



HRL HOLDINGS LIMITED
Appendix 4D December
FY2021 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 2020
Previous Corresponding Period: 31 December 2019

2. Results for Announcement to the Market \$000's

Revenue from ordinary activities up 0.4% to: 16,359

Net profit for the period attributable to members increased to: 460

No dividends were paid or payable during the period.

Refer to pages 1 to 4 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 6 of the December 2020 Financial Statements and accompanying Notes.

4. Balance Sheet with Notes to the Statement

Refer to Page 7 of the December 2020 Financial Statements and accompanying Notes.

5. Statement of Cash Flows with Notes to the Statement

Refer to Page 9 of the December 2020 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 8 of the December 2020 Financial Statements and accompanying Notes.

8. Net Tangible Assets per Security

Dec 2020 \$0.0127

Dec 2019 \$0.0094

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

Not applicable.

10. Associates and Joint Venture Entities

Not applicable.

11. Other Significant Information

Not applicable.

12. Accounting Standards used for Foreign Entities

Not applicable.

13. Status of Audit

The attached December 2020 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
28 January 2021



HRL HOLDINGS LIMITED

INTERIM FINANCIAL REPORT

**FOR THE HALF-YEAR ENDED
31 DECEMBER 2020**

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 2020.

DIRECTORS

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

Name	Position	Period of Directorship
Greg Kilmister	Non-Executive Chairman	Appointed 11 February 2019
Steve Howse	Executive Director	Appointed 1 March 2018
James Todd	Non-Executive Director	Appointed 1 March 2018
Richard Stephens	Non-Executive Director	Appointed 3 September 2020
Tracy Dare	Non-Executive Director	Appointed 1 November 2019, resigned 31 July 2020

REVIEW OF OPERATIONS

Trading Update

The first half of FY2021 showed a pleasing recovery from the worst of the COVID-19 impacts experienced in late FY2020. Whilst challenges still remain, all business units remain well positioned moving into the second half of FY2021.

Food and Environmental Laboratory Services

The Food and Environmental Laboratory division incorporates the New Zealand based Analytica business unit.

Despite the lingering economic impacts of COVID-19 during the period, Analytica continues to perform well with revenue up 13% compared with the prior period, highlighted by:

- Honey revenues up 40% on the prior period due to a combination of strong overseas demand for Manuka honey, new testing services offered and some improvement in market share.
- Milk testing was steady with the prior period.
- Food origin testing continues to grow with revenues up 18% on the prior period despite ongoing delays in international shipping impacting volumes.
- As anticipated, environmental testing services (laboratory testing of asbestos, air, water and soil) fell slightly (4%) with major project activity across New Zealand weaker due to COVID-19.
- Other services lines (drugs of abuse, natural products and projects) enjoyed solid growth (22%) during the period.

The outlook for the remainder of FY21 is positive albeit with an element of ongoing uncertainty over external factors such as food production seasons and the wider performance of the New Zealand economy.

HAZMAT

The HAZMAT division, which incorporates the OCTIEF business unit in Australia and the Precise business in New Zealand, had a solid half-year. Earnings fell in comparison to the prior period. Underlying workload was comparable however OCTIEF's results in the prior period benefited from a one-off large scale asbestos and lead paint laboratory contract from a major utility provider.

The first quarter for Precise was slow as its customer base recovered from the COVID-19 slowdown but has now returned to normal levels of activity across all of its branch network and has a strong pipeline of works heading into the second half.

Australian operations for OCTIEF were very solid during the period with only a modest dip experienced from the QLD state election process. The majority of OCTIEF's workload continues to come from the QLD and NT governments and utility providers and this is expected to remain the case through the second half.

DIRECTORS' REPORT

Software

The Software division incorporates the OCTFOLIO business unit which is Australian based but has existing contracts and clients in both Australia and New Zealand. Revenue was flat during the period with business development activities, especially in interstate regions and New Zealand, still frustrated by COVID-19 restrictions. Development of the software platform continued with features added to meet the needs of a wider range of industries and smaller commercial operators.

