TOX FREE SOLUTIONS LIMITED

INTERIM REPORT | FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

CONTENT DETAILS	PAGE

Results Commentary | *31 December 2013*

KEY HIGHLIGHTS

Tox Free Solutions Limited (Toxfree) is pleased to present the results commentary for the half-year ended 31 December 2013:

Financial

- Revenue from Services up 43% to $188.0M (1H FY13: $131.6M).
- Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)***** up 24% to $34.8M (1H FY13: $28.0M).
- Underlying earnings before interest and tax (EBIT)* up 20% to $21.4M (1H FY13: $17.9M).
- Underlying net profit after tax (NPAT)* up 22% to $13.2M (1H FY13: $10.8M).
- Statutory NPAT up 16% to $12.2M (1H FY13: $10.5M).
- Underlying earnings per share (EPS)* up 6% to 9.92 cents.
- Interim dividend of 3 cents per fully paid ordinary share fully franked.
- Net debt to equity at 37% (FY13: 41%).
- Gross cash inflows generated from operations of $34.7M were 104% (1H FY13: 93%) of EBITDA.

Sustainability and Our People

harmfree

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

- Our safety mantra is "harmfree" – We have a zero tolerance to injuries and believe all injuries can be prevented. Over the last 12 months we have instigated a number of leading performance measures including safety interactions and job site safety inspections in an effort to improve our safety culture. We have also been recognising safe work practices throughout the business through safety awards and we believe our safety culture is improving across the Company. Within the period there was a reduction in the Total Recordable Injury Frequency Rate (TRIFR) of 40%.
- Toxfree supports gender equity – 17% of our employees are female and this number is increasing.
- Toxfree have an endorsed Indigenous Reconciliation Action Plan and our number of Indigenous Australian employees has increased from 17 to 25 employees in the period.
- Winner in the prestigious Environmental Sustainability category of "The Australian Business Awards 2013".
- Finalists in the 2013 APPEA Health & Safety Awards for safety innovation for the development of Confined Space i-Watch-Surveillance.
- Third party triple accreditation of systems continued with a further two sites receiving certification. We will progressively have all of the new acquisitions made in 2013 triple certified to ISO standards.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments – refer table 1 page 7 for further detail)*

Operations

Technical and Environmental Services

- Volumes of hazardous waste increased during the period at good margins.
- Creating 'Centres of Excellence' has resulted in margin improvement in the second half of FY13.
- Retention of household hazardous waste contracts with Sustainability Victoria and NSW Department of Environment and Conservation.
- New operations commenced in Newcastle to complement Toxfree's Total Waste Management strategy.
- New Waste to Energy facility in the Pilbara is continuing through the approval process

Industrial Services

- Rapid Growth of Industrial Services in the Surat Basin and Gladstone in Queensland continued.
- Services in Western Australia to the oil and gas, mining and commercial sector continued to gain momentum.
- Award of industrial services and waste management contract with Cement Australia for Tasmanian, Brisbane and Gladstone operations - demonstrates Total Waste Management strategy through Wanless acquisition is working.
- Awarded industrial and waste services contract with Titan Energy Ltd for Coal Seam Gas drilling related wastes produced in the Surat Basin region.
- QAL contract awarded in June 2013 is performing well, meeting company and client expectations.

Waste Services

- Integration of Wanless with Toxfree was a main focus point throughout the period.
- Wanless is meeting expectations financially and we are very impressed with Wanless employee morale and feedback from clients regarding the smooth transition to Toxfree and the benefits of the combined group service offering.
- Award of Total Waste Management contract with Chevron Australia – 5 year contract + 5 year option. Includes the continuation of our existing construction contract into the production phase for all Chevron operations in Australia. Estimated at $170 m over the initial 5 year term.
- Further success within our waste services within Queensland and Western Australia with award of additional contracts including:
  - Retention of the Total Waste Management contract with Rio Tinto Iron Ore.
  - Award of Total Waste Management contract with Rio Tinto Dampier Salt.
- Major contracts and operations linked to the resource sector continued to perform well.
- Over 60% of group revenue is secured by long-term contracts.

1H FY 14 OVERVIEW

The Company is pleased with the first half performance of financial year 2014. During the period we focused on organic growth opportunities through contract award to blue chip companies, integrating Wanless services and improving our waste treatment efficiencies. We are pleased to say that we made solid improvements in all of these areas with a number of long term contracts being awarded and Wanless meeting our expectations.

Revenue from Services for the first half was $188.0M, an increase of 43% compared to the previous corresponding period (1H FY13: $131.6M). Underlying earnings (EBITDA) increased by 24% to $34.8M* (1H FY13: $28.0M) before depreciation and amortisation expense of $13.4M (1H FY13: $10.1M). Underlying EBIT increased by 20% to $21.4M***** compared to the previous corresponding period (1H FY13: $17.9M).

