	7,047

Diluted earnings per share

	2010 $'000	2009 $'000
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
Used in calculating basic earnings per share	7,964	7,047
Add: potential interest earned on proceeds from conversion of share options	35	66
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	7,999	7,113

Weighted average number of shares used as the denominator

	2010 $'000	2009 $'000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	86,087,813	75,858,392
Adjustments for calculation of diluted earnings per share		
Options	1,594,584	2,134,583
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	87,682,398	77,992,975

Note 34

Deed of Cross Guarantee

Tox Free Solutions Ltd and each of the subsidiaries listed in note 30 are parties to a deed of cross guarantee under which each company guarantees the debt of the 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 Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

Note 35

Reserves

Reconciliation of movements in reserves:

Consolidated 2010	Reserve Share based payment $'000	Total $'000
Balance at 1 July	2,297	2,297
Share based payments	1,307	1,307
Balance at 30 June	3,604	3,604

Consolidated 2009	Reserve Share based payment $'000	Total $'000
Balance at 1 July	1,962	1,962
Share based payments	345	345
Balance at 30 June	2,307	2,307

DIRECTORS' DECLARATION

For the year ended 30 June 2010

1. In the opinion of the directors of Tox Free Solutions Limited (the "Company"):

   (a) the financial statements and notes and the remuneration disclosures that are contained in the remuneration report in the directors' report, set out on pages 14 to 16, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date; and

   (ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

   (b) the remuneration disclosures that are contained in the remuneration report in the remuneration report in the directors' report for the year ended 30 June 2010 comply with section 300A of the *Corporations Act 2001* and the *Corporations Regulations 2001*; and

   (c) The Company has included in the note to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards; and

   (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2010.

Signed in accordance with a resolution of directors:
Dated at Perth on this the 29th day of September 2010.

ROBERT McKINNON

Chairperson

BDO

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

Report on the Financial Report

We have audited the accompanying financial report of Tox Free Solutions Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2 (a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

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) in each State or Territory other than Tasmania.

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Auditor's Opinion

In our opinion:

(a) the financial report of Tox Free Solutions Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (a).

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Tox Free Solutions Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd

Glyn O'Brien

Director

Signed in Perth, Western Australia

Dated this 29th day of September 2010

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) in each State or Territory other than Tasmania.

ASX ADDITIONAL INFORMATION

For the year ended 30 June 2010

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 31 August 2010)

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Ordinary shares Number of shares
National Nominees Limited	7,438,960
Aust Executor Trustees NSW Ltd <TEA Custodian Limited>	7,114,072
Cogent Nominees Pty Limited	6,857,729
JP Morgan Nominees Australia Limited	6,422,276
Australian Foundation Investment Company Limited	6,199,125

Voting rights

There are no restrictions on voting rights attached to ordinary shares. On a show of hands every member present in person shall have one vote upon a poll, every member present or by proxy shall have one vote for every share held.

There are no voting rights attached to options.

Distribution of equity security holders

Band of shareholdings (as at 31 August 2010)	Ordinary shares Number of shareholders
1 – 1,000	852
1,001 – 5,000	1,755
5,001 – 10,000	744
10,001 – 100,000	693
100,001 and over	64
	4,108

