HRL Holdings Limited

Financial Results Overview

6 Months Ended December 2015

Dec 2015 Half Year Highlights

- Successful acquisition and integration of Canberra based AAC Environmental in October 2015 gives exposure to the Mr Fluffy demolition program
- 5 accredited laboratories now in operation across the Australian east coast and New Zealand
- New Zealand businesses providing excellent returns – further expansion opportunities identified
- Geographic revenue sources have diversified significantly
- Solid operating cashflows generated
- Strong, simple balance sheet
- No net debt - focus on disciplined capital management
- Existing cash reserves and available loan facilities will be used to invest in expansion opportunities

Dec 2015 Financial Results - Highlights

	Dec-15 $000's	Dec-14 $000's	Increase $000's
Underlying profit before tax [1]	766	(100)	863
Underlying profit after tax [1]	556	(70)	626
Statutory profit after income tax	339	(1,483)	1,822
Revenues	4,234	2,043	2,191
Operating cashflows generated	520	(26)	546
Undrawn loan facilities	3,708	-	3,708

[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. Refer to Appendix A for further details of non-underlying items.

Dec 2015 Underlying Results - Reconciliation

	December 2015 $	December 2014 $
Underlying profit/(loss) before tax	765,545	(99,520)
Income tax	(209,531)	30,036
Underlying profit/(loss) after tax	556,014	(69,484)
Non-operating adjustments		
Acquisition related expenses	(40,889)	(120,910)
Listing expense arising on deemed acquisition	-	(1,252,455)
Amortisation of intangible assets arising from acquisitions	(116,061)	(76,531)
Provision arising on estimate of Precise and AAC Earn-outs	(134,454)	-
Tax on underlying items	74,687	36,273
Statutory profit/(loss) after income tax	339,297	(1,483,107)

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Contacts and More Information

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Appendix A – Details on non-underlying profit adjustments

Adjustment	Description
Acquisition related expenses	Acquisition related expenses relate to: 1. Third party supplier costs that related to the merger with OCTIEF Pty Ltd on 15 September 2014. 2. Third party supplier costs that related to the acquisition of AAC Environmental Pty Ltd on 30 September 2015.
Amortisation of intangible assets arising from acquisitions	The excess purchase price over the value of the tangible assets acquired during the Octief Consulting & Laboratory Services Pty Ltd acquisition in June 2013, the Precise Consulting and Laboratory Limited in April 2015 and the AAC Environmental Pty Ltd in September 2015 has been allocated against specific identifiable intangible assets. These intangible assets are being amortised over a 2 – 3 year period.
Provision arising on estimate of Earn-outs	The vendors of Precise Consulting and AAC have the opportunity to receive and earn-out payment if certain profit targets are met. Payment of the earn-out consideration is contingent on ongoing service of certain key staff, with the earn-out reduced proportionally if employment is terminated prior to the minimum service period.
Listing expense arising on deemed acquisition	The merger with OCTIEF Pty Ltd in FY2015 resulted in OCTIEF Pty Ltd shareholders holding a controlling interest in HRL after the transaction. This transaction has been accounted for as a continuation of the financial statements of OCTIEF Pty Ltd together with a deemed issue of shares. The deemed issue of shares is, in effect, a share-based payment transaction whereby OCTIEF Pty Ltd is deemed to have received the net assets of HRL, together with the listing status of HRL. 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. 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.

Disclaimer

- Investment in HRL Holdings Limited ("HRL") is subject to investment risk, including possible loss of income and capital invested. Neither HRL, nor any other member company of the HRL Group, nor any officer or employee guarantees any particular rate of return or performance, nor do they guarantee the repayment of capital.
- The presentation may contain forward-looking statements regarding the potential of the Company's revenues, projects, interests and the development potential of the Company's business. Any statement describing a goal, expectation, intention or belief of the Company is a forward-looking statement and should be considered an at-risk statement. Given these risks, readers are cautioned not to rely on forward-looking statements. Actual results could differ materially from those anticipated in these forward-looking statements due to many important factors, risks and uncertainties including, without limitation, risk associated with product sales, development and manufacture, risks inherent in the business, future capital needs, general economic uncertainty and other risks detailed from time to time in the Company's announcements to the ASX.