



**HRL HOLDINGS LIMITED  
(formerly Hot Rock Limited)**

**ABN 99 120 896 371**

**INTERIM FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED  
31 DECEMBER 2014**

For personal use only

## CORPORATE INFORMATION

### **DIRECTORS**

Kevin Maloney (Chairman)  
Darren Anderson (Executive Director)  
Mark Elliott (Non-executive Director)  
John Taylor (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 15  
324 Queen Street  
Brisbane QLD 4000  
Phone: 1300 554 474

### **AUDITORS**

BDO Audit Pty Ltd  
Level 10, 12 Creek Street  
Brisbane QLD 4000  
Phone: + 617 3237 5999

### **COUNTRY OF INCORPORATION**

Australia

### **STOCK EXCHANGE LISTING**

Australian Securities Exchange Limited  
ASX Code: HRL

### **INTERNET ADDRESS**

[www.hrlholdings.com](http://www.hrlholdings.com)

### **AUSTRALIAN BUSINESS NUMBER**

ABN 99 120 896 371

## DIRECTORS' REPORT

Your Directors present their report on the Consolidated Entity consisting of HRL Holdings Limited ("HRL" or "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

## 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 August 2006
John Taylor	Non-Executive Director	Appointed 25 November 2014
Frederick Kempson	Alternate Non-Executive Director	Appointed 15 September 2014
Peter Barnett	Former Non-Executive Director	Appointed December 2007, resigned 25 November 2014
Michael Sandy	Former Non-Executive Director	Appointed June 2007, resigned 15 September 2014
Stephen Bizzell	Former Non-Executive Director	Appointed September 2009, resigned 14 August 2014

## PRINCIPAL ACTIVITIES

The principal operating activities of the Group are environmental and occupational compliance and the management of associated risks. Geothermal exploration projects have been placed on care and maintenance while the Company evaluates the best way to develop the projects held.

On 15 September 2014 the Company announced the completion of the 100% acquisition of an environment services business, OCTIEF Pty Ltd ("OCTIEF"). The initial consideration paid by HRL to the vendors for the purchase of 100% of OCTIEF was the issue and allotment of 320,754,355 fully paid ordinary HRL shares. HRL will issue further HRL shares to the vendors upon satisfaction of each of the three identified milestones. In accordance with Accounting Standards, OCTIEF is deemed to be the acquirer in the merger for accounting purposes and the accounts presented are a continuation of the OCTIEF financial statements.

## REVIEW OF OPERATIONS

In 2014, the Company undertook a restructuring strategy due to difficulties facing the resource industry and, in particular, the geothermal sector, caused by contraction of investment within global capital markets and inhibiting legislative amendments being introduced.

HRL subsequently sold its geothermal projects in Chile and Peru, which were not in a position to create shareholder value in the foreseeable future, so to dramatically reduce the Company's costs. Furthermore, there is continued uncertainty around Commonwealth and State government support, along with increased regulatory risks associated with decreasing electricity prices for renewable energy. These uncertainties produced an environment with ongoing negative impact on investment and development of renewable energy projects.

The Board of HRL subsequently decided to pursue an expansion of its activities to provide opportunities to grow shareholder value.

### Acquisition of OCTIEF Pty Ltd

On 15 September 2014 the Company announced the completion of the acquisition of an environment services business, OCTIEF Pty Ltd (OCTIEF). OCTIEF operates an environmental consulting and hazardous materials analytical laboratory business with offices and laboratory facilities in Brisbane and Darwin.

OCTIEF specialises in advising organisations in maintaining environmental and occupational compliance and managing related industry risks. Due to the increasing constraints and public awareness, environmental and occupational management is a significant growing issue for many organisations.

Recognising the impacts of these issues on business, OCTIEF aims to help maintain and improve performance by employing best environmental and workplace practices to manage the resultant risks to people, property, business and government organisations.

Part of the services offered are industrial hygiene, asbestos and hazardous materials management, environmental services (air, water and soil including contaminated land), building contamination assessment, and specialised NATA-accredited laboratory analysis and on-site testing.