Share options

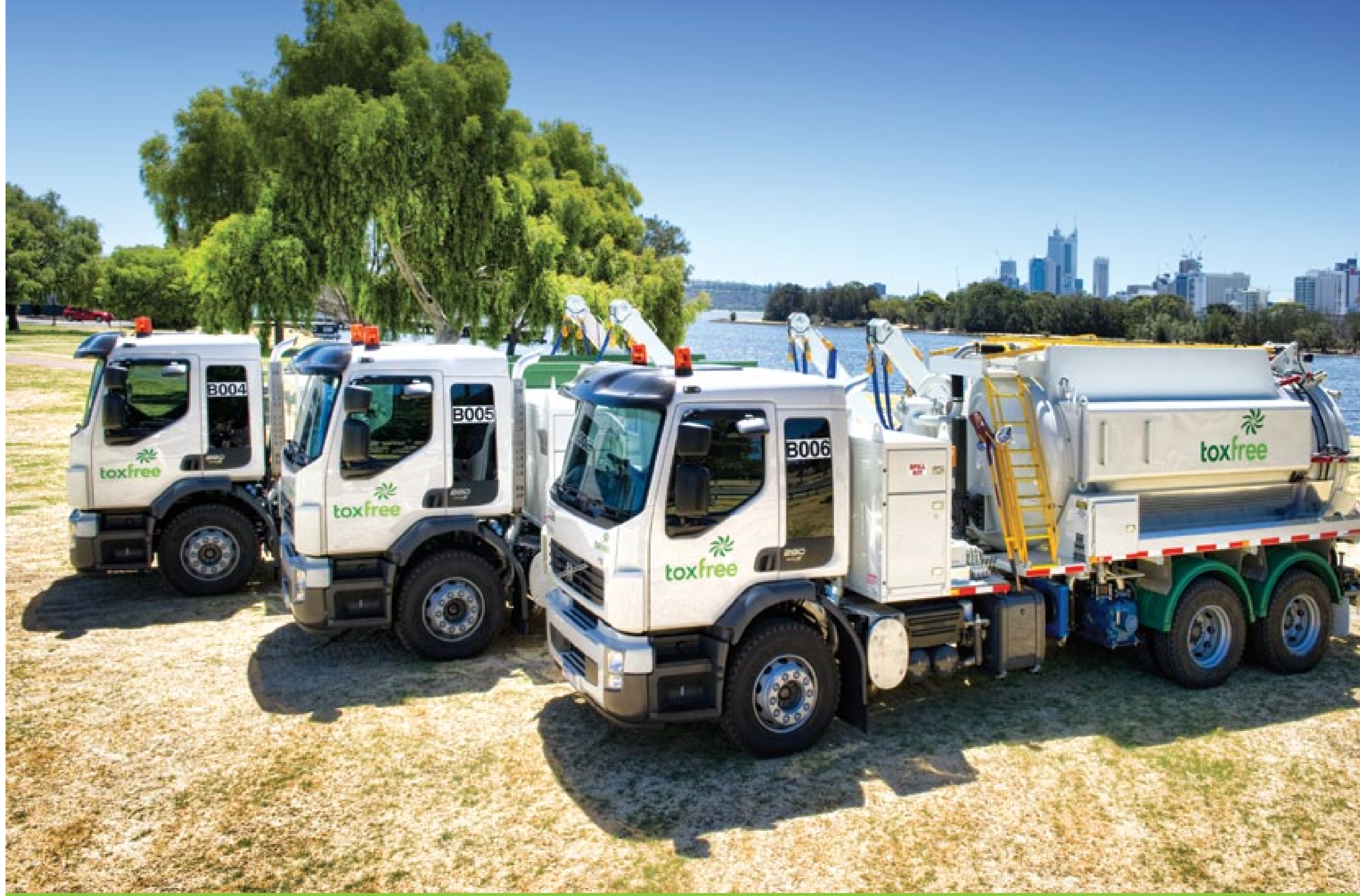
Option issue		Number of holders	Expiry date	Exercise price $
23/08/07	137,500 options	3	28/02/11	1.55
23/08/07	147,500 options	3	28/02/11	1.65
23/08/07	135,000 options	12	28/02/11	1.75
23/08/07	90,000 options	2	28/02/11	1.80
23/08/07	195,000 options	12	28/02/11	1.90
23/08/07	325,000 options	15	28/02/11	2.20
21/01/09	200,000 options	14	01/07/12	1.40
21/01/09	470,000 options	18	01/07/12	1.80
21/01/09	670,000 options	18	01/07/12	2.20
21/01/09	100,000 options	1	01/07/12	2.15
21/01/09	100,000 options	1	01/07/12	2.85
08/12/09	550,000 options	13	01/11/11	2.07
08/12/09	590,000 options	13	01/11/12	2.38
08/12/09	635,000 options	13	01/11/13	2.74
26/02/10	20,000 options	1	15/01/14	1.20
26/02/10	20,000 options	1	15/01/15	2.64

On-market Buy Back

There is no current on-market buy back.

