

# Statutory Reports and Financial Statements

30 SEPTEMBER 2008

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The Directors of HGL Limited present their annual financial report for the year ended 30 September 2008.

### Directors

The names and particulars of the directors of the Company during or since the end of the financial year are:

| Name                            | Particulars  |
|---------------------------------|--|
| <b>PG Miller</b> , FCA          | Chairman, 61, Non executive director since 2000. A member of the Audit and Nomination and Remuneration Committees. Chartered Accountant with over 30 years experience in public practice.  |
| <b>KJ Eley</b> , CA, F FIN      | Chief Executive, 59, Executive director since 1985. Chartered Accountant. Prior to joining HGL over 10 years of business experience gained in management consulting, financing and corporate advice at a major international firm of Chartered Accountants and two investment banks. A member of the Nomination and Remuneration Committee. Director of MMC Contrarian Limited from September 2003 to November 2008. |
| <b>FM Wolf</b> , BA (Hons), PhD | Non executive director since 2000, 55. Chairman of Audit Committee. Current director of Abacus Property Group (appointed December 1997), with over 30 years of experience in strategic planning, financing and corporate advice.   |
| <b>JD Constable</b>             | Non executive director since 2003, 49. A member of the Audit Committee. Authorised representative of Bell Potter Securities Limited. Over 20 years experience in the stockbroking industry.  |

### Meetings of directors

The following table sets out the number of directors' meetings, including meetings of committees of directors, held during the financial year and the number of meetings attended by each director while they were a director or committee member.

|              | Board  |          | Audit Committee |          | Nomination and Remuneration Committee |          |
|--------------|--------|----------|-----------------|----------|---------------------------------------|----------|
|              | Number | Attended | Number          | Attended | Number                                | Attended |
| PG Miller    | 14     | 14       | 3               | 3        | 3                                     | 3        |
| KJ Eley      | 14     | 14       | –               | –        | 3                                     | 3        |
| FM Wolf      | 14     | 14       | 3               | 3        | –                                     | –        |
| JD Constable | 14     | 13       | 3               | 3        | –                                     | –        |

### Directors' interests in securities

As at the date of this report the interests of directors in the shares of the Company are as follows:

|              | Beneficial Interest | Non Beneficial Interest |
|--------------|---------------------|-------------------------|
| PG Miller    | 39,723              | 8,286,620               |
| KJ Eley      | 3,196,101           | –                       |
| FM Wolf      | 291,377             | –                       |
| JD Constable | 44,000              | 625                     |

### Company Secretaries

Michael Mahoney ACA (England and Wales), CA and Peter Caldelis CA act as joint company secretaries for the Company. Mr Mahoney has been an employee of the Company for 21 years and has acted as company secretary for the same period. Mr Caldelis has been an employee of the Company for 14 years and has acted as company secretary for 11 years.

### Review of operations

The Directors report a consolidated loss before income tax of \$6,968,000 (2007: profit \$26,175,000). Further details are in the Chairman's and Chief Executive's Review.

### Principal activities

The principal activities of the consolidated entity during the year were:

- import and distribution of branded products;
- funds management; and
- purchase and sale of listed investments.

### Dividends

The Directors have declared a final fully franked dividend of 5.1 cents per share (2007: 8.2 cents per share fully franked). Interim fully franked dividends of 7.0 cents per share were paid during the year (2007: 6.2 cents per share fully franked).

The board policy is to distribute between 70% and 80% of core profit.

| Ordinary Shares   | 2008<br>\$'000 | 2007<br>\$'000 |
|---|----------------|----------------|
| Interim dividend paid 3 July 2008 (2007: paid 5 July 2007)            | 3,635          | 3,188          |
| Final dividend payable 18 December 2008 (2007: paid 18 December 2007) | 2,669          | 4,233          |
|   | <b>6,304</b>   | <b>7,421</b>   |

Included in the above are dividends paid on equity settled options issued under the Employee Share Scheme. Refer to note 23 in the financial statements for more details on the Scheme.

### Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) was established by the Directors to provide shareholders with the opportunity of reinvesting their dividends in ordinary shares in the Company. The Directors have resolved for the final dividend payable on 18 December 2008, shares will be allotted to eligible shareholders participating in the DRP with nil discount (2007: nil) from the market price of the Company's shares as defined in the DRP. No brokerage is payable if shares are allotted under the DRP. During the year the total number of shares issued under the DRP was 1,373,968 (2007: 734,994). This includes 246,174 (2007: 168,665) DRP shares issued on equity settled options under the Employee Share Scheme. Refer to note 23 in the financial statements for more details on the Scheme.

### Share buy-back

The Company operates an unlimited duration on-market share buy-back. During the year 653,886 ordinary shares (2007: 129,830) were acquired at an average price of \$1.73 (2007: \$2.04) pursuant to the buy-back.

### Events subsequent to balance date

No matters or circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in subsequent financial years, other than those referred to in the Chairman's and Chief Executive's Review and in note 34 to the Financial Statements.

### Significant changes in the state of affairs and future developments

There were no significant changes in the state of affairs of the consolidated entity other than those referred to in the Chairman's and Chief Executive's Review. Likely developments in operations and operating results are detailed in the Chairman's and Chief Executive's Review.

### Auditor independence and non audit services

The Directors have received an independence declaration from the auditor, a copy is on page 17.

Deloitte Touche Tohmatsu received or are due to receive the following amounts for non audit services: tax advice \$56,285 (2007: \$112,031). The Directors are satisfied that the nature and scope of the non audit services did not compromise auditor independence, as the services are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

## REMUNERATION REPORT-AUDITED

The remuneration report provides an overview of the consolidated entity's remuneration policies and practices and explains the links between rewards and company performance. The report also gives detailed information about the remuneration arrangements for the key management personnel of the company and consolidated entity and other executives of the consolidated entity.

### Principles of remuneration

The consolidated entity's executive remuneration strategy seeks to match the goals of the key management personnel to those of the shareholders. This is effected through combining conservative levels of guaranteed remuneration with attractive incentive payments. These incentive payments are only paid on attainment of previously agreed performance targets.

Remuneration packages are reviewed with due regard to performance and other relevant factors. In order to retain and attract executives of sufficient calibre to facilitate the effective and efficient management of the Company's operations the Nomination and Remuneration Committee, when necessary, seeks the advice of external advisers in connection with the structure of remuneration packages.

## Structure and Remuneration of Directors and Executives

### Non executive Directors

Non executive Directors are remunerated by fees with the aggregate limit approved by shareholders from time to time. The remuneration of non executive Directors does not depend on company performance. Currently, the aggregate amount of Directors' fees will not exceed \$500,000 per annum. Directors' fees can be paid as superannuation contributions.

### Executives

The key management personnel of the company and consolidated entity, listed below, are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. Terms of employment are formalised in employment letters to each of the executive key management personnel. There are no fixed term contracts in place. The payment of any termination benefit is at the discretion of the Nomination and Remuneration Committee.

| Name of key management personnel | Office                                   |
|----------------------------------|--|
| PG Miller                        | Non Executive Chairman                   |
| FM Wolf                          | Non Executive Director                   |
| JD Constable                     | Non Executive Director                   |
| KJ Eley                          | HGL Chief Executive Officer and Director |
| MP Mahoney                       | HGL Operations Manager                   |
| AJ Whittles                      | HGL Chief Financial Officer              |
| PS Caldelis                      | HGL Group Controller                     |

In addition to the above, the following executives are included in the remuneration report as they are amongst the five highest remunerated group executives of the consolidated entity during the year in accordance with s300A of the Corporations Act 2001.

