HRL HOLDINGS LIMITED
Appendix 4D December 2017 Half-Yearly Final Report
Results for Announcement to the Market

1. Company Details and Reporting Period

Name of Entity:	HRL Holdings Limited
ABN:	99 120 896 371
Reporting Period:	31 December 2017
Previous Corresponding Period:	31 December 2016

2. Results for Announcement to the Market

	$
Revenue from ordinary activities up 101% to:	10,979,257
Net loss for the period attributable to members down to:	155,611

No dividends were paid or payable during the period.

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

3. Statement of Comprehensive income with Notes to the Statement

Refer to Page 8 of the December 2017 Financial Statements and accompanying Notes.

4. Balance Sheet with Notes to the Statement

Refer to Page 9 of the December 2017 Financial Statements and accompanying Notes.

5. Statement of Cash Flows with Notes to the Statement

Refer to Page 11 of the December 2017 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 10 of the December 2017 Financial Statements and accompanying Notes.

8. Net Tangible Assets per Security

Dec 2017	$0.0222
Dec 2016	$0.0076

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

Refer to Page 16 of the December 2017 Financial Statements.

10. Associates and Joint Venture Entities

As part of the acquisition of Analytica Laboratories Limited on 30 November, the Group acquired a 26% interest in CAIQtest (Pacific) Limited. CAIQtest (Pacific) Limited is a New Zealand based laboratory, providing pre-shipment testing services for clients exporting goods from Australasia to China.

11. Other Significant Information

Not applicable.

12. Accounting Standards used for Foreign Entities

Not applicable.

13. Status of Audit

The attached December 2017 Financial Statements have been reviewed.

14. Dispute or Qualifications if not yet audited

Not applicable.

15. Dispute or Qualifications if audited

Not applicable.

Paul Marshall
Company Secretary
19 February 2018

HRL HOLDINGS LIMITED

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

DIRECTORS' REPORT

DIRECTORS' REPORT

Your Directors present their report on the Consolidated Entity consisting of HRL Holdings Limited ("HRL" or "Company") and the entities it controlled ("the Group") at the end of, or during, the half-year ended 31 December 2017.

DIRECTORS

The following persons were directors of HRL Holdings Limited during the whole of the financial period 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, Retired 23 November 2017
John Taylor	Non-Executive Director	Appointed 25 November 2014
Frederick Kempson	Alternate Non-Executive Director	Appointed 15 September 2014, Retired 22 December 2017

REVIEW OF OPERATIONS

Over the last 6 months HRL Holdings Limited has grown significantly and achieved a number of key milestones:

- Acquisition of Analytica Laboratories (Analytica), a leading analytical chemistry laboratory business based in New Zealand;
- Raised $16M in new equity through an institutional placement and shareholder purchase plan to fund the Analytica acquisition. Both the institutional placement and shareholder purchase plan were oversubscribed.
- Expanded service capability of OCTIEF in Australia with the development of 3 new services lines:
  - Acid sulphate soils;
  - Gravimetric dust; and
  - Crystalline silica

Analytica Acquisition

On 30 November 2017, HRL acquired all of the issued capital in Analytica Laboratories Limited ("Analytica"). Analytica is a New Zealand-based analytical chemistry laboratory business specialising in mass spectroscopy analysis to the milk, honey, drugs of abuse and environmental markets.

Analytica has a strong competitive position in high-end environmental and food/agricultural testing markets with industry leading customers/partners. Key features include:

- ✓ Market leader in honey testing in New Zealand, both among industry organisations and producers/distributors
- ✓ Dominant position in the liquid milk analysis and food origin testing, via strategic alliance with market leading partners
- ✓ Strong and growing exposure to the environmental testing and methamphetamine property screening market with the recent launch of innovative testing services

Analytica has approximately 77 highly skilled technical and operational laboratory staff.

HRL will pay a purchase price of up to NZ$30m to the vendors of Analytica.

- initial payment of NZ$13,300,000 cash;
- upfront HRL scrip consideration, representing 60,951,485 HRL shares, subject to a 2-year escrow period; and
- Up to NZ$11m cash earn-out consideration, based on the following criteria:
  - Analytica business to achieve 12-month post-settlement EBITDA in excess of NZ$3m;
  - Analytica Vendors to receive a 6x multiple on each NZ$1 of EBITDA greater than NZ$3m, up to a maximum earn-out consideration of NZ$11m; and
  - 50% of earn-out is payable 12 months post-settlement, and 50% in 12 equal monthly instalments thereafter.

Strategic Rationale

The acquisition is transformational and positions HRL for its next stage of growth by expanding the business' capabilities and expertise in new markets.