Twenty largest shareholders

Band of shareholdings (as at 31 August 2010)		Ordinary shares	
		Number of shares	% of issued shares
1	National Nominees Limited	7,438,960	8.11
2	Aust Executor Trustees NSW Ltd <Tea Custodians Limited>	7,114,072	7.08
3	Cogent Nominees Pty Ltd	6,857,729	7.47
4	JP Morgan Nominees Australia Limited	6,422,276	7.00
5	Australian Foundation Investment Company Limited	6,199,125	6.75
6	ANZ Nominees Limited <cash income account>	4,902,648	5.34
7	Mirrabooka Investments Limited	3,451,150	3.76
8	Escor Investments Pty Ltd	2,200,033	2.40
9	Amcil Limited	2,102,334	2.29
10	HSBC Custody Nominees (Australia) Limited	1,739,697	1.90
11	Horizon Equity Consulting Pty Ltd	1,700,000	1.85
12	Citicorp Nominees Pty Ltd	1,126,331	1.23
13	Queensland Investment Corporation	1,122,284	1.42
14	Wroxby	1,082,394	1.18
15	Dalecross Holdings Pty Ltd	826,387	0.90
16	Rosalea Pty Ltd	826,387	0.90
17	The Australian National University	800,000	0.87
18	Stephen James Gostlow	726,387	0.79
19	Venue Holdings Pty Ltd	500,000	0.54
20	Moubray Pty Ltd < Robert Hallas/Fund A/C>	475,000	0.52
		56,929,737	62.03



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Tox Free Solutions Limited
ABN 27 058 596 124

NOTICE OF ANNUAL GENERAL MEETING

Proxy Form & Explanatory Statement

Date of Meeting
24 November 2010

Time of Meeting
10.00am (WST)

Place of Meeting
Citigate Perth, 707 Wellington Street,
Perth, Western Australia

Notice is hereby given that the Annual General Meeting of the Shareholders of Tox Free Solutions Limited will be held at Citigate Perth, 707 Wellington Street, Perth, Western Australia at 10:00am WST on 24 November 2010.

In order to determine voting entitlements, the register of Shareholders will be closed at 10:00am WST on 22 November 2010.

An Explanatory Statement containing information in relation to each of the resolutions to be put to the meeting accompanies this Notice.

AGENDA

To consider and, if thought fit, to pass the following resolutions.

ORDINARY BUSINESS

2010 Accounts

To receive and consider the Directors' report and income statement for the year ended 30 June 2010, the balance sheet at that date, the Auditors' report and the Directors' declaration on the accounts.

Non-binding Ordinary Resolution 1: Directors' Remuneration Report

To receive and consider the Directors' Remuneration Report for the year ended 30 June 2010, and if thought fit, to pass, with or without amendment the following resolution as a **non-binding resolution**:

"That, pursuant to and in accordance with section 250R (2) of the Corporations Act, the Directors' Remuneration Report contained within the Directors' Report for the financial year ended 30 June 2010 be adopted."

Ordinary Resolution 2: Re-election of a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Mr Douglas Wood, a director retiring by rotation in accordance with the Company's Constitution, is re-elected a director of the Company."

Information about Mr Wood is set out in the Company's 2010 Annual Report.

Ordinary Resolution 3: Re-election of a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Mr Michael Humphris, a director retiring by rotation in accordance with the Company's Constitution, is re-elected a director of the Company."

Information about Mr Humphris is set out in the Company's 2010 Annual Report.

Ordinary Resolution 4: Re–election of a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

" That Mr Bob McKinnon, a director who, having been appointed since the last general meeting of shareholders, and retires in accordance with the Company's Constitution, is re-elected a director of the Company."

Information about Mr McKinnon is set out in the Company's 2010 Annual report.

Ordinary Resolution 5: Amendment to Option Terms – Mr Steve Gostlow

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the 1,100,000 Director Options granted to Mr Steve Gostlow as approved at the 2009 Annual General Meeting be amended by inserting a new term as set out in the Explanatory Statement."

Information about this resolution is set out in the Explanatory Statement.

Voting Exclusion:
The Company will disregard any votes cast on this Resolution by Mr Steve Gostlow or any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Ordinary Resolution 6: Amendment to Option Terms – Mr Ged Styles

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the 600,000 Director Options granted to Mr Ged Styles as approved at the 2009 Annual General Meeting be amended by inserting a new term as set out in the Explanatory Statement."