Geotechnical

The Geotechnical division incorporates the Morrison Geotechnic business unit in Australia. Revenues saw a sharp decline in the first quarter due to the COVID-19 slowdown which was offset to a degree from the benefit of the JobKeeper program. Activity in the south-east QLD construction sector rebounded strongly in the second quarter which was reflected in Morrison's second quarter results. Poor weather impacted workloads leading up to Christmas break in December but the outlook for Morrison heading into the new year remains positive.

Joint Ventures

CAIQTest (Pacific) Limited

The Group has 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. Trading for CAIQTest (Pacific) Limited during the period was very encouraging with both revenues and profit showing strong improvements. HRL's share of CAIQTest (Pacific) Limited profit for the six-month period was \$87,000.

Foodlab Pacific Limited

HRL has entered into an agreement with MilkTestNZ to create a new 50:50 joint venture company which will initially provide analytical testing service to the wider New Zealand dairy industry. The joint venture agreement represents an expansion of the existing strategic alliance between HRL and MilkTestNZ, which focusses on liquid milk testing. During the period, Foodlab focused on finalising certification/accreditation of its test methods and ongoing business development with potential customers. Foodlab remains on track to commence commercial trading in the second half of FY2021.

Future Developments and Market Outlook

Through H2 FY2021, HRL will focus on:

- Continue to roll out new analytical testing services in both New Zealand and Australia;
- Regional laboratory services to be delivered through the now branded Analytica facilities;
- Support the HAZMAT and Geotech divisions secure new projects as the infrastructure and government sectors show signs of growth;
- Assess and pursue acquisition opportunities in the laboratory sector;
- Aggressive sales focus for the OCTFOLIO platform through launching new features and business development activities.

Market outlook for the segments include:

- Food testing levels to be driven by normal primary production factors
- Environmental testing likely to take time to recover in line with wider economy
- Opportunities may present through infrastructure projects
- Government clients offers some stability to workloads
- Remaining divisions focused on new opportunities (organic and M&A)

FINANCIAL REVIEW

Key financial headlines of the HRL Group's 31 December 2020 results are:

- Revenues of \$16,359,000
- Underlying EBITDA of \$3,535,000
- Underlying profit after tax of \$1,415,000 ¹

DIRECTORS' REPORT

- Statutory profit after tax of \$460,000
- Cashflow provided by operations of \$3,867,000.
- Net cash/(debt) of \$553,000 ²
- Net current assets of \$21,000

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.

² Net cash represents cash and cash equivalents less borrowings including bank financed asset leases.

Funding and Liquidity

As at 31 December 2020, the Group had net current assets of \$21,000. Included in current liabilities is:

- Contract liabilities (included within trade and other payables) of \$85,000 representing revenue received in advance for services to be provided in the coming year; and
- Lease liabilities relating to building premises of \$690,000 which will be progressively paid over the coming 12 months. These liabilities arose upon adoption of the leasing standard AASB 16 in the 2020 financial year.

Working capital excluding these amounts is \$796,000.

The Group has undrawn bank facilities of \$4,738,000 and comfortably met all banking covenants during the period.

During the half-year, the Group generated operating cashflows of \$3,867,000.

Based upon its cash reserves, undrawn finance facilities and expected ongoing earnings, the Group is comfortable it has sufficient funding capacity to continue to grow the business organically and meet all its obligations.

Financial Performance

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

	6 months ended 31 December 2020 \$'000	6 months ended 31 December 2019 \$'000
Underlying EBITDA ¹	3,535	3,081
Operating depreciation and amortisation	(1,416)	(1,496)
Net interest expense	(170)	(191)
Operating tax	(534)	(337)
Underlying profit/(loss) after tax	1,415	1,057
<u>Non-operating adjustments</u>		
Expired management performance shares	-	(21)
Equity accounted share of loss	(380)	(268)
Amortisation of intangible assets arising from acquisitions	(588)	(1,488)
Earn-out expenses	-	(2,158)
Non-operating tax	13	150
Statutory profit/(loss) after income tax	460	(2,728)

¹ 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-recurring in nature. These items are included in the Group's consolidated statutory result but excluded from the underlying result.