- ✓ Highly complementary acquisition adding scale and enhancing competitive position
  - Provides rapid entry into the high value environmental and food/agriculture testing market, building on HRL's strategy to focus on more sophisticated and advanced analysis with higher barriers to entry
  - Leverages highly skilled technical and operational staff across a broader operational base
  - Provides ability to leverage strong existing brand and reputation when entering new markets
  - Complements existing operations through advanced technology and equipment
- ✓ CAIQtest (Pacific) provides a unique opportunity to support the growing export market to China
  - Incorporated joint venture led by Analytica (26% interest) and supported by the Chinese Academy of Inspection and Quarantine
  - New Zealand based laboratory, providing pre-shipment testing services for clients exporting goods from Australasia to China assisting greatly with supply chain bottlenecks – a key concern for exporters
  - Currently services the dairy export market, with a focus on infant milk formula
  - CAIQtest (Pacific) developed a first mover advantage by achieving accreditation with the Chinese National Accreditation Service (August 2017) for a broad dairy testing scope – can now provide services to commercial dairy exporters

Institutional Placement and SPP

Institutional Placement

To fund the upfront cash consideration of the Analytica acquisition price, HRL undertook a share placement raising A$15m, issuing 176,500,000 shares at a price of A$0.085.

The Placement was strongly supported by domestic and international sophisticated and institutional investors. Following shareholder approval of the Placement at the AGM 23 November 2017 the Placement was settled on 28 November 2017.

Securities Purchase Plan

The Company also offered eligible shareholders the opportunity to participate in the Securities Purchase Plan. The SPP Offer was strongly supported reaching the $1m limit within a week of opening. Shares issued under the SPP were issued on 16 November 2017.

New Service Lines

During the period HRL commenced expansion of the Brisbane laboratory to facilitate an expansion of laboratory services, some of which will utilise Analytica technology and workflows. The following services are expected to be commissioned and provide a contribution during the second half of FY2018.

Acid Sulphate Soils

Common in many parts of the world, acid sulphate soils are saturated with water, almost oxygen-free and contain microscopic crystals of iron sulphide minerals which form sulphuric acid when exposed to oxygen. Testing of soil is required during excavation and construction by environmental engineers and geotech consultants.

Gravimetric and Silica Dust

When coupled with the gravimetric offering this provides a service capability for coal mines required to monitor exposures associated with coal workers' pneumoconiosis, also known as black lung disease. This testing also has application across construction, tunnelling and other mining sectors.

DIRECTORS' REPORT

Trading Update

Food and environmental laboratory services

The Food and Environmental Laboratory division is a new addition to the Group which incorporates the Analytica business unit.

As it was acquired on 30 November 2017, Analytica only contributed one holiday shortened month (December) of results to the Group.

Activity in recent months for Analytica has been highly encouraging.

Dairy and milk testing was very strong through spring. As noted earlier, Analytica and HRL have extended and expanded the strategic alliance with MilkTest NZ for a further 5 years which will underpin recurring dairy revenues.

The Manuka honey season is about to commence in New Zealand. Initial indications from honey apiaries is that it will be a strong season in 2018. In addition, the New Zealand Ministry of Primary Industries have recently released their revised guidelines for the definition of Manuka Honey. This has created a short-term demand to test Manuka honey samples under the new guidelines. Analytica is the market leader of honey testing in New Zealand and is well placed to benefit from this regulation change.

Laboratory testing for drugs of abuse has grown significantly since its inception 2 years ago with field consultants providing record number of samples for laboratory analysis. Analytica expect this trend to continue.

The recently launched environmental service line which incorporates laboratory testing on air, water, soil including organic and inorganics, is expected to contribute the bulk of Analytica's revenue growth in the near future. A number of key clients have already been secured and there is a continual focus on further business development. Testing methods have been accredited and the laboratory instruments and workflows are set up to handle substantial testing volumes.

Analytica's other service lines such as Timber and Food Origin Testing have been performing in line with expectation.

Analytica also hold a 26% interest in CAIQTest (Pacific) Limited, a New Zealand based laboratory, providing pre-shipment testing services for clients exporting goods from Australasia to China assisting greatly with supply chain bottlenecks. Results from the first few months of trading post-certification with IANZ, MPI and CNAS have been encouraging.

HAZMAT

The HAZMAT division, which incorporates the OCTIEF and Precise businesses, has seen very strong activity with operating profits increasing 42% over the corresponding period last year.

New Zealand operations were the primary contributors to this growth. Precise Consulting continues its strong performance providing a range of services with government agencies, councils, corporate and commercial clients. The performance of the regional branches (Palmerston North and Dunedin) was particularly impressive backed up by solid results across the major cities (Auckland, Wellington and Christchurch). Precise continued to improve its market share of property contamination testing and is widely recognised as the preferred operator for government agencies and insurance clients.

Australian operations saw solid results during the period. The Queensland market remains strong. OCTIEF has secured a direct contract with the QLD state government (it previously acted as a subcontractor) and has seen volumes of works dramatically increase from the previous few years. The environmental engineering/sciences service line continued its recent growth securing a number of large contaminated land projects during the period, several of which were direct referral from or joint bids with Morrison Geotechnic.

In late FY2017, OCTIEF was awarded a significant contract by the Northern Territory Department of Housing and Community Development to carry out asbestos surveys across a range of public housing assets throughout the Darwin, Casuarina and Palmerston regions of the Northern Territory. Works on this contract commenced in late August 2017 and is expected to continue through to April 2018.

The NSW loose-fill asbestos insulation program has been put on hold by the NSW government. Activity in the ACT branch consequently fell back to its normal operating level, with excess staff redeployed to the Northern Territory. HRL understands the NSW loose-fill asbestos insulation program will resume sometime in 2018.

