
Appendix 4D and Half Year Financial Report to 31 December 2008

23 February 2008

ASX Limited

Tox Free Solutions Limited ("Tox Free") is pleased to present the Appendix 4D and Interim Financial Report for the 6 months ended 31 December 2008.

Tox Free achieved record half yearly revenue of \$41,505,000 and earnings before interest, taxes, depreciation and amortisation of \$10,276,000¹ (EBITDA) which represents an increase of 61% from the comparable prior period.

Profit for the period (before depreciation) was \$6,847,000 which represents an increase of 62% based on the previous half year result. Net profit for the period was \$2,813,000 which includes share based payments of \$156,000.

Commentary

The half year to 31 December 2008 has been a very exciting period in the development of Tox Free. Not only has the Company achieved its budget financials to date, we have strengthened our management team and systems as we build a platform to sustain and continue our growth strategy.

Tox Free has made considerable investment in financial, health, safety, environment and IT management systems during the period which are essential for our continued growth. Additional management overheads and Barry Bros. integration costs have been expensed within the half year in advance of the recognition of revenues that will be obtained through the expected development of the business.

This investment has already been rewarded through the recent award of a total waste management and industrial services contract to Woodside Energy Ltd in Karratha. This is a significant milestone in the development of Tox Free. There are a number of additional waste management and industrial service contracts the Company is presently tendering for and Tox Free is confident of more contracts being awarded throughout Australia.

The integration of Barry Bros. with Tox Free has also been very exciting. The Executive General Manager of Barry Bros, Mr. Steve Pewtress, and the senior management team have successfully invigorated the Barry Bros. business and I am pleased to advise Barry Bros. is on track to achieve its business plan for the 2009 financial year. The prospects for Barry Bros. are very promising as the Federal and State Governments announce considerable infrastructure spending to stimulate the Australian economy.

The Tox Free group of Companies offers a diverse range of services across a number of market sectors. Tox Free has a competitive advantage through its unique licenses, treatment facilities and specialist industrial services. Whilst it is unknown how the global economy will affect the Australian economy, Tox Free has a sound balance sheet, cash on hand at 31 December 2009 of ~ \$12,000,000 and a sound business plan to continue to grow through any downturn in the economy. Growth will continue through strategic acquisition and organic growth of our existing divisions.

¹ Excludes share based payments of \$156,000

Please find below further operational detail on half year result.

Industrial Services

The acquisition of Barry Bros. in July 2008 has seen the company expand its revenue and earnings from industrial services nationally. The Barry Bros. business is performing exceptionally well and is on track to meet its financial targets for the full financial year. Barry Bros. has also provided the opportunity for Tox Free to expand its industrial services into Western Australia. The secondment of a senior industrial services manager from Barry Bros. into Western Australia will see this division continue to perform strongly as Tox Free expands its services throughout Australia.

Since January 2008, the expansion of industrial services in the North West has also continued. Tox Free and Barry Bros. is fast becoming the contractor of choice in the region.

Solid Waste Management

Solid waste services are provided in the Kimberley and Karratha regions. Kimberley Waste has exceeded its budget to date as a result of additional assets that were added to the region in FY08. Earnings are secured against municipal contracts with local council.

Solid waste earnings have also grown through the contribution from our Karratha facility. The Karratha facility is now fully operational. This is very strategic asset for Tox Free. It is the only waste management facility servicing the region able to offer a full range of waste management and recycling solutions. As demonstrated by the award of the Woodside contract the facility will continue to target waste and industrial service contracts with major oil / gas and mining companies in the region.

Liquid and Hazardous Waste Management

Revenues from liquid and hazardous waste were consistent with the previous 6 months. Tox Free Queensland and Port Hedland performed to budget expectations.

The new St Marys facility in NSW is still in a start up phase and results from this are yet to achieve full expectations. This is largely due to longer than expected commissioning of site infrastructure. Tox Free is confident once the site is fully operational the NSW facility will be provide a significant contribution to group earnings.

There has been some margin erosion at our Kwinana facility due to higher than expected operating costs including labour, fuel and consumables. The Kwinana site has a new Manager in place with a firm direction to improve operational efficiencies. The site has also been awarded two new contracts to provide Household Hazardous Waste Collection through Western Australia and remediate contaminated soil via thermal desorption. This will assist the site in achieving its full year targets.

