



HRL Holdings Limited

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22 October 2015

ASX Announcement

Appendix 4C – Quarterly Report for Entities Admitted on the Basis of Commitments

Please find attached HRL Holdings Limited's (ASX:HRL) Appendix 4C for the quarter ending September 2015.

Quarter Highlights

Acquisition of AAC Environmental Pty Ltd

On 30 September 2015, HRL completed the acquisition of AAC Environmental Pty Ltd (**AAC**). The AAC acquisition underpins HRL's strategic expansion into the attractive Australian Capital Territory (ACT) market.

Operating out of the ACT, AAC offers a range of services including:

- asbestos auditing and building contamination assessment;
- NATA accredited laboratory analysis of suspected asbestos containing materials;
- contaminated land analysis;
- soil sampling;
- dust monitoring; and
- air quality monitoring.

AAC commenced operations in 2004 and has been providing environmental services, with a particular focus on asbestos, to the ACT and surrounding markets for many years. AAC is a NATA accredited asbestos laboratory.

ACT Market Opportunities

The ACT is currently the asbestos hotspot for the Australian market. The well-publicised loose-fill asbestos insulation "Mr Fluffy" demolition program has now commenced. The ACT Government is buying Mr Fluffy homes from owners for the purpose of demolition and re-build.

Under the \$1bn program, every demolition must go through the following stages:

1. Asbestos removal under friable conditions with air monitoring;
2. Visual and air monitoring clearance post removal;
3. Demolition of home with air monitoring;
4. Visual and air monitoring clearance post demolition;
5. Soil testing.

AAC provide all of the above monitoring, testing and clearance services and are actively involved in the tendering process.

In addition to Mr Fluffy, HRL has identified a number of other significant opportunities in and around the ACT region.



The acquisition of AAC supports HRL strategic plan to expand the geographical presence within the Asia Pacific region. HRL now operates 5 accredited laboratories located in:

- Brisbane;
- Darwin;
- Canberra;
- Christchurch; and
- Wellington.

Four of these locations have been added in the past 12 months. The group is now able to “load balance” laboratory and field consulting services between branch locations and remains able to quickly mobilise resources to meet any individual project requirements.

First Quarter Trading Update

New Zealand

Activity in New Zealand continues to be very strong, with New Zealand operations now accounting for approximately 60% of the group’s revenue.

OCTIEF Limited (NZ) continued the survey works on the Chorus New Zealand Limited (Chorus) assets across both the North and South Islands of New Zealand. The contract is expected to be completed in early 2016 under the original scope of works. Indications are there will additional ongoing work with Chorus following this.

Precise Consulting continued its strong performance achieving similar revenues to the record levels seen in Q4 2015. Profitability remains high with facility and staffing expansions now complete.

HRL has been closely following the upcoming introduction of the New Zealand Asbestos Regulations to accompany the Health and Safety Reform Bill. The current document is modelled around the Australian legislation and will drive a higher level of demand for Precise services throughout New Zealand as businesses need to ensure compliance in areas such as asbestos registers, management plans, IANZ accredited laboratory testing and air monitoring during asbestos removal activities.

Precise has a very strong tender pipeline of opportunities with government agencies, councils, corporate and commercial clients.

HRL continues to evaluate further geographical expansion opportunities in New Zealand.

Queensland

Activity in the Queensland market remains steady, with an increasing demand for contaminated land services. A significant portion of OCTIEF’s revenue has been traditionally derived from asbestos auditing of Queensland public sector assets and there are positive indications that public sector workflow will increase with both the Queensland and Federal Government beginning to announce new infrastructure projects and upgrades.

OCTIEF is currently tendering and negotiating major contracts across Australia. The business focus remains on HAZMAT compliance for major corporate clients and government agencies at all levels of government.

The group has deployed Queensland based staff to both Canberra and Darwin to maximise staffing efficiencies.



Northern Territory

The Darwin office experienced a strong first quarter. A major soil remediation project saw significant laboratory revenue generated. This was complimented by substantial field monitoring works across a number of public sector assets.

The next few months are expected to continue this trend with upcoming projects including asbestos audits of public schools and environmental monitoring projects.

First Quarter Cashflows

During the quarter, HRL generated \$47K net cash inflows from operating activities. This result was substantially less than the actual operating profit result for the quarter as cash flows were impacted by New Zealand income tax payments relating to the prior period and costs relating to the acquisition of AAC.

HRL invested \$44K in new laboratory and field monitoring equipment during the quarter.

On 30 September 2015 HRL Holdings completed the acquisition of AAC. The settlement proceeds were \$1,000,000. HRL used its banking facilities to fund the purchase. HRL took effective control of AAC Environmental Pty Ltd on 1 October 2015 and will consolidate AAC in the HRL Group from that date.

The Group had \$831K in cash at the end of the quarter and \$2.5M in undrawn loan facilities.

For further information contact:

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

HRL Holdings Limited

ABN

99 120 896 371

Quarter ended ("current quarter")

September 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	2,161	2,161
1.2 Payments for (a) staff costs	(983)	(983)
(b) advertising & marketing	(2)	(2)
(c) research & development	-	-
(d) leased assets	(100)	(100)
(e) other working capital	(815)	(815)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(18)	(18)
1.6 Income taxes paid	(171)	(171)
1.7 Other – AAC acquisition costs	(25)	(25)
Net operating cash flows	47	47

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	47	47
1.9 Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses (item 5) ¹	(1,000)	(1,000)
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(44)	(44)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other	-	-
Net investing cash flows	(1,044)	(1,044)
1.14 Total operating and investing cash flows	(997)	(997)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Share issue costs	-	-
1.17 Proceeds from borrowings	1,000	1,000
1.18 Repayment of borrowings	(31)	(31)
1.20 Other (provide details if material)	-	-
Net financing cash flows	969	969
Net increase (decrease) in cash held	(28)	(28)
1.21 Cash at beginning of quarter/year to date	859	859
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	831	831

¹ On 30 September 2015 HRL Holdings completed the acquisition of AAC Environmental Pty Ltd. The settlement proceeds for the acquisition were \$1,000,000. HRL Holdings took effective control of AAC Environmental Pty Ltd on 1 October 2015 and will consolidate AAC Environmental Pty Ltd in the HRL Group from that date.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	227
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Executive and Non-Executive Directors remuneration and fees (\$111K)

Rental payments to a Director related entity (\$25K) in relation to premises rented by OCTIEF Pty Ltd.

Software consulting payments to a Director related entity (\$91K). These fees are contracted under normal terms and conditions.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	3,500	1,000
3.2	Credit standby arrangements	250	-

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
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Reconciliation of cash


Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	551	579
4.2 Deposits at call	280	280
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	831	859

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	AAC Environmental Pty Ltd	
5.2 Place of incorporation or registration	ACT, Australia	
5.3 Consideration for acquisition or disposal	\$1,000,000	
5.4 Total net assets	TBA	
5.5 Nature of business	Environmental and laboratory services	

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.
- 2 This statement does *give* a true and fair view of the matters disclosed.

Sign here: 
 (Company secretary)

Date: 22 October 2015

Print name: Paul Marshall

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.