Geotechnical

Morrison Geotechnic results were hampered by large rain events across south-east Queensland during October through early December. Sites were shut down for prolonged periods which in turn affected the number of soil tests and engineering assessment Morrison could conduct. After allowing for these weathers affected months, trading was in line with historical trends and the future prospects for the business remain positive. The earn-out mechanism negotiated as part of acquisition has afforded HRL downside protection from such weather events.

Underlying civil infrastructure and large scale commercial development activity remains strong and Morrison is seeing a consistent project pipeline.

Software

The OCTFOLIO business focussed on business development and software enhancement during the period. A number of new opportunities across both the HAZMAT sector and other new markets are well advanced.

OCTFOLIO also focused on scoping and designing software improvements tailored to the needs of potential customers in new market segments. These include items such as:

- Improved mobile applications;
- Easily customisable client portals;
- Streamlined customer onboarding and data migration; and
- Back end software improvements which will reduce third party data hosting costs.

Development of these improvements is underway and is expected to be released before the end of the financial year.

FINANCIAL REVIEW

Key financial headlines of the HRL Group's 31 December 2017 results are:

- Statutory loss after tax of $155,611
- Underlying profit after tax of $736,136 [1]
- Revenues of $10,979,257
- Net cash/(borrowings) of $3,144,131
- Working capital of $3,945,863

[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.

DIRECTORS' REPORT

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

	6 months ended 31 December 2017 $	6 months ended 31 December 2016 $
Underlying EBITDA	1,441,276	370,232
Operating depreciation and amortisation	(375,572)	(133,840)
Net interest expense	(33,236)	(51,917)
Operating tax	(296,332)	(31,974)
Underlying profit/(loss) after tax	**736,136**	**152,501**
Non-operating adjustments		
Acquisition related expenses	(118,683)	-
Management performance shares	(4,556)	(38,403)
Amortisation of intangible assets arising from acquisitions	(611,348)	(189,401)
Earn-out expenses/adjustments	(354,508)	-
Non-operating tax	197,348	67,394
Statutory profit/(loss) after income tax	**(155,611)**	**(7,909)**

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 and/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 $583,635 compared with the prior period. The key reasons for the increase were:

- Earnings attributable to new businesses acquired in the prior 12 months – Analytica, Morrison Geotechnic and OCTFOLIO;
- Increased profitability from the HAZMAT division, primarily due to increased activity in New Zealand and Queensland; and
- Reduction in corporate and borrowing costs.

AFTER BALANCE DATE EVENTS

There have been no events since 31 December 2017 that impact upon the financial report.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration on page 7 forms part of the Directors' Report.

DIRECTORS' REPORT

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

Darren Anderson
Director
Brisbane, 19 February 2018

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

As lead auditor for the review of HRL Holdings Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 19 February 2018

STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2017

6 Months Ended	Note	31 December 2017 $	31 December 2016 $
HAZMAT service revenue		5,966,346	5,468,287
Geotechnical service revenue		3,948,749	-
Food and environmental laboratory revenue		845,592	-
Software service revenue		216,436	-
Interest revenue		2,134	997
Total Revenue		**10,979,257**	**5,469,284**
Costs and consumables relating to the provision of services		(1,476,343)	(863,801)
Employee expenses		(6,334,934)	(2,997,982)
Rent and property expenses		(476,232)	(318,655)
Travel and business development expenses		(281,113)	(233,198)
Other expenses		(982,841)	(722,822)
Finance costs		(35,371)	(52,914)
Depreciation and amortisation of plant and equipment and software		(375,572)	(133,840)
Amortisation of acquisition intangible assets		(611,348)	(189,401)
Employee benefits expense on Analytica earn-out payment	8	(417,008)	-
Adjustment to Morrison earn-out payment	8	62,500	-
Acquisition expenses	3	(118,683)	-
Total Expenses		**(11,046,945)**	**(5,512,613)**
Equity accounted share of profit – CAIQTest Pacific Limited		**11,061**	**-**
Profit/(loss) before income tax		**(56,627)**	**(43,329)**
Income tax benefit/(expense)		(98,984)	35,420
Profit/(loss) after income tax		**(155,611)**	**(7,909)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		(268,903)	43,412
Income tax		-	-
Other comprehensive income for the period, net of tax		(268,903)	43,412
Total comprehensive income		(424,514)	35,503
Earnings/(Loss) per share		Cents	Cents
Basic and diluted earnings/(loss) per share		(0.05)	(0.01)