Dividend

In October 2008 Tox Free placed 9.3 M shares at \$1.40 per share to raise \$13,020,000. The funds raised are to be used to partly retire debt and be available to fund new opportunities including the capital requirements to service a number of waste management contracts the company is tendering for.

At this time there is some uncertainty in regards to the economic climate in Australia, and although Tox Free is well placed to weather any downturn in the economy, the board have taken the view that it would be prudent to maintain a healthy balance sheet and have cash available to fund additional opportunities.

The board carefully considered the payment of an interim dividend and has decided to delay the payment of a dividend until completion of the financial year. Based on the Company achieving its results, it is intended to pay a fully franked dividend at the completion of financial year 2009.

The outlook for Tox Free is extremely positive. There are a number of new developments that will contribute to further earnings in the second half of FY09. These include:

- Expansion of Barry Bros. industrial services in WA
- Operation of the Karratha industrial waste treatment plant (commenced February 2009)
- Stronger performance from the St Marys facility
- Oil and gas activity in the North West of WA
- Further development of the Barry Bros. industrial service on the east coast
- Soil remediation campaign started in January 2009
- Woodside contract award (starting 15 March 2009)
- 3 months contribution from Greenchip Recycling (completion expected early March 2009)
- New Emergency Response legislation in WA
- Further award of contracts presently being tendered for

The second half is historically stronger than the first with the split in earnings running at about 40:60 with a second half bias. At this point in time Tox Free is confident on achieving its financial forecasts and will keep the market updated on all developments.

Yours faithfully

TOX FREE SOLUTIONS LIMITED

DAVID McARTHUR

Company Secretary

About Tox Free Solutions Ltd (ASX code: TOX)

Tox Free Solutions Ltd (Tox Free) is one of the largest integrated industrial services, waste and environmental management businesses in Australia.

The Company offers a full range of services through its national network of industrial, hazardous, liquid and solid waste treatment facilities. In addition Tox Free are fast becoming the leaders in onsite industrial services, waste minimisation, recycling and contaminated site remediation.

For more information please contact s.gostlow@toxfree.com.au

Tox Free Solutions Ltd

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APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Company name	Tox Free Solutions Limited
Reporting period	31 December 2008
Previous corresponding reporting period	31 December 2007

Changes from previous corresponding reporting period

	31 Dec 08	31 Dec 07	Change	Change
	\$'000	\$'000	\$'000	%
Revenue from continuing operations	41,505	15,839	25,665	162
Profit/(loss) from continuing operations after tax attributable to the members	2,813	3,085	(272)	(8.8)
Net profit/(loss) attributable to the members	2,813	3,085	(272)	(8.8)

Explanation of the above changes

On 1 July 2008 the Company acquired 100% of the share capital of Barry Bros. Specialised Services Pty Ltd (Barry Bros.). Barry Bros. contributed approximately \$950,000 net profit to the Group for the interim reporting period. The remaining increase in revenues is due to the organic growth of the Group's operations, the Queensland operation contributing for a full six months and New South Wales contributing (became operational in the second half of the 2008 financial year). Net profit/(loss) also comprises \$156,000 of share based payment expenses.

Dividends

It is not proposed to pay interim dividends.

Dividend reinvestment plans

This is not applicable as no dividends have been declared or paid.

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**Net tangible asset backing**

31 December 2008 29.70 cents per share

31 December 2007 11.59 cents per share

Details of entities over which control has been gained or lost during the period***Gained***

Date	Name of company	Details
1 July 2008	Barry Bros. Specialised Services Pty Ltd	100% of share capital acquired

Lost

No control has been lost during the period.

Details of associates and joint ventures

None.

Independent auditor's review report

The interim financial report is not subject to audit dispute or qualification.

The interim financial report, which has been subject to auditor's review, is attached.

A handwritten signature in black ink that reads 'D McArthur'.

DAVID McARTHUR*Company Secretary*Dated at Perth on this the 23rd day of February 2009.

