

ASX Appendix 4D

Lodged with the ASX in accordance with Listing Rule 4.3A

HGL LIMITED (ASX code HNG)

A.B.N. 25 009 657 961

Half Year Report Results for announcement to the market

Reporting period: 6 months to 31 March 2019

Previous corresponding period: 6 months to 31 March 2018

		CURRENT PERIOD 31 MAR 19	PREVIOUS PERIOD 31 MAR 18
Revenues from ordinary activities of Continuing Operations(\$000's)	UP 1% TO	19,715	19,503
Profit from ordinary activities of Continuing Operations after tax attributable to members (\$000's)	DOWN 76% TO	549	2,275
Net profit for the period attributable to members (\$000's)	DOWN 20% TO	594	741
Earnings per share from Continuing Operations (cents per share)	DOWN 77% TO	0.92	3.94
Net tangible assets per share (cents per share)		19.7	26.8

Comments on above results

- Interim dividend of 0.75 cents per share fully franked
- Solid contribution from Pegasus Healthcare and SPOS Group
- Results adversely impacted by revenue decline in JSB Lighting

For more detailed information please refer to Operating and Financial Review in the Director's report

DIVIDENDS

	Amount per security (cents)	Franked amount per security (cents)	Total amount paid / payable (\$000's)	Foreign source dividend per security (cents)
Ordinary shares				
Proposed interim ordinary dividend (payable 23 July 2019)	0.75	0.75	452	0.0
Record date for determining entitlements to the dividend			4 JULY 2019	
Previous corresponding period	1.50	1.50	860	0.0
The existing HGL dividend reinvestment plan (DRP) remains in operation. There is a nil discount attached to the DRP. The last date for the receipt of an election notice for participation in the DRP is the business day following the record date, ie 5 July 2019.				

This report is based on accounts which have been reviewed by the Auditors. There has been no dispute or qualification in relation to these accounts or report.

HGL Limited
ABN 25 009 657 961
Financial report for the
half-year ended 31 March 2019

Directors' report

Your directors submit their report for the half-year ended 31 March 2019.

Directors

The names and details of the Company's directors in office during the financial period and until the date of this report are as follows.

Peter Miller
Kevin Eley
Julian Constable
Cheryl Hayman

Directors were in office for this entire period unless otherwise stated.

Operating and financial review

Trading Overview

HGL Limited (ASX: HNG) announces a Statutory Net Profit after Tax of \$0.8 million for the six months ended 31 March 2019, up 9.2% from \$0.7 million on the prior corresponding period. The statutory result included the discontinued businesses of Biante, Leutenegger and Nido.

Underlying Earnings Before Interest and Tax (EBIT) from Continuing Operations of \$1.0 million was down from \$2.2 million in the same period last year. This was significantly impacted by a slowdown in sales in JSB Lighting, arising from the loss of a number of senior sales people associated with the actions that gave rise to the legal claim which was settled in December 2018.

Revenue from Continuing Operations of \$19.7 million was up 1.1% on the prior corresponding period.

Pegasus Healthcare sales revenue of \$4.9 million is ahead of our business plan target for the six month period. The company renewed its master contract with NSW Health for 5 years and has tendered for new supply agreements in NSW, Victoria, Queensland and New Zealand.

The growth potential in Pegasus Healthcare is strong and the business is investing in IT infrastructure, strengthening its branch network and hiring additional resources across the organisation to support future growth opportunities. Pegasus Healthcare achieved an Underlying EBIT of \$0.6 million.

SPOS Group generated sales growth and increased its profit during the six months period. Revenue was up 27.3% to \$5.7 million benefitting from new shelving solution products which have been developed to deliver solid financial returns to the core SPOS customer base of large retailers.

Gross margins in the business contracted with the weakening of the AUD. SPOS recorded profit growth achieving an Underlying EBIT result of \$0.5 million, up 17.1% over the corresponding period, making the business a solid contributor to Group results in 1H19.

JSB Lighting experienced a severe slowdown in invoiced sales with revenue in 1H19 of \$6.4m compared to \$12.3 million in same period last year. Market demand has remained firm, with the value of sales quotes for specified project work containing JSB products up on the prior period.