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

BALANCE SHEET

Consolidated Balance Sheet
As at 31 December 2017

	Note	31 December 2017 $	30 June 2017 $
CURRENT ASSETS			
Cash and cash equivalents		3,874,647	728,165
Trade and other receivables		4,544,295	3,418,836
Other current assets		258,042	268,161
TOTAL CURRENT ASSETS		8,676,984	4,415,162
NON-CURRENT ASSETS			
Trade and other receivables		258,484	122,619
Equity accounted investments		647,309	-
Plant and equipment	5	6,729,693	1,458,961
Intangible assets	6	8,788,964	3,477,212
Goodwill	7	16,780,089	8,186,266
Deferred tax assets		1,659,106	1,170,288
TOTAL NON-CURRENT ASSETS		34,863,645	14,415,346
TOTAL ASSETS		43,540,629	18,830,508
CURRENT LIABILITIES			
Trade and other payables		2,293,392	1,308,692
Current tax liabilities		541,562	286,605
Short-term provisions	8	1,526,620	969,172
Borrowings		369,547	615,576
TOTAL CURRENT LIABILITIES		4,731,121	3,180,045
NON-CURRENT LIABILITIES			
Long-term provisions	8	230,599	240,044
Borrowings		360,969	220,773
Deferred tax liabilities		1,708,333	77,654
TOTAL NON-CURRENT LIABILITIES		2,299,901	538,471
TOTAL LIABILITIES		7,031,022	3,718,516
NET ASSETS		36,509,607	15,111,992
EQUITY			
Contributed capital	4	38,167,521	16,349,948
Reserves		(263,103)	1,244
Accumulated losses		(1,394,811)	(1,239,200)
TOTAL EQUITY		36,509,607	15,111,992

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

STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2017

	Contributed Capital $	Accumulated Losses $	Reserves $	Total $
Balance at 1 July 2016	8,220,282	(1,369,620)	(166,328)	6,684,334
Transactions with owners in their capacity as owners				
Contributions of capital	-	-	-	-
Share based payments	-	-	38,403	38,403
Share issue costs (net of tax)	-	-	-	-
Total	-	-	38,403	38,403
Comprehensive income				
Loss after income tax	-	(7,909)	-	(7,909)
Foreign currency translation differences for foreign operations	-	-	43,412	43,412
Total comprehensive income	-	(7,909)	43,412	35,503
Balance at 31 December 2016	8,220,282	(1,377,529)	(84,513)	6,758,240
Balance at 1 July 2017	16,349,948	(1,239,200)	1,244	15,111,992
Transactions with owners in their capacity as owners				
Contributions of capital	22,402,408	-	-	22,402,408
Share based payments	-	-	4,556	4,556
Share issue costs (net of tax)	(584,835)	-	-	(584,835)
Total	21,817,573	-	4,556	21,822,129
Comprehensive income				
Loss after income tax	-	(155,611)	-	(155,611)
Foreign currency translation differences for foreign operations	-	-	(268,903)	(268,903)
Total comprehensive income	-	(155,611)	(268,903)	(424,514)
Balance at 31 December 2017	38,167,521	(1,394,811)	(263,103)	36,509,607

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

STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2017

6 Months Ended	Note	31 December 2017 $	31 December 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		12,113,114	5,910,254
Payments to suppliers and employees		(10,784,045)	(5,797,885)
Interest received		2,134	997
Income tax paid		(253,731)	(218,651)
Acquisition costs		(118,683)	-
Finance costs		(35,371)	(52,914)
Net cash provided by/(used in) operating activities		923,418	(158,199)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant & equipment		(410,771)	(243,232)
Proceeds from sale of plant & equipment		12,180	-
Security bond refunds		34,721	-
Payments for intangibles - software		(15,000)	-
Net outflow of cash from the acquisition of Analytica	3	(11,974,018)	-
Net cash used in investing activities		(12,352,888)	(243,232)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions of capital		16,002,502	-
Capital raising costs		(827,715)	-
Proceeds from borrowings		-	500,347
Repayment of borrowings		(379,519)	-
Finance lease payments		(157,028)	(13,532)
Net cash provided by financing activities		14,638,240	486,815
Net increase/(decrease) in cash and cash equivalents held		3,208,770	85,384
Net foreign exchange differences		(62,288)	3,053
Cash and cash equivalents at the beginning of the financial period		728,165	392,863
Cash and cash equivalents at the end of the financial period		**3,874,647**	**481,300**

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

HRL Holdings Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2017 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity").

Basis of preparation

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2017 and any public announcements made by the company during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This consolidated interim financial report was approved by the Board of Directors on 19 February 2018.

Accounting Policies

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2017.

New and revised standards

New and revised standards have been issued by the AASB and are effective for the half-year; however there are no material changes to the policies that affect the recognition and measurement of the results or financial position of the Consolidated Entity.

Fair Values

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

NOTE 2 SEGMENT REPORTING

Reportable Segments

For the period ended 31 December 2017 the Group has identified the operating segments based on internal reports that are reviewed and used by the executive team in assessing performance and determining the allocation of resources:

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

The Food and environmental laboratory services segment reflects the activities of Analytica Laboratories for the 1 month since acquisition on 30 November 2017.

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

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

Change to reportable segments

For the half year ended 31 December 2016 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 branded locations (OCTIEF and Precise) for the half year ended 31 December 2016.

With the addition to the Group of Analytica Laboratories in the current period, and Morrison Geotechnic and OCTFOLIO in the second half of FY2018, the operating segments have been changed to reflect the distinctive business units of the Group. OCTIEF and Precise, which provide a similar suite of services have now been merged into the HAZMAT service segment. The comparatives have been restated.