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TOX FREE SOLUTIONS LIMITED

INTERIM FINANCIAL REPORT

31 DECEMBER 2008

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DIRECTORS' REPORT

The directors' present their report together with the consolidated financial report for the six months ended 31 December 2008 and the independent review report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Name of director	Period of directorship
Mr. Douglas Wood <i>Non-executive Chairman</i>	Since 2008
Mr. Stephen Gostlow <i>Managing Director</i>	Since 2005
Mr. Gerrard Styles <i>Executive Director</i>	Since 2008
Mr. Michael Humphris <i>Non-executive Director</i>	Since 1998
Mr. Richard Allen <i>Non-executive Director</i>	Since 2005
Mr. Wynn Rees <i>Non-executive Director</i>	Since 2007

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DIRECTORS' REPORT

REVIEW OF OPERATIONS AND RESULTS OF THOSE OPERATIONS

Revenue for the half year was \$41,505,000 resulting in an EBITDA of \$10,120,000 before depreciation expense of \$4,034,000 and financial expenses of \$2,070,000.

The net profit of the Group for the six months ended 31 December 2008 was \$2,813,000 which includes share based payments expense of \$156,000 relating to share options issued and income tax expense of \$1,203,000.

Industrial Services

The acquisition of Barry Bros. in July 2008 has seen the company expand its revenue and earnings from industrial services nationally. The Barry Bros. business is performing exceptionally well and is on track to meet its financial targets for the full financial year. Barry Bros. has also provided the opportunity for Tox Free to expand its industrial services into Western Australia. The secondment of a senior industrial services manager from Barry Bros. into Western Australia will see this division continue to perform strongly as Tox Free expands its services throughout Australia.

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DIRECTORS' REPORT

Liquid and Hazardous Waste Management

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The outlook for Tox Free is extremely positive. There are a number of new developments that will contribute to further earnings in the second half of FY09. These include:

- Operation of the Karratha industrial waste treatment plant (commenced February 2009)
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DIRECTORS' REPORT

AUDITORS' INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required by section 307C of the Corporations Act 2001 is set out on page 7 and forms part of the directors' report for the six months ended 31 December 2008.

ROUNDING OFF

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, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of directors:

A handwritten signature in black ink that reads "Douglas Wood".

DOUGLAS WOOD

Non-executive Chairman

Dated at Perth on this the 23rd day of February 2009.



BDO Kendalls

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23rd February 2009

Board of Directors
Tox Free Solutions Limited
Level 2, 45 Stirling Highway
NEDLANDS, WA, 6909

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 half year ended 31 December 2008, 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 review; and
- 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.

Glyn O'Brien
Director

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia.

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**CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008**

	6 months ended 31 Dec 08 \$'000	6 months ended 31 Dec 07 \$'000
Continuing operations		
Revenue	41,505	15,839
Cost of sales	(23,704)	(7,987)
Gross profit	<u>17,801</u>	<u>7,852</u>
Other income	203	6
Finance income	120	69
Occupancy expenses	(863)	(137)
Administrative expenses	(6,985)	(1,415)
Other expenses	(156)	(156)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	<u>10,120</u>	<u>6,219</u>
Depreciation and amortization expense	(4,034)	(1,134)
Earnings before interest and taxes (EBIT)	<u>6,086</u>	<u>5,085</u>
Finance expense	(2,070)	(611)
Profit (loss) before income tax	<u>4,016</u>	<u>4,474</u>
Income tax expense	(1,203)	(1,389)
Profit (loss) from continuing operations	<u>2,813</u>	<u>3,085</u>
Profit (loss) for the period	<u>2,813</u>	<u>3,085</u>
Attributable to:		
Equity holders of the Company	<u>2,813</u>	<u>3,085</u>
Earnings per share	Cents	Cents
Basic earnings per share	3.872	4.490
Diluted earnings per share	3.856	4.450

The condensed notes on pages 12 to 20 are an integral part of these consolidated interim financial statements

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**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008**