In addition OCTIEF carry out studies, including at mine sites, contaminated land sites, buildings, soils and water, which need to be done as part of government and council development approvals for new project developments. These studies are commonly part of project development stages such as prefeasibility, feasibility, construction, operations and site restoration post operations. In conjunction with these studies, OCTIEF undertakes ongoing testing of soils, noise, dust and vibration, water and materials for contamination issues and noise monitoring during operations.

#### Proposed acquisition of Precise Consulting and Laboratory Limited

On 24 December 2014, HRL entered into a Share Sale Agreement with the shareholders of Precise Consulting and Laboratory Limited (Precise Consulting) to acquire all of the issued capital in Precise Consulting.

Operating out of Christchurch, New Zealand, Precise Consulting offers a number of services similar to those provided by OCTIEF, to assist companies with the identification and remediation of risks posed to health and safety of both humans and the environment.

Precise Consulting provide a range of services and analysis including:

- contaminated land analysis;
- soil sampling;
- dust monitoring;
- air quality monitoring; and
- asbestos auditing and building contamination assessment.

These studies are carried out in laboratories accredited by IANZ, which is part of the Testing Laboratory Registration Council and New Zealand's premier accreditation body.

Precise Consulting also offers a number of specialised environmental services, including the identification, monitoring and testing of asbestos materials and other occupational hygiene issues.

In consideration for all of the share capital, the Company will pay a maximum purchase price of NZD\$7,500,000 to the Sellers.

The Purchase Price will be paid as follows:

- partial payment on completion of the Precise Consulting Acquisition of NZD\$5,000,000 in cash; and
- earn-out consideration of up to NZD\$2,500,000.

The amount of earn out consideration would be calculated based on Precise Consulting's earnings before interest and taxes (EBIT) for the year 1 January 2015 to 31 December 2015.

The following framework for the amount of earn-out consideration to be paid to the Sellers has been agreed:

EBIT (NZD)	Earn Out Consideration (NZD)
Less than \$1.9 million	Nil
\$1.9 – 2.1 million	\$700,000
\$2.1m to \$2.3 million	\$1,300,000
\$2.3m to \$2.5 million	\$1,900,000
More than \$2.5 million	\$2,500,000

One third of the earn-out consideration will be paid in early 2016. Payment of the remaining two thirds of the earn-out consideration will be paid in 24 equal monthly instalments from February 2016 onwards.

Payment of the earn-out consideration is contingent on Mr Andre Halkyard's ongoing service with Precise Consulting. Mr Halkyard will remain General Manager of Precise Consulting for a minimum period of three years after acquisition.

In the situation where Mr Halkyard's employment is terminated prior to the minimum three year period, the earn-out consideration will be reduced proportionately to the length of time not employed.

Completion of the Precise Consulting Acquisition is conditional on a number of factors, including:

- all necessary ASX and ASIC approvals, waivers and confirmations being obtained by HRL in respect of the Precise Consulting Acquisition;
- all necessary board and shareholder approvals being obtained by both HRL and Precise Consulting in respect of the Precise Consulting Acquisition;
- HRL receiving finance for payment of the Purchase Price; and
- Precise Consulting having a minimum working capital position of NZD \$100,000 as at the date of completion of the Precise Consulting Acquisition.

### Environmental Services First Half Trading

OCTIEF experienced subdued trading conditions during the 6 months ended 31 December 2014 with limited activity, in line with expectations, from the public sector. OCTIEF's revenue generated during the half year remained consistent with management's expectations. The Company expects revenue to increase in the coming 6 months as public sector works begin to increase.

During October OCTIEF opened a new laboratory in Darwin. OCTIEF now has the ability to provide its full range of services to the Northern Territory market, providing a new geographic source of organic growth to the Company going forward.

OCTIEF also expanded operations into New Zealand for the first time during November, performing asbestos audits for the University of Canterbury. The New Zealand market offers a strong growth opportunity for the HRL Group and the Precise Consulting acquisition will give HRL an immediate presence in the region.

### Geothermal

A moratorium is currently in place on onshore gas exploration in Victoria. As a result of this moratorium, HRL is currently not able to pursue drilling programs on its GEPs in the Otway Sedimentary Basin of Victoria.