DIRECTORS' REPORT

Comparison with the Prior Period

Underlying profit after tax for the year increased by \$359,000 compared with the prior period. The key reasons for the increase were:

Factors increasing profits:

- Higher earnings from Analytica on the back of 13% revenue growth;
- Higher earnings from Morrison primarily due to:
 - JobKeeper subsidy received in the first quarter; and
 - Improved trading conditions in the second quarter
- Decreased corporate overhead costs.

Factors decreasing profits:

- Lower earnings from the HAZMAT division compared to the prior period. The prior period included a large-scale asbestos and lead paint laboratory contract from a major utility provider.

AFTER BALANCE DATE EVENTS

There have been no events since 31 December 2020 that impact upon the financial report.

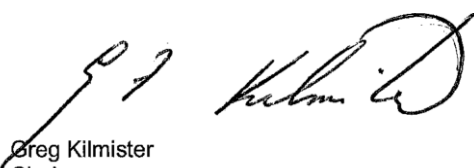
ROUNDING

The Company is a kind referred to in Australian Securities & Investment Commission (ASIC) Corporations Instrument 2016/191, and in accordance with that instrument all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

AUDITOR'S INDEPENDENCE DECLARATION

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

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



Greg Kilmister
Chairman
28 January 2021

AUDITOR'S INDEPENDENCE DECLARATION



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF HRL HOLDINGS LIMITED

As lead auditor for the review of HRL Holdings Limited for the half-year ended 31 December 2020, 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.

A handwritten signature in black ink, appearing to read 'C R Jenkins', is written over a horizontal line.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 28 January 2021

STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income For the half-year ended 31 December 2020

6 Months Ended	Note	31 December 2020 \$'000	31 December 2019 \$'000
HAZMAT service revenue		4,045	4,679
Geotechnical service revenue		3,249	3,562
Food and environmental laboratory revenue		8,590	7,557
Software service revenue		472	481
Interest revenue		3	8
Total Revenue		16,359	16,287
Costs and consumables relating to the provision of services		(2,703)	(2,373)
Employee expenses		(8,528)	(8,978)
Travel and business development expenses		(170)	(248)
Other expenses		(1,420)	(1,620)
Finance costs		(173)	(199)
Depreciation & amortisation – equipment, software & leased assets		(1,416)	(1,496)
Amortisation - acquisition intangible assets	4	(588)	(1,488)
Employee benefits expense on Analytica earn-out payment		-	(2,158)
Total Expenses		(14,998)	(18,560)
Equity accounted share of profit/(loss)		(380)	(268)
Profit/(loss) before income tax		981	(2,541)
Income tax benefit/(expense)		(521)	(187)
Profit/(loss) after income tax		460	(2,728)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences for foreign operations		64	135
Income tax		-	-
Other comprehensive income for the period, net of tax		64	135
Total comprehensive income		524	(2,593)
Earnings/(Loss) per share		Cents	Cents
Basic and diluted earnings/(loss) per share		0.1	(0.6)