	Note	31 December 08 \$'000	30 June 08 \$'000
CURRENT ASSETS			
Cash and cash equivalents		12,691	1,603
Trade and other receivables		16,347	8,584
Inventories		233	71
Prepayments		1,000	352
TOTAL CURRENT ASSETS		30,271	10,610
NON-CURRENT ASSETS			
Property, plant and equipment		45,300	23,366
Other financial assets		-	43
Intangible assets	4	25,146	23,288
Deferred tax assets		695	157
TOTAL NON-CURRENT ASSETS		71,142	46,854
TOTAL ASSETS		101,413	57,464
CURRENT LIABILITIES			
Trade and other payables		6,801	3,559
Loans and borrowings		3,394	1,925
Provisions		1,661	439
Current tax liabilities		(199)	1,846
TOTAL CURRENT LIABILITIES		11,657	7,769
NON-CURRENT LIABILITIES			
Loans and borrowings		41,034	16,560
Deferred tax liabilities		45	45
TOTAL NON-CURRENT LIABILITIES		41,079	16,605
TOTAL LIABILITIES		52,736	24,374
NET ASSETS		48,677	33,092
EQUITY			
Share capital	5	41,902	29,286
Reserves		777	620
Retained earnings/(accumulated losses)		5,998	3,186
TOTAL EQUITY		48,677	33,092

The condensed notes on pages 12 to 20 are an integral part of these consolidated interim financial statements



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008**

	Share capital \$'000	Reserves \$'000	Retained earnings/ (accumulated losses) \$'000	Total \$'000
Balance at 1 July 2008	29,286	620	3,186	33,092
Profit/(loss) for the period	-	-	2,813	2,813
Total income and expense for the period	-	-	2,813	2,813
Transactions with equity holders acting in their capacity as equity holders:				
Conversion of share options	14	-	-	14
Share placement	12,602	-	-	12,602
Share-based payments (issue of share options)	-	156	-	156
Balance at 31 December 2008	41,902	777	5,998	48,677
Balance at 1 July 2007	27,395	151	(3,056)	24,490
Profit/(loss) for the period	-	-	3,085	3,085
Total income and expense for the period	-	-	3,085	3,085
Transactions with equity holders acting in their capacity as equity holders:				
Conversion of share options	44	-	-	44
Share-based payments (issue of share options)	-	156	-	156
Balance at 31 December 2007	27,439	307	28	27,776

The condensed notes on pages 12 to 20 are an integral part of these consolidated interim financial statements

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**CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008**

	Note	6 months ended 31 Dec 08 \$'000	6 months ended 31 Dec 07 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		43,181	14,574
Cash paid to suppliers and employees		(31,228)	(10,032)
Cash generated from operations		11,953	4,542
Interest received		120	68
Interest paid		(2,058)	(630)
Income taxes paid		(3,944)	(639)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		6,072	3,341
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of businesses		(10,455)	(3,468)
Payments for purchase of property, plant and equipment		(2,140)	(3,792)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		(12,595)	(7,260)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from the issue of share capital	5	12,616	45
Proceeds from borrowings		10,246	2,695
Repayment of borrowings		(5,072)	(400)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		17,790	2,340
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11,267	(1,579)
Cash and cash equivalents at 1 July		1,424	2,879
Cash and cash equivalents at 31 December		12,691	1,300

The condensed notes on pages 12 to 20 are an integral part of these consolidated interim financial statements

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CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

Tox Free Solutions Limited (the Company) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2008 comprises the company and its subsidiaries (together referred to as the Group).

The consolidated annual financial report of the Group as at and for the year ended 30 June 2008 is available upon request from the Company's registered office at Level 2, 45 Stirling Highway Nedlands WA 6009 or at www.toxfree.com.au.

2. STATEMENT OF COMPLIANCE

The consolidated interim financial report for the half year reporting period ending 31 December 2008 is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all of the information for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2008.

This consolidated interim financial report was approved by the Board of Directors on 23rd February 2009.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2008.

4. ESTIMATES

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

Except as described below, in preparing this consolidated interim financial 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 as at and for the year ended 30 June 2008.

During the six months ended 31 December 2008 management reassessed its estimates in respect of:

- Deferred tax assets and liabilities relating to timing differences
- Estimated impairment of goodwill

a) Estimated impairment of goodwill

The Group tests twice annually whether goodwill has suffered any impairment, in accordance with the accounting policy as disclosed in the 30 June 2008 financial report.

