HRL Holdings Limited
Appendix 4E 2016 Final Report
Results for Announcement to the Market

26 August 2016

1. Company Details and Reporting Period

Name of Entity:	HRL Holdings Limited
ABN:	99 120 896 371
Reporting Period:	30 June 2016
Previous Corresponding Period:	30 June 2015

2. Results for Announcement to the Market	**$**
Revenue from ordinary activities up 80% to:	8,390,066
Net profit for the period attributable to members up to:	117,988

No dividends were paid or payable during the period.

Refer to pages 8 to 13 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 29 of the 2016 Financial Statements and accompanying Notes.

4. Balance Sheet with Notes to the Statement

Refer to Page 30 of the 2016 Financial Statements and accompanying Notes.

5. Statement of Cash Flows with Notes to the Statement

Refer to Page 32 of the 2016 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 31 of the 2016 Financial Statements and accompanying Notes.

8. Net Tangible Assets per Security

2016	$0.006
2015	$0.012

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

Refer to Page 66 of the 2016 Financial Statements.

10. Associates and Joint Venture Entities

Not applicable.

11. Other Significant Information

Not applicable.

12. Accounting Standards used for Foreign Entities

Not applicable.

13. Commentary on the Results for the Period

Refer to pages 8 to 13 of the Financial Statements for the operational and financial review of the Entity.

14. Status of Audit

The attached 2016 Financial Statements have been audited.

15. Dispute or Qualifications if not yet audited

Not applicable.

16. Dispute or Qualifications if audited

Not applicable.

Paul Marshall
Company Secretary
26 August 2016

HRL HOLDINGS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED
30 June 2016

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CEO'S LETTER

Dear Shareholders,

Your Directors and I have much pleasure in presenting the 2016 Annual Financial Statements for HRL Holdings.

Introduction and the past year in review

The 2015-16 financial year was the first full financial year for HRL as an environmental services business. It has been an exciting year marked by both organic expansion and strategic acquisitions. The Group now operates from 9 locations across Australia and New Zealand.

HRL has undertaken a detailed and tactical review of its operations over the past six months with a particular focus on:

1. Integrating the acquired businesses and aligning both operating processes and culture;
2. Developing a high performing management team;
3. Expansion of services to create greater diversification of revenue sources; and
4. Building a sales/tender pipeline of works to capitalise on the national presence and expanded service offerings.

Key milestones achieved throughout the year include:

- Oct 2015 - Octief expands to Canberra through the acquisition of AAC Environmental
- Jan 2016 – HRL appoints Octief General Manager Todd Hastie to lead the Australian environmental business
- Feb 2016 – Precise completes acquisition of RJL & Associates, adding a Palmerston North office and a new service stream in methamphetamine property testing and work place drug and alcohol screening
- Mar 2016 – Octief opens new branch in Perth
- Apr 2016 – HRL appoints Precise General Manager Rod de Vries to lead the New Zealand environmental business
- Apr 2016 – Precise opens new branch in Dunedin
- Jun 2016 – Precise opens new branch in Auckland and completes the rollout of drug testing and property screening services to all 5 New Zealand branches

The core business of environmental services has grown substantially in the past year and is now characterised by:

- 9 branch locations across Australian and New Zealand, including 6 accredited laboratories
- Meth screening services now accounting for around 50% of the New Zealand revenue
- New Zealand businesses contribute around 75% of the group revenues
- Service capabilities of:
  - Hazardous material consulting and laboratory services (such as asbestos, lead, synthetic mineral fibres, chemical contamination and illegal clandestine laboratory investigations);
  - Environmental management (such as contaminated land investigations, water quality, dust and noise monitoring); and
  - Training and technology solutions.

CEO'S LETTER

Financial Result for FY2016

Key financial headlines of the HRL Group's 30 June 2016 results are:

	Jun-16 $000's	Jun-15 $000's	Increase $000's
Revenues	8,385	4,670	3,715
Underlying EBITDA	1,075	108	967
Operating cash flows generated [1]	421	(270)	691
Net assets	6,684	6,223	461
Undrawn loan facilities	1,485	-	1,485
Statutory profit after income tax	117	(1,584)	1,701

[1] Excludes cash outflows associated with earn out/settlement payments and acquisition costs.

Statutory profit before income tax for the trading entities (Octief and Precise) for FY16 was $1.493M. HRL has deliberately created a corporate structure that can handle substantial future growth without further significant investment.

Outlook for FY2017

We expect market conditions to continue the current trends for the next financial year. Australia has pockets of large HAMZAT projects and Octief is positioning itself to be ready to undertake these works. The New Zealand market for HAZMAT services is still in its infancy and through the Precise brand we expect to continue to see exciting growth in this region.

Octief and Precise have a focussed sales plan and are building a customer base of large asset owners/operators. This customer focus ensures large initial projects of work convert into long term ongoing and sustainable works.

The strategy for HRL is summarised into the following objectives:

1. Increase turnover and increase profitability. Our Board sees this as critically important to leverage the strong foundations put in place over the last 18 months and improve net profitability for shareholders. Our goal to increase market share will be achieved through organic expansion (new contracts) and strategic acquisitions

2. Increase depth of technical environmental service offerings. Our Board is seeking acquisitions to grow our soil, air and water laboratory capabilities

In closing, I would like to take this opportunity to thank our Chairman and Board for their guidance over the past year and also to thank all of the HRL Group's employees for their dedication and hard work. My thanks also to you, our shareholders for your ongoing support in FY16. I look forward to keeping you updated on our progress in FY17 and the transformation of HRL to one of Australia's and New Zealand's leading environmental services groups.

Steven Dabelstein
CEO

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 at the end of, or during, the year ended 30 June 2016.

DIRECTORS

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

Name	Position	Period of Directorship
Kevin Maloney	Non-Executive Chairman	Appointed 15 September 2014
Darren Anderson	Executive Director	Appointed 15 September 2014
Mark Elliott	Non-Executive Director	Appointed 11 August 2006
John Taylor	Non-Executive Director	Appointed 25 November 2014
Frederick Kempson	Alternate Non-Executive Director	Appointed 15 September 2014

Kevin Maloney
Non-Executive Chairman

Mr Kevin Maloney is the founder and Chairman of the Australian investment entity Tulla Group and has built an extensive career in retail banking, finance and resources.

One of Kevin's many career highlights was as founder and Executive Chairman of The MAC Services Group (The MAC), which was sold to Oil States International in 2010 for $651 million. Kevin was heavily involved in all stages of The MAC’s growth, including its move into mining services accommodation in 1996.

Kevin has been involved with numerous public companies as both an executive and director. After spending 20 years with ANZ Bank, Kevin joined Elders Resources Finance Limited in 1981, progressing to Chief Executive Officer before moving on to his own business enterprises.

Kevin is currently the Chairman of ASX listed Altona Mining Limited and Integrated Holdings Group Pty Ltd which is the parent company for software vendor OCTFOLIO™ Pty Ltd and previously, the holding company of environmental services group OCTIEF.

Mr Maloney is currently a director of the following other ASX listed company:

- Altona Mining Limited (appointed July 2009)

Darren Anderson
Executive Director

Mr Darren Anderson was formerly the Executive Director and Chief Operating Officer of Diversified Mining Services Ltd, an unlisted public company that at its peak in mid-2012 had consolidated revenue in excess of $200 million and 850 personnel.

Previous career highlights include 15 years spent as founder and Executive Director of the Anderson Group of Companies, which grew from a single person operation in Mackay to a company with in excess of 300 employees and 12 operating divisions across both Queensland and New South Wales that serviced the Australian and international coal industries.

Darren is the Executive Director of Integrated Holdings Group Pty Ltd which is the parent company for software vendor OCTFOLIO™ Pty Ltd.

He has not been a Director of any other Australian listed company in the last three years.

Mark Elliott
Non-Executive Director

Dip App Geol., PhD, FAICD, FAusIMM(CP), FSEG

Dr Elliott is a Chartered Professional (CP) geologist with over 40 years' experience in economic geology, exploration, mining, project development and corporate management. He has extensive experience in managing companies and exploration/mining operations in a wide range of commodities including energy.

He has a diploma in Applied Geology from the Ballarat School of Mines and a Doctor of Philosophy degree from the University of New South Wales. He is a Fellow of the Australian Institute of Company Directors, Australasian Institute of Mining and Metallurgy and Society of Economic Geologists.

Dr Elliott is currently a director of the following other ASX listed company:

- Nexus Minerals Ltd (Oct 2006 – present)

John Taylor
Non-Executive Director

LLB, Grad Dip ACG

Mr Taylor is the founding partner of Taylors Solicitors, Mackay, a Senior Counsellor of the Queensland Law Society and has over 30 years' experience in commercial and property transactions and litigation.

John Taylor was, from 2006 and 2010, a director of ASX listed The MAC Services Group Limited, where he was Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Management Committee. He is also a former Chair of the Mackay Port Authority and a Board member of Tourism Mackay and Mackay Regional Economic Bureau.

He has not been a Director of any other Australian listed company in the last three years.

Frederick Kempson
Alternate Non-Executive Director

BComm

Fred Kempson brings a wealth of experience to the Board of Directors from the highly-specialised spectrum of international investment banking and corporate governance.

Fred has held a range of senior executive positions within the international investment banking arena including a significant period as Managing Director of ANZ's investment bank AIFC Limited, and Vice President of Security Pacific Limited.

During his time as Vice President of Security Pacific Bank, in 1992 the bank merged with San Francisco-based Bank America (now called Bank of America), in a deal that was at the time one of the largest bank mergers in history.

Fred is currently also Managing Director of Kempson Capital, Chairman of Simple Trade and holds a Bachelor of Commerce from the University of New South Wales.

Mr Kempson was a director of the following other ASX listed company:

- Victor Group Holdings (Jan 2014 – July 2015)

DIRECTOR INTERESTS IN THE SHARES AND OPTIONS OF THE CONSOLIDATED ENTITY

As at the date of this report, the interests of the Directors in the shares and options of HRL Holdings Limited are shown in the table below:

Director	Fully Paid Ordinary Shares
Kevin Maloney	47,459,491
Darren Anderson	16,589,064
Mark Elliott	2,848,634
John Taylor	923,077
Frederick Kempson	-

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2016 and the number of meetings attended by each Director.

	Meetings attended	Eligible to attend
Kevin Maloney	6	6
Darren Anderson	6	6
Mark Elliott	6	6
John Taylor	6	6
Frederick Kempson	5	6

There are no committees of directors. All relevant matters are considered by the Board.

SENIOR MANAGEMENT

Paul Marshall
Company Secretary

LLB, ACA

Mr Marshall holds a Bachelor of Law degree, a post Graduate Diploma in Accounting and is a Chartered Accountant. He has more than thirty years' experience initially with Ernst & Young and subsequently twenty years spent in commercial roles as Company Secretary and CFO for a number of listed and unlisted companies mainly in the resources sector. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and company listings and company secretarial responsibilities.

Steven Dabelstein
Chief Executive Officer

BComm, CPA

Mr Dabelstein has a strong financial and operational background in various roles, including most recently as General Manager Commercial and QLD Mining/Maintenance Services with Diversified Mining Services Limited.

Mr Dabelstein's experience includes public practice accounting, manufacturing, service and the construction industries. Previous roles have provided exposure to large-scale international businesses reporting through and working with companies in the US, Asia and Europe.

DIRECTORS' REPORT

Michael Harvey
Chief Finance Officer

BBus, B AppSci, Grad Dip ICAA, Grad Dip CSA, CA, GAIA

Mr Harvey is a Chartered Accountant and Chartered Secretary. Mr Harvey holds Bachelor degrees in Business and Property Economics and post Graduate Diplomas in Accounting and Corporate Governance.

He has more than 15 years in the accountancy profession in Australia, having worked for PKF for eight years in audit, and subsequently over five years in commercial roles as financial controller for a number of listed companies mainly in the property and resources sector. Mr Harvey has experience in all aspects of company financial reporting, internal control, corporate regulatory and governance areas, business acquisition and disposal, due diligence, and company secretarial responsibilities.

PRINCIPAL ACTIVITIES

The principal operating activities of the Group are property contamination testing, environmental consulting and hazardous materials analytical laboratory business with offices and laboratory facilities across Australia and New Zealand.

The Group offers services including industrial hygiene, asbestos and hazardous materials management, property contamination testing, work place drug testing, environmental services (air, water and soil including contaminated land), building contamination assessment, and specialised NATA/IANZ - accredited laboratory analysis and on-site testing and monitoring.

Geothermal exploration projects have been placed on care and maintenance while the Company evaluates the best way to develop the projects held.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are subject to environmental regulations in relation to its consulting and laboratory activities. The Directors are not aware of any breaches during the period covered by this report.

REVIEW OF OPERATIONS

Over the last year HRL Holdings Limited has continued to focus on growing its operations. The Company has achieved a number of key milestones:

- New business acquisitions with the completion of the AAC purchase in September 2015 and the RJL purchase in March 2016;
- Geographic expansion with new branches opened in Canberra, Perth, Dunedin, Palmerston North and Auckland;
- Expanded service offerings with the Group adding property contamination, workplace drug testing and additional HAZMAT field testing capabilities during the year; and
- Major contract awarded in New Zealand by the Southern District Health Board.

