



23 April 2018

ASX Announcement

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

QUARTER HIGHLIGHTS

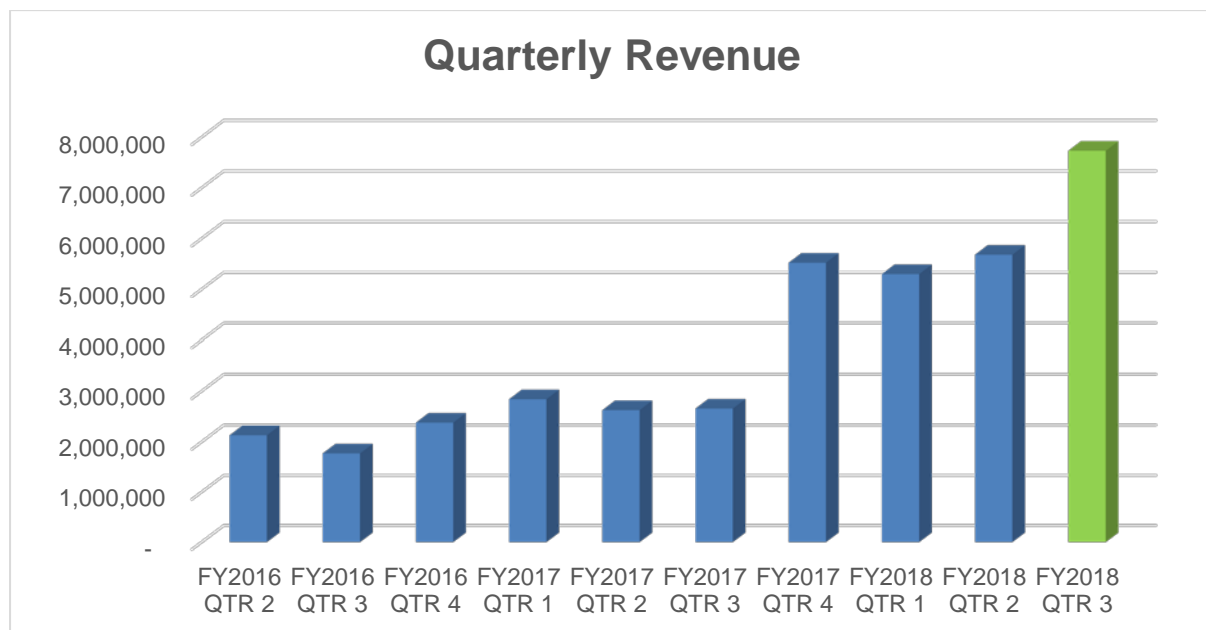
- Operating cashflows for the quarter of AUD \$1.38M (including outflows for new service lines, tax and acquisition expenses)
- Integration of Analytica Laboratories going to plan
- Acquisition of a SIFT-MS instrument to bolster environmental laboratory testing

Third Quarter Trading and Cashflows

During the quarter, HRL generated \$1.38M net cash from operating activities (\$2.307M year to date). After excluding payments for tax and Analytica acquisition costs, operating cash inflows were \$1.77M (and \$3.06M year to date). Full details are included in the attached Appendix 4C.

The Group had \$4.07M in cash, drawn finance lease borrowings of \$1.29M and a further \$2.43M in undrawn equipment loan facilities at the end of the quarter.

Trading in the quarter was solid with the Group generating record revenues of \$7.7M.





Food and environmental laboratory services

The Food and Environmental Laboratory division is a new addition to the Group which incorporates the Analytica Laboratories business unit acquired on 30 November 2017.

Integration of the business is going to plan and activity in recent months has been highly encouraging with Analytica performing ahead of expectation.

On top of its regular milk testing services, Analytica, in conjunction with its strategic alliance partner MilkTestNZ, undertook additional project work which will contribute non-budgeted revenue to the first and second quarter of the calendar year.

The peak New Zealand Manuka honey season runs from February to May. The New Zealand Ministry of Primary Industries released their revised guidelines for the definition of Manuka Honey resulting in strong demand to test Manuka honey samples in accordance with the new guidelines.

Demand for laboratory testing for drugs of abuse continues to grow driven primarily by an increase in samples from property testing companies servicing the private domestic market.

The recently launched environmental service lines which incorporates laboratory testing on air, water and soil, including organic and inorganics, continues to grow steadily. A number of key clients have already been secured and there is a continual focus on further business development. The addition of the SYFT business (see below for more details) will provide further growth in this area.