| Name of executive | Office  |
|-------------------|---|
| <b>2008</b>       |   |
| MR Farley         | Chief Executive Officer of SPOS                     |
| D Hewitt          | Chief Executive Officer of JSB Lighting             |
| IA Cerfontyne     | Sales Director of JSB Lighting                      |
| <b>2007</b>       |   |
| MR Farley         | Chief Executive Officer of SPOS                     |
| CJ Roche          | Chief Executive Officer of J Leutenegger and Bianté |
| D Hewitt          | Chief Executive Officer of JSB Lighting             |

| 2008          | Short term employee benefits |          |                                    | Post employment benefits | Long term employee benefits \$ | Share based payment       | Total \$  |
|---------------|------------------------------|----------|------------------------------------|--------------------------|--------------------------------|---------------------------|-----------|
|               | Salary/fees \$               | Bonus \$ | Non monetary and other benefits \$ | Superannuation \$        |                                | Equity settled options \$ |           |
| D Hewitt      | 161,250                      | 434,569  | 18,000                             | 13,282                   | 6,947                          | -                         | 634,048   |
| MR Farley     | 212,103                      | -        | 250,000                            | 47,600                   | -                              | -                         | 509,703   |
| IA Cerfontyne | 131,228                      | 216,201  | 15,000                             | 4,443                    | 1,011                          | -                         | 367,883   |
| KJ Eley*      | 281,618                      | -        | 22,817                             | 31,565                   | 14,661                         | -                         | 350,661   |
| MP Mahoney*   | 202,000                      | -        | -                                  | 50,000                   | 11,666                         | -                         | 263,666   |
| AJ Whittles*  | 175,000                      | -        | -                                  | 50,000                   | 9,494                          | -                         | 234,494   |
| PS Caldelis*  | 130,555                      | -        | 17,905                             | 11,540                   | 7,175                          | -                         | 167,175   |
| PG Miller*    | 100,917                      | -        | -                                  | 9,083                    | -                              | -                         | 110,000   |
| FM Wolf*      | 70,000                       | -        | -                                  | -                        | -                              | -                         | 70,000    |
| JD Constable* | 55,046                       | -        | -                                  | 4,954                    | -                              | -                         | 60,000    |
|               | 1,519,717                    | 650,770  | 323,722                            | 222,467                  | 50,954                         | -                         | 2,767,630 |

\* HGL Limited employee.

| 2007          | Short term employee benefits |          |                                    | Post employment benefits | Long term employee benefits \$ | Share based payment       | Total \$  |
|---------------|------------------------------|----------|------------------------------------|--------------------------|--------------------------------|---------------------------|-----------|
|               | Salary/fees \$               | Bonus \$ | Non monetary and other benefits \$ | Superannuation \$        |                                | Equity settled options \$ |           |
| MR Farley     | 99,620                       | -        | 400,000                            | 149,980                  | 4,965                          | -                         | 654,565   |
| KJ Eley*      | 252,294                      | 231,000  | 44,263                             | 12,797                   | 9,215                          | -                         | 549,569   |
| CJ Roche      | 140,359                      | -        | 7,009                              | 12,632                   | 9,861                          | 371,277                   | 541,138   |
| D Hewitt      | 145,000                      | 275,000  | 18,000                             | 13,050                   | 3,355                          | -                         | 454,405   |
| MP Mahoney*   | 183,711                      | 195,000  | -                                  | 44,289                   | 6,711                          | -                         | 429,711   |
| AJ Whittles*  | 133,384                      | 181,000  | 2,394                              | 44,289                   | 3,910                          | -                         | 364,977   |
| PS Caldelis*  | 110,141                      | 80,000   | 25,979                             | 9,632                    | 3,569                          | -                         | 229,321   |
| PG Miller*    | 82,270                       | -        | -                                  | 7,730                    | -                              | -                         | 90,000    |
| FM Wolf*      | 21,500                       | -        | -                                  | 30,000                   | -                              | -                         | 51,500    |
| JD Constable* | 47,088                       | -        | -                                  | 4,412                    | -                              | -                         | 51,500    |
|               | 1,215,367                    | 962,000  | 497,645                            | 328,811                  | 41,586                         | 371,277                   | 3,416,686 |

\* HGL Limited employee.

## Components of remuneration

### Not at risk remuneration

Base remuneration is structured as a total employment cost package paid in cash and benefits at the executive's discretion and includes superannuation contributions. Base remuneration is reviewed but not necessarily increased each year. The base remuneration is at the lower end of the market rate for the role and the individual. Total remuneration above the market rate can be achieved through the attainment of previously agreed performance targets.