No food and environmental laboratory, geotechnical or software services were provided for the half year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SEGMENT REPORTING (CONT'D)

Segment Revenues and Results

Half Year Ended 31 December 2017	HAZMAT $	Geotechnical $	Food/Environment Laboratory $	Software $	Unallocated $	Consolidated $
Revenue:						
Services revenue	5,966,346	3,948,749	845,592	216,436	-	10,977,123
Interest revenue	-	-	-	-	2,134	2,134
Share of equity accounted profit	-	-	11,061	-	-	11,061
Expenses:						
Interest expense	-	-	-	-	(35,371)	(35,371)
Other operating expenses	(4,697,701)	(3,843,881)	(652,006)	(150,593)	(582,854)	(9,927,035)
Segment result before acquisition related expenses	1,268,645	104,868	204,647	65,843	(616,091)	1,027,912
Acquisition Related Expenses:						
Acquisition costs	-	(3,600)	(105,583)	(9,500)	-	(118,683)
Earn-out (expense)/adjustments	-	62,500	(417,008)	-	-	(354,508)
Amortisation on acquisition intangibles	(107,815)	(207,867)	(137,333)	(158,333)	-	(611,348)
Segment result	1,160,830	(44,099)	(455,277)	(101,990)	(616,091)	(56,627)
Income tax expense					(98,984)	(98,984)
Net profit/(loss)	**1,160,830**	**(44,099)**	**(455,277)**	**(101,990)**	**(716,075)**	**(155,611)**
Non-cash and other significant items:						
Depreciation and amortisation	262,764	312,215	248,536	159,813	3,592	986,919
Impairment receivables	5,907	2,105	-	-	-	8,012
Share based payments	-	-	-	-	4,556	4,556
Acquisition expenses	-	3,600	105,583	9,500	-	118,683
Earn-out expenses/(adjustments)	-	(62,500)	417,008	-	-	354,508
Assets:						
Segment assets	9,680,839	5,352,484	21,657,361	2,796,581	4,053,364	43,540,629
Liabilities:						
Segment liabilities	1,165,058	1,623,371	3,413,615	392,321	436,657	7,031,022

NOTE 2 SEGMENT REPORTING (CONT'D)

Prior Period Segment Revenues and Results

Half Year Ended 31 December 2016	HAZMAT $	Unallocated $	Consolidated $
Revenue:			
Services revenue	5,468,287	-	5,468,287
Interest income	-	997	997
Expenses:			
Interest expense	-	(52,914)	(52,914)
Other expenses	(4,568,301)	(701,997)	(5,270,298)
Segment result before acquisition related expenses	**899,986**	**(753,914)**	**146,072**
Acquisition related expenses			
Amortisation of acquisition intangibles	(189,401)	-	(189,401)
Segment result before tax	**710,585**	**(753,914)**	**(43,329)**
Income tax		35,420	35,420
Net profit/(loss)	**710,585**	**(718,494)**	**(7,909)**
Non-cash and other significant items:			
Depreciation and amortisation	318,639	4,602	323,241
Impairment of receivables	17,100	-	17,100
Share based payments	-	38,403	38,403
Assets			
Segment assets	8,474,992	1,220,097	9,695,089

Prior Year End Segment Assets and Liabilities

30 June 2017	HAZMAT $	Geotechnical $	Software $	Unallocated $	Consolidated $
Assets:					
Segment assets	8,534,953	5,594,611	3,072,558	1,628,386	18,830,508
Liabilities:					
Segment liabilities	1,524,076	1,705,331	399,795	89,314	3,718,516

NOTE 3 ANALYTICA LABORATORIES LIMITED ACQUISITION ACCOUNTING

On 30 November 2017, HRL acquired 100% of the issued capital of Analytica Laboratories Limited (Analytica). Analytica is a New Zealand-based analytical chemistry laboratory business specialising in mass spectroscopy analysis to the milk, honey, drugs of abuse and environmental markets.

The agreed purchase consideration was:

- initial payment of NZ$13,300,000 cash
- upfront HRL scrip consideration, representing 60,951,485 HRL shares, subject to a 2-year escrow period; and
- Up to NZ$11m cash earn-out consideration, based on the following criteria:
  - Analytica business to achieve 12-month post-settlement EBITDA in excess of NZ$3m;
  - Analytica Vendors to receive a 6x multiple on each NZ$1 of EBITDA greater than NZ$3m, up to a maximum earn-out consideration of NZ$11m; and
  - 50% of earn-out is payable 12 months post-settlement, and 50% in 12 equal monthly instalments thereafter.

Payment of the earn-out consideration is contingent on the vendor's ongoing service with Analytica. The vendors will remain employed with Analytica for a minimum period of two years after acquisition. In the situation where employment is terminated prior to completing one year of service, no earn-out is payable to that individual vendor. If employment is terminated after one but before the minimum two-year period, the earn-out consideration will be reduced proportionately to the length of time not employed for that individual vendor. Refer to Note 8 for details of accounting for the earn out consideration.

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

	30 November 2017 $AUD
Purchase consideration:	
Cash payment	12,088,711
HRL shares at fair value	6,399,906
	18,488,617
Fair value of assets and liabilities acquired:	
Cash and cash equivalents	114,693
Trade and other receivables	1,286,670
Other assets	24,320
Property, plant and equipment	4,422,057
Computer software	59,712
Equity accounted investment – CAIQTest Pacific Limited	636,248
Deferred tax assets	72,211
Intangibles – customer contracts and relationships	1,904,199
Intangibles – licences and accreditations	3,953,827
Trade and other payables	(672,401)
Employee provisions	(195,440)
Income tax payable	(257,897)
Deferred tax liabilities	(1,640,427)
Net identifiable assets acquired	**9,707,772**
Goodwill on acquisition	8,780,845
Net assets acquired	**18,488,617**

Goodwill is not deductible for tax purposes. The fair value of trade and other receivables is $1,286,670. The gross contractual amount for trade receivables due is $1,125,658, of which $11,209 is expected to be uncollectible.