Under a strengthened management team JSB Lighting has a sharpened focus on converting sales quotes to pipeline orders, underpinning future invoiced sales, led by our company owned Intralux products and new exclusive Illus and TAL brands. Underlying EBIT in JSB Lighting was \$0.2 million, significantly down from the \$2.2 million in the prior corresponding period.

BLC Cosmetics launched several new brands, Linda Meredith, Skin Regimen and Scentered candles into the salon and spa market in Australia during the latter stages of the reporting period. Revenues of \$2.7 million were consistent with the corresponding period last year, arresting the longer term revenue decline with improvement in Thalgo product sales.

BLC Cosmetics has secured the distribution rights for Comfort Zone in New Zealand and anticipates this opportunity in combination with the recently launched brands will increase revenue growth yielding profit in the second half, after recording an Underlying EBIT loss of \$0.2 million in 1H19.

Directors' report (continued)

Operating and financial review (continued)

HGL's 50% owned joint venture company Mountcastle continues to perform strongly, generating an equity accounted profit contribution of \$1.1 million, ahead of the prior corresponding periods \$0.7 million, on the back of revenue growth and a particularly good contribution from the majority owned Sri Lankan manufacturing operations.

The company has appointed a new General Manager to manage its Corporate Wear business, driving new sales initiatives and expanding the corporate wear product offering. Mountcastle perceives the school wear and corporate wear segments as attractive markets with long term growth opportunities driving company profitability.

Working Capital and Cash Flow

Working capital employed has decreased primarily reflecting the slowdown in activity in JSB Lighting, and finalisation of the discontinued businesses. Working capital across the continuing businesses remains well managed.

Net operating cash flow from Continuing Operations of \$1.0 million was down slightly from \$1.1 million in the prior period. Free cash flow of \$0.3 million reflected the purchase of rental equipment for Pegasus to service new sales contracts. Net Cash (Cash on hand less bank borrowings) at 31 March 2019 of \$1.6 million compared to the 30 September 2018 position of \$2.0 million.

Corporate Strategy and Company Portfolio Changes

HGL's key objectives are to build the scale of our existing businesses, to secure bolt-on acquisitions that will deliver operational and revenue synergies, and actively pursue stand-alone acquisitions through our equity and skills model.

The Group continues to reposition its company portfolio, expanding its representation in selected industry sectors with longer term growth prospects. JSB Lighting, SPOS Group, Pegasus Healthcare, BLC Cosmetics and Mountcastle all operate in large markets with solid growth prospects.

HGL was delighted to announce the signing of a conditional Heads of Agreement to acquire a 60 per cent interest in Rise Above Drone Solutions, partnering with the existing CEO Rafi Mehdi, who will continue to own the remaining interest in the business.

Rise Above Custom Drone Solutions was established in 2012 and is today one of the largest distributors of Unmanned Aerial Vehicles (UAVs) in Australia, specialising in custom built drone systems. The company supplies hobby and commercial products from DJI, the global leader in UAVs, focusing on professional enterprise solutions tailored for specific industry applications.

HGL's investment will be a minimum of \$1.6 million over a twelve month period, subject to performance criteria over that period. Both parties continue to work towards signing binding legal agreements and achieving completion by the end of June 2019.

Dividend

An interim dividend of 0.75 cents per share fully franked, down from 1.5 cents in the prior corresponding period, has been declared after consideration of the future capital requirements to fund growth activities and acquisitions.

The record date for the dividend will be 4 July 2019, with a payment date of 23 July 2019. The dividend reinvestment plan (DRP) will continue to be available to Australian and New Zealand shareholders holding more than 1,000 shares, with no discount.

Outlook

The potential opportunity for HGL to enter into the attractive commercial drone sector is an exciting step in the expansion of our industry footprint and consistent with the strategy to both develop organically and to enter into new high growth markets.

HGL remain focussed on delivering growth across the entire portfolio, and with early signs of improving sales performance in BLC Cosmetics, we have the fundamentals in place to deliver improved results across these businesses.