The Underlying net profit after tax of the Group for the period ending 31 December 2013 increased by 22% to $13.2M* (2012: $10.8M) which includes income tax expense of $4.9M* (2013: $4.4M).

The Board is also pleased to announce the payment of the Company's first interim dividend of 3 cents per ordinary share, which will be fully franked based on tax paid of 30%. The 3 cent per share dividend represents a 30%* return of underlying net profit after tax. The dividend record date is 12 March 2014 and the payment date is expected to be 26 March 2014.

We are pleased to advise the integration of Wanless is going extremely well and we are encouraged by the support from Wanless clients and the enthusiasm of both Wanless and Toxfree employees in developing our Total Waste Management capability in Queensland and Tasmania.

Each of our service lines performed well during the period. Our Technical and Environmental Services division was the best performing service line in terms of margin improvement. Our efforts to create 'Centres of Excellence' have shown its merits with earnings and margins from this division improving on the second half of financial year 2013.

Industrial services enjoyed strong organic growth within the period with the addition of QAL and Titan Energy resulting in growth in our central Queensland operations. However due to weakness in the infrastructure markets in NSW, Brisbane and Victoria margins for this division were slightly lower.

Services provided within the resource hubs of Western Australia, Northern Territory and Queensland were the main areas of consistent and improved performance. These include services to ongoing production facilities within the Iron Ore and Oil and Gas Sector as well as services provided to the Coal Seam Gas sector in the Surat Basin and Gladstone heavy industry.

*(*****Non-IFRS Financial Information - Normalised for non-operational adjustments – refer table 1 page 7 for further detail)*

Industrial Services provided to the infrastructure and commercial sectors in the major east coast cities remain challenging and until conditions in these sectors improve we will continue our focus on costs and relocate assets to higher utilisation areas where possible.

The first five months of the half year period (July through November) were very pleasing with a number of business units exceeding expectation; however, our earnings during December were adversely impacted by cyclone Christine which forced the closure of our Pilbara operations and those of our clients in the region. This resulted in December being below our budget expectations.

Within the period Toxfree were awarded a five year contract (with additional five year option) with Chevron Australia for all wastes produced from Chevron's operations throughout Australia. This is a significant event in Toxfree's history and we look forward to developing further our long-term relationship with Chevron. Through the contract transition period we have invested significant time and resources in developing transition plans for the new contract. The initial scope of work includes the remaining stages of Gorgon construction and then Gorgon production. We will progressively take responsibility for waste management on all Chevron operations including Thevenard Island and Wheatstone operations in the future.

The existing Gorgon construction work through Toll Energy is being provided at lower margins than previous reporting periods as the contract volumes and assets employed were reduced. The current waste services margins should now continue at this level.

We have also been actively working through the integration of all of our business onto our Enterprise Resource Planning (ERP) system as well as rationalising our corporate structure to allow greater efficiency within the business. All related costs have been expensed within this period's result.

We also expanded our services to the resource sector with the award of contracts with Queensland Alumina, Rio Tinto Dampier Salt, Titan Energy Ltd and Rio Tinto Iron Ore. We remain focussed on the organic growth opportunities through the award of total waste management and industrial service contracts throughout Australia.

The Group's debtor day's sales outstanding (DSO) are at 63 days at the end of the period with cash in bank of $18M and total borrowings of $102M. During the period we repaid $11M in debt. The Group Statement of Financial Position is in good order with net debt of $84.2M and net debt to equity of 37%. Gross Cash flows from Operations were 104% of EBITDA which improved from December 2012 at 93%.

Net capital investment in the business was $12.3M during the period. Capital continues to be invested in those areas of the business that achieve the Company's return criteria.

SUMMARY OF RESULTS

Table 1 | Group Results

Group results	1H FY14 31 Dec 2013 $'000	1H FY13 31 Dec 2012 $'000	% Change
Revenue - Services	188,017	131,623	43%
EBITDA *	34,799	28,006	24%
Depreciation and amortisation	(13,421)	(10,124)	33%
EBIT *	21,378	17,882	20%
Finance expenses	(3,268)	(2,675)	22%
Profit before tax *	18,110	15,207	19%
Income tax expense *	(4,945)	(4,426)	12%
Underlying Profit after tax *	13,165	10,781	22%
Statutory Profit after tax	12,182	10,463	16%
Earnings per share (cents) *	9.92	9.34	6%
Shares on issue at reporting date (Million)	133.252	115.999	15%

Non-IFRS Financial Information: HY1 ended 31 December 2013 and HY1 ended 31 December 2012 adjustments that were excluded in order to reflect the underlying performance of the business are:

HY1 ended 31 December 2013

- Acquisition costs including advisor, legal and rebranding $0.428M (Corporate $0.334M and Operational segments $0.094M).
- Net loss on scrapping of plant and equipment (incinerator) $0.976M (Technical and Environmental Services segment).

The adjustments resulted in an increase in underlying NPAT after tax of $0.983M (before tax of $1.404M).