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 2020

	Note	31 December 2020 \$'000	30 June 2020 \$'000
CURRENT ASSETS			
Cash and cash equivalents		3,747	2,854
Trade and other receivables		3,435	3,810
Inventories		437	475
Other current assets		321	27
TOTAL CURRENT ASSETS		7,940	7,166
NON-CURRENT ASSETS			
Trade and other receivables		322	309
Equity accounted investments		809	699
Plant and equipment	3	6,487	5,922
Intangible assets	4	1,194	1,766
Goodwill	5	16,604	16,572
Right-of-use assets	6	2,573	3,075
Deferred tax assets		1,208	1,412
TOTAL NON-CURRENT ASSETS		29,197	29,755
TOTAL ASSETS		37,137	36,921
CURRENT LIABILITIES			
Trade and other payables		2,727	2,699
Current tax liabilities		1,144	748
Short-term provisions		1,518	1,178
Lease liabilities	6	1,242	1,239
Borrowings	8	1,288	2,144
TOTAL CURRENT LIABILITIES		7,919	8,008
NON-CURRENT LIABILITIES			
Long-term provisions		21	40
Lease liabilities	6	1,505	1,970
Borrowings	8	1,033	689
Deferred tax liabilities		14	186
TOTAL NON-CURRENT LIABILITIES		2,573	2,885
TOTAL LIABILITIES		10,492	10,893
NET ASSETS		26,645	26,028
EQUITY			
Contributed capital	9	38,197	38,162
Reserves		10	(112)
Accumulated losses		(11,562)	(12,022)
TOTAL EQUITY		26,645	26,028

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 2020

	Contributed Capital \$'000	Accumulated Losses \$'000	Reserves \$'000	Total \$'000
Balance at 1 July 2019	38,162	(9,569)	215	28,808
Transactions with owners in their capacity as owners				
Share based payments	-	-	83	83
Transfer of expired options		85	(85)	-
Total	-	85	(2)	83
Comprehensive income				
Loss after income tax	-	(2,728)	-	(2,728)
Foreign currency translation differences for foreign operations	-	-	135	135
Total comprehensive income	-	(2,728)	135	(2,593)
Balance at 31 December 2019	38,162	(12,212)	348	26,298
Balance at 1 July 2020	38,162	(12,022)	(112)	26,028
Transactions with owners in their capacity as owners				
Share based payments	-	-	93	93
Conversion of performance rights	35	-	(35)	-
Total	35	-	58	93
Comprehensive income				
Profit after income tax	-	460	-	460
Foreign currency translation differences for foreign operations	-	-	64	64
Total comprehensive income	-	460	64	524
Balance at 31 December 2020	38,197	(11,562)	10	26,645

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 2020

6 Months Ended	31 December 2020 \$'000	31 December 2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	18,708	19,217
Payments to suppliers and employees	(15,219)	(14,575)
Interest received	3	3
Income tax paid	(88)	(505)
COVID-19 wage subsidies received	635	-
Analytica earn out payments	-	(2,584)
Finance costs	(172)	(199)
Net cash provided by operating activities	3,867	1,357
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant & equipment	(1,034)	(353)
Proceeds from sale of plant & equipment	174	-
Security bond refunds/(payments)	(12)	-
Payments for intangibles - software	(102)	(148)
Investment in Food Lab Pacific Limited	(486)	(135)
Net cash used in investing activities	(1,460)	(636)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	2,466
Repayment of borrowings	(937)	(2,177)
Lease principal payments	(586)	(790)
Net cash used in financing activities	(1,523)	(501)
Net increase in cash and cash equivalents held	884	220
Net foreign exchange differences	9	5
Cash and cash equivalents at the beginning of the financial period	2,854	1,031
Cash and cash equivalents at the end of the financial period	3,747	1,256

The Consolidated 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

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 2020 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 2020 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 28 January 2021.

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 2020 except for the adoption of new and amended standards as set out below.

Critical accounting estimates and judgements

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 and judgements were considered significant for the year ended 30 June 2020:

Goodwill:

The recoverable amounts of cash generating units are determined based on value in use calculations. The Group has considered and assessed for any reasonably possible changes to key assumptions used in these calculations and has determined that the assumptions used at 30 June 2020 remain appropriate for the 6 months ended 31 December 2020.

Recognition of deferred tax asset for carried forward losses:

The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiaries. The Group has determined that estimates and assumptions applied in determining recoverability as at 30 June 2020 remain appropriate for the 6 months ended 31 December 2020.

The Directors of the Group has not identified any other possible changes to key estimates or judgements that could significantly affect the amounts recognised in the interim financial report.