Directors' report (continued)

Operating and financial review (continued)

Management is making a concerted effort to ensure the JSB business strengthens and grows over the medium to longer term, to return to the levels of profitability previously experienced. The Group financial performance for the period ended 30 September 2019 will remain impacted by the downturn in sales of JSB Lighting, although will reflect positive contributions from the other portfolio companies.

Significant events after the balance date

On 3 May 2019 HGL Ltd signed a conditional Heads of Agreement to acquire a 60% interest in Rise Above Custom Drone Solutions, one of the largest distributors of unmanned aerial vehicles in Australia. HGL's minimum investment will be \$1.632 million.

Auditor independence declaration

The directors have received a declaration from the auditor of HGL Limited. This has been included on page 4.

Rounding

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$000) under the option available to the Company under ASIC Corporations Instrument 2016/191. The Company is an entity to which the class order applies.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.



Peter Miller
Chairman



Kevin Eley
Director

Sydney
22 May 2019

The Board of Directors
HGL Limited
Level 2, 68-72 Waterloo Road
MACQUARIE PARK NSW 2113

22 May 2019

Dear Board Members

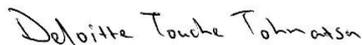
HGL Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of HGL Limited.

As lead audit partner for the review of the financial statements of HGL Limited for the half-year ended 31 March 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Carlo Pasqualini
Partner
Chartered Accountants

Consolidated income statement

For the half-year ended 31 March 2019

		Consolidated entity	
		31 March 2019	31 March 2018
	Notes	\$000	\$000
Continuing operations			
Sales revenue		19,715	19,503
Cost of sales		(9,281)	(9,881)
Gross profit		10,434	9,622
Other income		827	42
Sales, marketing and advertising expenses		(3,836)	(3,388)
Occupancy expenses		(1,023)	(650)
Freight and distribution expenses		(1,666)	(571)
Administration and other expenses		(4,533)	(3,696)
Finance costs		(106)	(65)
Share of profit of associates		1,053	682
Profit before tax		1,150	1,976
Income tax (expense)/benefit		(386)	299
Profit for the period from continuing operations		764	2,275
Profit/(loss) after tax for the period from discontinued operations	8	45	(1,534)
Profit for the period		809	741
Attributable to:			
Equity holders of the parent		594	741
Non-controlling interests		215	-
Total Profit		809	741
		Cents	Cents
Basic earnings per share			
Basic EPS from Continuing Operations		0.9	3.9
Basic EPS from Discontinued Operations		0.1	(2.7)
Basic EPS from Continuing and Discontinued Operations		1.0	1.3
Diluted earnings per share			
Diluted EPS from Continuing Operations		0.9	3.9
Diluted EPS from Discontinued Operations		0.1	(2.7)
Diluted EPS from Continuing and Discontinued Operations		1.0	1.3

These statements should be read in conjunction with the accompanying notes

Consolidated statement of comprehensive income

For the half-year ended 31 March 2019

	Consolidated entity	
	31 March 2019	31 March 2018
	\$000	\$000
Profit for the period	809	741
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Exchange differences on translation of foreign operations	30	20
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	30	20
Total comprehensive income for the half year, net of tax	839	761
Total comprehensive income attributable to:		
Equity holders of the Parent	624	761
Non-controlling interests	215	-
	839	761

These statements should be read in conjunction with the accompanying notes

Consolidated balance sheet

As at 31 March 2019

	Consolidated entity	
	31 March 2019	30 September 2018
Notes	\$000	\$000
Assets		
Current assets		
Cash and cash equivalents	5,460	5,044
Trade and other receivables	4,886	7,529
Inventories	5,049	4,639
Prepayments	481	453
Other current financial assets	-	350
Current tax receivables	194	-
Total current assets	16,070	18,015
Non-current assets		
Investment in associates	5,749	4,897
Property, plant and equipment	3,664	3,284
Intangible assets	14,919	14,878
Deferred tax assets	2,955	3,335
Other financial assets	11	4
Total non current assets	27,298	26,398
Total assets	43,368	44,413
Liabilities		
Current liabilities		
Trade and other payables	5,707	6,859
Interest bearing loans and borrowings	3,981	3,162
Provisions	1,523	2,334
Income tax payable	-	(32)
Other financial liabilities	200	500
Total current liabilities	11,411	12,823
Non-current liabilities		
Interest-bearing loans and borrowings	253	178
Provisions	351	416
Other financial liabilities	4,544	4,544
Deferred tax liabilities	371	371
Total non current liabilities	5,519	5,509
Total liabilities	16,930	18,332
Net Assets	26,438	26,081
Equity		
Issued capital	39,816	39,408
Other capital reserves	(1,049)	(1,079)
Accumulated losses	(10,451)	(10,155)
Other components of equity	(3,349)	(3,349)
Non-controlling interests	1,471	1,256
Total equity	26,438	26,081

