



**HRL HOLDINGS LIMITED**  
**Appendix 4D December**  
**FY2022 Half-Yearly Final Report**  
**Results for Announcement to the Market**

**1. Company Details and Reporting Period**

Name of Entity: HRL Holdings Limited  
ABN: 99 120 896 371  
Reporting Period: 31 December 2021  
Previous Corresponding Period: 31 December 2020

**2. Results for Announcement to the Market \$000's**

Revenue from ordinary activities up 10.1% to: 18,008

Net loss for the period attributable to members decreased to: 729

No dividends were paid or payable during the period.

Refer to pages 1 to 5 of the Financial Statements for the operational and financial review of the Entity.

**3. Statement of Comprehensive income with Notes to the Statement**

Refer to Page 7 of the December 2021 Financial Statements and accompanying Notes.

**4. Balance Sheet with Notes to the Statement**

Refer to Page 8 of the December 2021 Financial Statements and accompanying Notes.

**5. Statement of Cash Flows with Notes to the Statement**

Refer to Page 10 of the December 2021 Financial Statements and accompanying Notes.

**6. Dividends**

No dividends were paid or payable during the period.

**7. Statement of Changes in Equity**

Refer to Page 9 of the December 2020 Financial Statements and accompanying Notes.

**8. Net Tangible Assets per Security**

Dec 2021 \$0.0132

Dec 2020 \$0.0127

**9. Entities over which Control has been Gained or Lost during the Period.**

Not applicable.



**10. Associates and Joint Venture Entities**

Not applicable.

**11. Other Significant Information**

Not applicable.

**12. Accounting Standards used for Foreign Entities**

Not applicable.

**13. Status of Audit**

The attached December 2021 Financial Statements have been reviewed.

**14. Dispute or Qualifications if not yet audited**

Not applicable.

**15. Dispute or Qualifications if audited**

Not applicable.

A handwritten signature in blue ink that reads 'Paul Marshall'.

**Paul Marshall**  
Company Secretary  
28 January 2022



**HRL HOLDINGS LIMITED**

**INTERIM FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED  
31 DECEMBER 2021**

# DIRECTORS' REPORT

## DIRECTORS' REPORT

Your Directors present their report on the Consolidated Entity consisting of HRL Holdings Limited ("HRL" or "Company") and the entities it controlled ("the Group") at the end of, or during, the half-year ended 31 December 2021.

## DIRECTORS

The following persons were directors of HRL Holdings Limited during the whole of the half-year reporting period and up to the date of this report, unless otherwise stated:

Name	Position	Period of Directorship
Greg Kilmister	Non-Executive Chairman	Appointed 11 February 2019
Steve Howse	Executive Director	Appointed 1 March 2018
James Todd	Non-Executive Director	Appointed 1 March 2018
Richard Stephens	Non-Executive Director	Appointed 3 September 2020
Alex White	Non-Executive Director	Appointed 1 March 2021
Edmon Odza	Alternate Director	Appointed 30 November 2021

## REVIEW OF OPERATIONS

### COVID-19 Impacts

#### New Zealand

Unfortunately, New Zealand operations were again materially affected by COVID-19 lockdowns through the period.

From mid-August through to early December New Zealand was impacted by a range of lockdowns with the Auckland region in particular impacted by prolonged restrictions.

Analytica's essential food service and water testing service lines remained unrestricted during the lockdown periods, however other service areas experienced both shutdowns during a 3-week period in August/September and drops in normal volumes through the rest of the period. There were efficiency losses across the laboratories during Level 3 and 4 lockdowns as enhanced social distancing and health and safety procedures were put in place.

Precise was also impacted with all operations shutdown during the week period in August/September and significant decline in trade until restrictions were relaxed to Level 2 in the various regions.

From 3 December 2021, remaining material restrictions were relaxed with New Zealand moving to the COVID-19 Protection Framework ("Traffic light system").

During the half-year, Analytica and Precise received the following COVID-19 related support subsidies from the New Zealand Governments:

Entity	Subsidy Received \$AUD
Analytica	85,000
Precise	189,000
	<b>274,000</b>

Refer to the Trading Update for specific impacts on each service line.

#### Australia

Apart from interstate travel restrictions and delays to supply chains, Australian operations remained relatively unaffected by COVID-19 during the period.

No COVID-19 related subsidies were received.

# DIRECTORS' REPORT

## Trading Update

The first half of FY2022 was a disappointing result with COVID-19 impacts in New Zealand and downturns in the dairy and honey markets contributing to weak results.

### Food and Environmental Laboratory Services

The Food and Environmental Laboratory division incorporates the New Zealand based Analytica business unit.