Long term employee benefits is the amount of long service leave entitlements accrued during the year.

### At risk remuneration

Short term incentives for KJ Eley, MP Mahoney, AJ Whittles and PS Caldelis are determined in accordance with the HGL Bonus Scheme which operates for four years to 30 September 2010, no incentives are payable to these executives for 2008.

### HGL Bonus Scheme

22% of core profits above an earnings per share hurdle are paid into the bonus pool. The hurdle in 2008 is 17.5 cents (2007: 15.6 cents) and the hurdle increases by 12% a year to 2010 when the hurdle is 21.9 cents. In addition 5% of non core profits are paid into the bonus pool. The incentives are paid to the executives in December each year. Incentive payments are capped at 200% of the executive's base remuneration for the year.

### Other schemes

Incentives to D Hewitt, IA Cerfontyne and CJ Roche are based on the performance of the relevant business. There are two incentive schemes for the executives of JSB, a short term and a long term incentive scheme. The short term incentive is determined by reference to the profit of the year, while the long term incentive is determined by reference to the profit over three years. The long term incentive for D Hewitt is \$248,677 (2007: \$127,500) and for IA Cerfontyne \$124,338 (2007: \$63,750). No amount has been paid under the long term incentive, the first amount is payable after the 2009 year when the amount payable will be one third of the total long term incentive provisions. The short term incentives are \$185,892 (2007: \$147,500) for D Hewitt and \$91,863 (2007: \$71,250) for IA Cerfontyne. If an executive of JSB ceases to be employed any accrued bonus is forfeited.

On 4 October 2006 C Roche beneficially acquired 20% of the equity in J Leutenegger for \$250,000. Under AASB2 Share-based Payment this beneficial equity interest is treated as an option as the purchase was funded through a loan made by HGL Limited that was secured on the J Leutenegger equity. A one off option expense of \$371,277 was recognised at September 2007. M Farley had an effective 20% equity interest in the increase in the value of SPOS and is not entitled to an incentive. The \$250,000 (2007: \$400,000) non monetary and other benefit is the estimated increase in the value of this option during the year.

### Relationship between the remuneration policy and company performance

Short term incentives are determined by the profits of the consolidated entity so aligning the incentive of the executive with the creation of value for the HGL shareholders. There is nothing in any of the incentive Schemes solely linked to the HGL share price. Instead incentives are based primarily on core profit as an increase in the core profit leads to an increase in the dividend. The Board is focused on increasing shareholder value through increasing dividends.

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the 5 years to September 2008:

|                                 | 30 September<br>2008<br>\$'000 | 30 September<br>2007<br>\$'000 | 30 September<br>2006 (b), (c)<br>\$'000 | 30 September<br>2005 (b), (c)<br>\$'000 | 30 September<br>2004 (a), (b)<br>\$'000 |
|---------------------------------|--------------------------------|--------------------------------|---|---|---|
| Core profit                     | <b>8,447</b>                   | 9,309                          | 6,946                                   | 7,345                                   | 5,580                                   |
| Non core (loss)/profit          | <b>(15,908)</b>                | 6,344                          | 6,910                                   | 1,855                                   | 4,953                                   |
| Core earnings per share (cents) | <b>17.3</b>                    | 19.2                           | 15.5                                    | 14.7                                    | 11.3                                    |
| Dividend per share (cents)      | <b>12.1</b>                    | 14.4                           | 11.6                                    | 10.2                                    | 9.0                                     |

(a) Accounts prepared under previous Australian Accounting Standards.

(b) The 2004, 2005 and 2006 bonus pool was calculated on the previous HGL Bonus Scheme. This Scheme paid 20% of the core profits above a hurdle into the bonus pool. In addition 2% of the non core profits were paid into the bonus pool.

(c) The HGL Bonus Scheme in effect from 2004 to 2006 used previous Australia Accounting Standards profits in the calculation. In 2005 and 2006 the profits were restated to eliminate all the effects of the adoption of Australian equivalents International Financial Accounting Standards (AIFRS).