Information about this resolution is set out in the Explanatory Statement.

Voting Exclusion:
The Company will disregard any votes cast on this Resolution by Mr Ged Styles or any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Special Resolution 7: Disposal of less than a Marketable Parcel of Shares

To consider and if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That, pursuant to Section 3.17 of the Company's Constitution, approval is given for the Company to adopt the minimum shareholding buy-back provisions as set out in clause 3 of the Company's Constitution on the terms and conditions set out in the Explanatory Statement."

The Chairman to close the meeting.

By Order of the Board

D M McArthur

Company Secretary

Dated: 11 October 2010

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting ("**Notice**") of the Company.

The Directors of the Company ("**Directors**") recommend Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice:

Non-binding ordinary resolution 1: Directors' Remuneration Report

Pursuant to Section 250R (2) of the Corporations Act, a resolution adopting the Directors' Remuneration Report contained within the Directors' Report must be put to the vote.

Shareholders are advised that pursuant to Section 250R (2) of the Corporations Act, this Resolution is advisory only and does not bind the Directors or the Company.

The Directors' Remuneration Report is set out within the Directors' Report. The Report:

- Explains the Board's policy for determining the nature and amount of remuneration of executive and non executive Directors and senior executives of the Company;
- Sets out remuneration details for each Director and the most highly remunerated senior executives of the Company;
- Details and explains any performance conditions applicable to the remuneration of executive Directors and senior executives of the Company; and
- Provides an explanation of share based compensation payments for each Director and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Directors'' Remuneration Report at the Meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Directors' Remuneration Report.

Ordinary Resolutions 2 and 3: Re-election of Mr Douglas Wood and Mr Michael Humphris as Directors of the Company

ASX Listing Rule 14.4 and Section 13.2 of the Company's Constitution provide that at every Annual General Meeting of the Company one-third of the Directors (other than alternate Directors and the Managing Director) shall retire from office. The Directors to retire at an Annual General Meeting are those who have been longest in office since their last election. A retiring Director is eligible for re-election.

Accordingly, Mr Douglas Wood and Mr Michael Humphris, being Directors of the Company, retire by way of rotation and, being eligible, offer themselves for re-election as Directors of the Company.

Ordinary Resolution 4: Re-election of Mr Bob McKinnon as a Director of the Company

ASX Listing Rule 14.4 and Section 13.4 of the Company's Constitution provide that any Director appointed during the year must retire at the first general meeting of shareholders following their appointment. The retiring Director is eligible for re-election at the general meeting of shareholders.

Accordingly, Mr McKinnon, being a Director of the Company, retires and, being eligible, offers himself for re-election as a Director of the Company.

Ordinary Resolutions 5 and 6: Amendment to Option Terms – Mr Steve Gostlow and Mr Ged Styles

At the Company's 2009 Annual General Meeting, the grant of Director Options to each of Mr Gostlow and Mr Styles was approved by Shareholders, in the amount of 1,100,000 Director Options to Mr Gostlow and 600,000 Director Options to Mr Styles.

The Director Options were subsequently granted.

The Board has recently conducted a review of the remuneration packages for each of the executive's, and as part of that review, it was noted that the existing Director Options did not contain a vesting term that provided for automatic vesting of the Director Options in the event certain defined "Change of Control" events occurred. This type of clause is commonly included in options granted to executives.

Following the review, the Board considered it would be appropriate to amend the terms of the Director Options to include a provision to this effect, and this is the reason for Resolutions 5 and 6.

The Director Options will in all other respects be unchanged.

The new wording in the Director Options will be set out as a new paragraph 14, however for the sake of clarity, the full terms of the Director Options, with the new paragraph are set out below.