Analytica revenues grew by a modest 2% compared with the prior period:

- Honey revenues experienced a material decline of 28% on the prior period. Over supply from the previous season combined with a fall in demand from overseas customers, daigou channels and travellers for Manuka honey all contributed to the sharp drop off in testing.
- Milk testing was down 16% on the prior period with continued weakness for beta casein testing. Dairy customers reported cross-border trade disruptions due to COVID-19 creating substantial demand/supply volatility which caused excess inventory. The daigou/reseller channels have also significantly declined.
- Product origin testing continues to grow with revenues up 7% on the prior period.
- Asbestos testing, based in Analytica's regional lab network, pleasingly grew 17% on the prior period. Increasing volumes in these regional labs is a key focus for FY2022.
- Despite being one of the main service lines impacted by the Auckland lockdowns, environmental testing services (laboratory testing of asbestos, air, water and soil) grew 14% after excluding the revenue provided by the Water Testing Hawkes Bay acquisition. Monthly revenues had returned to expected volumes in November and December.
- Drugs of abuse saw a sharp decline (28%) during the period with property contamination testing very weak throughout the lockdowns.
- Project revenues were strong during the period with growth of 53% on the prior period on the back of a number of dairy related projects.

In line with the medium-term strategic plan outlined in July, Analytica invested in technical staff with headcount increasing 14% over the period in order to secure sufficient capability in a tight labour market. The additional labour costs in combination with limited revenue growth impacted margins during the period but are a key component in growing the business over the next 3 years.

### HAZMAT

The HAZMAT division, which incorporates the OCTIEF business unit in Australia and the Precise business in New Zealand, had a solid half-year despite the New Zealand lockdowns.

Precise operations were fully closed, except for emergency works, through much of August and September. With the exception of the Auckland region, asbestos survey works came back strongly following the easing of restrictions and revenues from October onwards were at very high levels.

Auckland operations remained impacted, with full operations only returning in December. Despite these setbacks, Precise operations held up remarkably well and met internal expectations for the period.

Property contamination services remained weak through the period with limited demand from the Auckland region.

Occupational Hygiene revenues were soft due to the Occupational Hygiene specialists being based in Auckland and unable to travel to sites. With Auckland travel restrictions now removed, Precise is expecting a substantial increase in these works in the second half.

Australian operations for OCTIEF were very solid during the period meeting internal expectations. OCTIEF's environmental laboratory service continued to grow with revenues up 68% on the prior period. The majority of OCTIEF's workload continues to come from the QLD and NT governments and utility providers and this is expected to remain the case through the second half.

### Software

The Software division incorporates the OCTFOLIO business unit which is Australian based but has existing contracts and clients in both Australia and New Zealand.

# DIRECTORS' REPORT

During the period OCTFOLIO commenced development on new products for other HAZMAT consultants in markets where OCTIEF and Precise do not compete to enable these consultancies to introduce their own customers to the OCTFOLIO asset management platform. By expanding the reseller network through this consultant network, OCTFOLIO expects to gain access to a larger suite of customers and key decision makers it previously did not.

## Geotechnical

The Geotechnical division incorporates the Morrison Geotechnic business unit in Australia. Excluding the month of November which saw record rainfalls stand down many projects, revenues across all regions saw a substantial increase (+18% on prior period).

Morrison commenced work on its recently awarded multi-year highway development contract. Increases in project scope and a substandard mobilisation process saw this contract trade at a loss for the period, as Morrison incurred extra costs for recruitment, training and outsourced laboratory testing. A number of management changes were made in response and Morrison is now in position to service this contract effectively and profitably. Staffing has increased substantially across Morrison to meet the work demands and laboratory capacity has been increased.

## Joint Ventures

### CAIQTest (Pacific) Limited

The Group has 26% interest in CAIQTest (Pacific) Limited, a New Zealand based laboratory providing pre-shipment testing services for clients exporting goods from Australasia to China, assisting greatly with supply chain bottlenecks.

Trading for CAIQTest (Pacific) Limited during the period was very strong, benefiting from both product registration testing and continued growth in routine testing. HRL's share of CAIQTest (Pacific) Limited profit for the six-month period was \$280,000.

### Food Lab Pacific Limited

HRL has entered into an agreement with MilkTestNZ to create a new 50:50 joint venture company to provide analytical testing services to the wider New Zealand dairy industry. The joint venture agreement represents an expansion of the existing strategic alliance between HRL and MilkTestNZ, which focusses on liquid milk testing.

Food Lab has now received accreditation for its planned initial service offerings and is focused on business development and commercial testing. First revenues were generated in the period and Food Lab is working hard on expanding its customer and revenue base.

## FINANCIAL REVIEW

Key financial headlines of the HRL Group's 31 December 2021 results are:

- Revenues of \$18,008,000
- Underlying EBITDA of \$2,015,000
- Underlying profit after tax of \$50,000 <sup>1</sup>
- Statutory loss after tax of \$729,000
- Cashflow provided by operations of \$767,000
- Net debt of \$3,482,000 <sup>2</sup>
- Net current assets of \$515,000

<sup>1</sup> Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Group, in accordance with AICD/Finsia principles of recording underlying profit. Underlying profit has not been audited.

<sup>2</sup> Net debt represents cash and cash equivalents less borrowings including bank financed asset leases.

# DIRECTORS' REPORT

## Funding and Liquidity

As at 31 December 2021, the Group had net current assets of \$515,000. Included in current liabilities is:

- Contract liabilities (included within trade and other payables) of \$162,000 representing revenue received in advance for services to be provided in the coming year; and
- Lease liabilities relating to building premises of \$920,000 which will be progressively paid over the coming 12 months.