Below are the key 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.

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.

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; and
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, AAC has identified a number of other significant opportunities in and around the ACT region.

AAC was subsequently renamed to OCTIEF ACT Pty Ltd during the period.

Acquisition of the RJL & Associates Business

On 1 March 2016, HRL completed the acquisition of the RJL & Associates business (RJL). RJL are specialists in property contamination testing and work place drug testing. This acquisition allowed Precise to accelerate its expansion plans into these new service lines. Precise staff have now been crossed trained in the new disciplines.

Property Contamination Testing

Clandestine Methamphetamine Laboratories or "Clan Meth Labs" are a growing problem in New Zealand. With only a fraction of Clan Meth Labs discovered by authorities, the vast majority may be left undetected for years posing significant health risks to current and future tenants. Contamination is not just limited to Clan Meth Labs. Heavy methamphetamine (Meth) consumption and distribution can contaminate premises to a similar level.

Methamphetamine can contaminate a variety of surfaces, furnishings, insulation and drainage systems. Contaminants pose significant health hazards to people and animals exposed to them.

To mitigate this risk, the New Zealand Government has introduced legislation that places an obligation on landlords to provide a property to a tenant in a reasonable state of cleanliness. If landlords rent out a property that is contaminated by Meth, they are breaching their obligations under the Residential Tenancies Act 1986, as well as other legislation such as the Building Act and the Health Act. This legislation has created substantial demand for pre-tenancy testing for Meth. Depending on initial indications of contamination, more rigorous follow up testing and/or remediation procedures may be required.

Precise branches now offer a range of Property Contamination Testing services including:

- Screen testing of properties for Meth contamination;
- IANZ accredited laboratory analysis;
- Review by independent (BSc) scientific consultant;
- Pre and post remediation examinations and advice on health risks;
- Reports to Landlords, Councils and Insurance companies; and
- Other services include testing for precursors, volatile organic compounds, soil testing, heavy metals, and mould.

Work Place Drug Testing

Similar to Australia, New Zealand employers have a responsibility under the Health and Safety regulations to take all practicable steps to make the workplace safe for employees and people in and around the workplace. An employee impaired by alcohol or drugs is defined as a hazard.

Precise offer employers urine and oral testing solutions. Precise's growing geographic footprint will allow services to be provided across New Zealand – a key factor for employers with a nationwide presence.

DIRECTORS' REPORT

Geographic expansion

During the year HRL expanded its regional presence with the opening of 5 new branches. In addition to the Canberra and Palmerston North branches which were acquired as part of the AAC and RJL transactions, the Group green fielded a further 3 branches in Perth, Dunedin and Auckland.

Perth

OCTIEF, the Australian operational brand, has opened a branch office in Belmont, located approximately 10km from the Perth CBD. Services offered out of Perth will include:

- Asbestos laboratory sample analysis;
- Asbestos in soil laboratory analysis;
- Contaminated land consultancy;
- Air and dust monitoring; and
- Building hazardous materials surveys.

OCTIEF has been recently appointed to a panel of preferred suppliers by the Western Australian Governments Department of Finance – Building Management and Works. OCTIEF is developing relationships with other government departments and large commercial organisations across Western Australia.

Dunedin

Precise has now opened a branch office in Dunedin. Dunedin is the second-largest city in the South Island of New Zealand, and the principal city of the Otago Region.

Dunedin and the surrounding regions are home to a large number of educational and government organisations – a key customer segment for Precise. Precise had already been servicing a number of these organisations from the Christchurch branch. Work volumes and client demand reached sufficient volume to establish a permanent presence in the region.

This local presence is important to clients and allows Precise to become the leading service provider in the region.

Auckland

In early July Precise opened a new branch which expand operations into Auckland, New Zealand. Located in Penrose, 10km from the Auckland CBD, the branch offers clients a convenient location approximately half way between the city and the airport in a light industrial/commercial precinct.

The Auckland market is the largest market in New Zealand for Precise's major service offerings of asbestos and property contamination testing. It is also home to New Zealand's largest corporate, educational and government organisations – the key target customer segments for Precise. Precise already has established relationships with number of these organisations from its existing operations elsewhere in New Zealand.

Despite its infancy, the Auckland branch has been very busy since opening. Works performed to date have been a mix of asbestos hygiene works and property contamination testing. Initial meetings with both existing and target clients indicate significant additional client demand. Precise has recently recruited additional technical staff to expand the Auckland team.

The Auckland branch was initially planned to operate as a field office and currently does not include laboratory facilities, however with such a positive initial response from clients Precise is now considering the business case of setting up a laboratory.

Southern District Health Board Contract

Precise was awarded a significant contract by the Southern District Health Board (Southern DHB) to carry out asbestos surveys across its extensive property portfolio.

Southern DHB is the Government-funded organisation responsible for most publicly funded primary health and hospital services in the Southland and Otago regions of New Zealand. Southern DHB is responsible for planning, funding and providing health and disability services to Invercargill City, Queenstown - Lakes District, Gore, rural Southland, Clutha, Central Otago, Maniototo, Waitaki District and Dunedin City.

Precise will conduct surveys across Southern DHB's assets. Laboratory sample analysis will also be undertaken to keep the entire process in-house, ensuring both quality and efficient turnaround times.

The contract is expected to be completed over a 3 year period and will be serviced out of the recently opened branch office in Dunedin.

This contract, following on from the successful Chorus project, demonstrates HRL's ability to win large scale competitive contracts, by consistently delivering safely executed projects, on time and to budget which add value to our clients.

Trading Review

New Zealand

Activity in New Zealand continues to be very strong, with New Zealand operations now accounting for approximately 65% of the group's revenue.

OCTIEF Limited (NZ) completed the first round of major survey works for Chorus New Zealand Limited (Chorus) assets across both the North and South Islands of New Zealand. OCTIEF Limited (NZ) surveyed over 800 assets which provided an excellent source of revenue. The first round of these survey works were completed in March 2016.

Precise continues its strong performance with revenues growing substantially over the last year. Precise secured a number of quality clients during the year including the Southern District Health Board, Kiwi Rail, Victoria University, Vero Insurance and Housing New Zealand Corporation. Precise has a very strong tender pipeline of opportunities with government agencies, education facilities, councils, and large commercial clients.

The Christchurch earthquake recovery program has now begun to transition to its next phase and Precise saw a drop off in laboratory testing in its Christchurch branch in the second half of the year. This was not unexpected and Precise began the process of regional and service diversification earlier in the financial year. New Zealand revenues are now substantially more diversified across all the branches and across all service offerings.

Complementing the Christchurch, Wellington and Palmerston North branches (acquired as part of the RJL purchase), Precise also opened branches in Dunedin in April and Auckland in early July. The Dunedin branch was opened on the back of work volumes and client demand which had reached sufficient volume to justify a permanent presence in the region. The Auckland branch, despite being in its infancy, is already generating solid revenues and once fully operational should be a major contributor the Group.

The integration of the recently acquired RJL & Associates Limited (RJL) business into its Precise brand is now complete. The RJL acquisition has allowed Precise to accelerate its expansion into property contamination testing and work place drug testing. Existing Precise staff have been crossed trained in the new disciplines and each New Zealand branch is now conducting property contamination testing and work place drug testing services. Activity in this area has been very strong with substantial revenue growth resulting from the new geographic coverage and increased volumes.

HRL has been closely following the recent introduction of the New Zealand Asbestos Regulations to accompany the Health and Safety Reform Bill. The regulations are 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.

Australia

A significant portion of OCTIEF's revenue has traditionally been derived from asbestos auditing of Queensland public sector assets. Ongoing government inactivity at both a state and federal level has had a negative impact on OCTIEF performance in FY16. With the federal election now resolved, OCTIEF is actively engaging with both government and lead contractors to provide its services on new infrastructure projects and upgrades. OCTIEF expanded its environmental engineering/scientific team during the year and this service line demonstrated pleasing growth. OCTIEF is currently tendering and negotiating for major contracts across Australia. The business focus remains on HAZMAT compliance for major corporate clients and government agencies at all levels of government.

Despite its modest size and limited market, the Northern Territory branch experienced a strong year of activity. Primary sources of revenue included a major soil remediation project and substantial field monitoring works across a number of public sector assets including asbestos audits of hospitals.

After its acquisition in October, the ACT branch suffered a setback when the vendor and operations manager resigned in February. There was a delay in hiring ACT based staff until Q4, which impacted operational capabilities in the second half of the year. OCTIEF have now recruited suitably qualified and experienced staff to run this branch and we are now seeing orders and revenue increasing. The executive team are also committed to re-establishing market presence in the region by re-engaging with both existing client and new leads. The ACT market remains very active and with the necessary restructuring now completed, we anticipate good returns over the medium term.

As part of its strategy, HRL will continue to aggressively target government and large corporate based projects in both Australia and New Zealand as they:

- are typically longer term;
- demand the higher levels of service and reporting that the HRL Group are known for;
- are of a scale that smaller "cut price" operators cannot service; and
- provide consistent revenue in an industry which has volatile demand from the private sector.

FINANCIAL REVIEW

Key financial headlines of the HRL Group's 30 June 2016 results are:

- Statutory profit after tax of $117,988
- Underlying profit after tax of $587,854 [1]
- Revenues of $8,390,066
- Net assets of $6,684,334

[1] 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.

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

	June 2016	June 2015
	$	$
Underlying EBITDA	1,074,645	107,782
Operating depreciation and amortization	(179,386)	(80,153)
Interest expense	(81,719)	(1,953)
Operating tax	(225,686)	4,014
Underlying profit after tax	**587,854**	**29,690**
Non-operating adjustments (tax effected)		
Acquisition related expenses	(64,757)	(187,851)
Listing expense arising on deemed acquisition	-	(1,252,455)
Amortisation of intangible assets arising from acquisitions	(235,818)	(247,237)
Precise Earn-out and AAC Settlement	(169,291)	(39,725)
Initial recognition of tax losses	-	113,823
Statutory profit/(loss) after income tax	117,988	(1,583,755)

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-cash or non-recurring in nature. These items are included in the Group's consolidated statutory result but excluded from the underlying result.

Comparison with the Prior Period

Underlying profit after tax for the year increased by $558,164 compared with the prior period. The key reasons for the movement were:

- The inclusion of the results of Precise Consulting for the full year in FY16 (3 months in FY16);
- The additional revenue and profit resulting from the acquisition of the RJL business from 1 April 2016;
- Subdued activity in Queensland and ACT as described in the *Review of Operations* above;
- Additional employee, administration and corporate costs reflecting the increase from 4 branches in FY15 to 9 branches in FY16.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There following significant changes occurred during the year:

- Acquisition of the Australian based environmental consulting and laboratory services business AAC Environmental Pty Ltd (October 2015);
- Acquisition of the New Zealand based property contamination and work place drug testing services business RJL and Associates (March 2016); and
- Opening of 3 new branches (in addition to the Canberra and Palmerston North branches acquired as part of the AAC and RJL transactions) in Dunedin, Perth and Auckland;

LIKELY DEVELOPMENTS AND FUTURE OPERATIONS

During FY2017, the Group will continue to focus on growing both the OCTIEF and Precise Consulting businesses through:

- Focussed business development plans to target new customers and protect the existing customer base;
- Utilising new equipment and software platforms to improved efficiencies and margins;
- Promotion of new property contamination service lines in the Australian market;
- Geographical expansion into new markets when justified; and
- Capitalise when possible on the introduction of new regulations surrounding the HAZMAT sector.

In addition, the Group will continue to evaluate acquisition opportunities of high quality businesses both within the environmental services sector and across other complimentary industries.

INDEMNIFICATION OF OFFICERS OR AUDITOR

Each of the Directors and the Secretary of the Company has entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company and certain indemnification to those Directors and Secretary.

The Company has insured all of the Directors of HRL Holdings Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. *The Corporations Act 2001* does not require disclosure of the information in these circumstances.

The Company has not indemnified its auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

SHARE OPTIONS

Details of options issued, exercised and expired during the financial year are set out below:

		Movements				
Expiry Date	**Exercise Price**	**1 July 2015**	**Issued**	**Exercised**	**Expired**	**30 June 2016**
30 November 2015	$0.52	1,615,385	-	-	(1,615,385)	-

AFTER BALANCE DATE EVENTS

There have been no other events since 30 June 2016 that impact upon the financial report.

REMUNERATION REPORT

The Remuneration Report set out on pages 16 to 25 provides details of the remuneration and equity holdings of the Directors and Key Management Personnel, including details of equity instruments issued or exercised during the financial year, or outstanding at the date of this report, and forms part of the Directors' Report.

DIVIDENDS

No dividends were paid or declared during the financial year.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid or payable to the auditor (BDO Audit Pty Ltd and its associated entities) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermines the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

During the year, the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Taxation services	$2,500

AUDITOR’S INDEPENDENCE DECLARATION

The Auditor’s Independence Declaration on page 26 forms part of the Directors’ Report.