HRL will not focus any further resources on its geothermal assets until it is satisfied that the projects can be commercially viable.

### Change of Name

At the 2014 AGM shareholders approved the change of the Company's name to HRL Holdings Limited. This new name will better reflect the expanded nature of the company and the restructure of its operations into separate business divisions.

## RESULTS OF OPERATIONS

The loss after income tax for the Group for the half-year ended 31 December 2014 was \$1,483,107 (period 15 May 2013 to 31 December 2013 profit of \$246,031). This result includes a one off non-cash expense of \$1,252,455 in relation to the acquisition of OCTIEF (refer to Note 2 of the financial report for further details).

## AFTER BALANCE DATE EVENTS

### Issue of OCTIEF Milestone Shares

The Company confirms that the Milestone 1 under the OCTIEF acquisition agreement, first half revenue for FY2015 to equal or exceed \$1.75M, has been met and accordingly the Company will issue 160,377,178 shares to the OCTIEF vendors in due course.

### Capital Raising

The Company has announced a General Public Offer to partly fund the completion of the acquisition of Precise Consulting.

A prospectus will be will be dispatched to shareholders in the coming days.

### Upcoming Extraordinary General Meeting

ASX have advised that the acquisition of Precise Consulting must be considered in aggregate with the previous transaction of HRL to acquire OCTIEF. As such, the Precise Consulting Acquisition, considered as a combined effect with the OCTIEF Acquisition, will result in a significant change in the nature and scale of HRL's activities. ASX requires HRL to obtain Shareholder approval for the purposes of Listing rule 11.1.2, as well as re-comply with Chapters 1 and 2 of the Listing Rules pursuant to Listing Rule 11.1.3.

The Company advises that an Extraordinary General Meeting will be held in Brisbane on 25 February 2015 and Shareholder documents have been dispatched. Matters that will be considered include:

- Change in nature and scale on HRL's activities;
- Approval of the Precise Consulting acquisition;
- Consolidation of share capital;
- Approval of the capital raising; and
- Approval for director participation in the capital raising.

### AUDITOR'S INDEPENDENCE DECLARATION

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

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



Darren Anderson  
Director  
Brisbane, 3 February 2015



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## DECLARATION OF INDEPENDENCE BY K L COLYER TO THE DIRECTORS OF HRL HOLDINGS LIMITED

As lead auditor for the review of HRL Holdings Limited for the half-year ended 31 December 2014, 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 'K L Colyer', is written above the printed name.

**K L Colyer**

Director

**BDO Audit Pty Ltd**

Brisbane, 3 February 2015

**Consolidated Statement of Comprehensive Income**  
**For the half-year ended 31 December 2014**

	Note	6 months ended 31 December 2014 \$	7.5 months from 15 May 2013 to 31 December 2013 \$
Environmental services revenue		2,043,073	2,485,599
Interest revenue		10,797	341
Costs and consumables relating to the provision of services		(309,734)	(164,865)
Employee benefits expense		(1,084,637)	(1,134,532)
Depreciation and amortisation expenses		(105,360)	(113,147)
Finance costs		-	(6,880)
Administration expenses		(747,782)	(791,230)
Gain on bargain purchase	3	-	128,950
Listing expense arising on deemed acquisition	2	(1,252,455)	-
Profit/(loss) before income tax		(1,446,098)	404,236
Income tax expense		(37,009)	(158,205)
Profit/(loss) after income tax		(1,483,107)	246,031
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences for foreign operations		6,305	-
Income tax		-	-
Other comprehensive income for the period, net of tax		6,305	-
<b>Total comprehensive income/(loss)</b>		<b>(1,476,802)</b>	<b>916,099</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share</b>			
Basic earnings per share	5	(0.2)	0.1
Diluted earnings per share	5	(0.2)	0.1