### Employee Share Scheme

The Directors believe that it is important to link the remuneration of eligible key management personnel to the long term success of the Company by supporting the acquisition of shares through the Company's Employee Share Scheme (Scheme). The Scheme rules are posted on the HGL website, [www.hgl.com.au](http://www.hgl.com.au). The maximum number of shares in the Scheme is 10% of HGL's total issued shares.

To enable each of the eligible key management personnel to acquire shares non recourse loans (Scheme Loans) were made in accordance with the terms of the Scheme. As at 30 September 2008 there were 4,916,763 Scheme Shares (2007: 4,720,140 Scheme Shares) and Scheme Loans of \$7,915,149 (2007: \$7,539,844). The interest rate on the Scheme Loan is equal to the dividends paid by HGL on Scheme Shares. During 2008 nil (2007: 100,000) shares were issued and 100,000 (2007: nil) shares were cancelled under the Scheme.

Refer to Note 23 in the financial statements for more detail on the Scheme.

### Indemnification of directors, officers and auditors

During the year, the Company purchased Directors' and Officers' Liability Insurance to provide cover in respect of claims made against the directors and officers in office during the financial year and at the date of this report, as far as is allowable by the Corporations Act 2001. The policy also covers the Company for reimbursement of directors' and officers' expenses associated with such claims if the defence to the claim is successful. The total amount of insurance premium paid and the nature of the liability are not disclosed due to a confidentiality clause within the agreement. As at the date of this report, no amounts have been claimed or paid in respect of this indemnity and insurance, other than the premium referred to above.

The Company has not otherwise, during or since the financial period, indemnified or agreed to indemnify an officer or the auditor of the Company against a liability incurred as an officer or auditor.

### Rounding of amounts

The consolidated entity is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order amounts in this report, and the financial report, have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 298(2) of the Corporations Act 2001.

For and on behalf of the Board of Directors of HGL Limited:



PG Miller  
Chairman



KJ Eley  
Director

Sydney 26 November 2008

# Deloitte.

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The Board of Directors  
HGL Limited  
Level 5, 34 Hunter Street  
Sydney, NSW 2000

26 November 2008

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 audit of the financial statements of HGL Limited for the financial year ended 30 September 2008, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Mark Rossetti  
Partner  
Chartered Accountants

### Corporate Governance Report

The Board of Directors of HGL Limited are responsible for the consolidated entity's corporate governance. The Board guides and monitors the business and affairs of the consolidated entity on behalf of shareholders, by whom they are elected and to whom they are accountable. To ensure the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of Directors and for the operation of the Board. Various charters and policy documents are available to shareholders on request and have been posted to our website [www.hgl.com.au](http://www.hgl.com.au).

The Australian Stock Exchange Corporate Governance Council issued its revised Corporate Governance Principles and Recommendations in August 2007. HGL will be required to first report against the revised recommendations for the financial year ended 30 September 2009.

### Board composition and primary functions

As of the date of this report, the Board is comprised of four Directors (one Executive and three non-Executive members). Mr FM Wolf is the sole independent director, as defined by the ASX Corporate Governance Council (CGC) in their paper titled "Principles of Good Corporate Governance and Best Practice Recommendations" dated March 2003. The board does not have a majority of independent directors.

As the chairman of the board is associated with a substantial shareholder he is not deemed independent in accordance with the CGC paper referred to above. The Chairman is on the board of a substantial shareholder, but he does not benefit financially from its shareholding in HGL Limited.

The board has considered its composition and believes the current composition is in the interests of shareholders.

The Board meets on a monthly basis with its primary functions including:

- establishment of long-term goals for the Company and strategic and operational plans to achieve those goals;
- allocation of capital and funding;
- review and adoption of annual strategic and operational budgets for the performance of the Company and all its operating businesses;
- monitoring of the performance on a monthly basis of the Company and its operating businesses against its operating and strategic plans;
- ensuring that the Company has implemented adequate systems of internal control and risk management;
- approval of the half yearly and annual financial reports;
- ensuring effective external disclosure policies so that the market is fully informed on all matters that may influence the share price; and
- monitoring corporate governance.