NOTE 3 ANALYTICA LABORATORIES LIMITED ACQUISITION ACCOUNTING (CONT'D)

Revenue and profit contribution

Analytica contributed revenues of $845,592 and net profit of $148,942 to the group for the period from 1 December 2017 to 31 December 2017.

If the acquisition had occurred on 1 July 2017 and the operations of Analytica been included from that date, then the consolidated pro-forma revenue and profit for the period ended 31 December 2017 would have been $15,119,760 and $459,407 respectively.

Outflow of cash to acquire Analytica, net of cash acquired

	30 November 2017 $
Cash consideration	12,088,711
Less: cash and cash equivalents acquired	(114,693)
Net outflow of cash – investing activities	11,974,018

Acquisition related costs

Acquisition-related costs of $105,583 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.

	31 December 2017 $	30 June 2017 $
NOTE 4 CONTRIBUTED CAPITAL		
493,402,627 fully paid ordinary shares (June 2017: 244,186,406)	38,167,521	16,349,948

	December 2017 Number	June 2017 Number	December 2017 $	June 2017 $
Movements during the period				
Balance at beginning of period	244,186,406	158,903,031	16,349,948	8,220,282
Share purchase plan – issued at $0.085 per share	11,764,736	57,783,375	1,000,002	5,778,338
Placement – issued at $0.085 per share	176,500,000	27,500,000	15,002,500	2,750,000
Share issue costs (net of tax)	-	-	(584,835)	(398,672)
Shares issued to Analytica vendors– issued at $0.105 per share	60,951,485	-	6,399,906	-
Balance at end of period	**493,402,627**	**244,186,406**	**38,167,521**	**16,349,948**

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. Ordinary shares do not have a par value.

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.

NOTE 5 PLANT AND EQUIPMENT

	31 December 2017 $	30 June 2017 $
Leasehold improvements at cost	363,459	72,368
Accumulated depreciation	(34,662)	(27,039)
	328,797	45,329
Motor vehicles at cost	1,360,439	953,170
Accumulated depreciation	(286,521)	(158,561)
	1,073,918	794,609
Office furniture and equipment at cost	565,023	342,960
Accumulated depreciation	(199,792)	(158,338)
	365,231	184,622
Lab and field equipment at cost	5,356,994	644,181
Accumulated depreciation	(395,247)	(209,780)
	4,961,747	434,401
Total plant and equipment at cost	7,645,915	2,012,679
Total accumulated depreciation	(916,222)	(553,718)
Total plant and equipment	**6,729,693**	**1,458,961**

Movements during the period

	Leasehold Improvements	Motor Vehicles	Office Furniture and Equipment	Lab and field Equipment	Total
Balance at 1 July 2017	45,329	794,609	184,622	434,401	1,458,961
Additions	204,401	433,980	37,923	593,378	1,269,682
Disposals	-	(36,421)	-	-	(36,421)
Business combinations	86,092	9,505	182,868	4,143,592	4,422,057
Foreign exchange movements	598	205	1,272	(24,503)	(22,428)
Depreciation	(7,623)	(127,960)	(41,454)	(185,121)	(362,158)
Balance at 31 December 2017	**328,797**	**1,073,918**	**365,231**	**4,961,747**	**6,729,693**

NOTE 6 INTANGIBLE ASSETS

	31 December 2017 $	30 June 2017 $
Customer contracts at cost	3,644,310	1,740,619
Accumulated amortisation	(469,088)	(238,082)
	3,175,222	1,502,537
Licences and accreditations at cost	4,895,140	937,356
Accumulated amortisation	(698,448)	(485,189)
	4,196,692	452,167
Software at cost	1,624,253	1,549,214
Accumulated amortisation	(232,130)	(69,062)
	1,392,123	1,480,152
Other intangibles at cost	64,038	64,038
Accumulated amortisation	(39,111)	(21,682)
	24,927	42,356
Total intangible assets	**8,788,964**	**3,477,212**

Movements during the period

	Customer Contracts	Licences and Accreditations	Software	Other Intangibles	Total
Balance at 1 July 2017	1,502,537	452,167	1,480,152	42,356	3,477,212
Additions	-	-	15,000	-	15,000
Business combinations	1,904,199	3,953,827	59,712	-	5,917,738
Foreign exchange movements	(508)	3,957	327	-	3,776
Amortisation	(231,006)	(213,259)	(163,068)	(17,429)	(624,762)
Balance at 31 December 2017	**3,175,222**	**4,196,692**	**1,392,123**	**24,927**	**8,788,964**

NOTE 7 GOODWILL

	31 December 2017 $	30 June 2017 $

Movements during the period

Opening balance	8,186,266	5,054,138
Goodwill arising on acquisition of Analytica	8,780,845	-
Goodwill arising on acquisition of Morrison Geotechnic	-	1,770,810
Goodwill arising on acquisition of OCTFOLIO	-	1,365,920
Foreign exchange movements	(187,022)	(4,602)
	16,780,089	**8,186,266**

NOTE 8 PROVISIONS

	31 December 2017 $	30 June 2017 $
CURRENT		
Employee benefits	922,112	719,172
Morrison earn-out	-	62,500
Analytica earn-out	417,008	-
OCTFOLIO contingent consideration at fair value	187,500	187,500
	1,526,620	**969,172**
NON-CURRENT		
Employee benefits	43,099	52,544
OCTFOLIO contingent consideration at fair value	187,500	187,500
	230,599	**240,044**

Employee Benefit Provisions

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.