These statements should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity

For the half-year ended 31 March 2019

Consolidated entity	Attributable to the equity holders of the parent						Total equity
	Issued capital	Foreign Currency Reserve	Other Reserve	Accumulated losses	Non-controlling interests	Other component of equity	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
As at 1 October 2018	39,408	(178)	(901)	(10,155)	1,256	(3,349)	26,081
Profit for the half year	-	-	-	594	215	-	809
Translation of overseas controlled entities	-	30	-	-	-	-	30
Total comprehensive income for the half year	-	30	-	594	215	-	839
Dividend paid (Note 4)	-	-	-	(889)	-	-	(889)
Shares issued under a Dividend Reinvestment Plan (Note 7)	466	-	-	-	-	-	466
Shares bought back and cancelled under on-market buy-back	(54)	-	-	-	-	-	(54)
Costs associated with issues of shares	(4)	-	-	-	-	-	(4)
At 31 March 2019	39,816	(148)	(901)	(10,451)	1,471	(3,349)	26,438

These statements should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity (continued)

For the half-year ended 31 March 2018

Consolidated entity	Attributable to the equity holders of the parent				Total equity
	Issued capital	Foreign Currency Reserve	Other Reserve	Accumulated losses	
	\$000	\$000	\$000	\$000	\$000
As at 1 October 2017	38,496	(176)	(901)	(9,037)	28,382
Profit for the half year	-	-	-	741	741
Translation of overseas controlled entities	-	20	-	-	20
Total comprehensive income for the half year	-	20	-	741	761
Dividend paid (Note 4)	-	-	-	(860)	(860)
Shares issued under a Dividend Reinvestment Plan (Note 7)	548	-	-	-	548
Costs associated with issues of shares	(4)	-	-	-	(4)
At 31 March 2018	39,040	(156)	(901)	(9,156)	28,827

These statements should be read in conjunction with the accompanying notes

Consolidated statement of cash flows

For the half-year ended 31 March 2019

	Consolidated entity	
	31 March 2019	31 March 2018
Notes	\$000	\$000
Operating activities		
Cash receipts in the course of operations	24,183	29,334
Cash payments in the course of operations	(23,179)	(28,471)
Interest received	22	36
Interest paid	(106)	(68)
Income tax paid	(187)	-
Dividends received from associates	200	448
Net cash flows from operating activities	933	1,279
Investing activities		
Proceeds from sale of property, plant and equipment	-	9
Purchase of property, plant and equipment	(683)	(311)
Acquisition of subsidiaries, net of cash acquired	(300)	(825)
Disposal of businesses within a subsidiary	234	3,167
Purchase of investment	(7)	-
Net cash flows (used in)/from investing activities	(756)	2,040
Financing activities		
Payment of finance lease liabilities	(64)	-
Proceeds from borrowings	1,000	-
Repayment of borrowings	(250)	(2,250)
Dividends paid	(423)	(313)
Buyback of shares	(54)	-
Net cash flows from/(used in) financing activities	209	(2,563)
Net increase in cash and cash equivalents	386	756
Net foreign exchange difference	30	20
Cash and cash equivalents at 1 October	5,044	4,381
Cash and cash equivalents at 31 March	5,460	5,157

These statements should be read in conjunction with the accompanying notes

Notes to the consolidated financial statements

For the half-year ended 31 March 2019

1 Basis of preparation

HGL Limited (the Company or the parent) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The interim financial statements of HGL Limited and its subsidiaries (collectively, the Group) for the half-year ended 31 March 2019 were authorised for issue in accordance with a resolution of the directors on 22 May 2019.