The recoverable amount of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions.

b) Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified below. Each separate legal entity or subsidiary is considered to be a separate CGU. The goodwill allocation is presented below.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. ESTIMATES (continued)

CGU	31 Dec 08 Goodwill \$'000	30 June 08 Goodwill \$'000
Oil Energy Corporation Pty Ltd	575	575
Grimefighters Fluidclean Pty Ltd	1,294	1,294
Tox Free (Henderson) Pty Ltd	3,214	3,214
Tox Free Industrial Solutions Pty Ltd*	1,578	1,578
Waste Services Australia Pty Ltd	10,594	10,594
Tox Free (Queensland) Pty Ltd	4,432	4,432
Tox Free (Karratha) Pty Ltd	1,602	1,602
Tox Free (New South Wales) Pty Ltd	4	-
Barry Bros. Specialised Services Pty Ltd	1,853	-
Tox Free (Victoria) Pty Ltd	-	-
Total	25,146	23,288

*Business now operates out of Tox Free (Kwinana) Pty Ltd

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period.

The key assumptions used for the value in use calculations have been a 10% annual growth to the EBITDA for each of the above listed CGUs. The cash flows are then projected from this value and discounted to present value using the most appropriate discount rate being 7.37%. The annual growth rate includes market capture and organic growth as well as synergies to be achieved by integrating new acquisitions.

Management determined the 10% growth value based on past performance, contractual obligations in some of the acquisition agreements and contracts as well as management's expectations for the future.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. CONTRIBUTED EQUITY

	6 months ended 31 Dec 08 \$'000	6 months ended 31 Dec 07 \$'000
Balance at 1 July	29,286	27,395
<i>Conversion of share options:</i>		
23 Aug 08 – 12,500 @ \$1.12 each	14	-
26 July 07 – 12,500 @ \$1.04 each	-	13
26 July 07 – 12,500 @ \$1.08 each	-	13.5
26 Oct 07 – 10,000 @ \$1.75 each	-	17.5
<i>Share capital issuances:</i>		
6 Nov 08 – 9,300,000 @ \$1.40 each by share placement (net of capital raising costs)	12,602	-
Balance at 31 December	41,902	27,439

6. DIVIDENDS PAID

No dividends were declared or paid during the interim period ended 31 December 2008 (2007: nil).

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CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. SEGMENT REPORTING

2008	Hazardous waste remediation \$'000	Liquid waste remediation \$'000	Industrial services \$'000	Solid waste remediation \$'000	Consolidated \$'000
Segment revenue	5,379	6,039	25,511	4,575	41,505
Segment result	1,947	2,098	3,267	931	8,243
			Unallocated revenues		-
			Unallocated expenses		(2,157)
			EBIT		6,086
			Finance costs		(2,070)
			Income tax expense		(1,203)
			Profit/(loss) for the period		2,813
Depreciation	(433)	(540)	(2,574)	(487)	(4,034)

2007	Hazardous waste remediation \$'000	Liquid waste remediation \$'000	Industrial services \$'000	Solid waste remediation \$'000	Consolidated \$'000
Segment revenue	4,247	4,943	3,292	3,356	15,839
Segment result**	1,651	1,909	1,209	760	5,529
			Unallocated revenues		-
			Unallocated expenses		(444)
			EBIT		5,085
			Finance costs		(611)
			Income tax expense		(1,389)
			Profit/(loss) for the period		3,085

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since the end of the interim financial period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

9. CHANGES IN COMPOSITION OF THE GROUP

a) Business combinations during the half year

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 6 months since acquisition to 31 December 2008, the Barry Bros. business contributed profit of approximately \$950,000.

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	(7,180)	(7,180)
Loans and borrowings**	(164)	(164)
Net identifiable assets and liabilities	23,509	23,509
Goodwill on acquisition*	1,853	1,853
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

9. CHANGES IN COMPOSITION OF THE GROUP (continued)

*Management believes that Goodwill comprises the business name and business licenses, together with the synergies expected to be achieved from integrating the business into the Group's existing liquid waste remediation business segment.

Initial accounting for this business combination has, however, been determined provisionally and will be completed within 12 months of the acquisition date as allowed by AASB 3 *Business Combinations*.

** 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.

b) Business combinations during the comparative reporting period

AGR Science and Technology Pty Ltd

On 8 October 2007 the Group acquired all of the assets in AGR Science and Technology Pty Ltd for \$3,100,000 in cash. A performance bonus of \$1,500,000 was paid to the vendors on 6 June 2008 by way of the issue of 648,648 ordinary shares at \$1.85 each and \$300,000 cash and this formed part of the total purchase consideration.