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



**Consolidated Balance Sheet  
As at 31 December 2014**

Note	31 December 2014 \$	30 June 2014 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,762,349	8,049
Trade and other receivables	469,999	659,049
Other current assets	43,750	39,050
<b>TOTAL CURRENT ASSETS</b>	<b>2,276,098</b>	<b>706,148</b>
<b>NON-CURRENT ASSETS</b>		
Plant and equipment	194,898	185,431
Intangible assets	306,619	382,870
Deferred tax assets	55,173	52,016
<b>TOTAL NON-CURRENT ASSETS</b>	<b>556,690</b>	<b>620,317</b>
<b>TOTAL ASSETS</b>	<b>2,832,788</b>	<b>1,326,465</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	465,930	513,129
Income tax payable	40,167	-
Short-term provisions	54,257	47,120
<b>TOTAL CURRENT LIABILITIES</b>	<b>560,354</b>	<b>560,249</b>
<b>TOTAL LIABILITIES</b>	<b>560,354</b>	<b>560,249</b>
<b>NET ASSETS</b>	<b>2,272,434</b>	<b>766,216</b>
<b>EQUITY</b>		
Issued capital	4	1
Reserves	6,305	-
Retained earnings/(Accumulated losses)	(716,892)	766,215
<b>TOTAL EQUITY</b>	<b>2,272,434</b>	<b>766,216</b>

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

**Consolidated Statement of Changes in Equity  
For the half-year ended 31 December 2014**

	Issued Capital	Retained Earnings	Foreign Currency Reserve	Total
	\$	\$	\$	\$
<b>Balance at 15 May 2013</b>	-	-	-	-
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	1	-	-	1
Dividends provided for or paid	-	(82,864)	-	(82,864)
<b>Total</b>	<b>1</b>	<b>(82,864)</b>	<b>-</b>	<b>(82,863)</b>
<b>Comprehensive income</b>				
Profit after income tax	-	246,031	-	246,031
<b>Total comprehensive income</b>	<b>-</b>	<b>246,031</b>	<b>-</b>	<b>246,031</b>
<b>Balance at 31 December 2013</b>	<b>1</b>	<b>163,167</b>	<b>-</b>	<b>163,168</b>
<b>Balance at 1 July 2014</b>	<b>1</b>	<b>766,215</b>	<b>-</b>	<b>766,216</b>
<b>Transactions with owners in their capacity as owners</b>				
Deemed issue of share capital on acquisition	2,899,715	-	-	2,899,715
Issue of share capital	105,240	-	-	105,240
Share issue costs	(21,935)	-	-	(21,935)
<b>Total</b>	<b>2,983,020</b>	<b>-</b>	<b>-</b>	<b>2,983,020</b>
<b>Comprehensive income</b>				
Loss after income tax	-	(1,483,107)	-	(1,483,107)
Foreign currency translation differences for foreign operations	-	-	6,305	6,305
<b>Total comprehensive income</b>	<b>-</b>	<b>(1,483,107)</b>	<b>6,305</b>	<b>(1,476,802)</b>
<b>Balance at 31 December 2014</b>	<b>2,983,021</b>	<b>(716,892)</b>	<b>6,305</b>	<b>2,272,434</b>

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

**Consolidated Statement of Cash Flows**  
**For the half-year ended 31 December 2014**

	Note	6 months ended 31 December 2014 \$	7.5 months from 15 May 2013 to 31 December 2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		2,348,947	2,343,229
Payments to suppliers and employees		(2,385,928)	(1,854,248)
Interest received		10,797	341
Finance costs		-	(6,880)
Net cash provided by/ (used in) operating activities		(26,184)	482,442
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant & equipment		(38,576)	(42,029)
Net inflow of cash from the acquisition of subsidiary	2	1,731,848	-
Payments for deposits		-	(42,840)
Loans to related parties		-	(217,000)
Net cash provided by/(used in) investing activities		1,693,272	(301,869)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		105,240	1
Capital raising expenses		(21,935)	-
Proceeds from borrowings		-	250,000
Repayment of borrowings		-	(250,000)
Finance lease payments		-	(19,472)
Net cash provided/ (used in) by financing activities		83,305	(19,471)
Net increase/(decrease) in cash and cash equivalents held		1,750,393	161,102
Net foreign exchange differences		3,907	-
Cash and cash equivalents at the beginning of the financial period		8,049	-
<b>Cash and cash equivalents at the end of the financial period</b>		<b>1,762,349</b>	<b>161,102</b>

*The 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 2014 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity"). At the 2014 AGM shareholders approved the change of the Company's name to HRL Holdings Limited.