New and revised standards

A number of new or amended standards became applicable for the current reporting period. The impact of the adoption of these standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Funding and Liquidity

As at 31 December 2020, the Group had net current assets of \$21,000. Included in current liabilities is:

- Contract liabilities (included within trade and other payables) of \$85,000 representing revenue received in advance for services to be provided in the coming year; and
- Lease liabilities relating to building premises of \$690,000 which will be progressively paid over the coming 12 months. These liabilities arose upon adoption of the leasing standard *AASB 16* in the 2020 financial year.

Working capital excluding these amounts is \$796,000.

The Group has undrawn bank facilities of \$4,738,000 and comfortably met all banking covenants during the period.

During the half-year, the Group generated operating cashflows of \$3,867,000.

Based upon its cash reserves, undrawn finance facilities and expected ongoing earnings, the Group is comfortable it has sufficient funding capacity to continue to grow the business organically and meet all its obligations.

ROUNDING

The Company is a kind referred to in Australian Securities & Investment Commission (ASIC) Corporations Instrument 2016/191, and in accordance with that instrument all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SEGMENT REPORTING

Reportable Segments

For the year ended 31 December 2020 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 - 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;
 - asbestos laboratory analysis;
 - 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SEGMENT REPORTING (CONT'D)

Segment Revenues and Results

Half Year Ended 31 December 2020

	HAZMAT \$'000	Geotechnical \$'000	Food/Environment Laboratory \$'000	Software \$'000	Unallocated \$'000	Consolidated \$'000
Revenue:						
Services revenue	4,104	3,249	8,590	413	-	16,356
Interest revenue	-	-	-	-	3	3
Share of equity accounted profit/(loss)	-	-	(380)	-	-	(380)
Expenses:						
Interest expense	(18)	(9)	(25)	-	(121)	(173)
Other operating expenses	(3,511)	(2,639)	(7,026)	(298)	(763)	(14,237)
Segment result before acquisition related expenses	575	601	1,159	115	(881)	1,569
<u>Acquisition Related Expenses:</u>						
Amortisation on acquisition intangibles	-	-	(588)	-	-	(588)
Segment result	575	601	571	115	(881)	981
Income tax expense						(521)
Net profit/(loss)	575	601	571	115	(881)	460
<u>Assets:</u>						
Segment assets	5,147	4,333	23,430	1,894	2,333	37,137
<u>Liabilities:</u>						
Segment liabilities	2,646	1,617	2,921	126	3,182	10,492

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SEGMENT REPORTING (CONT'D)

Half Year Ended 31 December 2019

	HAZMAT \$'000	Geotechnical \$'000	Food/Environment Laboratory \$'000	Software \$'000	Unallocated \$'000	Consolidated \$'000
Revenue:						
Services revenue	4,722	3,562	7,557	438	-	16,279
Interest revenue	-	-	-	-	8	8
Share of equity accounted profit/(loss)	-	-	(268)	-	-	(268)
Expenses:						
Interest expense	(18)	(13)	(8)	-	(160)	(199)
Other operating expenses	(3,651)	(3,572)	(6,415)	(235)	(842)	(14,715)
Segment result before acquisition related expenses	1,053	(23)	866	203	(994)	1,105
<u>Acquisition Related Expenses:</u>						
Earn-out expense	-	-	(2,158)	-	-	(2,158)
Amortisation on acquisition intangibles	-	(295)	(912)	(281)	-	(1,488)
Segment result	1,053	(318)	(2,204)	(78)	(994)	(2,541)
Income tax expense						(187)
Net profit/(loss)	1,053	(318)	(2,204)	(78)	(994)	(2,728)
<u>Assets:</u>						
Segment assets	5,575	4,341	23,066	1,844	1,887	36,713
<u>Liabilities:</u>						
Segment liabilities	2,594	1,496	1,630	72	4,622	10,414

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 PLANT AND EQUIPMENT

Movements during the period (in \$'000)

