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**28 July 2016**

## **ASX Announcement**

### **Appendix 4C – Quarterly Report for Entities Admitted on the Basis of Commitments and Quarterly Update**

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#### **QUARTER HIGHLIGHTS**

- Major contracts awarded in New Zealand by the Southern District Health Board
  - Integration of the RJL business complete with the new service lines rolled out to all branches across New Zealand
  - Geographic expansion continues with the opening of a branch in the Auckland market
  - New operational management appointed in both Australia and New Zealand
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#### **HRL Awarded Major Contract to Perform Asbestos Surveys for the Southern Health District Board (New Zealand)**

During the quarter HRL Holdings Limited's wholly owned subsidiary, Precise Consulting and Laboratory Limited (**Precise**), has been awarded a significant contract by the Southern District Health Board (**Southern DHB**) to carry out asbestos surveys across its extensive property portfolios.

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 by Precise to keep the entire process in-house, ensuring both quality and efficient turnaround times.

The Southern DHB contract is expected to be completed over a 3 year period and will be serviced out of the recently opened 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 other educational and government organisations which are a key target for Precise.

The Southern DHB contract, following on from the recent success with the 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. There are a total of 20 District Health Boards located throughout New Zealand and Precise will actively target other opportunities in this space.



As part of its strategy, HRL continues 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.

### **RJL Integration and Service Roll Out**

HRL has now completed the integration of the recently acquired RJL & Associates Limited (**RJL**) business into its Precise brand. 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.

### **New Branch Opened in Auckland**

HRL is pleased to announce that in early July it opened a new branch expanding 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.

HRL now operates out of 9 regional centres across Australia and New Zealand:

- Brisbane
- Darwin
- Canberra
- Perth
- Christchurch
- Wellington
- Palmerston North
- Dunedin; and
- Auckland



## OCTIEF Update

The Australian operating division OCTIEF has commenced the rollout of methamphetamine services in line with the capabilities acquired by sister company Precise in the RHL transaction. The Brisbane office has recently completed some property investigations of illegal clandestine laboratories in the Gold Coast region. OCTIEF continues to actively market these services to government housing agencies, corporate and short-term accommodation providers and residential real estate managers.

The Canberra branch has seen trading improve through May and June after the completion of the branch restructure which commenced in February 2016. Under the leadership of Todd Hastie, newly appointed General Manager of OCTIEF, the branch has begun to rebuild local capacity in HAZMAT services. Leveraging the experiences from the ACT Mr Fluffy Loose-Fill Asbestos program, OCTIEF was successfully appointed to the equivalent NSW panel of providers of loose-fill asbestos consultants. The volumes of work from this appointment are expected to increase throughout the later parts of current quarter trading (September 2016).

OCTIEF continues to develop a strong pipeline of HAZMAT tender opportunities across its 4 operating regions in Australia, in line with the overarching HRL group strategy to target major asset owners.

## Management Appointments

HRL is pleased to announce that it has now appointed general managers of both its OCTIEF and Precise operations.

Todd Hastie was appointed General Manager of OCTIEF earlier in the year. Todd brings extensive experience leading contracting services and multi-site projects for businesses working with hazardous materials. Todd was previously part of a process improvement team with Telstra working on an \$8 billion national network maintenance program.

Rod de Vries was appointed General Manager of Precise in early April. Rod has an accomplished career previously being holding senior positions such as General Manager (Nosh Food Group), Director of Operations (Compass Group) and Chief Operating Officer (Restaurant Brands NZ).

These appointments will help underpin the growth of each brand into FY2017.



#### **Fourth Quarter Cash flows**

During the quarter, HRL generated \$91K net cash from operating activities, which was after one-off acquisition costs of \$30K and substantial costs involved with opening new branches, integrating and expanding the RJL operations, restructuring of the Canberra branch and the recruitment of new general managers in the business.

The Group had \$393K in cash at the end of the quarter and \$1.5M in undrawn loan facilities.

HRL will release its 2016 Annual Report in the coming weeks which will provide a full review on the HRL Group's operational and financial results.

#### **For further information contact:**

Investor and media:

**Mr Steven Dabelstein**  
**CEO**

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# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

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

Name of entity

HRL Holdings Limited

ABN

99 120 896 371

Quarter ended ("current quarter")

June 2016

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	2,420	9,257
1.2 Payments for (a) staff costs	(1,279)	(4,162)
(b) advertising & marketing	(4)	(10)
(c) research & development	-	-
(d) leased assets	(152)	(451)
(e) other working capital	(840)	(3,600)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	11
1.5 Interest and other costs of finance paid	(25)	(82)
1.6 Income taxes paid	-	(460)
1.7 Other – AAC and RJL acquisition costs	(30)	(81)
<b>Net operating cash flows</b>	<b>91</b>	<b>422</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
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	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	91	422
<b>1.9 Cash flows related to investing activities</b>		
Payment for acquisition of:		
(a) businesses (item 5)	-	(1,454)
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(139)	(250)
(e) other non-current assets	-	-
<b>1.10 Proceeds from disposal of:</b>		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	(93)	(93)
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Settlement of vendor earn outs	-	(264)
<b>Net investing cash flows</b>	<b>(232)</b>	<b>(2,061)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(141)</b>	<b>(1,639)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Share issue costs	-	-
1.17 Proceeds/(repayment) from bank loan	128	1,276
1.18 Repayment of finance leases	(7)	(18)
1.20 Repayment of insurance financing	(20)	(106)
<b>Net financing cash flows</b>	<b>101</b>	<b>1,152</b>
<b>Net increase (decrease) in cash held</b>	<b>(40)</b>	<b>(487)</b>
1.21 Cash at beginning of quarter/year to date	427	859
1.22 Exchange rate adjustments to item 1.20	6	21
<b>1.23 Cash at end of quarter</b>	<b>393</b>	<b>393</b>

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

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

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	173
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Executive and Non-Executive Directors remuneration and fees (\$91K)

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

Software consulting payments to a Director related entity (\$59K). These fees are contracted under normal terms and conditions.

**Non-cash financing and investing activities**

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

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

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	1,485	1,370
3.2	Credit standby arrangements	-	-

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**Reconciliation of cash**


Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	353	387
4.2 Deposits at call	40	40
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>393</b>	<b>427</b>

**Acquisitions and disposals of business entities**

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

**Compliance statement**

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

Sign here:  ..... Date: 28 July 2016  
 (Company secretary)

Print name: Paul Marshall

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## Notes

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

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