In respect of Mr Gostlow, the terms are as follows, including the number of Director Options:

Each Class A, Class B and Class C Option entitles the holder of the Option to subscribe for one Share in the Company on the terms and conditions set out below:

1. The Director Options are to be divided as follows:

Class	No. of Director Options
Class A	366,000
Class B	366,000
Class C	366,000

2. No consideration is payable in respect of the grant of the Director Options.
3. The exercise price payable upon exercise of each of the Director Options is:
   (a) $2.07 per Share in respect of the Class A Options;
   (b) $2.38 per Share in respect of the Class B Options; and
   (c) $2.74 per Share in respect of the Class C Options.
4. The Options will be exercisable by giving written notice of exercise to the Company:
   (a) after 01/9/2010 and on or before 1/11/2011 in respect of a Class A Option;
   (b) after 01/9/2011 and on or before 1/11/2012 in respect of a Class B Option; and
   (c) after 01/9/2012 and on or before 1/11/2013 in respect of a Class C Option.
5. Each Director Option will entitle the holder to subscribe for one (1) Share which will be issued by the Company within 10 business days of receiving written notice of exercise, together with monies representing the price of the Options.
6. A Share issued upon exercise of Director Option will rank pari passu in all respects with all other Shares.
7. If the Shares are quoted on ASX, the Company will apply to ASX for official quotation of all Shares issued upon exercise of Director Options.
8. The Company will not apply to have the Director Options quoted on ASX.
9. A Director Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director Option can be exercised.
10. There are no participating rights or entitlements interest in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the Record Date will be at least 6 business days after the issue is announced. This will give the Optionholder the opportunity to exercise their Director Options prior to the date for determining entitlement to participate in any such issue.
11. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the Director Options and/or their exercise price will be reconstructed in the manner required by the Listing Rules.
12. A certificate will be issued for Director Options. If there is more than one (1) Director Option on a certificate and prior to the expiry date those Director Options are exercised in part, the Company will issue another certificate for the balance of the Director Options held and not yet exercised.
13. A Directors' Option is transferable by an Optionholder if, and only if, the transfer is to the director for whose benefit that Directors' Option was originally granted or the spouse of that director, a body corporate in which the Director holds and beneficially owns at least 50% of the issued voting share capital, the trustee of a trust in which the Director is a beneficiary or object or the trustee of a superannuation fund of which the Director is a member. Otherwise, subject to the Listing Rules, Director Options are not transferable except with the prior written approval of the Board.
14. Notwithstanding any other terms and conditions, all Director Options may be exercised by the holder and the Director Options immediately vest without the requirement for any further notice in the following circumstances:

(a) at any time during a bid period. For the purposes of this clause, bid period has the same meaning as set out in the definition of that expression in Section 9 of the Corporations Act provided that where a takeover bid is publicly announced prior to the service of a bidder's statement on the Company in relation to that takeover bid, the bid period shall be deemed to have commenced at the time of that announcement;

(b) at any time after a change in control event. For the purposes of this clause, change in control event means the date upon which a person or a group of associated persons becomes entitled, subsequent to the date of grant of the Options, to sufficient Shares to give it or them the ability, in general meeting, to replace all or a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons;

(c) on an application under Section 411 of the Corporations Act if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other Company;

(d) any person becomes bound or entitled to acquire shares in the Company under Chapter 6A of the Corporations Act; or

(e) the Option holder is retrenched, made redundant or terminated without cause.

In respect of Mr Styles, the terms are as follows, including the number of Director Options:

Each Class A, Class B and Class C Option entitles the holder of the Option to subscribe for one Share in the Company on the terms and conditions set out below:

1. The Director Options are to be divided as follows:

Class	No. of Director Options
Class A	200,000
Class B	200,000
Class C	200,000

2. No consideration is payable in respect of the grant of the Director Options.
3. The exercise price payable upon exercise of each of the Director Options is:

   (a) $2.07 per Share in respect of the Class A Options;

   (b) $2.38 per Share in respect of the Class B Options; and

   (c) $2.74 per Share in respect of the Class C Options.
4. The Options will be exercisable by giving written notice of exercise to the Company:

   (a) after 01/9/2010 and on or before 1/11/2011 in respect of a Class A Option;

   (b) after 01/9/2011 and on or before 1/11/2012 in respect of a Class B Option; and