The half year financial report is a condensed general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, AASB 134: Interim Financial Reporting, and other mandatory professional reporting requirements.

The condensed half year general purpose financial report does not include full disclosures of the type normally included in an annual financial report, and as such this financial report should be read in conjunction with the annual financial report for the year ended 30 September 2018, and any public announcements made by HGL Limited and its controlled entities during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

2. Changes in accounting policies, disclosures, standards and interpretations

The accounting policies adopted are consistent with those of the previous financial reporting period, and have been consistently applied throughout the years presented unless noted below.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

AASB 9 Financial Instruments

This standard was applicable for the Group from 1 October 2018. IFRS 9 Financial instruments introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment of financial assets, and general hedge accounting.

On 1 October 2018 the Group assessed the business model it applies to its existing financial assets and evaluated whether the returns on those financial assets represent solely payments of principle and interest. As a result of its assessment it has classified its financial assets into appropriate AASB 9 categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss.

The adoption of AASB 9 has not materially impacted the carrying value of financial assets but has resulted in classification changes on initial application at 1 October 2018 which is shown in the following table:

	Original classification under AASB 139	New classification under AASB 9
Trade receivables	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
Available for sale financial asset	Available for sale	Fair value through profit and loss (FVTPL)

Financial assets at amortised cost are initially recognised at fair value, plus or minus transaction costs, and subsequently at amortised cost using the effective interest rate method less any allowance under the Expected Credit Loss (ECL) model. HGL holds these financial assets in order to collect the contractual cash flows, and the contractual terms are solely payments of the outstanding principal amount.

Financial assets at fair value through profit and loss (FVTPL) are initially and subsequently measured at fair value, with changes in fair value recognised in profit or loss.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. Financial liabilities are classified at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. Accordingly, there is no change to the classification of HGL's payables and borrowings on adoption of AASB 9.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2019

2. Changes in accounting policies, disclosures, standards and interpretations (continued)

AASB 9 replaces the 'incurred loss' impairment model in AASB 139 with an ECL impairment model for financial assets. The new impairment model applies to the group's financial assets measured at amortised cost. Under AASB 9, credit losses are recognised earlier than under AASB 139.

The Group recognises lifetime ECL for trade receivables. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. The expected credit losses on these assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial asset

HGL has assessed the impact of the adoption of an ECL model under AASB 9 using the full retrospective method of adoption, however there have been no material changes arising from its application.

AASB 15 Revenue from Contracts with Customers

This standard was applicable to the Group from 1 October 2018.

The requirements of AASB 15 Revenue from contracts with customers replace AASB 118 Revenue. AASB 15 is based on the principle that revenue is recognised when control of goods is transferred to a customer. An entity will recognise revenue to depict the transfer of promised goods to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods.

The standard introduces a 5-step model for revenue recognition which the group applies to its contracts with customers except where they are in the scope of another standard, for example: leases or financial instruments.

The standard requires contracts and their included separate performance obligations to be identified, the determination of the transaction price in the contract, and the allocation of the transaction price to the separate performance obligations identified as if each obligation was standalone. Revenue is then recognised when each performance obligation is satisfied.

Revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits as the entity performs;
- the customer controls the asset as the entity creates or enhances it; or
- the seller's performance does not create an asset for which the seller has an alternative use and there is a right to payment for performance to date.

Where the above criteria is not met, revenue is recognised at a point in time.

Sale of goods

The Group derives its revenue from the transfer of goods at a point in time, predominantly through repeating individual sales of goods which are not subject to supply contracts beyond standard trading terms of sale. For sales of goods to customers, revenue is recognised when control of the goods has transferred, being at the point the customer takes delivery of the goods. Payment of the transaction price is usually due within 30 days from the point the customer purchases the goods.

Under the Group's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned.

Changes in accounting policy resulting from the adoption of AASB 15 have been applied retrospectively. There has been no material impact on HGL's previously reported financial performance as a result of the adoption AASB 15.