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 corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Morrison Geotechnic Earn-out Provision

On 31 March 2017, HRL acquired 100% of the issued capital of Morrison Geotechnic Holdings Limited. The agreed purchase consideration was:

- initial payment of $3,750,000 cash; and
- earn-out consideration of up to $750,000.

The amount of earn out consideration is based on Morrison Geotechnic's earnings before interest and taxes (EBIT) for the year 1 April 2017 to 31 March 2018:

EBIT	Earn Out Consideration
Less than $1.1 million	Nil
$1.1 – 1.3 million	$250,000
$1.3 – 1.5 million	$500,000
More than $1.5 million	$750,000

If applicable, one half of the earn-out consideration will be paid 12 months after settlement. Payment of the remaining half of the earn-out consideration will be paid in 12 equal monthly instalments thereafter.

NOTE 8 PROVISIONS (CONT'D)

Payment of the earn-out consideration is contingent on the four vendor's ongoing service with Morrison Geotechnic. The vendors will remain employed with Morrison Geotechnic for a minimum period of two years after acquisition. In the situation where employment is terminated prior to completing one year of service, no earn-out is payable. If employment is terminated after one but before the minimum two-year period, the earn-out consideration will be reduced proportionately to the length of time not employed.

As the earn-out consideration is contingent on the vendors' ongoing service, the principles and guidance as set out in AASB 3 *Business Combinations* require that any earn-out consideration be expensed as an employment cost in the relevant period the service was provided. HRL estimates that Morrison Geotechnic will not exceed an EBIT of $1,100,000 for the 12 months ended 31 March 2018. Accordingly, the previously recognised provision of $62,500 has been reversed in profit and loss.

OCTFOLIO contingent consideration at fair value

On 13 April 2017, HRL acquired 100% of the issued capital of Integrated Holdings Group Limited. The agreed purchase consideration was:

- initial payment on completion of the IHG acquisition of $2,750,000 in cash; and
- earn-out consideration of up to $750,000 in cash.

The amount of earn out consideration is based on OCTFOLIO's earnings before interest and taxes (EBIT) for the 24 months after settlement:

Tranche 1

12 Months Post-Acquisition EBIT	Earn Out Consideration
Less than $300,000	Nil
More than $300,000	$375,000

Tranche 2

13 Months to 24 Months Post-Acquisition EBIT	Earn Out Consideration
Less than $450,000	Nil
More than $450,000	$375,000

Payment of the earn-out consideration is not contingent on any individual providing ongoing service. As per the principles and guidance as set out in AASB 3, the value of the estimated earn-out is reflected as an increase in the total consideration paid for by the entity. Any subsequent changes in the estimated earn-out will be reflected in profit or loss.

HRL estimates that there is 50% probability of OCTFOLIO's meeting both the Tranche 1 and Tranche 2 EBIT targets. Accordingly, a total liability of $375,000 has been recognised as a provision.

NOTE 8 PROVISIONS (CONT'D)

Analytica Earn-out Provision

On 30 November 2017, HRL acquired 100% of the issued capital of Analytica Laboratories Limited (Analytica).

The agreed purchase consideration was:

- initial payment of NZ$13,300,000 cash
- upfront HRL scrip consideration, representing 60,951,485 HRL shares, subject to a 2-year escrow period; and
- Up to NZ$11m cash earn-out consideration, based on the following criteria:
    - Analytica business to achieve 12-month post-settlement EBITDA in excess of NZ$3m;
    - Analytica Vendors to receive a 6x multiple on each NZ$1 of EBITDA greater than NZ$3m, up to a maximum earn-out consideration of NZ$11m; and
    - 50% of earn-out is payable 12 months post-settlement, and 50% in 12 equal monthly instalments thereafter.

If applicable, half of the earn-out consideration will be paid 12 months after settlement. Payment of the remaining half of the earn-out consideration will be paid in 12 equal monthly instalments thereafter.

Payment of the earn-out consideration is contingent on the vendor's ongoing service with Analytica. The vendors will remain employed with Analytica for a minimum period of two years after acquisition. In the situation where employment is terminated prior to completing one year of service, no earn-out is payable to that individual vendor. If employment is terminated after one but before the minimum two-year period, the earn-out consideration will be reduced proportionately to the length of time not employed for that individual vendor.

As the earn-out consideration is contingent on the vendors' ongoing service, the principles and guidance as set out in AASB 3 *Business Combinations* require that any earn-out consideration be expensed as an employment cost in the relevant period the service was provided. HRL estimates that Analytica will exceed an EBITDA of NZ$4,850,000 for the 12 months ended 30 November 2018, resulting in an estimated earn-out of NZ$11,000,000.