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

Darren Anderson
Director
Brisbane, 26 August 2016

REMUNERATION REPORT - AUDITED

This report details the nature and amount of remuneration for Directors and Key Management Personnel of the Company.

Remuneration Policy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

Remuneration Committee

The Board does not have Remuneration or Nomination Committees. The full Board is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team.

The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

Officers are given the opportunity to receive their base emoluments in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the company.

Remuneration structure

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and other Key Management Personnel fairly and appropriately with reference to relevant employment market conditions.

To assist in achieving this objective, the Board considers the nature and amount of Executive Directors' and Officers' emoluments alongside the company's financial and operational performance. The expected outcomes of the remuneration structure are the retention and motivation of key Executives, the attraction of quality management to the Company and performance incentives which allow Executives to share the rewards of the success of the company.

In accordance with best practice corporate governance, the structure of Executive and Non-Executive Director remuneration is separate and distinct.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain Directors of the highest caliber, whilst incurring a cost which is acceptable to shareholders.

The Constitution of HRL Holdings Limited and the ASX Listing Rules specify that the Non-Executive Directors are entitled to remuneration as determined by the Company in a General Meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The maximum aggregate remuneration currently approved by shareholders for Directors' fees is for a total of $250,000 per annum.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. Non-Executive Directors are entitled to be paid travel and other expenses properly incurred by them in attending Directors or General Meetings of the Company or otherwise in connection with the business of the Company.

The remuneration of Non-Executive Directors for the year ended 30 June 2016 is detailed in this Remuneration Report.

Executive Directors and Senior Management Remuneration

The Company aims to reward Executive Directors and Senior Management with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- reward Executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of Executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Executive Directors and Senior Management may from time to time be fixed by the Board. As noted above, the Board's policy is to align Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives. The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board, and the process consists of a review of company wide and individual performance, relevant comparative remuneration in the market and internal, and where appropriate, external advice on policies and practices.

In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the year.

The remuneration of the Executive Directors and Senior Management for the period ended 30 June 2016 is detailed in this Remuneration Report.

Employment contracts

It is the Board's policy that employment agreements are entered into with all Directors, Executives and employees. The current employment agreement with the Executive Director and CEO has a three month notice period. All other employment agreements have one month (or less) notice periods. No current employment contracts contain early termination clauses. All Non-Executive Directors have contracts of employment. None of these contracts have termination benefits.

Non-Executive Chairman Arrangements

The Company entered into a service arrangement with Mr Kevin Maloney as Non-Executive Chairman of the Company commencing from 15 September 2014. The key terms of the arrangement are:

- Ongoing contract – no fixed term;
- Fee of $75,000 per annum;
- No notice period.

Non-Executive Director Arrangements

The Company entered into a service arrangement with Dr Mark Elliott and Mr John Taylor as Non-Executive Directors of the Company commencing from 15 September 2014 and 25 November 2014 respectively. The key terms of the arrangement are:

- Ongoing contract – no fixed term;
- Fee of $40,000 per annum;
- No notice period.

Executive Director Arrangements

The Company entered into an employment contract with Mr Darren Anderson as Executive Director of the Company commencing from 15 September 2014. The key terms of the contract are:

- Ongoing contract – no fixed term;
- Salary of $250,000 per annum, inclusive of statutory superannuation contributions;
- 6 weeks annual leave;
- 80% reimbursement of the lease costs of a motor vehicle;
- Annual bonus at the Board's discretion.
- 3 month notice period.

Chief Executive Officer Arrangements

The Company entered into an employment contract with Mr Steven Dabelstein as Chief Executive Officer of the Company commencing from 1 January 2015. The key terms of the contract are:

- Ongoing contract – no fixed term;
- Salary of $250,000 per annum, inclusive of statutory superannuation contributions;
- 4 weeks annual leave;
- Use of a company motor vehicle;
- Annual bonus at the Board's discretion.
- 3 month notice period.

Chief Finance Officer Arrangements

The Company entered into a part time employment contract with Mr Michael Harvey as Chief Finance Officer of the Company commencing from 1 September 2015. The key terms of the arrangement are:

- Ongoing contract – no fixed term;
- Fee of $80,000 per annum, inclusive of statutory superannuation contributions;
- 4 weeks annual leave;
- 3 month notice period.

Company Secretary Arrangements

The Company entered into a service arrangement with Mr Paul Marshall as Company Secretary of the Company commencing from 15 September 2014. The key terms of the arrangement are:

- Ongoing contract – no fixed term;
- Fee of $52,000 per annum, inclusive of statutory superannuation contributions;
- One month notice period.

REMUNERATION REPORT - AUDITED

Details of Directors and other Key Management – HRL Holdings Limited

Name	Position	Period of Service
Directors		
Kevin Maloney	Non-Executive Chairman	Appointed 15 September 2014
Darren Anderson	Executive Director	Appointed 15 September 2014
Mark Elliott	Non-Executive Director	Appointed 11 August 2006
John Taylor	Non-Executive Director	Appointed 25 November 2014
Frederick Kempson	Alternate Non-Executive Director	Appointed 15 September 2014
Key Management		
Steven Dabelstein	Chief Executive Officer	Appointed 1 January 2015
Michael Harvey	Chief Finance Officer	Appointed 15 September 2014
Paul Marshall	Company Secretary	Appointed 2 July 2007

Details of Directors and other Key Management – OCTIEF PTY LTD (for the period 15 May 2013 to 15 September 2014)

Name	Position	Period of Service
Directors		
Kevin Maloney	Non-Executive Director	Appointed 15 May 2013
Darren Anderson	Executive Director	Appointed 15 May 2013

Mr Kevin Maloney and Mr Darren Anderson did not receive any remuneration from OCTIEF Pty Ltd for both:

- The period 15 May 2013 to 30 June 2014; and
- The period 1 July 2014 to 15 September 2015.

Remuneration of Directors and other Key Management Personnel – 2016

	Short Term Benefits			Long Term Benefits	Post Employment Benefits	Equity based Benefits			
	Salary/ Director fees	Consulting fees	Non-monetary benefits	Leave benefits	Superannuation	Options	**Total**	Performance Related %	% of bonus forfeited
Directors									
Kevin Maloney	43,668	-	-	-	31,332	-	75,000	-	-
Darren Anderson	228,417	-	28,895	(5,769)	21,583	-	273,126	-	100%
Mark Elliott	40,000	5,850	-	-	-	-	45,850	-	-
John Taylor	40,000	-	-	-	-	-	40,000	-	-
Alternate Director									
Frederick Kempson	-	17,150	-	-	-	-	17,150	-	-
Key Management									
Steven Dabelstein	230,692	-	-	(8,017)	19,308	-	241,983	-	100%
Michael Harvey	71,833	-	-	2,665	5,784	-	80,282	-	-
Paul Marshall	52,000	-	-	-	-	-	52,000	-	-
	706,610	**23,000**	**28,895**	**(11,121)**	**78,007**	**-**	**825,391**		

There were no termination benefits paid or accrued for the year ended 30 June 2016.

REMUNERATION REPORT

Remuneration of Directors and other Key Management Personnel – 2015

OCTIEF Pty Ltd - No remuneration was paid to key management personnel of OCTIEF Pty Ltd for the period 1 July 2014 to 15 September 2014.

HRL Holdings Limited - The remuneration of the key management personnel of HRL Holdings Limited subsequent to the acquisition of OCTIEF Pty Ltd on 15 September 2014 was:

	Short Term Benefits			Long Term Benefits	Post Employment Benefits	Equity based Benefits			
	Salary/ Director fees	Consulting fees	Non-monetary benefits	Leave benefits	Superannuation	Options	**Total**	Performance Related %	% of bonus forfeited
Directors									
Kevin Maloney [1]	23,694	-	-	-	35,681	-	59,375	-	-
Darren Anderson [1]	180,746	-	42,713	22,837	17,170	-	263,466	-	100%
Mark Elliott [5]	31,667	-	-	-	-	-	31,667	-	-
John Taylor [2]	24,000	-	-	-	-	-	24,000	-	-
Alternate Director									
Frederick Kempson [1]	-	23,800	-	-	-	-	23,800	-	-
Former Directors									
Peter Barnett [3]	8,333	-	-	-	-	-	8,333	-	-
Key Management									
Steven Dabelstein [4]	115,608	-	-	9,738	9,390	-	134,736	-	100%
Michael Harvey [1]	47,500	-	-	-	4,513	-	52,013	-	-
Paul Marshall [5]	41,167	-	-	-	-	-	41,167	-	-
	472,715	**23,800**	**42,713**	**32,575**	**66,754**	**-**	**638,557**	**-**	

[1] Appointed 15 September 2014.
[2] Appointed 25 November 2014.
[3] Resigned 25 November 2014.
[4] Appointed 1 January 2015.
[5] Relates to remuneration for the period 15 September 2014 to 30 June 2015.

There were no termination benefits paid or accrued for the year ended 30 June 2015.

REMUNERATION REPORT

Remuneration of Directors and other Key Management Personnel – 2015 (prior to acquisition of OCTIEF - 1 July 2014 to 15 September 2014)

HRL Holdings Limited - The remuneration of the key management personnel of HRL Holdings Limited prior to acquisition of OCTIEF Pty Ltd on 15 September 2014 was:

	Short Term Benefits			Long Term Benefits	Post Employment Benefits	Equity based Benefits			
	Salary/ Director fees	Consulting fees	Non-monetary benefits	Leave benefits	Superannuation	Options	**Total**	Performance Related %	% of bonus forfeited
Directors									
Mark Elliott [1 2]	7,500	17,500	-	-	-	-	25,000	-	-
Former Directors									
Peter Barnett [1]	7,500	-	-	-	-	-	7,500	-	-
Michael Sandy [3]	7,500	-	-	-	-	-	7,500	-	-
Stephen Bizzell [4]	4,500	-	-	-	-	-	4,500	-	-
Key Management									
Paul Marshall [1]	10,833	-	-	-	-	-	10,833	-	-
	37,833	**17,500**	**-**	**-**	**-**	**-**	**55,333**	**-**	

[1] Relates to remuneration for the period 1 July 2014 to 15 September 2014.
[2] From 1 July 2014 to 15 September Mark Elliott in addition to his Non-Executive Director fees, provided additional consulting services to the Company totalling $17,500.
[3] Resigned 15 September 2014.
[4] Resigned 14 August 2014.

There were no termination benefits paid or accrued for the period ended 15 September 2014.

Key management personnel equity holdings

Shareholdings

	Balance 1 July 2015	Acquired on market	Vendor Milestone Shares Issued	Other additions /disposals/transfers	Balance 30 June 2016
Directors					
Kevin Maloney	45,282,988	-	2,176,503	-	47,459,491
Darren Anderson	15,863,563	-	725,501	-	16,589,064
Mark Elliott	2,848,634	-	-	-	2,848,634
John Taylor	923,077	-	-	-	923,077
Alternate Director					
Frederick Kempson	-	-	-	-	-
Key Management					
Steven Dabelstein	538,269	142,231	-	-	680,500
Michael Harvey	286,259	-	-	-	286,259
Paul Marshall	2,014,536	-	-	-	2,014,536
	67,757,326	**142,231**	**2,902,004**	**-**	**70,801,561**

Options

	Balance 1 July 2015	Granted	Exercised	Lapsed	Balance 30 June 2016
Directors					
Kevin Maloney	-	-	-	-	-
Darren Anderson	-	-	-	-	-
Mark Elliott	423,077	-	-	(423,077)	-
John Taylor	-	-	-	-	-
Alternate Director					
Frederick Kempson	-	-	-	-	-
Key Management					
Steven Dabelstein	-	-	-	-	-
Michael Harvey	38,462	-	-	(38,462)	-
Paul Marshall	76,923	-	-	(76,923)	-
	538,462	**-**	**-**	**(538,462)**	**-**

All of the above options had an exercise price of $0.52 and expired on 30 November 2015.

Transactions with related parties

Transactions with Key Management Personnel related parties

Transaction	Entity	Association	2016 $	2015 $
Rental of office space	Paget Developers	Darren Anderson Kevin Maloney	101,979	98,484
Underwriting $5M capital raise [1]	Tulla Property Partners	Kevin Maloney	-	250,000
Software and hosting services	Octfolio	Darren Anderson Kevin Maloney	249,253	104,141
Sublet of office space to Octfolio	Octfolio	Darren Anderson Kevin Maloney	30,858	5,610
Corporate services [2]	Integrated Holdings Group	Darren Anderson Kevin Maloney	-	61,538

[1] Tulla Property Partners, an entity associated with Mr Kevin Maloney acted as Lead Underwriter for the $5 million capital raising completed in late March 2015. The Lead Underwriter then arranged for other parties to sub-underwrite part of the capital raising and will have settled these sub-underwriting fees directly with the sub-underwriters. The net underwriting fee received by Tulla Property Partners was $116,369. Included in the sub-underwriting fees paid by Tulla Property Partners was an amount of $55,342 that was paid to Integrated Holdings Group, an entity associated with Mr Kevin Maloney and Mr Darren Anderson.

[2] Services provided from 1 July 2014 to 15 September 2014.

All of the above transactions were based on normal commercial terms and conditions.