AASB 16 Leases

This standard is applicable to the Group for the reporting period commencing 1 October 2019.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2019

2. Changes in accounting policies, disclosures, standards and interpretations (continued)

The Group is a lessee under a number of arrangements currently classified as operating leases, mainly based around property leases. The new leasing standard requires operating leases to be brought on balance sheet, with the recognition of both assets and liabilities associated with the lease. There will also be a change to the expense pattern, with the 'rent' expense being split into depreciation and interest components, increasing both EBIT and EBITDA profit measures.

The management is currently assessing the impact of this new standard, specifically the impact on the statement of financial position for its currently held leases (as lessee). The actual impact will depend on the operating leases held by the Group and the transitional elections made on adoption.

3. Underlying Profit and segment Information

The following items are relevant to explaining the financial performance for the period:

3.1 Significant items

The board manages the business using underlying profit, which is a non-statutory measure designed to reflect statutory profit excluding the effect of irregular transactions that are not part of the core or ongoing business operations. Underlying profit is a key consideration used by the board when determining short term incentive payments for key management personnel, and also when determining the level of any dividends declared. A summary of the items considered to be non-underlying is as follows:

	Consolidated entity	
	31 March 2019	31 March 2018
	\$000	\$000
Underlying EBIT from continuing operations	956	2,150
Non-underlying items		
Other non-underlying items (1)	(130)	(109)
JSB settlement (net of related cost) (1) (2)	494	-
Business acquisition cost (1)	(64)	-
Total non-underlying items before tax	<u>300</u>	<u>(109)</u>
Interest expense	(106)	(65)
Net profit before tax from continuing operations	<u>1,150</u>	<u>1,976</u>
Tax (expense) / benefit	(386)	299
Net profit after tax from continuing operations	<u>764</u>	<u>2,275</u>
Net profit after tax from discontinued operations	45	(1,534)
Statutory profit after tax	<u>809</u>	<u>741</u>

(1) Disclosed in "administration and other expenses" in the income statement.

(2) Disclosed in "other income" in the income statement.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2019

3. Underlying Profit and segment Information (continued)

3.2 Segment information

The following is an analysis of the Group's revenue and results by reportable operating segment for the half-years under review:

	Revenue		EBIT	
	31 March 2019 \$000	31 March 2018 \$000	31 March 2019 \$000	31 March 2018 \$000
Continuing Operations				
Retail Marketing	5,738	4,508	542	463
Building Products	6,406	12,312	165	2,204
Health & Beauty	2,663	2,683	(209)	(23)
Healthcare	4,908	-	601	-
Total	19,715	19,503	1,099	2,644

Continuing segment EBIT	1,099	2,644
Share of profit from equity accounted investments	1,053	682
Finance costs	(106)	(30)
Significant items (1) (2)	300	(109)
Other unallocated expenses	(1,196)	(1,211)
Profit before tax from continuing operations	1,150	1,976

(1) Disclosed in "administration and other expenses" in the income statement.

(2) Disclosed in "other income" in the income statement.

	Revenue		EBIT	
	31 March 2019 \$000	31 March 2018 \$000	31 March 2019 \$000	31 March 2018 \$000
Discontinued Operations (Note)				
Homewares	444	3,124	133	(581)
Collectables	-	1,022	(67)	(804)
Total	444	4,146	66	(1,385)

Discontinued Segment EBIT	66	(1,385)
Finance costs	(1)	(2)
Profit / (Loss) before income tax from Discontinued Operations	65	(1,387)

Income tax benefit / (expense) (continuing and discontinued operations)	(406)	152
Profit after Income Tax	809	741

The revenue reported above represents revenue generated from external customers. There is no inter-segment sales during the half-year.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2019

3. Underlying Profit and segment Information (continued)

3.2 Segment information (continued)

Revenue categories are consistent with the segments identified under AASB 8. The categorisation reflects that each business (and therefore segment) operates with distinct product ranges and associated customer base with minimal cross over between segments.