### 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.

As a result of the acquisition of OCTIEF Pty Ltd (as discussed in Note 2) this financial report represents a continuation of the financial statement of OCTIEF Pty Ltd being the accounting parent entity of the Group.

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 2014.

This consolidated interim financial report was approved by the Board of Directors on 3 February 2015.

### 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 2014. Accounting policies include the following:

#### Revenue Recognition

Revenue is recognised for the major business activities as follows:

##### *Rendering of Services*

Revenue from the provision of services is recognised on an accruals basis in the period in which the service is provided. Revenue from the provision of these services is calculated with reference to the professional staff hours incurred on each client assignment adjusted for any time that may not be recoverable.

#### Intangible Assets

i) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 1 to 3 years.

ii) Licenses and accreditations

Licenses and accreditations acquired as part of a business combination are recognised separately from goodwill. The licenses and accreditations are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 3 to 5 years.

#### 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 liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

## NOTE 2 ACQUISITION ACCOUNTING AND SHARE BASED PAYMENT EXPENSE

On 15 September 2014 the Company announced the completion of the 100% acquisition of an environment services business, OCTIEF Pty Ltd (OCTIEF). The initial consideration paid by HRL to the vendors for the purchase of 100% of OCTIEF was the issue and allotment of 320,754,355 fully paid ordinary HRL shares. This represents 50% of the total maximum consideration of the transaction.

HRL agreed to issue further HRL shares to the vendors upon satisfaction of each of the three identified milestones being achieved by the respective dates as follows:

Milestones	Milestone shares	Date to be achieved
1. OCTIEF achieve revenue for the 6 months to 31 December 2014 which equals or exceeds \$1.75m.	160,377,178 being 25% of the total consideration for the transaction.  If revenue is less than \$1.75 million for the six month period ending 31 December 2014, the Milestone One Payment will be reduced on a pro-rata basis, but cannot be less than 75% of the full entitlement.	Achieved
2. OCTIEF establish a laboratory in Darwin	96,226,306 being 15% of the total consideration for the transaction.	Achieved
3. OCTIEF achieve revenue for the 12 months to 30 June 2015 which equals or exceeds \$4.25m.	64,150,871 being 10% of the total consideration for the transaction.  If revenue is less than \$4.25 million for the 12 month ending period 30 June 2015, the Milestone Three Payment will be reduced on a pro-rata basis, but cannot be less than 75% of the full entitlement.	30 June 2015

The acquisition of OCTIEF resulted in OCTIEF shareholders holding a controlling interest in HRL after the transaction. This transaction did not meet the definition of a business combination in Australian Accounting Standard AASB 3 Business Combinations. The transaction has therefore been accounted in accordance with Australian Accounting Standard AASB2 Share-based Payment and has been accounted for as a continuation of the financial statements of OCTIEF together with a deemed issue of shares. The deemed issue of shares is, in effect, a share-based payment transaction whereby OCTIEF is deemed to have received the net assets of HRL, together with the listing status of HRL.

Because the financial statements represents a continuation of the financial statements of OCTIEF, the principles and guidance on the preparation and presentation of the financial statements in a reverse acquisition set out in AASB 3 have been applied as follows:

- fair value adjustments arising at acquisition were made to HRL's assets and liabilities, not those of OCTIEF. As the carrying value of all assets and liabilities held by HRL at acquisition date approximated their fair value, no adjustments were required;
- the equity structure (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of HRL, including the equity instruments issued to effect the acquisition;
- retained earnings/ (accumulated losses) and other equity balances at acquisition date are those of OCTIEF;
- the results for the half year ended 31 December 2014 comprise the consolidated results for the half year of OCTIEF together with the results of HRL from 15 September 2014;
- the comparative results represent the consolidated results of OCTIEF only;
- the cost of the acquisition, and amount recognised as contributed equity to affect the transaction, is based on the deemed number of shares that OCTIEF would have needed to issue to give the shareholders of HRL the same shareholding percentage in the Combined Entity that results from the transaction; and
- a share-based payment transaction arises whereby OCTIEF is deemed to have issued shares in exchange for the net assets of HRL together with the listing status of HRL. The listing status does not qualify for recognition as an intangible asset and the relevant cost has therefore been expensed as a listing expense.