   (c) after 01/9/2012 and on or before 1/11/2013 in respect of a Class C Option.
5. Each Director Option will entitle the holder to subscribe for one (1) Share which will be issued by the Company within 10 business days of receiving written notice of exercise, together with monies representing the price of the Options.
6. A Share issued upon exercise of Director Option will rank pari passu in all respects with all other Shares.
7. If the Shares are quoted on ASX, the Company will apply to ASX for official quotation of all Shares issued upon exercise of Director Options.
8. The Company will not apply to have the Director Options quoted on ASX.
9. A Director Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director Option can be exercised.
10. There are no participating rights or entitlements interest in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the Record Date will be at least 6 business days after the issue is announced. This will give the Optionholder the opportunity to exercise their Director Options prior to the date for determining entitlement to participate in any such issue.
11. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the Director Options and/or their exercise price will be reconstructed in the manner required by the Listing Rules.
12. A certificate will be issued for Director Options. If there is more than one (1) Director Option on a certificate and prior to the expiry date those Director Options are exercised in part, the Company will issue another certificate for the balance of the Director Options held and not yet exercised.
13. A Directors' Option is transferable by an Optionholder if, and only if, the transfer is to the director for whose benefit that Directors' Option was originally granted or the spouse of that director, a body corporate in which the Director holds and beneficially owns at least 50% of the issued voting share capital, the trustee of a trust in which the Director is a beneficiary or object or the trustee of a superannuation fund of which the Director is a member. Otherwise, subject to the Listing Rules, Director Options are not transferable except with the prior written approval of the Board.
14. Notwithstanding any other terms and conditions, all Director Options may be exercised by the holder and the Director Options immediately vest without the requirement for any further notice in the following circumstances:

   (a) at any time during a bid period. For the purposes of this clause, bid period has the same meaning as set out in the definition of that expression in Section 9 of the Corporations Act provided that where a takeover bid is publicly announced prior to the service of a bidder's statement on the Company in relation to that takeover bid, the bid period shall be deemed to have commenced at the time of that announcement;

   (b) at any time after a change in control event. For the purposes of this clause, change in control event means the date upon which a person or a group of associated persons becomes entitled, subsequent to the date of grant of the Options, to sufficient Shares to give it or them the ability, in general meeting, to replace all or a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons;

   (c) on an application under Section 411 of the Corporations Act if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other Company;

   (d) any person becomes bound or entitled to acquire shares in the Company under Chapter 6A of the Corporations Act; or

   (e) the Option holder is retrenched, made redundant or terminated without cause.

Special Resolution 7: Disposal of less than a Marketable Parcel of Shares

Resolution 7 is a special resolution to adopt the minimum shareholding buyback provisions contained in clause 3 of the Constitution. Clause 3, on adoption, enables the Company to have the right, but not the obligation, to procure the disposal of shares where a Shareholder holds less than a Marketable Parcel of shares within the meaning of the Listing Rules (for these purposes a marketable parcel is a parcel of securities of no less than $500). Pursuant to clause 3.17 of the Constitution, the ability of the Company to utilize the minimum holding buy back provisions expires 12 months from the date of adoption. A minimum holding buy back is a procedure whereby the Company buys back shares from Shareholders holding less than a Marketable Parcel (**Minimal Shareholdings**). Clause 3 of the Company's Constitution sets out the procedure for the sale of

Minimal Shareholdings by the Company on behalf of its Shareholders who hold less than a Marketable Parcel (**Minority Shareholder**).

As well as keeping administrative costs to a minimum, the disposal of less than Marketable Parcels, at no cost to the Shareholder, enables holders of small numbers of shares to sell their holding without incurring minimum brokerage.

The process for implementing the sale of Minimal Shareholdings is set out below:

(a) The Company must give written notice to a Minority Member advising of the Company's intention to sell his or her shareholding pursuant to Clause 3 (**First Notice**);

(b) The Minority Member must, within 6 weeks of receipt of the First Notice (**Notification Period**), advise the Company if it wishes to retain the holding (**Retention Notice**);

(c) If, following expiry of the Notification Period, the Company does not receive a Retention Notice the Company must give the Minority Member a second written notice (**Second Notice**) advising that the Company intends to sell his or her shareholding upon expiration of 5 business days from the date of the Second Notice (**Final Notice Period**), unless the Minority Member notifies the Company that it wishes to retain the holding;