Trade payable balances with related parties

Nature	Entity	Association	2016 $	2015 $
Software and hosting services	Octfolio	Darren Anderson Kevin Maloney	31,573	40,046

Relationship between remuneration and Company performance

The factors that are considered to affect shareholder return in the past 5 years are summarised below:

Measures	2016 $	2015 $	2014 $	2013 $	2012 $
Share price at end of financial year	0.11	0.068	0.005	0.008	0.033
Market capitalisation at end of financial year ($M)	17.48	10.51	1.73	2.76	7.66
Net Profit/(loss) for the financial year	117,988	(1,583,755)	2,147,825	(7,696,487)	(2,084,118)
Director and Key Management Personnel remuneration	825,391	638,557	526,968	897,944	703,423

Fixed remuneration is not linked to Group performance. It is set with reference to the individual's role, responsibilities and performance and remuneration levels for similar positions in the market.

Profit targets are deemed an appropriate performance measure for the granting of short and long term incentives to senior executives given that it is the key target hurdle referenced by the Board in preparing its annual budgets and measuring Group performance. Profit targets reflects the Directors' assessment of the result for the ongoing business activities of the Group by excluding non-cash, one-off market related items that are usually out of management's control. The annual target is determined by the Board having regard to the Group's annual budget. The target could be higher or lower than budget, and is adjusted for the effect of material equity issues.

Prior to the restructure in FY2015, the link between remuneration, Company financial performance and shareholder wealth generation was tenuous, particularly in the exploration and development stage of a geothermal company. Share prices are subject to the influence of international energy prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration.

Both the CEO and Executive Director had the opportunity to earn up to 50% of their base salary each upon the Group meeting certain profit targets. No bonuses were paid or are due to be paid as the profit targets were not met.

No dividends were paid by HRL Holdings Limited nor was there any return of capital over the past 5 years.

No shares were issued on exercise of options issued as part of remuneration in 2016.

538,462 options expired during the period.

No equity instruments were issued as remuneration in 2016.

The Company did not engage any remuneration consultants during the financial year.

----------------------------- END OF REMUNERATION REPORT -----------------------------

AUDITOR'S INDEPENDENCE DECLARATION

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DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF HRL HOLDINGS LIMITED

As lead auditor of HRL Holdings Limited for the year ended 30 June 2016, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of HRL Holdings Limited and the entities it controlled during the period.

T R Mann

Director

BDO Audit Pty Ltd

Brisbane, 26 August 2016

ADDITIONAL ASX INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 16 August 2016.

Distribution of equity securities

HRL – Ordinary Fully Paid Shares

Number of Securities Held	No's of holders
1 to 1,000	319
1,001 to 5,000	330
5,001 to 10,000	120
10,001 to 100,000	296
100,001 and over	116
Total	**1,181**
Number of unmarketable parcels of shares	622

Twenty largest holders

HRL – Ordinary Fully Paid Shares

No.	Name of Shareholder	Holding	% Held
1	Tulla Property Partners Pty Ltd	47,459,491	29.87
2	J P Morgan Nominees Australia Limited	19,435,861	12.23
3	Darren Anderson & Julie Anderson	8,896,756	5.60
4	Anderson Property Holdings Pty Ltd	7,692,308	4.84
5	Craig Anderson & Amanda Anderson	6,577,525	4.14
6	Greg Anderson & Nancy Anderson	6,577,525	4.14
7	Cowley Super Pty Ltd	3,000,000	1.89
8	Elliott Nominees P/L	2,646,710	1.67
9	Estanza Pty Ltd	2,308,000	1.45
10	Mr Jonathan Paul Kershaw Marshall	2,011,456	1.27
11	Novus Capital Nominees Pty Limited	2,000,000	1.26
12	G4 Investors Pty Ltd	1,986,924	1.25
13	Merriwee Pty Ltd	1,550,000	0.98
14	Miss Kathryn Helen Thompson	1,405,000	0.88
15	Mr Maxwald James Stewart & Mrs Lynett Vera Stewart	1,400,000	0.88
16	H K Price Pty Ltd	1,330,624	0.84
17	Mr Leslie John Bunt	1,012,540	0.64
18	Pokton Pty Limited	1,000,000	0.63
19	Mr Nigel Pilcher & Mrs Frances Pilcher	950,000	0.60
20	Mr John Cooper Taylor & Mrs Sharon Maree Taylor	923,077	0.58
		120,961,968	**76.12**

Voting Rights

All fully paid ordinary shares carry one vote per share without restriction.

Substantial Shareholders

The company has received the following substantial shareholder notices as at 16 August 2016:

- Mr Kevin Maloney holds an interest in 47,459,491 shares (30.71%)
- Mr Darren Anderson holds an interest in 16,589,064 shares (10.73%)
- Viburnum Funds Pty Ltd holds an interest in 18,134,395 shares (11.41%)

ADDITIONAL ASX INFORMATION

Interests in Exploration Tenements

Type	Location	Status	Grant	Expiry Date	HRL Interest
GEP 6	Portland	Granted	14/05/2007	13/9/2019	100%
GEP 8	Warrnambool	Granted	14/05/2007	13/9/2019	100%

STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2016

	Note	2016 $	2015 $
Environmental services revenue		8,385,178	4,669,609
Interest revenue		4,888	30,100
Costs and consumables relating to the provision of services		(983,578)	(438,496)
Employee benefits expense	8	(4,425,802)	(2,752,910)
Depreciation and amortisation expenses		(486,984)	(432,465)
Finance costs		(81,719)	(1,953)
Rent and property expenses		(451,177)	(275,051)
Travel and business development expenses		(372,568)	(214,046)
Other expenses		(1,076,713)	(906,513)
Impairment of receivables		(5,583)	(5,012)
Settlement expense	4	(79,119)	-
Employee benefits expense on Precise earn-out payments	17 & 8	(160,433)	(51,650)
Listing expense arising on deemed acquisition		-	(1,252,455)
Acquisition expenses		(91,378)	(268,358)
Profit/(loss) before income tax		175,012	(1,899,200)
Income tax benefit/(expense)	6	(57,024)	315,445
Profit/(loss) after income tax		117,988	(1,583,755)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		343,138	(509,466)
Income tax		-	-
Other comprehensive income for the period, net of tax		343,138	(509,466)
Total comprehensive income/(loss)		461,126	(2,093,221)

		Cents	Cents
Earnings per share			
Basic earnings per share	9	0.07	(0.30)
Diluted earnings per share	9	0.07	(0.30)

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

BALANCE SHEET

Consolidated Balance Sheet
As at 30 June 2016

	Note	2016 $	2015 $
CURRENT ASSETS			
Cash and cash equivalents	10	392,863	859,500
Trade and other receivables	11	1,354,351	924,916
Other current assets	12	4,771	99,103
TOTAL CURRENT ASSETS		1,751,985	1,883,519
NON-CURRENT ASSETS			
Trade and other receivables	11	122,861	68,585
Plant and equipment	13	672,956	372,933
Intangible assets	14	646,418	251,913
Goodwill	15	5,054,138	4,079,678
Deferred tax assets	6	875,167	660,905
TOTAL NON-CURRENT ASSETS		7,371,540	5,434,014
TOTAL ASSETS		9,123,525	7,317,533
CURRENT LIABILITIES			
Trade and other payables	16	671,034	514,497
Current tax liabilities		199,354	235,622
Short-term provisions	17	120,962	154,632
Borrowings	18	491,856	114,625
TOTAL CURRENT LIABILITIES		1,483,206	1,019,376
NON-CURRENT LIABILITIES			
Borrowings	18	878,189	47,553
Deferred tax liabilities	6	77,796	27,396
TOTAL NON-CURRENT LIABILITIES		955,985	74,949
TOTAL LIABILITIES		2,439,191	1,094,325
NET ASSETS		6,684,334	6,223,208
EQUITY			
Contributed capital	19	8,220,282	8,220,282
Reserves	20	(166,328)	(509,466)
Retained earnings/(Accumulated losses)		(1,369,620)	(1,487,608)
TOTAL EQUITY		6,684,334	6,223,208

The 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 year ended 30 June 2016

	Contributed Capital	Retained Earnings/ (Accumulated Losses)	Foreign Currency Reserve	Total
	$	$	$	$
Balance at 1 July 2014	670,069	96,147	-	766,216
Transactions with owners in their capacity as owners				
Deemed issue of share capital on acquisition	2,899,715	-	-	2,899,715
Contributions of capital	5,105,240	-	-	5,105,240
Share issue costs (net of tax)	(454,742)	-	-	(454,742)
Total	7,550,213	-	-	7,550,213
Comprehensive income				
Loss after income tax	-	(1,583,755)	-	(1,583,755)
Foreign currency translation differences for foreign operations	-	-	(509,466)	(509,466)
Total comprehensive income	-	(1,583,755)	(509,466)	(2,093,221)
Balance at 30 June 2015	8,220,282	(1,487,608)	(509,466)	6,223,208
Balance at 1 July 2015	8,220,282	(1,487,608)	(509,466)	6,223,208
Transactions with owners in their capacity as owners				
Contributions of capital	-	-	-	-
Share issue costs (net of tax)	-	-	-	-
Total	-	-	-	-
Comprehensive income				
Profit after income tax	-	117,988	-	117,988
Foreign currency translation differences for foreign operations	-	-	343,138	343,138
Total comprehensive income	-	117,988	343,138	461,126
Balance at 30 June 2016	8,220,282	(1,369,620)	(166,328)	6,684,334

The 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 year ended 30 June 2016

	Note	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		9,254,475	5,222,936
Payments to suppliers and employees		(8,302,825)	(5,660,777)
Interest received		11,461	22,754
Income tax paid		(459,770)	-
Precise earn-out payments		(214,067)	-
Settlement payment		(50,000)	-
Finance costs		(81,719)	(1,953)
Net cash provided by/(used in) operating activities	21	157,555	(417,040)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant & equipment		(249,689)	(139,642)
Payments for security deposits		(93,126)	(29,735)
Net outflow of cash from the acquisition of AAC	4	(992,203)	-
Net outflow of cash from the acquisition of RJL	5	(461,979)	-
Net inflow of cash from the acquisition of OCTIEF	2	-	1,731,848
Net outflow of cash from the acquisition of Precise	3	-	(4,695,229)
Net cash used in investing activities		(1,796,997)	(3,132,758)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions of capital		-	5,105,240
Capital raising costs		-	(649,631)
Proceeds/(repayment) of borrowings		1,170,608	(13,211)
Finance lease payments		(17,669)	(4,332)
Net cash provided/(used in) by financing activities		1,152,939	4,438,066
Net increase/(decrease) in cash and cash equivalents held		(486,503)	888,268
Net foreign exchange differences		19,866	(36,817)
Cash and cash equivalents at the beginning of the financial period		859,500	8,049
Cash and cash equivalents at the end of the financial period	**10**	**392,863**	**859,500**

The 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

Introduction

This financial report covers the Consolidated Entity of HRL Holdings Limited (the "Company") and its controlled entities (together referred to as the "Consolidated Entity"). HRL Holdings Limited is a listed public company, incorporated and domiciled in Australia.

As a result of the acquisition of OCTIEF Pty Ltd in the prior year (as discussed in Note 2) this financial report represents a continuation of the financial statements of OCTIEF Pty Ltd being the accounting parent entity of the Group.

The accounting policies have been consistently applied, unless otherwise stated.

Operations and principal activities
The principal operating activities of the Group are property contamination testing, environmental consulting and hazardous materials analytical laboratory services with offices and laboratory facilities across Australia and New Zealand.

The Group offers services including industrial hygiene, asbestos and hazardous materials management, property contamination testing, workplace drug testing, environmental services (air, water and soil including contaminated land), building contamination assessment, and specialised NATA/IANZ - accredited laboratory analysis and on-site testing and monitoring.

Geothermal exploration projects have been placed on care and maintenance while the Group evaluates the best way to develop the projects held.

Currency
The financial report is presented in Australian dollars, rounded to the nearest dollar, which is the functional currency of the Company.

Authorisation of financial report
The financial report was authorised for issue on 26 August 2016.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. HRL Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements of the Consolidated Entity also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
The financial statements have been prepared under the historical convention, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies.

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the Consolidated Entity. The estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

The 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 or judgements were made in the process of applying the entity's accounting policies that in management's assessment can significantly affect the amounts recognised in the financial statements:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(p). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer to Note 15 for details of these assumptions and the potential impact of changes to the assumptions.

Provisions
The Group has estimated the likely payout under the earn out payment on acquisition of Precise Consulting and Laboratory Limited (refer Note 3). This calculation requires the use of assumptions. Refer to Note 17 for details of these assumptions and the potential impact of changes to the assumptions.

Accounting policies

(a) Principles of Consolidation

Subsidiaries are all entities (including structured entities) over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Intercompany transactions, balances and unrealised gains on transactions between Consolidated Entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Business combinations
Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(b) Income Tax

The income tax expense (benefit) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses. Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

(c) Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of policy for impairment).