	Leasehold Improvements	Motor Vehicles	Office Furniture and Equipment	Lab and field Equipment	Total
Balance at 1 July 2020	303	103	298	5,218	5,922
Additions	27	240	55	1,265	1,587
Disposals	-	(5)	-	(284)	(289)
Foreign exchange movements	1	3	-	25	29
Depreciation	(28)	(27)	(72)	(635)	(762)
Balance at 31 December 2020	303	314	281	5,589	6,487

NOTE 4 INTANGIBLE ASSETS

Movements during the period (in \$'000)

	Customer Contracts	Licences and Accreditations	Software	Total
Balance at 1 July 2020	873	407	486	1,766
Additions	-	-	102	102
Foreign exchange movements	-	-	-	-
Amortisation	(181)	(407)	(86)	(674)
Balance at 31 December 2020	692	-	502	1,194

NOTE 5 GOODWILL

31 December
2020
\$'000

Movements during the period

Balance at 1 July 2020	16,572
Foreign exchange movements	32
Balance at 31 December 2020	16,604

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 LEASES

31 December
2020
\$'000

30 June
2020
\$'000

Amounts recognised in the Balance Sheet

Right-of-use assets

Leased buildings – right-of-use	1,793	2,059
Leasehold improvements	22	25
Motor vehicles	563	775
Lab and field equipment	195	216
	2,573	3,075

Additions to the right of use assets during the period were \$172,000. Disposals to the right of use assets during the period were \$44,000.

Lease liabilities

CURRENT

Leases for equipment – bank financed	549	522
Leases for building premises	693	717
	1,242	1,239

NON-CURRENT

Leases for equipment – bank financed	322	576
Leases for building premises	1,183	1,394
	1,505	1,970

31 December
2020
\$'000

31 December
2019
\$'000

Amounts recognised in the Statement of Comprehensive Income

Depreciation and amortisation

Buildings premises	389	422
Leasehold improvements	4	4
Motor vehicles	156	163
Lab and field equipment	20	20
	569	609

Interest expense on leases (included in finance costs)

Buildings premises	54	59
Equipment leases – bank financed	24	32
	78	91

Amounts recognised in the Statement of Cash Flows

Lease principal repayments - buildings premises	360	413
Lease principal repayments - equipment leases	226	377
Interest payments - buildings premises	54	59
Interest payments - equipment leases	24	32
	664	881

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 BORROWINGS

	31 December 2020 \$'000	30 June 2020 \$'000
CURRENT		
Government loans	-	52
Insurance financing	173	-
Bank loans	1,115	2,092
	1,288	2,144

NON-CURRENT		
Government loans	304	250
Bank loans	729	439
	1,033	689

Financing Facilities

The Group has access to the following lines of credit:

	31 December 2020 \$'000	30 June 2020 \$'000
<i>Total facilities available</i>		
Leases - equipment financing	2,469	2,530
Government loans	304	302
Insurance financing	173	-
Bank loans	4,984	5,351
	7,930	8,183
<i>Facilities used at balance date</i>		
Leases - equipment financing	871	1,098
Government loans	304	302
Insurance financing	173	-
Bank loans	1,844	2,531
	3,192	3,931
<i>Unused facilities at balance date</i>		
Finance leases and equipment financing	1,598	1,432
Government loans	-	-
Insurance financing	-	-
Bank loans	3,140	2,820
	4,738	4,252

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 BORROWINGS (continued)

Covenants

The bank loans are subject to the below covenants:

Debt Service Cover Ratio greater than 1.5

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 on a 12-month rolling result.

Debt to EBITDA ratio of less than 200%

Gearing ratio means: Total financial debt divided by operating EBITDA. This ratio will be assessed every 6 months on a 12-month rolling result.

Provision of bi-annual compliance certificates

HRL must provide within 3.5 months 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.

Defaults and breaches

During the period there were no defaults or breaches on any of the loans.