The fair value of the deemed number of shares that OCTIEF would have needed to issue is estimated to be \$2,899,715. The fair value of HRL's net assets at acquisition date was \$1,647,260. Deducting this from the deemed consideration results in a listing expense of \$1,252,455.

**NOTE 2 ACQUISITION ACCOUNTING AND SHARE BASED PAYMENT EXPENSE (CONT'D)**

The value of the transaction is as follows:

	15 September 2014
	\$
<b>Assets and liabilities acquired:</b>	
Cash and cash equivalents	1,731,848
Trade and other receivables	25,554
Other current assets	7,416
Property, plant and equipment	1,161
Trade and other payables	(109,719)
Other liabilities	(9,000)
<b>Net assets acquired</b>	<b>1,647,260</b>
Fair value of notional shares issued to affect the transaction	2,899,715
Listing expense recognised in statement of comprehensive income	<b>1,252,455</b>

The fair value of the shares was assessed on the basis of the market value of HRL Holdings Limited's shares at acquisition date.

**NOTE 3 SIGNIFICANT ITEMS INCLUDED IN PROFIT OR LOSS**

On 7 June 2013 OCTIEF Pty Ltd acquired the assets and business of Octief Consulting and Laboratory Services Pty Ltd, an environmental consulting business.

The fair value of the net identifiable assets acquired exceeded the total consideration paid resulting in a gain on bargain purchase of \$128,950.

**NOTE 4 ISSUED CAPITAL**

	December 2014	June 2014
	\$	\$
848,765,471 fully paid ordinary shares (30 June 2014: 1)	2,983,021	1

	December 2014	June 2014	December 2014	June 2014
	Number	Number	\$	\$
<b>Movements during the period</b>				
Balance at beginning of period	1	1	1	1
Reversal of existing share on acquisition	(1)			
HRL shares on acquisition of OCTIEF	414,244,896	-	-	-
Shares issued to OCTIEF vendors on acquisition (refer Note 2)	320,754,355	-	2,899,715	-
Rights issue shortfall shares issued	17,539,914	-	105,240	-
Shares issued to OCTIEF vendors on achieving Milestone 2 (refer Note 2)	96,226,306	-	-	-
Share issue costs	-	-	(21,935)	-
Balance at end of period	848,765,471	1	2,983,021	1

#### NOTE 4 ISSUED CAPITAL (CONT'D)

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.

##### Options

As at 31 December 2014 there were 21,000,000 unissued ordinary shares under option (June: 21,000,000). No options were issued during the period.

#### NOTE 5 EARNINGS PER SHARE

##### Earnings

	December 2014 \$	December 2013 \$
Earnings used to calculate basic and diluted EPS	(1,483,107)	246,031

##### Weighted average number of shares and options

	Number of shares	Number of shares
Weighted average number of ordinary shares outstanding during the period, used in calculating basic earnings per share	660,573,707	489,150,391
Weighted average number of dilutive options outstanding during the period	-	-
Weighted average number of ordinary shares and potential ordinary shares outstanding during the period, used in calculating diluted earnings per share	660,573,707	489,150,391

Weighted average number of ordinary shares outstanding during the current period has been calculated using:

- i) The number of ordinary shares outstanding from the beginning of the current period to the acquisition date computed on the basis of the weighted average number of ordinary shares of OCTIEF Pty Ltd (accounting acquirer) outstanding during the period multiplied by the exchange ratio of 1 OCTIEF Pty Ltd share to 416,980,661 HRL Holdings Limited shares; and
- ii) The number of ordinary shares outstanding from the acquisition date to the end of that period being the actual number of ordinary shares of HRL Holdings Limited (the accounting acquiree) outstanding during the period.