Working capital excluding these amounts is \$1,598,000. The Group has undrawn bank facilities of \$4,879,000 and comfortably met all banking covenants during the period.

During the half-year, the Group generated operating cashflows of \$767,000.

Based upon its cash reserves, undrawn finance facilities and expected ongoing earnings, the Group is comfortable it has sufficient funding capacity to continue to grow the business organically and meet all its obligations.

## Financial Performance

The following table summarises key reconciling items between the Group's statutory profit and underlying profit after tax:

	6 months ended 31 December 2021 \$'000	6 months ended 31 December 2020 \$'000
Underlying EBITDA <sup>1</sup>	2,015	3,622
Operating depreciation and amortisation	(1,804)	(1,416)
Net interest expense	(172)	(170)
Operating tax	11	(534)
<b>Underlying profit/(loss) after tax</b>	<b>50</b>	<b>1,502</b>
<i>Non-operating adjustments</i>		
Amortisation of intangible assets arising from acquisitions	(243)	(588)
Food Lab equity accounted share of loss	(537)	(467)
Non-operating tax	1	13
<b>Statutory profit/(loss) after income tax</b>	<b>(729)</b>	<b>460</b>

<sup>1</sup> In the opinion of the Directors, the Group's underlying profit reflects the results generated from ongoing operating activities and is calculated in accordance with AICD/Finsia principles. The non-operating adjustments outlined above are considered to be non-recurring in nature. These items are included in the Group's consolidated statutory result but excluded from the underlying result.

Underlying EBITDA includes \$280,000 share of profit from CAIQTest (Pacific) Limited (Dec 2020: \$87,000).

## Comparison with the Prior Period

Underlying profit after tax for the year decreased by \$1,452,000 compared with the prior period. The key reasons for the increase were:

- Lower earnings from Analytica:
  - Revenues grew slightly but were below expectations due to the impact of COVID lockdowns and falling revenues in the dairy and honey services.
  - Analytica has invested in both technical staff and laboratory equipment which increased employee costs and depreciation.
- Lower earnings from Morrison Geotechnic:
  - Revenues grew 18% but increased costs were incurred scaling up the business to resource increased workloads across the South East QLD market.
  - The prior period benefited from \$635,000 of JobKeeper subsidies.
- Lower earnings from OCTFOLIO as it commenced development on new software products.

# DIRECTORS' REPORT

## AFTER BALANCE DATE EVENTS

There have been no events since 31 December 2021 that impact upon the financial report.

## ROUNDING

The Company is a kind referred to in Australian Securities & Investment Commission (ASIC) Corporations Instrument 2016/191, and in accordance with that instrument all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

## AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report.

Signed in accordance with a resolution of the board of directors of HRL Holdings.



Greg Kilmister  
Director  
Brisbane, 28 January 2022



## DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF HRL HOLDINGS LIMITED

As lead auditor for the review of HRL Holdings Limited for the half-year ended 31 December 2021, 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 HRL Holdings Limited and the entities it controlled during the period.



**C R Jenkins**  
Director

**BDO Audit Pty Ltd**

Brisbane, 28 January 2022

# STATEMENT OF COMPREHENSIVE INCOME

## Consolidated Statement of Comprehensive Income For the half-year ended 31 December 2021

6 Months Ended	Note	31 December 2021 \$'000	31 December 2020 \$'000
HAZMAT service revenue		5,005	4,045
Geotechnical service revenue		3,832	3,249
Food and environmental laboratory revenue		8,773	8,590
Software service revenue		394	472
Interest revenue		4	3
<b>Total Revenue</b>		<b>18,008</b>	<b>16,359</b>
Costs and consumables relating to the provision of services		(3,281)	(2,703)
Employee expenses		(10,788)	(8,528)
Travel and business development expenses		(241)	(170)
Other expenses		(1,959)	(1,420)
Finance costs		(176)	(173)
Depreciation & amortisation – equipment, software & leased assets		(1,804)	(1,416)
Amortisation - acquisition intangible assets	4	(243)	(588)
<b>Total Expenses</b>		<b>(18,492)</b>	<b>(14,998)</b>
Equity accounted share of profit/(loss)		(257)	(380)
<b>Profit/(loss) before income tax</b>		<b>(741)</b>	<b>981</b>
Income tax benefit/(expense)		12	(521)
<b>Profit/(loss) after income tax</b>		<b>(729)</b>	<b>460</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences for foreign operations		186	64
Income tax		-	-
Other comprehensive income for the period, net of tax		186	64
<b>Total comprehensive income</b>		<b>(543)</b>	<b>524</b>
<b>Earnings/(Loss) per share</b>		<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings/(loss) per share		(0.1)	0.1