The cost of fixed assets constructed within the Consolidated Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

<u>Depreciation</u>
The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the Consolidated Entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of asset is:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	20%
Motor vehicles	25%
Office equipment	40% - 67%
Laboratory equipment	20% - 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership is transferred to entities in the Consolidated Entity, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(e) Financial Instruments

Recognition and initial measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Consolidated Entity commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Consolidated Entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature greater than 12 months after the end of the reporting period. All other investments are classified as current assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold greater than 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment
At the end of each reporting period, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial guarantees
Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

– the likelihood of the guaranteed party defaulting in a year period;
– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
– the maximum loss exposed if the guaranteed party were to default.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(f) Impairment of Assets

At the end of each reporting period, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Employee Benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations
The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Contributions to defined contribution plans are expensed when incurred.

(h) Cash and Cash Equivalents

For statement of cash flow presentation purposes cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the balance sheet.

(i) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the provision of services is recognised on an accruals basis in the period in which the service is provided. Revenue from the provision of these services is calculated with reference to the professional staff hours incurred on each client assignment adjusted for any time that may not be recoverable.

Interest revenue is recognised using the effective interest rate method.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant tax authority. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the relevant tax authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the relevant tax authority are presented as operating cash flows included in receipts from customers or payments to suppliers.

(k) Contributed Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(l) Earnings per Share

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Comparative Figures

When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(n) Foreign Exchange

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedges. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Subsidiary companies
The financial results and position of foreign operations whose functional currency is different from the Consolidated Entity's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(o) Intangible Assets

Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 2 to 3 years.

Licenses and accreditations

Licenses and accreditations acquired as part of a business combination are recognised separately from goodwill. The licenses and accreditations are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which is estimated at 2 years.

(p) Goodwill

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(q) Finance Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset.

For non-specific borrowings, borrowing costs are capitalised using a weighted average capitalisation rate. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New Accounting Standards

The Consolidated Entity adopted all new Accounting Standards and Interpretations effective for the year ended 30 June 2016. There were no material impacts on the financial statements of the Consolidated Entity as a result of adopting these standards.

(s) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments
This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2018. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Consolidated Entity has not yet evaluated the impact adoption of this standard will have.

AASB 15 Revenue from Contracts with Customers
This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2017. This standard requires recognised revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue. The Consolidated Entity has not yet evaluated the impact adoption of this standard will have.

AASB16 Leases
This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this standard will replace the current accounting requirements applicable to leases in AASB117 Leases and related interpretations. AASB16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. This means that for all leases, a right-to-use asset and a liability will be recognised, with the right-to-use asset being depreciated and the liability being unwound in principal and interest components over the life of the lease. The Consolidated Entity has not yet evaluated the impact adoption of this standard will have.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTE 2 OCTIEF ACQUISITION ACCOUNTING AND SHARE BASED PAYMENT EXPENSE

On 15 September 2014 the Company announced the completion of the 100% acquisition of an environment services business, OCTIEF Pty Ltd (OCTIEF). The initial consideration paid by HRL to the vendors for the purchase of 100% of OCTIEF was the issue and allotment of 320,754,355* fully paid ordinary HRL shares. This represents 50% of the total maximum consideration of the transaction.

HRL agreed to issue further HRL shares to the vendors upon satisfaction of each of the three identified milestones being achieved by the respective dates as follows:

Milestones	Milestone shares	Result
1. OCTIEF achieves revenue for the 6 months to 31 December 2014 which equals or exceeds $1.75m.	160,377,178* being 25% of the total consideration for the transaction. If revenue is less than $1.75 million for the six month period ending 31 December 2014, the Milestone One Payment will be reduced on a pro-rata basis, but cannot be less than 75% of the full entitlement.	Achieved
2. OCTIEF establish a laboratory in Darwin	96,226,306* being 15% of the total consideration for the transaction.	Achieved
3. OCTIEF achieves revenue for the 12 months to 30 June 2015 which equals or exceeds $4.25m.	64,150,871* being 10% of the total consideration for the transaction. If revenue is less than $4.25 million for the 12 month ending period 30 June 2015, the Milestone Three Payment will be reduced on a pro-rata basis, but cannot be less than 75% of the full entitlement.	Partially achieved – 88.2% of the maximum number of shares issued in September 2015

* Prior to the 1:13 share consolidation

The acquisition of OCTIEF resulted in OCTIEF shareholders holding a controlling interest in HRL after the transaction. This transaction did not meet the definition of a business combination in AASB 3 Business Combinations. The transaction has therefore been accounted in accordance with AASB 2 Share-based Payment and has been accounted for as a continuation of the financial statements of OCTIEF together with a deemed issue of shares. The deemed issue of shares is, in effect, a share-based payment transaction whereby OCTIEF is deemed to have received the net assets of HRL, together with the listing status of HRL.

Because the financial statements represents a continuation of the financial statements of OCTIEF, the principles and guidance on the preparation and presentation of the financial statements in a reverse acquisition set out in AASB 3 have been applied as follows:

- fair value adjustments arising at acquisition were made to HRL's assets and liabilities, not those of OCTIEF. As the carrying value of all assets and liabilities held by HRL at acquisition date approximated their fair value, no adjustments were required;
- the equity structure (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of HRL, including the equity instruments issued to effect the acquisition;
- retained earnings/ (accumulated losses) and other equity balances at acquisition date are those of OCTIEF;
- the results for the year ended 30 June 2015 comprise the consolidated results for OCTIEF together with the results of the wider HRL group from 15 September 2014;
- the comparative results represent the consolidated results of OCTIEF only;
- the cost of the acquisition, and amount recognised as contributed equity to affect the transaction, is based on the deemed number of shares that OCTIEF would have needed to issue to give the shareholders of HRL the same shareholding percentage in the Combined Entity that results from the transaction; and
- a share-based payment transaction arises whereby OCTIEF is deemed to have issued shares in exchange for the net assets of HRL together with the listing status of HRL. The listing status does not qualify for recognition as an intangible asset and the relevant cost has therefore been expensed as a listing expense.

The fair value of the deemed number of shares that OCTIEF would have needed to issue is estimated to be $2,899,715. The fair value of HRL's net assets at acquisition date was $1,647,260. Deducting this from the deemed consideration results in a listing expense of $1,252,455.

NOTE 2 OCTIEF ACQUISITION ACCOUNTING AND SHARE BASED PAYMENT EXPENSE (CONT'D)

The value of the transaction is as follows:

	15 September 2014 $
Assets and liabilities acquired:	
Cash and cash equivalents	1,731,848
Trade and other receivables	25,554
Other current assets	7,416
Property, plant and equipment	1,161
Trade and other payables	(109,719)
Other liabilities	(9,000)
Net assets acquired	**1,647,260**
Fair value of notional shares issued to affect the transaction	2,899,715
Listing expense recognised in statement of comprehensive income	**1,252,455**

The fair value of the shares was assessed on the basis of the market value of HRL Holdings Limited's shares at acquisition date.

Acquisition related costs

Acquisition-related costs of $120,910 that were not directly attributable to the issue of shares are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

NOTE 3 PRECISE CONSULTING ACQUISITION ACCOUNTING

On 1 April 2015, HRL acquired 100% of the issued capital of Precise Consulting and Laboratory Limited (Precise Consulting). The agreed purchase consideration was:

- initial payment of NZD$5,000,000 cash; and
- earn-out consideration of up to NZD$2,500,000.

The amount of earn out consideration is based on Precise Consulting's earnings before interest and taxes (EBIT) for the year 1 January 2015 to 31 December 2015:

EBIT (NZD)	Earn Out Consideration (NZD)
Less than $1.9 million	Nil
$1.9 – 2.1 million	$700,000
$2.1m to $2.3 million	$1,300,000
$2.3m to $2.5 million	$1,900,000
More than $2.5 million	$2,500,000

Payment of the earn-out consideration was contingent on Mr Halkyard's ongoing service for a minimum period of three years after acquisition, with any earn-out consideration reduced proportionately by the length of time not employed. Mr Halkyard resigned from the General Manager position of Precise on 31 March 2016. Accordingly the total earn-out was reduced to $233,333 NZD. This amount was settled during the 2016 year.

As the earn-out consideration was contingent on Mr Andre Halkyard's ongoing service, the principles and guidance as set out in AASB 3 require that any earn-out consideration be expensed as an employment cost in the relevant period the service was provided. Consequently the earn-out consideration does not form part of the part of purchase consideration when accounting for the business combination. Refer to Note 17 for details of the accounting for the earn-out provision.

NOTE 3 PRECISE CONSULTING ACQUISITION ACCOUNTING (CONT'D)

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

	1 April 2015 $AUD
Purchase consideration:	
Cash payment of $5,000,000 NZD	**4,895,721**
Fair value of assets and liabilities acquired:	
Cash and cash equivalents	200,492
Trade and other receivables	395,805
Property, plant and equipment	110,695
Intangibles – licences and accreditations	244,786
Trade and other payables	(231,410)
Tax payable	(106,074)
Deferred tax liabilities	(68,540)
Employee provisions	(12,736)
Borrowings	(148,790)
Net identifiable assets acquired	**384,228**
Goodwill on acquisition	4,511,493
Net assets acquired	**4,895,721**

The goodwill is attributable to the location, reputation, workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

No other intangible assets, such as customer contractual arrangements were able to be identified based on Precise Consulting's systems and processes at acquisition date.

Revenue and profit contribution

Precise Consulting contributed revenues of $987,495 and net profit of $476,531 to the group for the period from 1 April 2015 to 30 June 2015.

If the acquisition had occurred on 1 July 2014 and the operations of Precise been included from that date then the consolidated pro-forma revenue and loss for the year ended 30 June 2015 would have been $6,975,140 and ($806,054) respectively.

Outflow of cash to acquire Precise Consulting, net of cash acquired

	1 April 2015 $AUD
Cash consideration	4,895,721
Less: cash and cash equivalents acquired	(200,492)
Net outflow of cash – investing activities	**4,695,229**

Acquisition related costs

Acquisition-related costs of $147,448 that were not directly attributable to the issue of shares are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

NOTE 4 AAC ENVIRONMENTAL PTY LTD ACQUISITION ACCOUNTING

On 30 September 2015, HRL acquired 100% of the issued capital of AAC Environmental Pty Ltd (AAC). The company was subsequently renamed to OCTIEF ACT Pty Ltd. The agreed purchase consideration was:

- initial payment of $1,000,000 cash; and
- earn-out consideration of up to $500,000.

The amount of earn out consideration is based on AAC's earnings before interest and taxes (EBIT) for the year 1 October 2015 to 30 September 2016:

EBIT	Earn Out Consideration
Less than $0.3 million	Nil
$0.3 – $0.4 million	$100,000
$0.4m to $0.5 million	$300,000
More than $0.5 million	$500,000

Payment of the earn-out consideration was contingent on Mr Arthur Watson's, the vendor and operations manager of the Canberra's branch, ongoing service with AAC during the earn out period. In the situation where Mr Watson's employment is terminated prior to the minimum period, the earn-out consideration was to be reduced proportionately to the length of time not employed.

Mr Watson resigned from AAC in early February 2016. HRL reached a settlement with vendors where in exchange for $50,000 and the transfer of a motor vehicle with a value $29,199 (total settlement of $79,199), HRL was released from this earn-out obligation.

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

	30 September 2015 $
Purchase consideration:	
Cash payment	**1,000,000**
Fair value of assets and liabilities acquired:	
Cash and cash equivalents	7,797
Trade and other receivables	216,607
Other assets	7,158
Property, plant and equipment	63,643
Intangibles – licences and accreditations	250,000
Trade and other payables	(123,614)
Deferred tax liabilities	(75,000)
Employee provisions	(7,948)
Net identifiable assets acquired	**338,643**
Goodwill on acquisition	661,357
Net assets acquired	**1,000,000**

The goodwill is attributable to the location, reputation, and workforce of the acquired business. It will not be deductible for tax purposes.

No other intangible assets, such as customer contractual arrangements were able to be identified based on AAC's systems and processes at acquisition date.

NOTE 4 AAC ENVIRONMENTAL PTY LTD ACQUISITION ACCOUNTING

Revenue and profit contribution

AAC contributed revenues of $317,618 and net profit of $19,704 to the group for the period from 1 October 2015 to 30 June 2016. During the second half of FY2016, the Group began transitioning the Canberra business into OCTIEF Pty Ltd, with a view to closing down the AAC entity in the coming months.

Prior to acquisition AAC's business included a range of service lines relating to asbestos removal which the HRL Group did not continue with post acquisition. Consequently it is not possible to determine the pro-forma revenue and profit contribution to the HRL Group if the acquisition had occurred on 1 July 2015 and the operations of ACC had been included from that date.

Outflow of cash to acquire AAC, net of cash acquired

	30 September 2015 $
Cash consideration	1,000,000
Less: cash and cash equivalents acquired	(7,797)
Net outflow of cash – investing activities	**992,203**

Acquisition related costs

Acquisition-related costs of $51,749 that were not directly attributable to the issue of shares are included in 'Acquisition expenses' profit or loss and in operating cash flows in the statement of cash flows.

NOTE 5 RJL & ASSOCIATES ACQUISITION ACCOUNTING

On 1 March 2016, Precise acquired completed the purchase of the RJL & Associates Limited (RJL) business. The agreed purchase consideration was $500,000 NZD cash.