NOTE 9 CONTRIBUTED CAPITAL

Share Capital

	31 December 2020 \$'000	30 June 2020 \$'000
493,777,235 fully paid ordinary shares (June 2020: 493,402,627)	38,197	38,162

Ordinary Shares

	Dec 2020 \$'000	June 2020 \$'000	Dec 2020 #	June 2020 #
At the beginning of the year	38,162	38,162	493,402,627	493,402,627
Performance rights vested	35	-	374,608	-
At reporting date	38,197	38,162	493,777,235	493,402,627

NOTE 10 CONTINGENT LIABILITIES

There has been no change to contingent assets and contingent liabilities disclosed in the 30 June 2020 financial report.

NOTE 11 EVENTS AFTER BALANCE DATE

There have been no events since 31 December 2020 that impact upon the financial report.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 SHARE BASED PAYMENTS

Performance Rights (Long Term Incentive Plan)

The Company has granted performance rights to senior management under a long term incentive plan. Each equity-settled performance right which vests and is exercised converts to an ordinary share in the Company at nil exercise price. The performance rights are not quoted on the ASX. Performance rights granted carry no dividend or voting rights.

Details of performance rights issued, exercised and expired during the 31 December 2020 reporting period are set out below:

Expiry Date	Tranche	Vesting Condition	Performance period ¹	Movements				
				1 July 2020	Issued	Exercised	Expired / Forfeited	31 Dec 2020
30 June 2023	D	EPS	3 years	-	1,022,181	-	(89,615)	932,566
30 June 2023	D	EBITDA	3 years	-	1,022,181	-	(89,615)	932,566
30 June 2023	D	TSR	3 years	-	1,022,181	-	(89,615)	932,566
30 June 2023	D	ROCE	3 years	-	1,022,181	-	(89,615)	932,566
30 June 2022	A	EPS	3 years	1,184,108	-	-	(153,555)	1,030,553
30 June 2022	A	EBITDA	3 years	1,184,108	-	-	(153,555)	1,030,553
30 June 2022	A	TSR	3 years	1,184,108	-	-	(153,555)	1,030,553
30 June 2022	A	ROCE	3 years	1,184,108	-	-	(153,555)	1,030,553
30 June 2021	B	Budget	2 years	294,669	-	-	-	294,669
30 June 2021	B	EBITDA	2 years	294,669	-	-	-	294,669
30 June 2021	B	TSR	2 years	294,669	-	-	-	294,669
30 June 2021	B	ROCE	2 years	294,669	-	-	-	294,669
30 June 2020	C	TSR	1 year	147,335	-	(147,335)	-	-
30 June 2020	C	Discretionary	1 year	227,273	-	(227,273)	-	-
				6,289,716	4,088,724	(374,608)	(972,680)	9,031,152

¹ Represents the relevant period of time to which the both the performance vesting condition is measured and the period of time the recipient must remain employed with the Group.

Performance Vesting Conditions

Earnings per Share (EPS) Measure

EPS MEASUREMENT TABLE	
Compound annual diluted EPS growth	Proportion of Performance Rights that may be exercised if the EPS Performance Hurdle is met
Less than 10%	Nil
10% or higher	25% of the total applicable tranche

Tranche A: The compound growth in EPS will be measured by comparing fully diluted EPS for the financial year ending 30 June 2022 with fully diluted EPS for the financial year ended 30 June 2018 (FY2019 has not been used as a base because of abnormally poor performance) which is the base year for these EPS calculations.

Tranche D: The compound growth in EPS will be measured by comparing fully diluted EPS for the financial year ending 30 June 2023 with fully diluted EPS for the financial year ended 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 SHARE BASED PAYMENTS (continued)

EBITDA Measure

EBITDA MEASUREMENT TABLE	
<i>EBITDA margin of HRL relative to EBITDA margin of comparator peer companies</i>	<i>Proportion of performance rights that may be exercised if EBITDA hurdle is met</i>
Less than average EBITDA margin of comparator peer companies	Nil
More than average EBITDA margin of comparator peer companies	25% of the total applicable tranche
Comparator companies	Bureau Veritas (France), Core Laboratories (USA), Eurofins (France & Germany), Intertek (UK), SGS (Switzerland), ALS (Australia), AsureQuality (NZ)

Based on HRL EBITDA margin over the performance period, the EBITDA Hurdle Rights will vest in accordance with the above table. The EBITDA margin measurement is contingent upon performance of the Company against a group of comparator peer companies.