Continuing operations for the period include:

- Retail marketing segment (SPOS) provides standard and customised shelving product solutions to brand owners and retailers
- Building product segment (JSB Lighting) distributes architectural lighting for the commercial market
- Personal care segment (BLC Cosmetics) distributes cosmetics and skincare products through salon, spa and retail markets
- Healthcare segment (Pegasus) rents and distributes medical equipment into hospitals, aged care facilities and the retail market.

Discontinued operations during the period were:

- Homewares segment (Leutenegger and Nido) distributes traditional sewing and crafts supplies
- Collectables segment (Biante) distributes collectable model cars

4. Dividends paid and proposed

	Consolidated entity	
	31 March 2019	31 March 2018
	\$000	\$000
Declared and paid during the year:		
Dividends on ordinary shares:		
Final dividend for 2018 : 1.5 cents per share (2017: 1.5 cents)	889	860
	<u>889</u>	<u>860</u>
Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan:		
Paid in cash	423	312
Satisfied by issue of shares	466	548
	<u>889</u>	<u>860</u>
Dividends proposed not paid		
Proposed interim dividend of 0.75 cents per share (31 March 2018: 1.50 cents) not recognised as a liability at period end	452	878
	<u>452</u>	<u>878</u>

Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2019

4. Dividends paid and proposed (continued)

All dividends paid and proposed have been or will be fully franked at the rate of 30%.

5. Intangible assets

	Consolidated entity	
	31 March 2019 \$000	30 September 2018 \$000
<i>Intangible Assets</i>		
Goodwill	13,177	13,125
Other intangible assets	1,606	1,606
Designs with definite useful life	175	175
Accumulated amortisation	(39)	(28)
Carrying amount of patent	136	147
Net carrying amount	14,919	14,878
Reconciliation of carrying amounts at the beginning and the end of the year		
<i>Goodwill</i>		
At 1 October	13,125	12,066
Acquisition of business	52	2,447
Changes in goodwill	-	(1,388)
Net book value at end of financial period	13,177	13,125
<i>Designs with definite useful life</i>		
At 1 October	175	-
Acquisition of business	-	175
Amortisation At 1 October	(28)	-
Amortisation for the period	(11)	(28)
Net book value at end of financial period	136	147
<i>Other intangible assets</i>		
At 1 October	1,606	-
Acquisition of business	-	1,606
Net book value at end of financial period	1,606	1,606

Other intangible assets include customer relationships and trademarks.

Allocation of goodwill

The carrying value of goodwill is allocated to the building products (\$10.7 million), retail marketing (\$1.1 million) and healthcare segments (\$1.3 million).

Impairment testing

Impairment testing is conducted at Cash Generating Unit (CGU) level and considers both value in use and fair value less costs of disposal calculations. Testing is performed annually, or where the Directors assess there have been changes in the results or operating environment of a CGU which suggest a review of the carrying value of the goodwill allocated to that CGU is warranted.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2019

5. Intangible assets (continued)

Impairment testing (continued)

During the period there has been a material reduction in sales revenue within JSB Lighting (Building Products CGU). As a result of these changes, testing of the carrying value of goodwill has been completed in accordance with the assumptions and sensitivities outlined below.

There have been no changes within the Retail Marketing or Healthcare CGU that indicate a review of the carrying value of goodwill in relation to those segments is necessary.

There were no impairment charges in the current or previous financial year in relation to any CGU.

Key assumptions and sensitivities – Building Products CGU

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires estimation of the future cash flows expected to arise from the cash generating unit, and application of a suitable discount rate to calculate present value.

The key assumptions for the value in use calculations are those regarding discount rates, long term growth rates, and expected changes in Earnings before Interest, Tax Depreciation and Amortisation (EBITDA). The assumptions regarding long term growth rates are based on past experience and expectations of changes in the market.

The value in use calculations at 31 March 2019 have used cash flow projections based on EBITDA forecasts adopted by the board for the following five years, using a combination of reasonably anticipated revenue and cost changes as the business recovers from the short term impact of the changes to the operating environment of JSB Lighting. These forecasts are extrapolated beyond five years based on estimated long term growth rates.