AGR Science and Technology Pty Ltd operate a licensed liquid waste treatment facility in Cooper Plains, Queensland.

In the 9 months since acquisition to 30 June 2008, the AGR Science and Technology business contributed profit of approximately \$594,000. If this acquisition had occurred on 1 July 2007, management estimates that they would have contributed approximately \$900,000 to the net profit of the Group.

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

Asset description	Carrying amount	Fair value
	\$'000	\$'000
Property, plant and equipment	1,000	1,000
Goodwill*	3,600	3,600
Total purchase price	<u>4,600</u>	<u>4,600</u>

Wastestream Corporation Pty Ltd

On 1 November 2007 the Group acquired the assets in Wastestream Corporation Pty Ltd for \$368,637 in cash. A performance bonus of \$300,000 was paid to the vendors on 6 June 2008 by way of the issue of 81,081 ordinary shares at \$1.85 each and a cash payment of \$150,000 and this formed part of the total purchase consideration.

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9. CHANGES IN COMPOSITION OF THE GROUP (continued)

Wastestream Corporation Pty Ltd is a waste management consultancy company.

In the 8 months since acquisition to 30 June 2008, the Wastestream business contributed profit of approximately \$104,000. If this acquisition had occurred on 1 July 2007, management estimates that they would have contributed approximately \$400,000 to the net profit of the Group.

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

Asset description	Carrying amount \$'000	Fair value \$'000
Property, plant and equipment	68	68
Goodwill*	600	600
Total purchase price	668	668

Karratha Mini Skips

On 15 January 2008 the Group acquired the assets in Karratha Mini Skips for \$2.1M comprising \$1.85M in cash and the balance of \$250,000 in fully paid ordinary shares in the Company (125,000 shares at \$2 each).

Karratha Mini Skips is a waste management company providing solid waste collection and disposal services to the Karratha and Dampier regions of Western Australia.

In the 5.5 months since acquisition to 30 June 2008, the Karratha Mini Skips business contributed profit of approximately \$200,000. If this acquisition had occurred on 1 July 2007, management estimates that they would have contributed approximately \$450,000 to the net profit of the Group.

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

Asset description	Carrying amount \$'000	Fair value \$'000
Property, plant and equipment	602	602
Goodwill*	1,498	1,498
Total purchase price	2,100	2,100

In determining estimated full year profit contributions, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 July 2007.

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CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. CONTINGENCIES

There has been no change in contingent assets and contingent liabilities since 30 June 2008.

11. SHARE BASED PAYMENTS

On 23 August 2007 the Group issued share options pursuant to an Employee Share Option Plan which entitles employees to purchase shares in the Company. The terms and conditions of the grants made are as follows:

Grant date	Number	Expiry date	Exercise price \$	Option value \$
23 August 2007	137,500	28 February 2008	1.55	1.116
23 August 2007	147,500	28 February 2008	1.65	1.066
23 August 2007	240,000	28 February 2008	1.75	1.017
23 August 2007	177,500	28 February 2008	1.80	0.995
23 August 2007	335,000	28 February 2008	1.90	0.949
23 August 2007	430,000	28 February 2008	2.20	0.827

Each grant vests in 3 tranches over the next 3 years as follows:

- One third immediately upon issue
- One third after 12 months of continuous service
- The remained after 24 months of continuous service

Assumptions made when fair valuing the share options using the binomial model are as follows:

Underlying share price	\$2.19
Expected volatility	40%
Option life	1,285 days
Expected dividends	Nil
Risk-free interest rate	6.875%

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DIRECTORS' DECLARATION

In the opinion of the Directors of Tox Free Solutions Limited (the Company):

1. the financial statements and notes set out on pages 8 to 20, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the six months ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth on this the 23rd day of February 2009.

Signed in accordance with a resolution of directors:

Douglas Wood

DOUGLAS WOOD

Non-executive Chairman

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF TOX FREE SOLUTIONS LIMITED

We have reviewed the accompanying half-year financial report of Tox Free Solutions Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

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 Interim and Other Financial Reports 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2008 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.



BDO Kendalls

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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 2008 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 Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls


Glyn O'Brien
Director

Signed in Perth, Western Australia

Dated this 23rd day of February 2009.

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