HY1 ended 31 December 2012:

- *SSAA impairment of patents $1.59M.*
- *Reduction in the contingent consideration for the acquisition of MMS of $1.27M.*

Table 2 | Divisional Revenue

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

- Technical and Environmental Services
- Industrial Services
- Waste Services

Divisional revenue	1H FY14 31 Dec 2013 $'000	% Change	2H FY13 30 June 2013 $'000	% Change	1H FY13 31 Dec 2012 $'000
Technical and Environmental Services	30,795	2.75%	29,972	(2.7%)	30,802
Industrial services	49,288	18.9%	41,454	16.9%	35,440
Waste services	107,934	32.2%	81,674	24.9%	65,381
Total consolidated revenue	**188,017**	**22.8%**	**153,100**	**16.3%**	**131,623**

Table 3 | Divisional EBIT

Divisional EBIT	1H FY14 31 Dec 2013 $'000	% Change	2H FY13 30 June 2013 $'000	% Change	1H FY13 31 Dec 2012 $'000
Technical and Environmental Services	8,221	7.5%	7,648	(12.6%)	8,753
Industrial services	5,641	15.8%	4,871	0.1%	4,831
Waste services	21,560	22.7%	17,578	18.9%	14,788
Unallocated corporate EBIT *	(14,044)	15.1%	(12,204)	16.3%	(10,490)
Total consolidated EBIT *	**21,378**	**19.5%**	**17,893**	**0.01%**	**17,882**

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments – refer table 1 page 7 for further details)*

Table 4 | *Divisional Margins*

	1H FY14 31 Dec 2013 %	2H FY13 30 June 2013 %	1H FY13 31 Dec 2012 %
Technical and Environmental services	26.7%	25.5%	28.4%
Industrial services	11.4%	11.8%	13.6%
Waste services	20.0%	21.5%	22.6%
Corporate % of EBIT* to Revenue from Services	7.5%	8.0%	8.0%

REVIEW OF OPERATIONS

Technical and Environmental Services

The Company is pleased with the performance of the Technical and Environmental Services division during the period. Earnings and margin were up on the second half of financial year 2013 with an increase in EBIT* of 7.5% and an improvement in operating EBIT* margin to 26.7%. We were pleased with the increased volumes of waste processed at our facilities particularly the contribution of additional wastes from our other divisions as they mobilise new total waste management and industrial service contracts with blue chip clients throughout Australia.

Since the acquisition of Dolomatrix's assets in February of 2012, we have been integrating our treatment facilities within each state of Australia and creating 'Centres of Excellence' to provide the most technological and efficient way to treat wastes received throughout the group. We are pleased that these efforts are starting to pay off with margins improving within the period.

The new waste to energy facility in the Pilbara is continuing to work through its approval process. In June 2013 we decided to cease the operation of the old incinerator. This resulted in the old incinerator being scrapped and the carrying value of $0.976M being written off during this result. Operationally we have been able to manage the waste volumes at our other sites more profitably than operating the old incinerator. We still remain excited about the prospects of the new Waste to Energy facility which will result in improved production rates and better environmental outcomes.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments – refer table 1 page 7 for further details)*

Industrial Services

Industrial Services in Central Queensland, Gladstone, Roma, and Toowoomba were the best performing areas mainly through services provided to the Coal Seam Gas drilling programme and LNG construction projects in Gladstone.

Performance from our Industrial Services division was slightly down on budgeted expectations effected by softer trading in Brisbane, New South Wales and Victoria infrastructure sectors. The result was underpinned by solid performance from our operations in Western Australia and Queensland. Revenue was $49.3M and EBIT* was $5.6M an increase of 15.8% from the second half of financial year 2013.

We have a positive outlook on the Surat basin and Gladstone regions with a further increase in drilling activity expected to continue as the upstream gas reserves are developed and downstream LNG facilities continue construction.

We are pleased with the operating performance of our contract with Queensland Alumina (QAL). In the last 6 months we have safely improved cleaning efficiencies for the client enabling them to resume production a lot quicker. We are also investigating new technologies to further improve our services to QAL to minimise health and safety risk and improve productivity.

We continued to experience difficult trading conditions in the Brisbane, New South Wales and Victorian markets. Last year we ceased operations in Sydney and commenced operations in the Hunter Valley. We are confident with time we can develop an industrial focussed business in this region.

There are a number of new contract opportunities within the LNG, Iron Ore and Coal sector and our focus is to continue to develop our industrial services though continued organic growth.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments – refer table 1 page 7 for further details)*

Waste Services

The Waste Services division grew significantly during the period with revenue increasing by 32.2% on 2HY FY 13 to $107.9M and earnings (EBIT*) on 2HY 2013 by 22.7% to $21.6M.