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

# BALANCE SHEET

## Consolidated Balance Sheet As at 31 December 2021

	Note	31 December 2021 \$'000	30 June 2021 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		852	1,585
Trade and other receivables		4,551	4,645
Inventories		946	742
Other current assets		600	59
<b>TOTAL CURRENT ASSETS</b>		<b>6,949</b>	<b>7,031</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		119	224
Equity accounted investments		1,344	1,035
Plant and equipment	3	8,245	6,877
Intangible assets	4	1,286	1,329
Goodwill	5	16,876	16,776
Right-of-use assets	6	2,346	1,892
Deferred tax assets		912	1,040
<b>TOTAL NON-CURRENT ASSETS</b>		<b>31,128</b>	<b>29,173</b>
<b>TOTAL ASSETS</b>		<b>38,077</b>	<b>36,204</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,465	2,895
Current tax liabilities		658	850
Short-term provisions		1,272	1,197
Lease liabilities	6	1,176	1,202
Borrowings	7	863	52
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,434</b>	<b>6,196</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term provisions		89	23
Lease liabilities	6	1,522	1,163
Borrowings	7	2,990	1,339
Deferred tax liabilities		-	4
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>4,601</b>	<b>2,529</b>
<b>TOTAL LIABILITIES</b>		<b>11,035</b>	<b>8,725</b>
<b>NET ASSETS</b>		<b>27,042</b>	<b>27,479</b>
<b>EQUITY</b>			
Contributed capital	8	38,264	38,197
Reserves		131	(94)
Accumulated losses		(11,353)	(10,624)
<b>TOTAL EQUITY</b>		<b>27,042</b>	<b>27,479</b>

The Consolidated Balance Sheet should be read in conjunction with the Notes to the Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

## Consolidated Statement of Changes in Equity For the half-year ended 31 December 2021

	Contributed Capital \$'000	Accumulated Losses \$'000	Reserves \$'000	Total \$'000
<b>Balance at 1 July 2020</b>	38,162	(12,022)	(112)	26,028
<b>Transactions with owners in their capacity as owners</b>				
Share based payments	-	-	93	93
Conversion of performance rights	35	-	(35)	-
<b>Total</b>	<b>35</b>	<b>-</b>	<b>58</b>	<b>93</b>
<b>Comprehensive income</b>				
Profit after income tax	-	460	-	460
Foreign currency translation differences for foreign operations	-	-	64	64
<b>Total comprehensive income</b>	<b>-</b>	<b>460</b>	<b>64</b>	<b>524</b>
<b>Balance at 31 December 2020</b>	<b>38,197</b>	<b>(11,562)</b>	<b>10</b>	<b>26,645</b>
<b>Balance at 1 July 2021</b>	<b>38,197</b>	<b>(10,624)</b>	<b>(94)</b>	<b>27,479</b>
<b>Transactions with owners in their capacity as owners</b>				
Share based payments	-	-	106	106
Transfer of expired performance rights	-	-	-	-
Conversion of performance rights	67	-	(67)	-
<b>Total</b>	<b>67</b>	<b>-</b>	<b>39</b>	<b>106</b>
<b>Comprehensive income</b>				
Loss after income tax	-	(729)	-	(729)
Foreign currency translation differences for foreign operations	-	-	186	186
<b>Total comprehensive income</b>	<b>-</b>	<b>(729)</b>	<b>186</b>	<b>(543)</b>
<b>Balance at 31 December 2021</b>	<b>38,264</b>	<b>(11,353)</b>	<b>131</b>	<b>27,042</b>

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

# STATEMENT OF CASH FLOWS

## Consolidated Statement of Cash Flows For the half-year ended 31 December 2021

6 Months Ended	31 December 2021 \$'000	31 December 2020 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	20,362	18,708
Payments to suppliers and employees	(19,631)	(15,219)
Interest received	4	3
Income tax paid	(66)	(88)
COVID-19 wage subsidies received	274	635
Finance costs	(176)	(172)
Net cash provided by operating activities	767	3,867
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for plant & equipment	(2,374)	(1,034)
Proceeds from sale of plant & equipment	44	174
Security bond refunds/(payments)	(41)	(12)
Payments for intangibles - software	(422)	(102)
Investment in Food Lab Pacific Limited	(586)	(486)
Net cash used in investing activities	(3,379)	(1,460)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	3,146	-
Repayment of borrowings	(684)	(937)
Lease principal payments	(732)	(586)
CAIQTest (Pacific) Limited loan repayment	141	-
Net cash used in financing activities	1,871	(1,523)
Net increase in cash and cash equivalents held	(739)	884
Net foreign exchange differences	6	9
Cash and cash equivalents at the beginning of the financial period	1,585	2,854
<b>Cash and cash equivalents at the end of the financial period</b>	<b>852</b>	<b>3,747</b>

*The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.*

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

HRL Holdings 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 2021 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity" or the "Group").

### Basis of preparation

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The Company is a for-profit entity for the purpose of preparing the interim financial report.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2021 and any public announcements made by the company during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This consolidated interim financial report was approved by the Board of Directors on 28 January 2022.

### Accounting Policies

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2020 except for the adoption of new and amended standards as set out below.

### Critical accounting estimates and judgements

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 if the revision affects only that period or in the period and future periods if the revision affects both current and future periods.

The following critical accounting estimates and judgements were considered significant for the year ended 30 June 2021:

#### Goodwill:

The recoverable amounts of cash generating units are determined based on value in use calculations. The Group has considered and assessed for any reasonably possible changes to key assumptions used in these calculations and has determined that the assumptions used at 30 June 2021 remain appropriate for the 6 months ended 31 December 2021.