The assets and associated deferred tax liability acquired as a result of the business acquisition are as follows:

	1 March 2016 $
Purchase consideration:	
Cash payment	**461,979**
Fair value of assets and liabilities acquired:	
Property, plant and equipment	135,430
Intangibles – customer contracts and intellectual property	453,541
Deferred tax liabilities	(126,991)
Net identifiable assets acquired	**461,979**
Goodwill on acquisition	-
Net assets acquired	**461,979**

Revenue and profit contribution

Upon purchase, the RJL business was immediately integrated with Precise and its service lines integrated across all of Precise's branches. Consequently it is not possible to determine RJL's direct contributed revenues and net profit to the Group since acquisition. The new service lines of property contamination testing and work place drug testing introduced as part of the RJL purchase contributed revenues of $601,686 from 1 March 2016 to 30 June 2016.

For the same reasons noted above it is not possible to determine the pro-forma revenue and profit contribution to the HRL Group if the acquisition had occurred on 1 July 2015 and the operations of RJL had been included from that date.

NOTE 6 INCOME TAX

	2016 $	2015 $
Income tax expense:		
Current tax		
Current tax on profit/loss for the year	412,305	139,700
Adjustments for current tax of prior periods	10,572	-
Total current tax expense	422,877	139,700
Deferred tax		
Movement in deferred tax assets	(309,268)	(455,116)
Movement in deferred tax liabilities	(56,585)	(31)
Total deferred tax expense/(benefit)	(365,853)	(455,145)
Total income tax expense/(benefit)	57,024	(315,445)
Reconciliation of income tax expense to prima facie tax payable:		
Profit/(loss) before tax	175,012	(1,899,200)
Prima facie tax at 30%	52,504	(569,760)
Tax effect of not deductible (taxable) amounts in calculating taxable income:		
Entertainment expenses	2,888	3,414
Transaction and legal costs	-	28,183
Amortisation of intangible assets	17,381	96,497
Listing expense arising on deemed acquisition	-	375,737
Other items	-	456
	72,773	**(65,473)**
Difference in overseas tax rate	(26,321)	(7,040)
Adjustments for tax of prior periods	10,573	-
Total income tax expense	**57,025**	**(315,445)**

Amounts recognised directly in equity:

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:

Current tax: share issue costs	-	-
Deferred tax: share issue costs	-	194,889
	-	**194,889**

NOTE 6 INCOME TAX (CONT'D)

	2016 $	2015 $
Deferred tax assets:		
Balance comprises temporary differences attributable to:		
Employee benefits payable	10,975	8,909
Employee leave provisions	35,248	30,540
Accrued expenses	9,472	13,818
Share issue costs	155,911	194,889
Provision for doubtful debts	3,604	4,587
Precise earn-out	60,432	14,462
Lease liabilities	14,265	16,967
Carried forward tax losses	729,849	425,662
Other amounts	-	654
	1,019,756	**710,488**
Set-off of deferred tax liabilities	(144,589)	(49,583)
Net deferred tax assets	**875,167**	**660,905**

A deferred tax asset has been recognised as the consolidated entity is forecasting to generate taxable profits over the next five years.

Movements during the period:

		Charged/credited to				
Year ended June 2016	**1 July 2015**	**Profit or Loss**	**Other Comp. Income**	**Directly to equity**	**Acquisition of subsidiary**	**30 June 2016**
Employee benefits payable	8,909	2,066	-	-	-	10,975
Employee leave provisions	30,540	4,708	-	-	-	35,248
Accrued expenses	13,818	(4,346)	-	-	-	9,472
Share issue costs	194,889	(38,978)	-	-	-	155,911
Provision for doubtful debts	4,587	(983)	-	-	-	3,604
Precise earn-out provision	14,462	45,970	-	-	-	60,432
Lease liabilities	16,966	(2,701)	-	-	-	14,265
Carried forward tax losses	425,662	304,187	-	-	-	729,849
Other amounts	654	(655)	-	-	-	-
	710,488	**309,268**	**-**	**-**	**-**	**1,019,756**

NOTE 6 INCOME TAX (CONT'D)

Year ended June 2015	1 July 2014	Charged/credited to: Profit or Loss	Charged/credited to: Other Comp. Income	Charged/credited to: Directly to equity	Charged/credited to: Acquisition of subsidiary	30 June 2015
Customer contracts	1,499	(1,499)	-	-	-	-
Employee benefits payable	43,032	(34,123)	-	-	-	8,909
Employee leave provisions	14,136	16,404	-	-	-	30,540
Accrued expenses	-	13,818	-	-	-	13,818
Share issue costs	-	-	-	194,889	-	194,889
Provision for doubtful debts	-	4,587	-	-	-	4,587
Precise earn-out provision	-	14,462	-	-	-	14,462
Lease liabilities	-	16,966	-	-	-	16,966
Carried forward tax losses	-	425,662	-	-	-	425,662
Other amounts	1,818	(1,163)	-	-	-	654
	60,485	**455,115**	**-**	**194,889**	**-**	**710,488**

	2016 $	2015 $
Deferred tax liabilities:		
Balance comprises temporary differences attributable to:		
Licences and accreditations	77,801	60,874
Other intangibles	103,639	-
Plant and equipment	10,426	13,901
Other amounts	30,519	2,204
	222,385	**76,979**
Set-off of deferred tax assets	(144,589)	(49,583)
Net deferred tax liabilities	**77,796**	**27,396**

Movements during the period:

Year ended June 2016	1 July 2015	Charged/credited to: Profit or Loss	Charged/credited to: Other Comp. Income	Charged/credited to: Directly to equity	Charged/credited to: Acquisition of subsidiary	30 June 2016
Licences and accreditations	60,874	(58,073)	-	-	75,000	77,801
Other intangibles	-	(23,352)	-	-	126,991	103,639
Plant and equipment	13,901	(3,475)	-	-	-	10,426
Other amounts	2,204	28,315	-	-	-	30,519
	76,979	**(56,585)**	**-**	**-**	**201,991**	**222,385**

Year ended June 2015	1 July 2014	Charged/credited to: Profit or Loss	Charged/credited to: Other Comp. Income	Charged/credited to: Directly to equity	Charged/credited to: Acquisition of subsidiary	30 June 2015
Licences and accreditations	7,567	(15,233)	-	-	68,540	60,874
Other intangibles	902	(902)	-	-	-	-
Plant and equipment	-	13,901	-	-	-	13,901
Other amounts	-	2,204	-	-	-	2,204
	8,469	**(30)**	**-**	**-**	**68,540**	**76,979**

NOTE 6 INCOME TAX (CONT'D)

Tax consolidation

HRL Holdings Limited and its wholly-owned Australian controlled entities have formed a tax-consolidated group. HRL Holdings NZ Limited (a wholly-owned subsidiary of HRL Holdings Limited) and its wholly-owned New Zealand controlled entities have formed a tax-consolidated group. The entities in the tax group have entered into a tax sharing agreement to limit the joint and several liability of the wholly-owned entities in the case of a default by the relevant Head Entity.

A tax funding agreement where the wholly-owned entities fully compensate the Head Entity for any current tax receivable and deferred tax assets related to unused tax losses or unused tax credits that are transferred to the Head Entity under the tax consolidation legislation has also been entered into. The transfer of such amounts to the Head Entity is recognised as inter-company receivables or payables.

Each entity in the tax-consolidated group continues to account for its own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, each relevant Parent entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

NOTE 7 AUDITOR'S REMUNERATION

	2016 $	2015 $
Audit services – BDO Audit Pty Ltd		
Audit and review of financial reports	59,500	49,000
Audit and review of Precise Consulting financial reports	-	23,500
Independent account reports for prospectus documents	-	32,000
Total audit services	**59,500**	**104,500**
Non-audit services – BDO (QLD) Pty Ltd		
Taxation services	2,500	-
Total non-audit services	**2,500**	**-**

2015: Prior to the acquisition of OCTIEF Pty Ltd by the Company BDO prepared an Investigating Experts Report in relation to the OCTIEF Pty Ltd acquisition. The amount charged for this engagement was $48,594. As these accounts present a continuation of the financial statements of OCTIEF Pty Ltd the amount charged is not included in profit or loss.

NOTE 8 EXPENSES

Employee benefits expenses			
Defined contribution superannuation expense		144,520	113,559
Other employee benefits expenses		4,281,282	2,639,351
Remuneration expense on Precise Consulting earn-out	17	160,433	51,650
Total employee benefits expenses		**4,586,235**	**2,804,560**
Rental expense relating to operating leases			
Minimum lease payments		360,695	275,051
Net loss on disposal of plant and equipment		29,119	22,351

NOTE 9 EARNINGS PER SHARE

Earnings

	2016	2015
	$	$
Earnings used to calculate basic and diluted EPS	117,988	(1,583,755)

Weighted average number of shares and options	Number of shares	Number of shares
Weighted average number of ordinary shares outstanding during the period, used in calculating basic earnings per share	158,903,031	570,096,440
Weighted average number of dilutive options outstanding during the period	-	-
Weighted average number of ordinary shares and potential ordinary shares outstanding during the period, used in calculating diluted earnings per share	158,903,031	570,096,440

Weighted average number of ordinary shares outstanding during the prior period has been calculated using:

- The number of ordinary shares outstanding from the beginning of the current period to the acquisition date computed on the basis of the weighted average number of ordinary shares of OCTIEF Pty Ltd (accounting acquirer) outstanding during the period multiplied by the exchange ratio of 1 OCTIEF Pty Ltd share to 577,357,839 HRL Holdings Limited shares; and
- The number of ordinary shares outstanding from the acquisition date to the end of that period being the actual number of ordinary shares of HRL Holdings Limited (the accounting acquiree) outstanding during the period.

NOTE 10 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	317,413	579,500
Cash on deposit	75,450	280,000
	392,863	**859,500**

	2016	2015
	$	$

NOTE 11 TRADE AND OTHER RECEIVABLES

	2016 $	2015 $
CURRENT		
Trade receivables	1,173,562	835,236
Provision for impairment	(5,583)	-
	1,167,979	835,236
Accrued income	146,536	15,570
Other receivables	39,836	74,110
	1,354,351	**924,916**

	2016 $	2015 $
NON-CURRENT		
Bonds and other deposits	**122,861**	**68,585**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

Other receivables generally arise from transactions outside the usual operating activities of the group.

The non-current bonds and other deposits receivables are due and payable within three years from the end of the reporting period.

Impairment of receivables

The Group recognised a loss of $5,583 during the year (2015: $5,012) in relation to impaired receivables.

Movement in the provision for impairment of receivables was:

	2016 $	2015 $
Opening balance	-	-
Impaired receivables provided for during the period	5,583	5,012
Receivables written off during the year as uncollectible	-	(5,012)
Closing balance	**5,583**	**-**

Past due but not impaired

Customers with balances past due but with no provision for impairment at 30 June 2016 were $85,744 (2015: $117,164). The Group did not consider a credit risk on the aggregate balances after review credit terms of customers based on recent collection history.

The ageing of receivables past due but not provided for is:

	2016 $	2015 $
Past due 0-30 days	63,888	95,944
Past due 30-60 days	11,801	20,917
Past due > 60 days	10,055	303
	85,744	**117,164**

NOTE 12 OTHER ASSETS

	2016 $	2015 $
CURRENT		
Prepaid expenses	**4,771**	**99,103**

	2016 $	2015 $

NOTE 13 PLANT AND EQUIPMENT

	2016 $	2015 $
Leasehold improvements at cost	63,279	28,435
Accumulated depreciation	(11,733)	(3,822)
	51,546	24,613
Motor vehicles at cost	353,370	219,767
Accumulated depreciation	(62,435)	(78,218)
	290,935	141,549
Office furniture and equipment at cost	164,402	104,641
Accumulated depreciation	(71,104)	(44,218)
	93,298	60,423
Lab and field equipment at cost	329,994	177,204
Accumulated depreciation	(92,817)	(30,856)
	237,177	146,348
Total plant and equipment at cost	911,045	530,047
Total accumulated depreciation	(238,089)	(157,114)
Total plant and equipment	**672,956**	**372,933**

Movements during the year

Year ended 30 June 2016	Leasehold Improvements	Motor Vehicles	Office Furniture and Equipment	Lab and field Equipment	Total
Balance at 1 July 2015	24,613	141,549	60,423	146,348	372,933
Additions	37,815	34,546	42,799	134,529	249,689
Additions – leases	-	49,934	-	-	49,934
Business combinations	-	151,760	20,237	27,076	199,073
Disposals	-	(29,119)	-	-	(29,119)
Foreign exchange movements	687	3,767	5,932	(554)	9,832
Depreciation	(11,569)	(61,502)	(36,093)	(70,222)	(179,386)
Balance at 30 June 2016	**51,546**	**290,935**	**93,298**	**237,177**	**672,956**