Wanless contributed a full six months trading within this period and hence revenue and earnings were up considerably on the last period. We are happy with the integration of Wanless so far. The business has been integrated operationally and we are focussing on developing revenue synergies within the service lines with the aim of growing all of our waste volumes. We have gained a number of new clients within the period including Cement Australia and Titan Energy and we aim to further develop our Total Waste Management capability in Queensland**.**

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

Construction of the Gorgon LNG facility on Barrow Island is continuing and we are preparing to transition this contract over to Chevron. We have invested a significant amount of time and resources in ensuring that the transition over to Chevron is seamless and we look forward to building a long-term relationship directly with Chevron. The lower margins within the first half of FY14 through lower waste volumes and reduction in assets is expected to persist through the life of the longer term contract. Continual focus on reducing costs and improving efficiencies through greater productivity will ensure good returns for our activities within the region.

Our services to Fortescue Metals Group (FMG) provided through our Joint Venture partnership in the Pilbara have continued to perform well. We have over 30% indigenous employment within this contract and we are examining ways to emulate this success in some of our other operations.

Our contract to Bechtel for the APLNG construction contract on Curtis Island, Gladstone is also performing well as volumes of waste increase. Our operations have been highly commended by the client and we have been able to introduce a number of additional industrial and hazardous waste services to them.

We were pleased to receive notice our contract with Rio Tinto Iron Ore has been renewed for the long-term. The scope of work for both Rio Tinto and FMG is expected to increase over the medium-term as both miners increase their production capacities. We expect organic growth opportunities from these contracts as a result.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments – refer table 1 page 7 for further details)*

Darwin has continued to meet expectations and the Kimberley region is slowly gaining momentum with the development of the offshore Browse basin activities for Inpex, Shell and other Oil and Gas companies.

Toxfree has a relatively small share of the overall waste market and we are confident in our ability to improve our earnings and return on invested capital through contract award to the Oil and Gas, LNG, Iron Ore and Coal sectors.

Unallocated Corporate EBIT | *Overview*

Unallocated Corporate Expenses increased by 15% on 2HY FY13 to $14M*. Of these expenses, $1.8M relate to the addition of existing Wanless administration costs and $2.6M relate to regional overheads from the continued expansion of our operations.

Considering the additional Wanless overhead, the unallocated corporate expense has remained the same as the second half of FY13.

Overall unallocated corporate expenses of $14M* were 7.5% of Revenue from Services down from 8% on the prior comparable period.

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments – refer table 1 page 7 for further details)*

CASH FLOW AND STATEMENT OF FINANCIAL POSITION

Table 5 | Group Cash Flow

Group cash flow	HY ended 31 Dec 2013 $'000	HY ended 31 Dec 2012 $'000	% change
Gross operating cash flow	34,703	25,655	35%
Net interest paid	(3,067)	(2,462)	25%
Income taxes paid	(6,666)	(8,801)	(24%)
Net operating cash flows	**24,970**	**14,392**	**73%**
Payments for acquisition of businesses and intangibles	(911)	(4,892)	(81%)
Net purchases of property, plant and equipment	(11,402)	(12,862)	(11%)
Net investing cash flows	**(12,313)**	**(17,754)**	**(31%)**
Net proceeds from borrowings/(repayment of borrowings)	(10,780)	7,074	(252%)
Dividends paid	(6,626)	(4,613)	44%
Proceeds from the issue of share capital (net of capital raising costs)	24	36	(33%)
Net financing cash flows	**(17,382)**	**2,497**	**(796%)**
Net (decrease) / increase in cash	**(4,725)**	**(865)**	**(446%)**
Cash at the beginning of the half year	22,736	18,924	20%
Cash at the end of the half year	**18,011**	**18,059**	**(0.3%)**

Table 6 | Group Statement of Financial Position

Balance sheet	31 Dec 2013 $'000	30 June 2013 $'000	% change
Cash	18,011	22,736	(21%)
Trade and other receivables	78,538	85,468	(8%)
Inventories and work in progress	162	204	(21%)
Tax assets	11,074	11,414	(3%)
Property, plant and equipment	126,916	129,904	(2%)
Intangibles	150,848	151,495	(1%)
Total assets	**385,549**	**401,221**	**(4%)**
Trade and other payables	31,674	43,854	(28%)
Loans and borrowings	102,296	113,169	(10%)
Employee benefits	7,475	6,842	9%
Tax liabilities	2,954	4,054	(27%)
Provisions	9,770	9,820	(1%)
Derivative Financial Instruments	713	818	(13%)
Total liabilities	**154,882**	**178,557**	**(13%)**
Total equity	**230,667**	**222,664**	**4%**
Gross debt to equity	44%	51%	(14%)
Net debt to equity	37%	41%	(10%)

Strategy and Outlook

We remain focussed on organic growth opportunities through award of total waste management and industrial service contracts to blue chip clients throughout Australia. We are confident the Company's experience, client references and commitment to providing our clients with the safest, reliable and sustainable services will create further momentum.

The first half of financial year 2014 has commenced well and the Company expects we can continue this performance through the remainder of financial year 2014.