A full impairment review was performed as at 30 June 2021, and as at 31 December 2021, the Group considered whether there were indicators of impairment of any of its assets. The Group has updated its forecasts used in the impairment assessment as at 31 December 2021 and all cash generating units had sufficient headroom between their recoverable amount and carrying value. Accordingly, no impairment has been recognised in the 6 months to 31 December 2021.

#### Recognition of deferred tax asset for carried forward losses:

The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiaries. The Group has determined that estimates and assumptions applied in determining recoverability as at 30 June 2021 remain appropriate for the 6 months ended 31 December 2021.

The Directors of the Group has not identified any other possible changes to key estimates or judgements that could significantly affect the amounts recognised in the interim financial report.

### New and revised standards

A number of new or amended standards became applicable for the current reporting period. The impact of the adoption of these standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

### Fair Values

The fair values of Consolidated Entity's financial assets and financial liabilities approximate their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

### ROUNDING

The Company is a kind referred to in Australian Securities & Investment Commission (ASIC) Corporations Instrument 2016/191, and in accordance with that instrument all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2 SEGMENT REPORTING

### Reportable Segments

For the year ended 31 December 2021 the Group has identified the operating segments based on internal reports that are reviewed and used by the executive team in assessing performance and determining the allocation of resources:

- HAZMAT services including:
  - industrial hygiene, with a focus on asbestos and hazardous materials management;
  - property contamination testing and work place drug testing;
  - environmental testing services (air, water and soil including contaminated land);
  - environmental and property management software solutions; and
  - specialised NATA/IANZ - on-site testing and monitoring.
- Food and environmental laboratory services including:
  - honey laboratory testing;
  - milk and dairy laboratory testing;
  - food origin testing;
  - drugs of abuse laboratory testing;
  - asbestos laboratory analysis;
  - environmental laboratory testing (air, water, soil including organic and inorganics); and
  - other laboratory research and development.
- Geotechnical services including:
  - Geotechnical investigations and studies;
  - Temporary works designs and inspections;
  - Construction phase verification;
  - Earthworks supervision;
  - Soil, concrete and aggregate testing; and
  - Onsite mobile laboratory testing.
- Software services including:
  - Information management software solutions for asbestos and hazardous materials;
  - Innovative field management software solutions; and
  - Customised compliance solutions and applications relating to workplace health and safety.

Unallocated amounts reflect corporate costs incurred by the HRL Holdings Limited parent entity as well as the financing activities of the Group.

Reported segment results include any acquisition costs and amortisation of intangible assets that arose on acquisition that are applicable to that segment.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2 SEGMENT REPORTING (CONT'D)

### Segment Revenues and Results

Half Year Ended 31 December 2021

	HAZMAT \$'000	Geotechnical \$'000	Food/Environment Laboratory \$'000	Software \$'000	Unallocated \$'000	Consolidated \$'000
<b>Revenue:</b>						
Services revenue	5,005	3,832	8,773	394	-	18,004
Interest revenue	-	-	-	-	4	4
Share of equity accounted profit/(loss)	-	-	(257)	-	-	(257)
<b>Expenses:</b>						
Interest expense	-	-	-	-	(176)	(176)
Other operating expenses	(4,502)	(4,023)	(8,241)	(515)	(792)	(18,073)
Segment result before acquisition related expenses	503	(191)	275	(121)	(964)	(498)
<u>Acquisition Related Expenses:</u>						
Amortisation on acquisition intangibles	-	-	(243)	-	-	(243)
<b>Segment result</b>	503	(191)	32	(121)	(964)	(741)
Income tax expense						12
<b>Net profit/(loss)</b>	503	(191)	32	(121)	(964)	(729)
<u>Assets:</u>						
Segment assets	5,445	5,000	24,827	1,916	889	38,077
<u>Liabilities:</u>						
Segment liabilities	2,208	1,192	3,253	109	4,273	11,035



# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2 SEGMENT REPORTING (CONT'D)

### Segment Revenues and Results

Half Year Ended 31 December 2020

	HAZMAT \$'000	Geotechnical \$'000	Food/Environment Laboratory \$'000	Software \$'000	Unallocated \$'000	Consolidated \$'000
<b>Revenue:</b>						
Services revenue	4,104	3,249	8,590	413	-	16,356
Interest revenue	-	-	-	-	3	3
Share of equity accounted profit/(loss)	-	-	(380)	-	-	(380)
<b>Expenses:</b>						
Interest expense	-	-	-	-	(173)	(173)
Other operating expenses	(3,511)	(2,639)	(7,026)	(298)	(763)	(14,237)
Segment result before acquisition related expenses	593	610	1,184	115	(933)	1,569
<u>Acquisition Related Expenses:</u>						
Amortisation on acquisition intangibles	-	-	(588)	-	-	(588)
<b>Segment result</b>	593	610	596	115	(933)	981
Income tax expense						(521)
<b>Net profit/(loss)</b>	593	610	596	115	(933)	460
<u>Assets:</u>						
Segment assets	5,147	4,333	23,430	1,894	2,333	37,137
<u>Liabilities:</u>						
Segment liabilities	2,646	1,617	2,921	126	3,182	10,492