The basic earnings per share for the comparative period before the acquisition date presented in the consolidated financial statements has been calculated using OCTIEF Pty Ltd's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio of 1 OCTIEF Pty Ltd share to 416,980,661 HRL Holdings Limited shares.

Options are not considered dilutive as they are currently out of the money. Options may become dilutive in the future.

#### NOTE 6 SEGMENT REPORTING

##### Reportable Segments

The Consolidated Entity has identified its operating segment based on internal reports that are reviewed and used by the executive team in assessing performance and determining the allocation of resources.

Accordingly, for the period ended 31 December 2014, management currently identifies the Consolidated Entity as having only one reportable segment, being environmental services in Australia.

## NOTE 7 CONTINGENT ASSETS

### Contingent Asset

The 30 June 2014 HRL audited financial statements disclosed a contingent asset in relation to an amount of US\$230,000 that is subject to retention pending the resolution of a tax matter in Peru.

It is the directors' view it is no longer probable that there will be an inflow to HRL in relation to this amount.

## NOTE 8 EVENTS AFTER BALANCE DATE

### Issue of OCTIEF Milestone Shares

The Company confirms that the Milestone 1 (refer Note 2) under the OCTIEF acquisition agreement, first half revenue for FY2015 to equal or exceed \$1.75M, has now been met.

Accordingly the Company will issue 160,377,178 shares to the OCTIEF vendors in due course.

### Capital Raising

The Company has announced a General Public Offer to partly fund the completion of the acquisition of Precise Consulting.

A prospectus will be will be dispatched to shareholders in the coming days.

### Upcoming Extraordinary General Meeting

ASX have advised that the acquisition of Precise Consulting must be considered in aggregate with the previous transaction of HRL to acquire OCTIEF. As such, the Precise Consulting Acquisition, considered as a combined effect with the OCTIEF Acquisition, will result in a significant change in the nature and scale of HRL's activities. ASX requires HRL to obtain Shareholder approval for the purposes of Listing rule 11.1.2, as well as re-comply with Chapters 1 and 2 of the Listing Rules pursuant to Listing Rule 11.1.3.

The Company advises that an Extraordinary General Meeting will be held in Brisbane on or around 25 February 2015 and Shareholder documents will be dispatched shortly. Matters that will be considered include:

- Change in nature and scale on HRL's activities;
- Approval of the Precise Consulting acquisition;
- Consolidation of share capital;
- Approval of the capital raising; and
- Approval for director participation in the capital raising

## NOTE 9 RELATED PARTY TRANSACTIONS

### Half-year ended 31 December 2014

During the half-year ended 31 December 2014, HRL entered into a contract with Integrated Holdings Group Pty Ltd ("IHG") to acquire 100% of the equity of OCTIEF Pty Ltd ("OCTIEF"). Further details of the acquisition are included in Note 2.

Mr Kevin Maloney and Mr Darren Anderson are directors and shareholders of IHG.

### Half-year ended 31 December 2013

During the half year ended 31 December 2013 OCTIEF acquired the assets and business of Octief Consulting and Laboratory Services Pty Ltd ("OCLS"), an environmental consulting business.

As disclosed in Note 2 the fair value of the net identifiable assets acquired exceeded the total consideration paid resulting in a gain on bargain purchase of \$128,950. OCLS was 100% owned by IHG, a company that Mr Kevin Maloney and Mr Darren Anderson are directors and shareholders of. The contract was based on normal commercial terms and conditions.

The acquisition was funded through a loan from IHG, OCTIEF's parent entity at that time.

Mr Kevin Maloney and Mr Darren Anderson are directors and shareholders of IHG.



## DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the attached financial statements and notes as set out on pages 8 to 16 are in accordance with the Corporations Act 2001 and:
  - (i) comply with 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 2014 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  
3 February 2015

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of HRL Holdings Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of HRL Holdings Limited, which comprises the consolidated balance sheet as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### 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 consolidated entity's financial position as at 31 December 2014 and its 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 HRL Holdings Limited, 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 HRL Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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## Conclusion

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 HRL Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

**BDO Audit Pty Ltd**

BDO  


**K L Colyer**  
**Director**

Brisbane, 3 February 2015

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