(d) On the date immediately following expiry of the Final Notice Period (**Effective Date**), (and provided the Minority Member has not advised the Company within the Final Notice Period that it wishes to retain the holding) the Company may sell a Minority Member's Minimal Shareholdings;

(e) The Company must appoint a person to act as attorney for each Minority Member to execute an instrument of transfer of the Minimal Shareholdings to the purchaser (**Purchaser**);

(f) From the Effective Date, the Company:

i. Shall act as the Minority Member's agent; and

ii. May sell the Minimal Shareholdings (provided the price per share is not less than the simple average of the sale prices of the Shares on ASX over the last 10 trading days prior to the date the offer is received by the Company);

(g) The Company must collect the proceeds of sale of the Minimal Shareholdings (Proceeds);

(h) Following receipt of the proceeds the Company must:

i. Immediately enter the name of the Purchaser in the Register of Shareholdings; and

ii. Within 14 days of receipt of the share certificate, provide the Minority Member (or, if joint holders, to them jointly) mailed to their address on the Register of Shareholders (or if a joint holder to the person named first on the Register of Members).

The Company bears the cost of the sale of the Minimal Shareholdings. The Company may only invoke clause 3 once in any 12 month period.

GLOSSARY:

Annual General Meeting or **Meeting** means the meeting of Shareholders convened by this notice.

ASIC means Australian Securities and Investments Commission.

ASX means Australian Securities Exchange.

ASX Listing Rules or **Listing Rules** means the Listing Rules of Australian Securities Exchange.

Board means the board of Directors of the Company,

Company or **Tox Free** means Tox Free Solutions Limited ABN 27 058 596 124.

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Existing Shareholders means all Shareholders on the register of members of the Company.

Notice or **Notice of Meeting** means the notice of meeting accompanying this Explanatory Statement.

Resolutions means the resolutions contained in the Notice upon which Shareholders will vote.

Security Holder means a holder of a Share or an Option.

Shareholder means a holder of a Share.

Shares means fully paid ordinary shares in the capital of the Company.

Statement means this Explanatory Statement.

WST means Western Standard Time.

PROXY FORM

Appointment of Proxy

Tox Free Solutions Limited

ABN 27 058 596 124

Annual General Meeting

I/We

Address

being a member of Tox Free Solutions Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chair of the Meeting or the Chair's nominee, to vote in accordance with the following directions, or if no directions have been given, as the proxy sees fit at the Annual General Meeting to be held at Citigate Perth, 707 Wellington Street, Perth, Western Australia, on 24 November 2010 at 10:00am (WST) and at any adjournment thereof.

If no directions are given, the Chair will vote in <u>favour</u> of all the Resolutions.

Voting on Business of the Annual General Meeting

		For	Against	Abstain
Resolution 1	Directors' Remuneration Report			
Resolution 2	Re-election of D Wood as a Director			
Resolution 3	Re-election of M Humphris as a Director			
Resolution 4	Re-election of B McKinnon as a Director			
Resolution 5	Amendment to Director Options – Mr Gostlow			
Resolution 6	Amendment to Director Options – Mr Styles			
Resolution 7	Disposal of Less than a Marketable Parcel of Shares			

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is ____________________ %.

Signed this day of 2010

Individuals and joint holders	Companies (affix common seal if appropriate)
Signature	Director
Signature	Director/Company Secretary
Signature	Sole Director and Sole Company Secretary

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. (**Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item..
3. **(Signing Instructions):**
   - **(Individual):** Where the holding is in one name, the member must sign.
   - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
   - (**Power of Attorney):** If you have not already provided the Power of Attorney with the registry, attach a certified photocopy of the Power of Attorney to this form when you return it.
   - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the annual General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return :

   (a) In person at: Tox Free Solutions Limited
Suite 1A, 1050 Hay Street
West Perth WA 6005

   (b) By post to: Tox Free Solutions Limited
PO Box 590
West Perth WA 6872

   (c) By facsimile on +618 9389 8327

   (d) email to the Company at info@toxfree.com.au

so that it is received not later than 10.00 am (WST) on 22 November 2010.

Proxy forms received later than this time will be invalid.

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