A pre tax discount rate, based on the pre-tax Weighted Average Cost of Capital (WACC), of 16.4% (2018: 16.0%) was applied to the cash flow projections. A long term growth rate (LTGR) of 2.5% (2018 2.0%) has been applied to the terminal value EBITDA forecast used in the calculation.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount of goodwill.

If there are reasonably possible adverse changes in the key assumptions on which the recoverable amount is based, the recoverable amount calculated for the CGU may equal the carrying value. The adverse movements in these assumptions required, each considered in isolation, to result in the carrying amount being equal to the recoverable amount of the CGU are outlined in the table below.

Should profitability deteriorate further than forecast, or there be a combination of adverse changes noted below, it may cause the carrying amount of the CGU to be lower than recoverable amount at a future date, which may result in an impairment

Assumptions	Movement
WACC	0.1% increase
LTGR	0.1% decrease
EBITDA	1.8% decrease

6. Business combinations and acquisition of non-controlling interests

There were no business acquisitions during the period.

Pegasus Healthcare

On 1 April 2018 the Group acquired 70% of the business and assets of Pegasus Healthcare.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2019

6. Business combinations and acquisition of non-controlling interests (continued)

Pegasus Healthcare (continued)

During the current period, the acquisition accounting was finalised. There was no impact on the profit and loss account, and the only impact on the balance sheet was a reclassification within intangible assets, to reflect the final valuation report of the key customer relationships held at acquisition, which has been adjusted in the 30 September 2018 comparative information. This change resulted in the carrying value of "Other Intangibles" decreasing from \$1.687 million to \$1.350 million, the carrying value of "Goodwill" increasing from \$0.624 million to \$1.332 million and DTL increasing from Nil to \$0.371 million.

7. Issued capital

<i>Ordinary shares issued and fully paid</i>	2019 31 March		2018 30 September	
	Number	\$000	Number	\$000
Balance at the beginning of the financial period	59,297,458	39,408	57,359,581	38,496
Allotted pursuant to HGL dividend reinvestment plan	1,117,249	466	1,937,877	919
Costs associated with shares issued and share buyback	-	(4)	-	(7)
Shares bought back and cancelled	(124,102)	(54)	-	-
Balance at the end of the financial period	60,290,605	39,816	59,297,458	39,408

8. Discontinued operations

During the 2018 Financial Year, the group disposed of the Biante and Leutenegger businesses, and closed the Nido Interiors businesses. There were minimal business operations remaining in these businesses in the current period.

A summary of the financial performance of the two discontinued businesses for the period is shown below.

	Consolidated entity	
	31 March 2019 \$000	31 March 2018 \$000
Cash flows from discontinued operations		
Operating	(64)	180
Investing	234	3,158
Financing (1)	(148)	(3,117)
Net cash inflow	22	221

Note 1: Financing cash flows reflect transfer of funds between wholly owned Group entities

Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2019

8. Discontinued operations (continued)

	Consolidated entity	
	31 March 2019	31 March 2018
	\$000	\$000
Profit / (Loss) for the year from discontinued operations		
Revenue	441	4,183
Expenses	(376)	(5,570)
Operating profit / (loss) of discontinued operations	65	(1,387)
Profit / (Loss) before tax from a discontinued operation	65	(1,387)
Tax expense related to current loss	(20)	(147)
Profit / (Loss) for the year from discontinued operations	45	(1,534)

Directors' declaration

In accordance with a resolution of the directors of HGL Limited, I state that:

1. In the opinion of the directors:
 - (a) the interim financial statements and notes of HGL Limited for the half-year ended 31 March 2019 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2019 and of its performance for the half-year on that date; and
 - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; 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.

On behalf of the board



Peter Miller
Chairman



Kevin Eley
Director

Sydney
22 May 2019

Independent Auditor's Review Report to the Members of HGL Limited

We have reviewed the accompanying half-year financial report of HGL Limited, which comprises the condensed consolidated statement of financial position as at 31 March 2019, and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year 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 gives a true and fair view and 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 March 2019 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 HGL 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.

Auditor's Independence Declaration

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 HGL Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 HGL 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 March 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Carlo Pasqualini
Partner
Chartered Accountants
Sydney, 22 May 2019