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

STEVE GOSTLOW
Managing Director

RESULTS FOR ANNOUNCEMENT TO THE MARKET

REPORTING PERIOD: **HALF YEAR ENDED 31 DECEMBER 2013**
PREVIOUS CORRESPONDING REPORTING PERIOD: **HALF YEAR ENDED 31 DECEMBER 2012**

		%		$'000
Revenue from ordinary activities	Up	43	to	188,457
Profit/(loss) from ordinary activities after tax attributable to members	Up	16	to	12,182
Net profit/(loss) for the period attributable to members	Up	16	to	12,182
Total comprehensive income for the period attributable to members	Up	17	to	12,256

Dividends
The 2013 Gross Final Dividend Payment of $6,626,493 was paid on 30 August 2013.

On 25 February 2014, the directors proposed the payment of a 2014 interim dividend of 3 cents per fully paid ordinary share, fully franked based on tax paid of 30%. The interim dividend is to be paid on 26 March 2014.

	31 December 2013 cents	31 December 2012 cents
Net tangible assets per security	**59.90**	64.69
Basic Earnings per share	**9.18**	9.06
Diluted earnings per share	**9.09**	8.96

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

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

Your directors present their report on the consolidated entity consisting of Tox Free Solutions Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2013.

DIRECTORS

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

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

REVIEW OF OPERATIONS

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

AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING OF AMOUNTS

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

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

ROBERT McKINNON
Chairman

Perth
25 February 2014

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

As lead auditor for the review of Tox Free Solutions Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

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

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

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 25 February 2014

	Note	Half year 31 Dec 2013 $'000	31 Dec 2012 $'000
Revenue from continuing operations			
Services		188,017	131,623
Other revenue		440	380
Total Revenue		188,457	132,003
Other income	3	190	1,550
Expenses	4		
Waste disposal, consumables and other non-employee benefit related direct costs		(55,807)	(38,246)
Outsourcing costs		(18,622)	(6,917)
Employee benefits expense		(64,229)	(46,336)
Administrative expenses		(10,128)	(8,811)
Depreciation and amortisation		(13,421)	(10,124)
Finance costs		(3,268)	(2,675)
Occupancy costs		(4,572)	(2,760)
Acquisition costs		(428)	(161)
Other expenses		(1,466)	(2,634)
Profit before income tax		16,706	14,889
Income tax expense		(4,524)	(4,426)
Profit after income tax for the half-year		12,182	10,463
Other comprehensive income (expense)			
Items that may be reclassified to profit and loss			
Changes in the fair value of cash flow hedges		105	-
Income tax relating to these items		(31)	-
Other comprehensive income (expense) for the half-year, net of tax		74	-
Total comprehensive income for the half-year		12,256	10,463
Profit for the half-year is attributable to:			
Owners of Tox Free Solutions Limited		12,182	10,463
Total comprehensive income for the half-year is attributable to:			
Owners of Tox Free Solutions Limited		12,256	10,463
Earnings per share for profit attributable to the ordinary equity holders of the Company:		**Cents**	**Cents**
Basic earnings per share		9.18	9.06
Diluted earnings per share		9.09	8.96

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

	Notes	31 Dec 2013 $'000	30 Jun 2013 $'000
Current assets			
Cash and cash equivalents		18,011	22,736
Trade and other receivables		78,538	85,468
Prepaid tax		2,013	1,248
Inventories		162	204
Total current assets		98,724	109,656
Non-current assets			
Property, plant and equipment		126,916	129,904
Intangible assets	11	150,848	151,495
Deferred tax assets		9,061	10,166
Total non-current assets		286,825	291,565
Total assets		385,549	401,221
Current liabilities			
Trade and other payables		31,674	43,854
Borrowings	12	11,065	11,975
Employee benefits		7,475	6,833
Provisions		9,770	9,820
Total current liabilities		59,984	72,482
Non-current liabilities			
Borrowings	12	91,231	101,194
Derivative financial instruments		713	818
Employee benefits		-	9
Deferred tax liabilities		2,954	4,054
Total non-current liabilities		94,898	106,075
Total liabilities		154,882	178,557
Net assets		230,667	222,664
Equity			
Contributed equity	6	169,634	167,686
Reserves		6,698	6,199
Retained profits		54,335	48,779
Total equity		230,667	222,664