Analytica also hold a 26% interest in CAIQTest (Pacific) Limited, a New Zealand based laboratory, providing local pre-shipment testing services for clients exporting goods from Australasia to China – thereby assisting greatly with supply chain bottlenecks. Results from the first months of trading post-certification with IANZ, MPI and CNAS have been encouraging. New China Food and Drug Administration infant formula formulation registration requirements began being enforced from 1 January 2018. Pre 1 January 2018-infant formula stockpiles with distributors in China have been progressively wound down and CAIQTest (Pacific) saw an increase in workload to comply with the new regulations.

HAZMAT & Occupational Hygiene

Following the holiday period slowdown, Precise continued its strong performance in New Zealand providing a range of asbestos services with government agencies, councils, corporate and commercial clients. Property contamination testing was quieter in the quarter with volumes lower over the holiday and new year period.

In Australia, the Queensland market continued to remain strong underpinned by ongoing works with the Queensland state government that has seen volumes of works steadily increase from the previous few years. The environmental engineering/sciences service line continues to perform well. After pausing in January for the holidays, the Northern Territory Department of Housing and Community Development asbestos surveys works recommenced.

Geotechnical

Ongoing wet weather in Queensland continued to impact Morrison Geotechnic. Customer sites were shut down for prolonged periods which in turn affected the number of soil tests and engineering assessments Morrison could conduct.

Morrison are currently investigating new equipment and technologies to automate components of the geotechnical test process and improve margins. Other construction material laboratory testing opportunities are being investigated which would not be weather impacted.

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 sales outside of the core HAZMAT modules were pleasing.

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 customer portals;
- Streamlined and scalable 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 this financial year.

New Service Line Development

During the quarter Analytica entered into an agreement with Syft Technologies to acquire a SIFT-MS instrument and all of the contract laboratory business of Syft Technologies in New Zealand. This makes Analytica the first organisation (other than Syft Technologies) to offer commercial analytical testing services.

The SIFT-MS is a specialised tool for high-throughput and real-time gas analysis applications. SIFT-MS is a form of direct mass spectrometry that analyses volatile organic compounds (VOCs) in air with typical detection limits at parts-per-trillion level. Real-time, quantitative analysis is achieved by applying precisely controlled soft chemical ionization and eliminating sample preparation, pre-concentration and chromatography.

Analytica have identified a range of potential applications across different environmental testing services and are in active discussions with customers about how this new technology can assist with their business.

For further information contact:

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

HRL HOLDINGS LIMITED

ABN

99 120 896 371

Quarter ended ("current quarter")

March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,530	20,643
1.2 Payments for		
(a) research and development	-	-
(b) direct costs of sales	(1,235)	(2,711)
(c) advertising and marketing	(4)	(9)
(d) leased assets	(299)	(775)
(e) staff costs	(3,897)	(10,229)
(f) administration and corporate costs	(1,317)	(3,811)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	4
1.5 Interest and other costs of finance paid	(14)	(49)
1.6 Income taxes paid	(347)	(601)
1.7 Government grants and tax incentives	-	-
1.8 Acquisition costs	(35)	(155)
1.9 Net cash from / (used in) operating activities	1,384	2,307

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) Plant, equipment and intangibles	(869)	(1,295)
(b) businesses (see item 10)	-	-
(c) net cash on acquisition of subsidiaries	-	(11,974)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	12
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Pre-acquisition distribution paid to Analytica vendors	(218)	(218)
2.5 Other (provide details if material)	-	35
2.6 Net cash from / (used in) investing activities	(1,087)	(13,440)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	16,003
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(15)	(843)
3.5 Net proceeds from borrowings	-	-
3.6 Net repayment of borrowings	(123)	(660)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(138)	14,500

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,874	728
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,384	2,307
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,087)	(13,440)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(138)	14,500

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	38	(24)
4.6	Cash and cash equivalents at end of quarter	4,071	4,071

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,951	3,754
5.2	Call deposits	120	120
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,071	3,874

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
100
-

Executive and Non-Executive Directors' remuneration and fees (\$100k)

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	3,720	1,285
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Equipment loan facility provided by Westpac. Security taken over the asset that the borrowings relates to. Interest rates of 4.35% - 5.10% per annum which expire between December 2018 and February 2021.

Morrison Geotechnic equipment loan facility provided by NAB. Security taken over the asset that the borrowings relates to. Interest rates of 4.67% - 5.20% per annum which expire between June 2018 and December 2020.

Analytica equipment loan facility provided by supplier. No security taken over the asset that the borrowings relates to. Interest rate of 4.33% per annum. Expires in March 2019.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Direct cost of sales	1,100
9.3 Advertising and marketing	20
9.4 Leased assets	300
9.5 Staff costs	4,200
9.6 Administration and corporate costs	850
9.7 Other	-
9.8 Total estimated cash outflows	6,470

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 23 April 2018
Company secretary

Print name: Paul Marshall

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.