Year ended 30 June 2015	Leasehold Improvements	Motor Vehicles	Office Furniture and Equipment	Lab and field Equipment	Total
Balance at 1 July 2014	2,313	126,951	31,041	25,126	185,431
Additions	25,910	-	5,970	107,761	139,641
Additions – leases	-	52,852	-	-	52,852
Business combinations	-	-	56,841	53,854	110,695
Disposals	-	-	(10,735)	(11,616)	(22,351)
Foreign exchange movements	-	-	(5,252)	(7,931)	(13,183)
Depreciation	(3,610)	(38,254)	(17,442)	(20,846)	(80,152)
Balance at 30 June 2015	**24,613**	**141,549**	**60,423**	**146,348**	**372,933**

	2016 $	2015 $

NOTE 14 INTANGIBLE ASSETS

	2016 $	2015 $
Customer contracts at cost	389,377	320,000
Accumulated amortisation	(43,264)	(262,063)
	346,113	57,937
Licences and accreditations at cost	471,356	421,356
Accumulated amortisation	(228,085)	(227,380)
	243,271	193,976
Other intangibles at cost	64,164	-
Accumulated amortisation	(7,129)	-
	57,034	-
Total intangible assets	**646,418**	**251,913**

Movements during the year

Year ended 30 June 2016	Customer Contracts	Licences and Accreditations	Other Intangibles	Total
Balance at 1 July 2015	57,937	193,976	-	251,913
Additions	-	-	-	-
Business combinations	380,450	250,000	62,693	693,143
Disposals	-	-	-	-
Foreign exchange movements	7,693	-	1,267	8,960
Amortisation	(99,967)	(200,705)	(6,926)	(307,598)
Balance at 30 June 2016	**346,113**	**243,271**	**57,034**	**646,418**

Year ended 30 June 2015	Customer Contracts	Licences and Accreditations	Other Intangibles	Total
Balance at 1 July 2014	206,612	157,479	18,779	382,870
Additions	-	-	-	-
Business combinations	-	244,786	-	244,786
Disposals	-	-	-	-
Foreign exchange movements	-	(23,430)	-	(23,430)
Amortisation	(148,675)	(184,859)	(18,779)	(352,313)
Balance at 30 June 2015	**57,937**	**193,976**	**-**	**251,913**

	2016	2015
	$	$
NOTE 15 GOODWILL		
Opening balance	4,079,678	-
Goodwill arising on acquisition of Precise Consulting	-	4,511,493
Goodwill arising on acquisition of AAC	661,357	-
Foreign exchange movements	313,103	(431,815)
	5,054,138	**4,079,678**

Impairment tests for goodwill

Goodwill is monitored by management at the Company level for Precise Consulting and at the geographic branch level for AAC.

The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions.

The calculations use cash flow projections based on financial budgets covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The following table sets out the key assumptions for the value in use:

Assumption	Precise	AAC	Approach
Sales volume annual growth	2.5%	1%	Average annual growth rate over the five-year forecast period based on management's expectations of market development.
Sales price annual growth	2.5%	1%	Average annual growth rate over the five-year forecast period based on current industry trends
Fixed costs per annum	$2.1M	$0.3M	Fixed costs of the Company, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures. The amounts disclosed are the average operating costs for the five-year forecast period.
Annual capital expenditure	$50,000	$15,000	Expected capital cash costs based on the historical experience of management, and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.
Long term growth rate	3%	3%	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	20%	20%	Reflects specific risks relating to the relevant segments and the countries in which they operate. In performing the value-in-use calculations for each CGU, the group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows.

There is sufficient headroom in the value in use calculation such that in management's opinion a reasonably possible change in a key assumption on which management has based its determination of the cash generating unit's recoverable amount would not cause the cash generating unit's carrying amount to exceed its recoverable amount.

	2016	2015
	$	$

NOTE 16 TRADE AND OTHER PAYABLES

	2016 $	2015 $
CURRENT		
Trade payables	293,262	198,271
Other payables and accrued expenses	357,772	296,226
Payables to Directors – outstanding wages and fees	20,000	20,000
	671,034	**514,497**

Trade payables are amounts due to suppliers for goods purchased or services provided in the ordinary course of business. Trade payables are generally due for settlement within 30 days and therefore are all classified as current.

Other payables and accrued expenses generally arise from normal transactions within the usual operating activities of the group and comprise items such as employee taxes, employee on costs, GST and other recurring items.

NOTE 17 PROVISIONS

	2016 $	2015 $
CURRENT		
Employee benefits	120,962	102,982
Precise Consulting earn-out	-	51,650
	120,962	**154,632**

Precise Consulting Earn-out Provision

On 1 April 2015, HRL acquired 100% of the issued capital of Precise Consulting and Laboratory Limited (Precise Consulting). The agreed purchase consideration was:

- initial payment of NZD$5,000,000 cash; and
- earn-out consideration of up to NZD$2,500,000.

The amount of earn out consideration is based on Precise Consulting's earnings before interest and taxes (EBIT) for the year 1 January 2015 to 31 December 2015:

EBIT (NZD)	Earn Out Consideration (NZD)
Less than $1.9 million	Nil
$1.9 – 2.1 million	$700,000
$2.1m to $2.3 million	$1,300,000
$2.3m to $2.5 million	$1,900,000
More than $2.5 million	$2,500,000

Precise Consulting exceed an EBIT of $1,900,000 NZD for the 12 months ended 31 March 2015, resulting in an earn-out of $700,000 NZD.

As at 30 June 2015, Mr Andre Halkyard had performed 3 months of the 36 month service period (8.33%). Accordingly an amount of $51,650 (being 8.33% of $700,000 NZD [$51,650 AUD]) was recognised in profit or loss.

Payment of the earn-out consideration was contingent on Mr Halkyard's ongoing service for a minimum period of three years after acquisition, with any earn-out consideration reduced proportionately by the length of time not employed. Mr Halkyard resigned from the General Manager position of Precise on 31 March 2016. Accordingly the total earn-out was reduced to $233,333 NZD. This amount was settled during the 2016 year.

NOTE 17 PROVISIONS (CONT'D)

Movements during the year

	2016 $	2015 $
Opening balance	51,650	-
Precise Consulting earn-out expense recognised	160,433	51,650
Foreign exchange movements	1,984	-
Payment of Precise Consulting earn-out	(214,067)	-
	-	**51,650**

NOTE 18 BORROWINGS

	2016	2015
CURRENT		
Finance leases	25,856	9,003
Bank loans	466,000	-
Insurance financing	-	105,622
	491,856	**114,625**

	2016	2015
NON-CURRENT		
Finance leases	67,959	47,553
Bank loans	810,230	-
	878,189	**47,553**

The finance leases are secured over the individual motor vehicles that the lease relates to. The leases have interest rates of 4.35% - 5.10% per annum and expire between December 2018 and February 2019.

The bank loan is secured against all current and non-current assets of the Group by floating charge. The facility has an interest rate of 4.85% per annum and expires in September 2019.

Financing Facilities

The Group has access to the following lines of credit:

	2016	2015
Total facilities available		
Finance leases and equipment financing	547,553	56,556
Insurance financing	-	105,622
Bank loans	2,307,856	3,500,000
Overdraft	-	250,000
	2,855,409	**3,912,178**
Facilities used at balance date		
Finance leases and equipment financing	93,815	56,556
Insurance financing	-	105,622
Bank loans	1,276,230	-
Overdraft	-	-
	1,370,045	**162,178**

	2016	2015
	$	$
NOTE 18 BORROWINGS (CONT'D)		
Unused facilities at balance date		
Finance leases and equipment financing	453,738	-
Insurance financing	-	-
Bank loans	1,031,626	3,500,000
Overdraft	-	250,000
	1,485,364	**3,750,000**

Restrictions as to use or withdrawal

The bank loan facility is subject to the Group complying with covenants listed below.

Covenants

The bank loan facility is subject to the below covenants:

Debt Service Cover Ratio greater than 1

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.

Gearing Ratio of less than 65% at June 2015 and 60% at June 2016

Gearing ratio means: Total liabilities divided by total tangible assets (including goodwill and other acquisition based intangibles).

This ratio will be assessed every 12 months.

Provision of bi-annual compliance certificates

HRL must provide within 60 days 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.

There were no breaches of covenants during the period.

Assets pledged as security

In accordance with the security arrangements of the bank loans, all current and non-current assets of the Group are secured by floating charge.

Finance leases are also secured by mortgage over the relevant motor vehicle which at 30 June 2016 had a carrying value of $79,536 (2015: $46,336).

Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

Terms and conditions

The bank overdraft facilities may be drawn at any time. Bank loan facilities may be drawn at any time and have a remaining maturity of 3.25 years. The bank loan facilities are principal and interest and amortise equally over the loan period.

	2016 $	2015 $

NOTE 19 CONTRIBUTED CAPITAL

	2016 $	2015 $
158,903,031 fully paid ordinary shares (2015: 154,550,025)	8,025,393	8,025,393

	June 2016 Number	June 2015 Number	June 2016 $	June 2015 $
Movements during the period				
Balance at beginning of period	154,550,025	1	8,220,282	670,069
Reversal of existing share on acquisition	-	(1)	-	-
HRL shares on acquisition of OCTIEF	-	414,244,896	-	-
Shares issued to OCTIEF vendors on acquisition (refer Note 2)	-	320,754,355	-	2,899,715
Rights issue shortfall shares issued (0.5c per share)	-	17,539,914	-	105,240
Shares issued to OCTIEF vendors on achieving Milestones (refer Note 2)	4,353,006	256,603,484	-	-
Share consolidation – 1:13	-	(931,515,701)	-	-
General offer of shares (6.5c per share)	-	76,923,077	-	5,000,000
Share issue costs (net of tax)	-	-	-	(454,742)
Balance at end of period	**158,903,031**	**154,550,025**	**8,220,282**	**8,220,282**

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Options

Details of options issued, exercised and expired during the financial year are set out below:

		Movements				
Expiry Date	Exercise Price	1 July 2015	Issued	Exercised	Expired	31 December 2015
30 November 2015	$0.52	1,615,385	-	-	(1,615,385)	-

NOTE 20 RESERVES

	2016 $	2015 $
Foreign currency translation reserve	**(166,328)**	**(509,466)**

The foreign currency translation reserve records exchange rate differences arising from the translation of the financial statements of foreign subsidiaries.

Movements during the year

	2016 $	2015 $
Opening balance	(509,466)	-
Foreign exchange differences	343,138	(509,466)
Closing balance	**(166,328)**	**(509,466)**

NOTE 21 CASH FLOW INFORMATION

Reconciliation of cash flows from operations with profit/(loss) after tax

	2016 $	2015 $
Profit/(loss) after income tax	117,988	(1,583,755)
Non-cash items in profit/(loss) after income tax		
Depreciation and amortisation	486,984	432,465
Loss on sale of plant and equipment	29,119	22,351
Impairment of receivables	5,583	5,012
Listing expense arising on deemed acquisition	-	1,252,455
Movements in operating assets and liabilities		
Trade and other receivables	(108,907)	66,400
Other assets	101,491	(52,537)
Trade and other payables	(30,339)	(234,763)
Provisions	(41,618)	(9,223)
Tax balances	(402,746)	(315,445)
Net cash provided by/ (used in) operating activities	**157,555**	**(417,040)**

Non-cash investing and financing activities

	2016 $	2015 $
Shares issued for OCTIEF acquisition (refer Note 2)	-	2,899,715

NOTE 22 SHARE BASED PAYMENTS

During the year ended 30 June 2015, HRL entered into a contract with Integrated Holdings Group Pty Ltd ("IHG") to acquire 100% of the equity of OCTIEF Pty Ltd. Further details of the acquisition and the share based payment involved are included in Note 2.

	2016 $	2015 $

NOTE 23 RELATED PARTY TRANSACTIONS

Key Management Personnel Compensation

	2016 $	2015 $
Short-term benefits	758,505	539,228
Post-employment benefits	78,007	36,225
Long-term benefits	(11,121)	66,754
Termination benefits	-	-
Share-based payments	-	-
	825,391	**642,207**

Detailed remuneration disclosures are provided in the remuneration report on pages 16 to 25.

Transactions with related parties

Transactions with Key Management Personnel related parties

Transaction	Entity	Association	2016 $	2015 $
Rental of office space	Paget Developers	Darren Anderson Kevin Maloney	101,979	98,484
Underwriting $5M capital raise [1]	Tulla Property Partners	Kevin Maloney	-	250,000
Software and hosting services	Octfolio	Darren Anderson Kevin Maloney	249,253	104,141
Sublet of office space to Octfolio	Octfolio	Darren Anderson Kevin Maloney	30,858	5,610
Corporate services [2]	Integrated Holdings Group	Darren Anderson Kevin Maloney	-	61,538

[1] Tulla Property Partners, an entity associated with Mr Kevin Maloney acted as Lead Underwriter for the $5 million capital raising completed in late March 2015. The Lead Underwriter then arranged for other parties to sub-underwrite part of the capital raising and will have settled these sub-underwriting fees directly with the sub-underwriters. The net underwriting fee received by Tulla Property Partners was $116,369. Included in the sub-underwriting fees paid by Tulla Property Partners was an amount of $55,342 that was paid to Integrated Holdings Group, an entity associated with Mr Kevin Maloney and Mr Darren Anderson.

[2] Services provided from 1 July 2014 to 15 September 2014.