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

Consolidated	Notes	Ordinary Shares $'000	Cash Flow Hedging Reserve $'000	Share-based Payment Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2012		**114,856**	**-**	**6,020**	**39,788**	**160,664**
Profit for the half year		-	-	-	10,463	10,463
Total comprehensive income for the half year		**-**	**-**	**-**	**10,463**	**10,463**
Transactions with owners in their capacity as owners:						
Employee share options	6	1,643	-	(24)	-	1,619
Share-based payments		-	-	256	-	256
Dividends paid	5	-	-	-	(4,613)	(4,613)
		1,643	**-**	**232**	**(4,613)**	**(2,738)**
Balance at 31 December 2012		**116,499**	**-**	**6,252**	**45,638**	**168,389**
Balance at 1 July 2013		**167,686**	**(573)**	**6,772**	**48,779**	**222,664**
Profit for the half year		-	-	-	12,182	12,182
Other comprehensive income (expense)		-	74	-	-	74
Total comprehensive income for the half year		**-**	**74**	**-**	**12,182**	**12,256**
Transactions with owners in their capacity as owners:						
Employee share options	6	1,948	-	-	-	1,948
Share-based payments		-	-	425	-	425
Dividends paid	5	-	-	-	(6,626)	(6,626)
		1,948	**-**	**425**	**(6,626)**	**(4,253)**
Balance at 31 December 2013		**169,634**	**(499)**	**7,197**	**54,335**	**230,667**

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

	Notes	Half year 31 Dec 2013 $'000	31 Dec 2012 $'000
Cash flows from operating activities			
Receipts from customers		218,968	138,771
Payments to suppliers and employees		(184,265)	(113,116)
Cash generated from operations		34,703	25,655
Interest received		201	213
Interest paid		(3,268)	(2,675)
Income taxes paid		(6,666)	(8,801)
Net cash inflow from operating activities		24,970	14,392
Cash flows from investing activities			
Payments for acquisition of businesses and intangibles	7	(911)	(4,892)
Proceeds from the sale of property, plant and equipment		427	822
Purchase of property, plant and equipment		(11,829)	(13,684)
Net cash (outflow) from investing activities		(12,313)	(17,754)
Cash flows from financing activities			
Net proceeds from the issue of shares		24	36
Proceeds from borrowings		17,861	20,355
Repayment of borrowings		(28,641)	(13,281)
Dividends paid to company's shareholders		(6,626)	(4,613)
Net cash (outflow) / inflow from financing activities		(17,382)	2,497
Net (decrease) in cash and cash equivalents		(4,725)	(865)
Cash and cash equivalents at the beginning of the half-year		22,736	18,924
Cash and cash equivalents at the end of the half-year		**18,011**	18,059

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

1 | BASIS OF PREPARATION OF HALF YEAR REPORT

Statement of Compliance

This general purpose financial report for the interim half-year reporting period ended 31 December 2013 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with IAS 34.

This interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the 30 June 2013 annual financial report and any public announcements made by Tox Free Solutions Limited (Toxfree) during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, other than for the adoption of AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interests in Other Entities, AASB 13 Fair Value Measurement and AASB 119 Employee Benefits which came into effect on 1 July 2013 from Toxfree's perspective. Toxfree have reviewed the impact of applying these new standards compared to the previous standards AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards and concluded that there is no material impact on the Group's performance and position arising from the initial application of these standard and, apart from additional note disclosures required under AASB 13, they are immaterial in the context of Toxfree's financial report for the interim half-year reporting period ended 31 December 2013 or the comparative information.

Impact of standards issued but not yet applied by the entity

Other than AASB 9 Financial Instruments there were no new standards issued since 30 June 2013 that have not been applied by Toxfree. The 30 June 2013 annual report disclosed that Toxfree anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2013.

Significant accounting judgements and estimates

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

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2013.

2 | SEGMENT INFORMATION

(a) Description of segments

The Group has three segments. The three reportable segments are: Technical and Environmental Services, Industrial Services and Waste Services. These services are currently provided only in Australia.

The Managing Director 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.

Half year 31 December 2013	Technical and Environmental services $'000	Industrial services $'000	Waste services $'000	Total $'000
Total segment revenue	50,627	56,613	100,451	207,691
Inter segment revenue	(19,832)	(7,325)	7,483	(19,674)
Revenue from external customers	**30,795**	**49,288**	**107,934**	**188,017**
EBIT	**7,217**	**5,607**	**21,528**	**34,352**

Half year 31 December 2012				
Total segment revenue	40,052	38,680	70,257	148,989
Inter segment revenue	(9,250)	(3,240)	(4,876)	(17,366)
Revenue from external customers	**30,802**	**35,440**	**65,381**	**131,623**
EBIT	**8,753**	**4,831**	**14,788**	**28,372**

Total segment assets				
31 December 2013	**89,988**	**67,849**	**189,962**	**347,799**
30 June 2013	89,960	65,051	203,098	358,109

Total segment liabilities				
31 December 2013	**15,330**	**5,233**	**18,963**	**39,526**
30 June 2013	17,236	9,766	21,196	48,198

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

	Half-year	
	2013	**2012**
	$'000	**$'000**
Adjusted EBIT	34,352	28,372
Finance costs	(3,268)	(2,675)
Share-based payment expense	(425)	(502)
Depreciation and amortisation	(470)	(532)
Employee expenses	(9,446)	(5,890)
IT expenses	(463)	(348)
Travel costs	(1,055)	(854)
Other corporate costs	(2,185)	(2,202)
Acquisition costs*	(334)	(161)
Reduction to contingent consideration	-	1,267
Impairment losses	-	(2,131)
Write back of written down patent liabilities	-	545
Profit before income tax from continuing operations	16,706	14,889

* refer to page 7 for additional information.