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 3 PLANT AND EQUIPMENT

### Movements during the period (in \$'000)

	Leasehold Improvements	Motor Vehicles	Office Furniture and Equipment	Lab and field Equipment	Total
Balance at 1 July 2021	329	691	310	5,547	6,877
Transfers from leased assets	14	13	-	-	27
Additions	201	119	106	1,835	2,261
Disposals	-	(3)	(1)	(5)	(9)
Foreign exchange movements	11	8	42	50	111
Depreciation	(48)	(136)	(92)	(746)	(1,022)
<b>Balance at 31 December 2021</b>	<b>507</b>	<b>692</b>	<b>365</b>	<b>6,681</b>	<b>8,245</b>

## NOTE 4 INTANGIBLE ASSETS

### Movements during the period (in \$'000)

	Customer Contracts	Licences and Accreditations	Software	Total
Balance at 1 July 2021	712	125	492	1,329
Additions	-	-	422	422
Foreign exchange movements	1	1	(3)	(1)
Amortisation	(219)	(24)	(221)	(464)
<b>Balance at 31 December 2021</b>	<b>494</b>	<b>102</b>	<b>690</b>	<b>1,286</b>

## NOTE 5 GOODWILL

31 December  
2021  
\$'000

### Movements during the period

Balance at 1 July 2021	16,776
Foreign exchange movements	100
<b>Balance at 31 December 2020</b>	<b>16,876</b>

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 6 LEASES

	31 December 2021 \$'000	30 June 2021 \$'000
<b>Amounts recognised in the Balance Sheet</b>		
<b>Right-of-use assets</b>		
Leased buildings – right-of-use	1,999	1,561
Leasehold improvements	-	18
Motor vehicles	95	209
Lab and field equipment	252	104
	<b>2,346</b>	<b>1,892</b>
<b>Lease liabilities</b>		
CURRENT		
Leases for equipment – bank financed	256	423
Leases for building premises	920	779
	<b>1,176</b>	<b>1,202</b>
NON-CURRENT		
Leases for equipment – bank financed	225	154
Leases for building premises	1,297	1,009
	<b>1,522</b>	<b>1,163</b>
	<b>31 December 2021 \$'000</b>	<b>31 December 2020 \$'000</b>

### Amounts recognised in the Statement of Comprehensive Income

<b>Depreciation and amortisation</b>		
Buildings premises	455	389
Leasehold improvements	4	4
Motor vehicles	81	156
Lab and field equipment	20	20
	<b>560</b>	<b>569</b>
<b>Interest expense on leases (included in finance costs)</b>		
Buildings premises	59	59
Equipment leases – bank financed	16	24
	<b>75</b>	<b>83</b>

### Amounts recognised in the Statement of Cash Flows

Lease principal repayments - buildings premises	468	360
Lease principal repayments - equipment leases	264	226
Interest payments - buildings premises	59	54
Interest payments - equipment leases	13	24
	<b>804</b>	<b>664</b>

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 7 BORROWINGS

	31 December 2021 \$'000	30 June 2021 \$'000
<b>CURRENT</b>		
Government loans	52	52
Bank loans	811	-
	<b>863</b>	<b>52</b>
<b>NON-CURRENT</b>		
Government loans	254	254
Bank loans	2,736	1,085
	<b>2,990</b>	<b>1,339</b>

### Financing Facilities

The Group has access to the following lines of credit:

	31 December 2021 \$'000	30 June 2021 \$'000
<i>Total facilities available</i>		
Leases - equipment financing	1,970	1,965
Government loans	307	306
Bank loans	6,936	7,500
	<b>9,213</b>	<b>9,771</b>
<i>Facilities used at balance date</i>		
Leases - equipment financing	481	577
Government loans	307	306
Bank loans	3,546	1,085
	<b>4,334</b>	<b>1,968</b>
<i>Unused facilities at balance date</i>		
Finance leases and equipment financing	1,489	1,388
Government loans	-	-
Bank loans	3,390	6,415
	<b>4,879</b>	<b>7,803</b>

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 7 BORROWINGS (continued)

### Covenants

The bank loans are subject to the below covenants:

#### Debt Service Cover Ratio greater than 1.5

Debt Service Cover Ratio means: Operating EBITDA divided by the total minimum principal and interest payments for that period. This ratio will be assessed every 6 months on a 12-month rolling result.

#### Debt to EBITDA ratio of less than 200%

Gearing ratio means: Total financial debt divided by operating EBITDA. This ratio will be assessed every 6 months on a 12-month rolling result.

#### Provision of bi-annual compliance certificates

HRL must provide within 3.5 months of 30 June and 31 December a compliance certificate (and relevant supporting information as set out in the agreement) that states both the above covenants have been met.

### Defaults and breaches

During the period there were no defaults or breaches on any of the loans.