All of the above transactions were based on normal commercial terms and conditions.

Trade payable balances with related parties

Nature	Entity	Association	2016 $	2015 $
Software and hosting services	Octfolio	Darren Anderson Kevin Maloney	31,573	40,046

NOTE 24 FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist mainly of deposits with banks and accounts receivable and payable. The main risk arising from the financial instruments is credit risk and foreign exchange risk.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for day to day management of these risks to the Chief Finance Officer. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Consolidated Entity incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Consolidated Entity. It arises from exposure to customers as well as through deposits with financial institutions.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There is no collateral held as security at 30 June 2016. Credit risk is reviewed regularly by the Board.

The Group does not have any material credit risk exposure to any single counterparty, except for its holdings of cash which is held with the Westpac Bank.

Maximum exposure to credit risk

	2016 $	2015 $
Summary exposure		
Cash and cash equivalents	392,863	859,500
Trade receivables	1,167,979	835,236
Other receivables	186,372	89,680
	1,747,214	**1,784,416**

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet financial obligations as they fall due. Liquidity risk is reviewed regularly by the Board.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained. Refer to Note 18 for the Group's financing facilities available at balance date.

Remaining contractual maturities

The tables below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at period end. The amounts disclosed represent undiscounted cash flows. The tables include both interest and principal cash flows and therefore the totals may differ from their carrying amount in the balance sheet.

The remaining contractual maturities of the financial liabilities are:

30 June 2016	Fixed interest rate	1 year or less $	1 to 2 years $	Over 2 years $	Total $
Trade payables	-	293,262	-	-	293,262
Other payables	-	377,772	-	-	377,772
Bank loan	-	774,000 [1]	502,230	-	1,276,230
Finance leases	4.73%	31,239	31,239	40,186	102,664
		1,476,273	**533,469**	**40,186**	**2,049,928**

[1] Under its banking facilities, HRL is obliged to make minimum monthly principal and interest payments of $64,500 per month. As there is sufficient undrawn loan facilities, HRL expects to redraw a portion of debt in the next 12 months. The current liability in relation to this bank loan disclosed in Note 18 represents HRL's expected pay down of loan principal over the next 12 months.

NOTE 24 FINANCIAL RISK MANAGEMENT (CONT'D)

30 June 2015	Fixed interest rate	1 year or less $	1 to 2 years $	Over 2 years $	Total $
Trade payables	-	198,271	-	-	198,271
Other payables	-	316,226	-	-	316,226
Insurance financing	4.67%	108,104	-	-	108,104
Finance lease	5.10%	11,677	11,677	40,452	63,806
		634,278	**11,677**	**40,452**	**686,407**

Market Risk

Market risk arises from the use of interest bearing, tradeable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

Interest rate risk is managed by constant monitoring of interest rates.

Interest rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the interest rates at reporting date had been 100 basis points higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian and New Zealand interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

All interest bearing liabilities have fixed interest rates so the sensitivity analysis has no impact.

All cash assets have floating interest rates. At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

	2016 $	2015 $
Impact on profit and equity		
+1.00% (100 basis points)	(9,588)	6,102
-1.00% (100 basis points)	9,588	(6,102)

Foreign Currency Risk

Foreign currency risk arises as a result of having assets/cash flows denominated in a currency other than the home currency in which they are reported. At 30 June, the Group had the following exposure to foreign currency, shown in Australian Dollars:

	2016	2015
Financial assets		
Cash and cash equivalents (NZD)	258,843	373,482
Trade and other receivables (NZD)	864,052	533,125
	1,122,895	**906,607**
Financial liabilities		
Trade and other payables (NZD)	361,600	122,853
	361,600	**122,853**

Exchange rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the NZD:AUD exchange rates at reporting date had been 10% basis higher or lower, with all other variables held constant. The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date:

NOTE 24 FINANCIAL RISK MANAGEMENT (CONT'D)

	2016 $	2015 $
Impact on equity		
+10.00%	(76,130)	(78,375)
-10.00%	76,130	78,375

Capital Risk Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares and retained earnings of the Group. The Board of Directors monitors the return on capital as well as considers the potential of future dividends to ordinary shareholders. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

As part of complying with its borrowing covenants, the Group has an externally imposed requirement to maintain a *Gearing Ratio* of less than 65% at June 2015 and 60% at June 2016. *Gearing ratio* is defined as: Total liabilities divided by total tangible assets (including goodwill and other acquisition based intangibles). The actual gearing ratio at 30 June 2016 was 29%.

Fair Values

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

NOTE 25 COMMITMENTS

	2016 $	2015 $
Operating leases		
Minimum lease payments:		
Payable within one year	482,862	335,161
Payable within one year and five years	806,376	685,022
Total contracted at balance date	**1,286,238**	**1,020,183**

The Group leases various properties and motor vehicles under non-cancellable operating leases expiring within one to five years. The property leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Finance leases

Future minimum lease payments:		
Payable within one year	31,239	11,677
Payable between one year and five years	71,425	52,129
	102,664	63,806
Less future interest payments	(9,149)	(7,250)
	93,515	**56,556**
Present value of minimum lease payments:		
Current (Note 17)	25,856	9,003
Non-Current (Note 17)	67,959	47,553
	93,515	**56,556**

Finance leases relate to vehicle with a written down value of $79,536 (2015: $46,336). Under the lease terms, the Group does not have the right to acquire the leased asset at the end of the lease.

NOTE 25 COMMITMENTS (CONT'D)

	2016 $	2015 $
Future exploration		
Exploration obligations to be undertaken:		
Payable within one year	800,000	800,000
Payable between one year and five years	18,500,000	18,500,000
	19,300,000	**19,300,000**

The Group has certain obligations to expend minimum amounts on exploration in tenement areas. Failure to meet these obligations may result in the Group having to relinquish these tenements. It is HRL's intention to not focus any further resources on its geothermal assets until it is satisfied that the projects can be commercially viable.

The Group has previously impaired the value of these tenement areas to $Nil in prior periods with all subsequent costs immediately expensed through the statement of comprehensive income.

NOTE 26 CONTINGENT LIABILITIES

The Consolidated Entity has arranged bank guarantees of $30,000 to the Victorian Government as security over the granted geothermal tenement. No liability has been recognised by the Group as bank deposits totalling $30,000 are in place to satisfy any obligation to the bank. Upon relinquishment of the tenements, the Victorian Government will release the security.

NOTE 27 SEGMENT REPORTING

Reportable Segments

For the period ended 30 June 2016 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:

- OCTIEF branded operations
- Precise Consulting branded operations

Change to reportable segments

For the year ended 30 June 2015 and the prior comparative period the Group identified the operating segments based on internal reports that were reviewed and used by the executive team in assessing performance and determining the allocation of resources. The internal reports and operating segments were based on geographical locations (Australia and New Zealand) for the year ended 30 June 2016.

NOTE 27 SEGMENT REPORTING (CONT'D)

Segment Revenues and Results

30 June 2016	OCTIEF $	Precise $	Unallocated $	Consolidated $
Revenue:				
Environmental services revenue	4,025,922	4,359,256	-	8,385,178
Interest income	-	-	4,888	4,888
Expenses:				
Interest expense	-	-	(81,179)	(81,179)
Other expenses	(3,634,983)	(3,257,603)	(1,241,289)	(8,215,054)
Segment result	390,939	1,101,654	(1,317,580)	175,012
Income tax				(57,024)
Net Profit/(Loss)				117,988
Non-cash and other significant items included in loss above:				
Depreciation and amortisation	239,928	234,691	12,364	486,984
Impairment of receivables	4,465	1,118	-	5,583
Settlement expenses	79,119	-	-	79,119
Acquisition expenses	-	28,769	62,609	91,378
Assets:				
Segment assets	1,677,129	6,399,922	1,046,474	9,123,525
Liabilities:				
Segment liabilities	576,683	718,056	1,144,452	2,439,191
Segment acquisitions:				
Acquisition of property, plant and equipment	109,148	139,881	660	249,689
Details on non-current assets:				
Trade and other receivables	68,921	53,940	-	122,861
Plant and equipment	271,976	365,350	35,630	672,956
Intangibles	156,250	490,168	-	646,418
Goodwill	661,357	4,392,781	-	5,054,138
Deferred tax assets	7,544	-	867,623	875,167
	1,166,048	5,302,239	903,253	7,371,540

NOTE 27 SEGMENT REPORTING (CONT'D)

Segment Revenues and Results

30 June 2015	OCTIEF $	Precise $	Unallocated $	Consolidated $
Revenue:				
Environmental services revenue	3,682,114	987,495	-	4,669,609
Interest income	-	-	30,100	30,100
Expenses:				
Interest expense	-	-	(1,953)	(1,953)
Other expenses	(3,556,637)	(527,322)	(2,502,997)	(6,596,956)
Segment result	115,476	460,173	(2,474,850)	(1,899,200)
Income tax				315,445
Net Profit/(Loss)				(1,583,755)
Non-cash and other significant items included in loss above:				
Depreciation and amortisation	384,659	39,807	8,100	432,465
Impairment of receivables	5,012	-	-	5,012
Loss on disposal of plant and equipment	22,351	-	-	22,351
Listing expense arising on deemed acquisition	-	-	1,252,455	1,252,455
Acquisition expenses	-	-	268,358	268,358
Assets:				
Segment assets	1,368,377	5,115,570	833,587	7,317,534
Liabilities:				
Segment liabilities	376,086	391,506	326,733	1,094,325
Segment acquisitions:				
Acquisition of property, plant and equipment	63,357	74,863	1,421	139,641
Details on non-current assets:				
Trade and other receivables	38,480	30,105	-	68,585
Plant and equipment	166,611	158,988	47,334	372,933
Intangibles	57,937	193,976	-	251,913
Goodwill	-	4,079,678	-	4,079,678
Deferred tax assets	35,017	-	625,888	660,905
	971,267	4,462,747	673,222	5,434,014

	2016 $	2015 $
Unallocated segment - other expense reconciliation		
Employee benefits expense	890,206	724,474
Depreciation and amortisation expenses	12,364	8,100
Other expenses	368,150	249,610
Acquisition expenses	51,749	268,358
Listing expense arising on deemed acquisition	-	1,252,455
	1,322,469	**2,502,997**

NOTE 28 PARENT ENTITY INFORMATION

The legal Parent Entity of the Consolidated Entity is HRL Holdings Limited.

Parent Entity Financial Information		
Current assets	88,635	465,253
Non-current assets	6,938,519	5,614,874
Total assets	7,027,154	6,080,127
Current liabilities	564,067	262,859
Non-current liabilities	848,310	47,553
Total liabilities	1,412,377	310,412
Net assets	**5,614,777**	**6,390,539**
Issued capital	19,258,814	19,258,814
Reserves	-	165,400
Accumulated losses	(13,644,037)	(12,868,275)
Total equity	**5,614,777**	**6,390,539**
Profit/(loss) after income tax	(957,762)	(29,998)
Other comprehensive income	-	-
Total comprehensive income	**(957,762)**	**(29,998)**

Commitments, Contingencies and Guarantees of the Parent Entity

The Parent Entity has commitments for the motor vehicle finance lease and the geothermal exploration commitments (refer Note 24). The Parent Entity's exposure to contingent liabilities is detailed in Note 25. The Parent Entity has no contingent assets or guarantees at balance date.

Controlled Entities of the Parent Entity	Percentage Owned		Country of Incorporation
	2016	2015	
	%	%	
OCTIEF Pty Ltd	100%	100%	Australia
OCTIEF ACT Pty Ltd	100%	-	Australia
Hot Rock Geothermal Pty Ltd	100%	100%	Australia
HRL Holdings NZ Limited	100%	100%	New Zealand
Octief Limited	100%	100%	New Zealand
Precise Consulting and Laboratory Limited	100%	100%	New Zealand

NOTE 29 DIVIDENDS

No dividends were paid during the financial year ended 30 June 2016 (2015: nil) and no dividend is recommended for the current year.

NOTE 30 EVENTS AFTER BALANCE DATE

There have been no other events since 30 June 2016 that impact upon the financial report.

DIRECTORS’ DECLARATION

DIRECTORS' DECLARATION

In the Directors opinion:

(a) the attached consolidated financial statements and notes and the remuneration report in the Directors’ Report are in accordance with the *Corporations Act 2001* and other mandatory professional reporting requirements, including:

   (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1 to the consolidated financial statements; 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.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Darren Anderson
Director

Brisbane
26 August 2016

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INDEPENDENT AUDITOR'S REPORT

To the members of HRL Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of HRL Holdings Limited, which comprises the consolidated balance sheet as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

(a) the financial report of HRL Holdings Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 25 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of HRL Holdings Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

T R Mann

Director

Brisbane, 26 August 2016

CORPORATE INFORMATION

HRL HOLDINGS LIMITED CORPORATE INFORMATION

DIRECTORS
Kevin Maloney (Chairman)
Darren Anderson (Executive Director)
Mark Elliott (Non-executive Director)
John Taylor (Non-executive Director)

Frederick Kempson (Alternate Non-executive Director)

COMPANY SECRETARY
Paul Marshall

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COUNTRY OF INCORPORATION
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