3 | OTHER INCOME

	Half-year	
	2013	**2012**
	$'000	**$'000**
Reduction to contingent consideration	-	1,267
Net gain on disposal of property, plant and equipment	-	108
Other	190	175
	190	1,550

4 | EXPENSES

Profit before income tax includes the following specific expenses:

	Half-year	
	2013 $'000	2012 $'000
Amortisation	1,420	789
Bad and doubtful debts	513	431
Depreciation	12,001	9,335
Impairment loss – intangible assets	-	2,131
Insurance and workers compensation costs	2,155	1,560
Labour costs	58,807	43,354
Motor vehicle expenses	11,512	7,237
Net loss on disposal of property, plant and equipment	65	-
Net loss on scrapping of plant and equipment**	976	-
Rental expenses relating to operating leases	6,312	3,901
Share-based payment expense*	425	502
Superannuation contributions	4,056	2,982
Travel expenses	2,955	2,848
Finance costs include:		
Interest and finance charges paid	2,227	1,873
Establishment and other fees	1,041	802
	3,268	2,675

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

**the expense relates to the net loss on scrapping of an incinerator at OEC.

5 | DIVIDENDS

Ordinary shares	Half-year 2013 $'000	2012 $'000
Dividend paid during the half-year	6,626	4,613

Dividends not recognised at the end of the half-year	Half-year 2013 $'000	2012 $'000
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 3 cents per fully paid ordinary share (2012: Nil cents), fully franked based on tax paid of 30%. The aggregate amount of the proposed dividend expected to be paid on 26 March 2014 out of retained earnings at 31 December 2013, but not recognised as a liability at the end of the half-year, is	3,998	-

6 | CONTRIBUTED EQUITY

	2013 Shares	2012 Shares	2013 $'000	2012 $'000
On issue 1 July	132,529,859	115,321,608	167,686	114,856
Share issues during the half year				
Exercise of share options issued under the Tox Free Solutions Ltd Employee Share Option Plan (ESOP)	722,500	688,250	1,948	1,643
On issue 31 December	133,252,359	116,009,858	169,634	116,499

7 | BUSINESS COMBINATION

Current period

On 13 December 2013, Toxfree acquired the business assets of Hazmat Pty Ltd, a provider of technical and environmental services in the Hunter Valley area of New South Wales for $1,000,000, with $89,143 in liabilities taken over. The acquisition provides Toxfree with a new geographic presence in New South Wales, which will complement the Group's existing operations and provide an avenue for expansion into an area not previously covered by the existing operations.

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

	$'000
Purchase consideration	
Cash paid	1,000
Liabilities taken over	(89)
Total Purchase consideration	911

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

	Fair Value $'000
Plant and equipment	200
Waste provisions	(78)
Employee Entitlements	(11)
Provision for deferred income tax asset	27
Net identifiable assets acquired	138
Add: Goodwill	773
	911

The goodwill is attributable to future foothold that will be obtained in the New South Wales Hunter Valley region's heavy industrial market, with a technical and environmental services capability being added to our business there, the increase in exposure to a resource market based on both the Hunter coal fields and the PNG Oil and Gas, and Gold industries, and the increase in our network of hazardous waste licenced facilities. None of the goodwill is expected to be deductible for tax purposes.

The Group has reported provisional amounts for goodwill and plant and equipment acquired as part of the purchase of Hazmat.

(i) *Acquisition-related costs*

Acquisition-related costs for the acquisition of Hazmat of $0.014M are included in acquisition costs in profit or loss.

(ii) *Revenue and profit contribution*

The acquired businesses contributed revenues of $0.025M and net profit of $0.006M to the Group from the date of acquisition to 31 December 2013.

Prior period

Details of provisional amounts were disclosed in note 6: Business Combination of the Group's annual financial statements for the year ended 30 June 2013. There have been no adjustments made to any of these provisional amounts in total in the current reporting period.

8 | CONTINGENCIES

Details of Contingencies were disclosed in note 32 of the Group's annual financial statements for the year ended 30 June 2013.

There has been no significant change in the contingent assets or contingent liabilities of the Group since 30 June 2013.

9 | EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 25 February 2014, the Directors of Tox Free Solutions Limited declared an interim dividend in respect of the 2014 financial year. The total amount of the dividend is $3,997,571, which represents a fully franked dividend of 3 cents per ordinary share based on tax paid of 30%.

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

10 | RELATED PARTY TRANSACTIONS

Funding

At 31 December 2013, the Company had $2,392,368 owed by Key Management Personnel to fund the conversion of share options awarded as part of the Long-Term Incentive (2012: $1,583,000). Interest of 6.12% per annum is payable on prior period outstanding loan balances and 6.5% on current period outstanding loan balances. The loans are expected to be repaid within 12 months.