## NOTE 8 CONTRIBUTED CAPITAL

### Share Capital

	31 December 2021 \$'000	30 June 2021 \$'000
494,381,306 fully paid ordinary shares (June 2021: 493,777,235)	38,264	38,197

### Ordinary Shares

	Dec 2021 \$'000	June 2021 \$'000	Dec 2021 #	June 2021 #
At the beginning of the year	38,197	38,162	493,777,235	493,402,627
Performance rights vested	67	35	604,071	374,608
<b>At reporting date</b>	<b>38,264</b>	<b>38,197</b>	<b>494,381,306</b>	<b>493,777,235</b>

## NOTE 9 CONTINGENT LIABILITIES

There has been no change to contingent assets and contingent liabilities disclosed in the 30 June 2021 financial report.

## NOTE 10 EVENTS AFTER BALANCE DATE

There have been no events since 31 December 2021 that impact upon the financial report.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 11 SHARE BASED PAYMENTS

### Options (Executive Option Plan)

The Company has issued a total of 15,000,000 options, under a new scheme, to the CEO and CFO in replacement of the previously issued and future performance rights schemes. Each option which vests and is exercised converts to an ordinary share in the Company at an exercise price of \$0.12. The options are not quoted on the ASX. Options granted carry no dividend or voting rights.

Details of options issued, exercised and expired during the 31 December 2021 reporting period are set out below:

Grant Date	Expiry Date	Vesting Date <sup>1</sup>	Exercise Price	Movements				
				1 July 2021	Issued	Exercised	Expired / Forfeited	31 Dec 2021
3 Dec 2021	3 Dec 2026	31 Aug 2024	\$0.12	-	6,000,000	-	-	6,000,000
3 Dec 2021	3 Dec 2026	31 Aug 2025	\$0.12	-	4,500,000	-	-	4,500,000
3 Dec 2021	3 Dec 2026	31 Aug 2026	\$0.12	-	4,500,000	-	-	4,500,000
				-	15,000,000	-	-	15,000,000

<sup>1</sup> Represents the date at which both of the following vesting conditions must be met:

- HRL share price of at least \$0.21; and
- Recipient to remain employed with HRL.

If the share price conditions are not met then the options will lapse on the vesting date. If the recipient ceases employment with HRL before the vesting date, the options will lapse.

### Performance Rights (Long Term Incentive Plan)

The Company has granted performance rights to senior management under a long term incentive plan. Each equity-settled performance right which vests and is exercised converts to an ordinary share in the Company at nil exercise price. The performance rights are not quoted on the ASX. Performance rights granted carry no dividend or voting rights.

Details of performance rights issued, exercised and expired during the 31 December 2021 reporting period are set out below:

Expiry / Vesting Date	Tranche	Vesting Condition	Performance period <sup>1</sup>	Movements				
				1 July 2021	Issued	Exercised	Expired / Forfeited <sup>2</sup>	31 Dec 2021
30 June 2024	E	EPS	3 years	-	423,637	-	-	423,637
30 June 2024	E	EBITDA	3 years	-	423,637	-	-	423,637
30 June 2024	E	TSR	3 years	-	423,637	-	-	423,637
30 June 2024	E	ROCE	3 years	-	423,637	-	-	423,637
30 June 2023	D	EPS	3 years	932,566	-	-	(522,006)	410,560
30 June 2023	D	EBITDA	3 years	932,566	-	-	(522,006)	410,560
30 June 2023	D	TSR	3 years	932,566	-	-	(522,006)	410,560
30 June 2023	D	ROCE	3 years	932,566	-	-	(522,006)	410,560
30 June 2022	A	EPS	3 years	1,030,553	-	-	(570,630)	459,923
30 June 2022	A	EBITDA	3 years	1,030,553	-	-	(570,630)	459,923
30 June 2022	A	TSR	3 years	1,030,553	-	-	(570,630)	459,923
30 June 2022	A	ROCE	3 years	1,030,553	-	-	(570,630)	459,923
30 June 2021	B	Budget	1 year	158,531	-	(158,531)	-	-
30 June 2021	B	EBITDA	2 years	294,669	-	(294,669)	-	-
30 June 2021	B	ROCE	2 years	150,870	-	(150,870)	-	-
				8,456,546	1,694,548	(604,071)	(4,370,544)	5,176,480

<sup>1</sup> Represents the relevant period of time to which the both the performance vesting condition is measured and the period of time the recipient must remain employed with the Group.

<sup>2</sup> Includes 3,401,410 performance rights issued to the CEO and CFO under the Long-Term Incentive Plans have now been cancelled and replaced by a new Executive Option Plan.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 11 SHARE BASED PAYMENTS (continued)

### Performance Vesting Conditions

#### Earnings per Share (EPS) Measure

EPS MEASUREMENT TABLE	
<i>Compound annual diluted EPS growth</i>	<i>Proportion of Performance Rights that may be exercised if the EPS Performance Hurdle is met</i>
Less than 10%	Nil
10% or higher	25% of the total applicable tranche

Tranche A: The compound growth in EPS will be measured by comparing fully diluted EPS for the financial year ending 30 June 2022 with fully diluted EPS for the financial year ended 30 June 2018 (FY2019 has not been used as a base because of abnormally poor performance) which is the base year for these EPS calculations.