As at 31 December, the vendors had performed 1 months of the 24-month service period (4.16%). Accordingly, an amount of NZ$458,333 (AUD $417,008) has been recognised in profit or loss.

Movements during the period

	31 December 2017 $	30 June 2017 $
Opening balance	437,500	-
Morrison Geotechnic earn-out expense/(adjustment)	(62,500)	62,500
Analytica earn-out expense recognised	417,008	-
	792,008	**437,500**

NOTE 9 CONTINGENT LIABILITIES

There has been no change to contingent assets and contingent liabilities disclosed in the 30 June 2017 financial report.

NOTE 10 EVENTS AFTER BALANCE DATE

There have been no events since 31 December 2017 that impact upon the financial report.

DIRECTORS’ DECLARATION

DIRECTORS' DECLARATION

In the Directors’ opinion:

(a) the attached consolidated financial statements and notes are in accordance with the Corporations Act 2001 and*:*

  (i) comply with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

  (ii) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Darren Anderson
Director

Brisbane
19 February 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of HRL Holdings Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of HRL Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

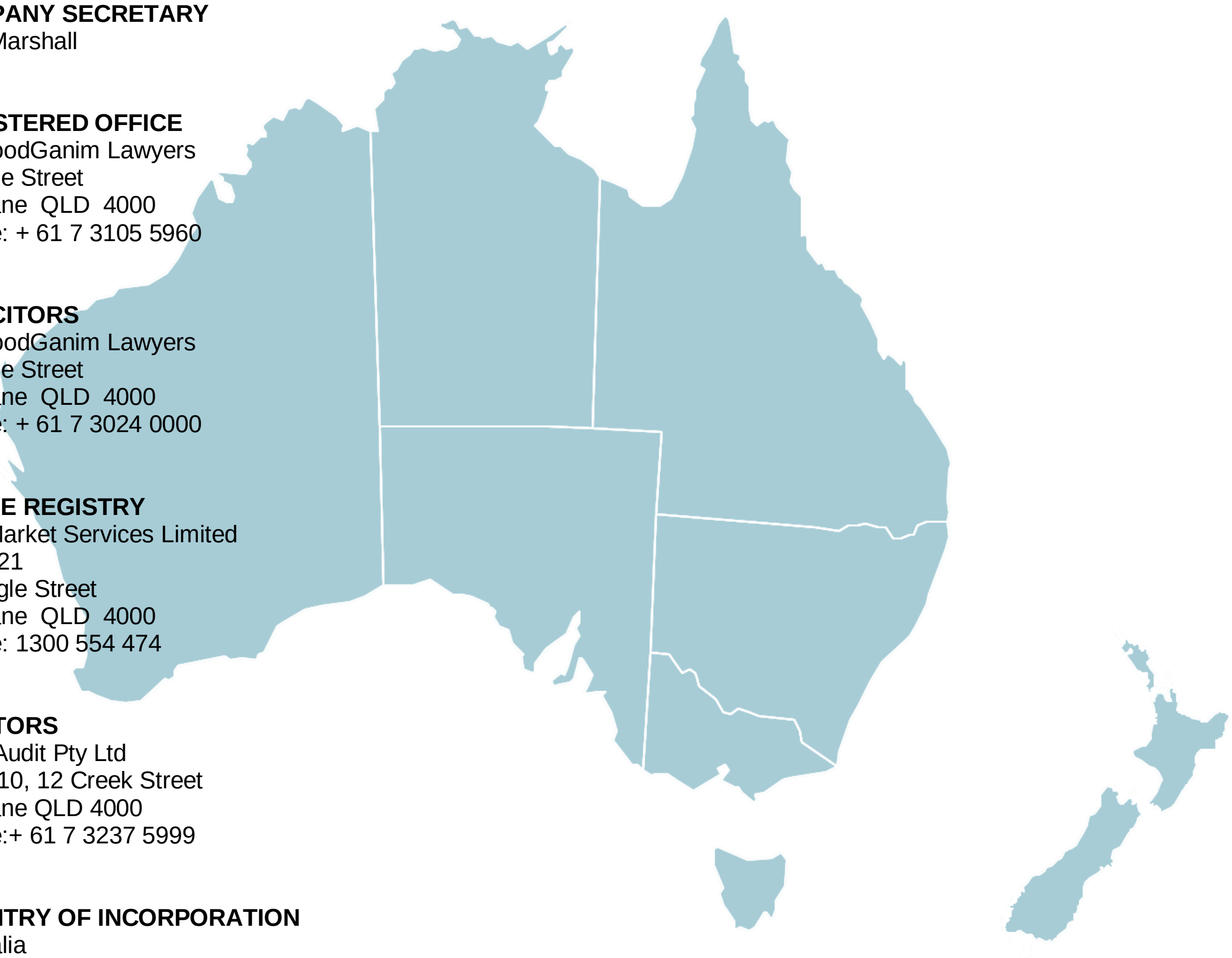
BDO

T Mann

T R Mann
Director

Brisbane, 19 February 2018

HRL HOLDINGS LIMITED CORPORATE INFORMATION



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John Taylor (Non-executive Director)

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