Rights

On 1 July 2013, 203,765 performance rights and 807,769 share appreciation rights were granted to Key Management Personnel and to Senior Management under the Executive LTI Plan. The rights vest on 30 June 2016. Specific disclosure details of the 1 July 2013 grant are as follows:

Details	Performance Rights Granted	Share Appreciation Rights Granted	Total
Directors			
S Gostlow	49,010	194,286	243,296
KMP			
E Goodwin	41,915	166,162	208,077
M Constable	15,007	59,490	74,497
J Dixon	15,007	59,490	74,497
S Bagshawe	9,573	37,950	47,523
J Bovell	9,121	36,156	45,277
Senior Management	64,132	254,235	318,367
	203,765	**807,769**	**1,011,534**

Included in the 1 July 2013 grant are 49,010 performance rights and 194,286 share appreciation rights granted to the Managing Director Mr S Gostlow. The grant to Mr S Gostlow was approved by the shareholders at the Annual General Meeting held on 27 November 2013.

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

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

Key Assumptions made at Grant date and at 31 December 2013 are summarised below:

	At Grant Date for new issue	At 31 December 2013 valuation date (SAR's only)
Date of grant	1 July 2013	1 July 2013
Share price	$3.39	$3.34
Effective exercise price (SAR's only)	$3.39	$3.39
Risk free rate	2.8%	2.98%
Volatility factor	27.5%	27.5%
Dividend yield	2%	2%

The share-based payment expense to 31 December 2013 was $425,000 (2012 $502,000).

11 | INTANGIBLES

	31 Dec 2013 $'000	30 Jun 2013 $'000
At 1 July		
Cost	156,628	95,031
Accumulated impairment	(5,133)	(1,205)
Net book amount	151,495	93,826
Half-year ended 31 December		
Opening net book amount	151,495	93,826
Customer contracts acquired	-	6,072
Goodwill acquired during acquisition of businesses (see note 7)	773	55,525
Amortisation and impairments	(1,420)	(3,928)
Closing net book amount	150,848	151,495
At 31 December		
Cost	157,401	156,628
Accumulated amortisation and impairments	(6,553)	(5,133)
Net book amount	150,848	151,495

12 | LOANS AND BORROWINGS

As at 31 December 2013, the contractual maturities of the Group's financial liabilities were as follows:

Contractual maturities of financial liabilities At 31 December 2013	Within 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Contractual cash flows $'000	Carrying amount liabilities $'000
Non-derivatives					
Trade payables and other payables	31,674	-	-	31,674	31,674
Borrowings (excluding prepayments)	9,885	37,107	50,750	97,742	85,750
Finance lease liabilities	5,242	14,038	-	19,280	16,744
Total non-derivatives	46,801	51,145	50,750	148,696	134,168
Derivatives					
Net settled – interest rate swaps	-	713	-	713	713

Contractual maturities of financial liabilities At 30 June 2013	**Within 1 year $'000**	**Between 1 and 5 years $'000**	**Over 5 years $'000**	**Contractual cash flows $'000**	**Carrying amount liabilities $'000**
Non-derivatives					
Trade payables and other payables	43,854	-	-	43,854	43,854
Borrowings (excluding prepayments)	10,334	38,886	62,250	111,470	97,250
Finance lease liabilities	5,948	12,211	314	18,473	16,151
Total non-derivatives	60,136	51,097	62,564	173,797	157,255
Derivatives					
Net settled – interest rate swaps	-	818	-	818	818

13 | FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

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

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

The following table presents the Group's applicable financial assets and financial liabilities measured and recognised at fair value at 31 December 2013 and 30 June 2013 on a recurring basis:

At 31 December 2013	**Level 1 000's $**	**Level 2 000's $**	**Level 3 000's $**	**Total 000's $**
Liabilities				
Derivatives used for hedging	**-**	**713**	**-**	**713**
Total liabilities				**713**

At 30 June 2013	Level 1 000's $	Level 2 000's $	Level 3 000's $	Total 000's $
Liabilities				
Derivatives used for hedging	-	818	-	818
Total liabilities				**818**

Valuation techniques used to derive level 2 fair values

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

Fair values of other instruments

The Group also has a number of financial instruments which are not measured at fair value in the consolidated statement of financial position. These had the following values at 31 December 2013:

	Carrying amount $'000	Fair value $'000
Non-current liabilities		
Non-current borrowings comprise:		
Cash advance facilities (excludes prepayments)	78,750	79,728
Lease liabilities	12,611	13,354
Total non-current borrowings	91,361	93,082

The carrying amounts of trade receivables, trade payables and loans to key management personnel are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

The directors of the company declare that:

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

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

   (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date.

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

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

Robert McKinnon
Chairman

Perth
25 February 2014

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tox Free Solutions Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tox Free Solutions Limited, which comprises the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tox Free Solutions Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 25 February 2014