Tranche D: The compound growth in EPS will be measured by comparing fully diluted EPS for the financial year ending 30 June 2023 with fully diluted EPS for the financial year ended 30 June 2020.

#### EBITDA Measure

EBITDA MEASUREMENT TABLE	
<i>EBITDA margin of HRL relative to EBITDA margin of comparator peer companies</i>	<i>Proportion of performance rights that may be exercised if EBITDA hurdle is met</i>
Less than average EBITDA margin of comparator peer companies	Nil
More than average EBITDA margin of comparator peer companies	25% of the total applicable tranche
Comparator companies	Bureau Veritas (France), Core Laboratories (USA), Eurofins (France & Germany), Intertek (UK), SGS (Switzerland), ALS (Australia), AsureQuality (NZ)

Based on HRL EBITDA margin over the performance period, the EBITDA Hurdle Rights will vest in accordance with the above table. The EBITDA margin measurement is contingent upon performance of the Company against a group of comparator peer companies.

#### Total Shareholder Return (TSR) Measure

TSR MEASUREMENT TABLE	
<i>TSR relative to TSRs of companies in the ASX Small Ordinaries Index over the performance period</i>	<i>Proportion of Performance Rights that may be exercised if the TSR Performance Hurdle is met</i>
Below the total TSR for ASX Small Ordinaries over the Performance Period	Nil
Above the TSR for ASX Small Ordinaries over the Performance Period	25% of the total applicable tranche

TSR measures the growth in the price of shares plus dividends notionally reinvested in shares.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 11 SHARE BASED PAYMENTS (continued)

### Budget Measure

<b>BUDGET MEASUREMENT TABLE</b>	
<i>HRL EBITDA VS Budget</i>	<i>Proportion of performance rights that may be exercised if hurdle is met</i>
EBITDA is less than budget by 5%	Nil
EBITDA vs budget is between -5% and +10%	Straight line vesting of between 0% and 25% of total grant
EBITDA is greater than budget by 10%	25% of total grant

### Return on Capital Employed (ROCE) Measure

<b>ROCE MEASUREMENT TABLE</b>	
<i>ROCE Performance (3 year average)</i>	<i>Proportion of performance rights that may be exercised if ROCE hurdle is met</i>
ROCE of less than WACC + 2%	Nil
ROCE of between WACC + 2% and +7%	Straight line vesting of between 0% and 25% of the total applicable tranche
ROCE exceeds WACC + 7%	25% of the total applicable tranche

ROCE hurdles are set at 2% and 7% above the WACC with straight line vesting in between the lower and upper hurdles below.

ROCE is calculated as Underlying Earnings before Interest and Tax (EBIT) over the performance period divided by Capital Employed expressed as a percentage.

*Capital Employed = Total Shareholders' Equity + Net Debt (the sum of the simple averages of the balances at the beginning and end of each year during the performance period \*)*

\*If material funding transactions (for example, significant additional borrowings, equity issuances or asset impairments) occur such that the simple average for any year during the performance period is not representative of capital actually employed, the average capital employed for the year may be adjusted for the effect of these transactions.



# DIRECTORS' DECLARATION

## DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the attached consolidated financial statements and notes are in accordance with the Corporations Act 2001 and:
  - (i) comply with Australian 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 2021 and of its performance for the half year ended on that date; and
- (b) 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.



Greg Kilmister  
Director  
Brisbane, 28 January 2022

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of HRL Holdings Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of HRL Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

### **Responsibility of the directors for the financial report**

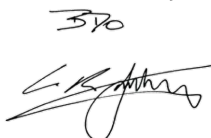
The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation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

### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 Audit Pty Ltd**



**C R Jenkins**

Director

Brisbane, 28 January 2022

## HRL HOLDINGS LIMITED CORPORATE INFORMATION

### **DIRECTORS**

Greg Kilmister (Non-executive Chairman)  
Steve Howse (Executive Director)  
James Todd (Non-executive Director)  
Richard Stephens (Non-executive Director)  
Alex White (Non-executive Director)  
Edmon Odza (Alternate Director)

### **COMPANY SECRETARY**

Paul Marshall

### **REGISTERED OFFICE**

HopgoodGanim Lawyers  
1 Eagle Street  
Brisbane QLD 4000  
Phone: + 61 7 3105 5960

### **SOLICITORS**

HopgoodGanim Lawyers  
1 Eagle Street  
Brisbane QLD 4000  
Phone: + 61 7 3024 0000

### **SHARE REGISTRY**

Link Market Services Limited  
Level 21, 10 Eagle Street  
Brisbane QLD 4000  
Phone: 1300 554 474

### **AUDITORS**

BDO Audit Pty Ltd  
Level 10, 12 Creek Street  
Brisbane QLD 4000  
Phone:+ 61 7 3237 5999

### **COUNTRY OF INCORPORATION**

Australia

### **STOCK EXCHANGE LISTING**

Australian Securities Exchange Limited  
ASX Code: HRL

### **INTERNET ADDRESS**

[www.hrlholdings.com](http://www.hrlholdings.com)

### **AUSTRALIAN BUSINESS NUMBER**

ABN 99 120 896 371