Total Shareholder Return (TSR) Measure

TSR MEASUREMENT TABLE	
<i>TSR relative to TSRs of companies in the ASX Small Ordinaries Index over the performance period</i>	<i>Proportion of Performance Rights that may be exercised if the TSR Performance Hurdle is met</i>
Below the total TSR for ASX Small Ordinaries over the Performance Period	Nil
Above the TSR for ASX Small Ordinaries over the Performance Period	25% of the total applicable tranche

TSR measures the growth in the price of shares plus dividends notionally reinvested in shares.

Budget Measure

BUDGET MEASUREMENT TABLE	
<i>HRL EBITDA VS Budget</i>	<i>Proportion of performance rights that may be exercised if hurdle is met</i>
EBITDA is less than budget by 5%	Nil
EBITDA vs budget is between -5% and +10%	Straight line vesting of between 0% and 25% of total grant
EBITDA is greater than budget by 10%	25% of total grant

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 SHARE BASED PAYMENTS (continued)

Return on Capital Employed (ROCE) Measure

ROCE MEASUREMENT TABLE	
ROCE Performance (3 year average)	Proportion of performance rights that may be exercised if ROCE hurdle is met
ROCE of less than WACC + 2%	Nil
ROCE of between WACC + 2% and +7%	Straight line vesting of between 0% and 25% of the total applicable tranche
ROCE exceeds WACC + 7%	25% of the total applicable tranche

ROCE hurdles are set at 2% and 7% above the WACC with straight line vesting in between the lower and upper hurdles below.

ROCE is calculated as Underlying Earnings before Interest and Tax (EBIT) over the performance period divided by Capital Employed expressed as a percentage.

*Capital Employed = Total Shareholders' Equity + Net Debt (the sum of the simple averages of the balances at the beginning and end of each year during the performance period *)*

*If material funding transactions (for example, significant additional borrowings, equity issuances or asset impairments) occur such that the simple average for any year during the performance period is not representative of capital actually employed, the average capital employed for the year may be adjusted for the effect of these transactions.

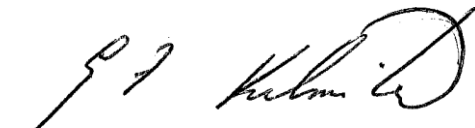
DIRECTORS' DECLARATION

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 2020 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.



Greg Kilmister
Chairman
28 January 2021

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 2020, 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 summary of 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2020 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*.

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.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'C R Jenkins', is written over a faint, larger signature that also appears to be 'C R Jenkins'.

C R Jenkins
Director

Brisbane, 28 January 2021

HRL HOLDINGS LIMITED CORPORATE INFORMATION

DIRECTORS

Greg Kilmister (Non-executive Chairman)
Steve Howse (Executive Director)
James Todd (Non-executive Director)
Richard Stephens (Non-executive Director)

COMPANY SECRETARY

Paul Marshall

REGISTERED OFFICE

HopgoodGanim Lawyers
1 Eagle Street
Brisbane QLD 4000
Phone: + 61 7 3105 5960

SOLICITORS

HopgoodGanim Lawyers
1 Eagle Street
Brisbane QLD 4000
Phone: + 61 7 3024 0000

SHARE REGISTRY

Link Market Services Limited
Level 21
10 Eagle Street
Brisbane QLD 4000
Phone: 1300 554 474

AUDITORS

BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane QLD 4000
Phone: + 61 7 3237 5999

COUNTRY OF INCORPORATION

Australia

STOCK EXCHANGE LISTING

Australian Securities Exchange Limited
ASX Code: HRL

INTERNET ADDRESS

www.hrlholdings.com

AUSTRALIAN BUSINESS NUMBER

ABN 99 120 896 371