### Board responsibilities

The Board is elected to act on behalf of the Company's shareholders, and is therefore accountable to them. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The responsibility for the operation and administration of the consolidated entity is delegated by the Board to the Chief Executive and his executive team. The Board ensures that this team is appropriately qualified and experienced to discharge this responsibility. The Board is responsible for ensuring that management's objectives are aligned with the expectations and the risks identified by the Board. The Board discharges this responsibility via several mechanisms that it has in place. In addition to the committees referred to below, these mechanisms include:

- approval by the Board of the consolidated entity's strategic plan;
- establishment and monitoring of key performance indicators, both financial and non-financial;
- establishment of guidelines to report on trade practices legislation compliance, occupational health and safety and environmental issues;
- establishment and maintenance of sound ethical standards; and
- monitoring the board's performance, shareholder communication and continuous disclosure.

### Monitoring of Board's performance, shareholder communication and continuous disclosure

The performance of the Board members is reviewed annually by the Chairman to ensure that the Board discharges its responsibilities.

The Board aims to ensure that shareholders, on whose behalf they act, are informed of all information necessary to assess the performance of the Company. Information is communicated to the shareholders through:

- compliance with Australian Stock Exchange reporting and disclosure requirements;
- the annual and interim reports; and
- the Annual General Meeting and any other meetings so called to obtain approval for Board action as appropriate.

The company secretaries are responsible for communications with the Australian Stock Exchange. Details of the qualifications and experience of the company secretaries are included in the directors' report.

### Audit Committee

It is the Board's ultimate responsibility to ensure that effective internal controls exist within the consolidated entity. To this end the Board has established an Audit Committee. As at the date of this report, the Committee consisted of the following non-Executive Directors:

FM Wolf (Chairman)  
JD Constable  
PG Miller

The Chairman of this committee is an independent director. Committee meetings are usually held four times a year.

The functions of the Committee are to:

- consider the half yearly and annual financial reports before they are approved by the Board;
- ensure the effectiveness of management information systems and systems of internal control;
- review the appointment of the external auditors, the terms of their engagement, the scope and quality of the audit and the auditor's independence;
- establish and maintain the framework of internal control;
- ensure compliance with statutory, Australian Stock Exchange and other reporting requirements; and
- review corporate governance compliance.

The Audit Committee generally invites the Chief Executive Officer, Chief Financial Officer, Company Secretary and external auditors to attend Audit Committee meetings.

The external auditors can meet privately with the committee. The partner managing the audit was appointed for the September 2006 audit and will be rotated after a maximum of five years. It is the policy of the external auditors to provide an annual declaration of their independence to the Committee.

The external auditor attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

### **Nomination and Remuneration Committee**

The Company also has a Nomination and Remuneration Committee. As at the date of this report the Committee consisted of the following Directors:

PG Miller (Chairman)  
KJ Eley

The primary functions of the Nomination and Remuneration Committee are to review:

- the composition of the Board on a regular basis and make recommendations to the Board, when considered necessary, to ensure that the Board comprises a majority of non executive Directors with the appropriate mix of skills and experience; and
- the remuneration packages of all Directors, the Chief Executive and senior HGL managers (key management personnel) on an annual basis and make recommendations to the Board.

Remuneration packages are reviewed with due regard to performance and other relevant factors. In order to retain and attract executives of sufficient calibre to facilitate the effective and efficient management of the Company's operations the Committee, when necessary, seeks the advice of external advisers in connection with the structure of remuneration packages.

Packages contain the following key elements:

- salary/fees;
- benefits - including the provision of motor vehicles, subscriptions and superannuation;
- performance related incentives; and
- employee share scheme.

### **Risk assessment and management**

The Board is responsible for ensuring the risk management systems are effective. The board has sole discretion to approve each proposed business acquisition. Proposed new business acquisitions are analysed by management, this includes a risk assessment and extensive due diligence. Businesses that meet the Company's return and risk parameters are presented in a formal proposal document to the Board for consideration.

### **Independent professional advice**

All Directors have the right to seek independent legal and financial advice, at the expense of the Company, concerning any aspect of the consolidated entities operations or undertakings. However, prior approval of the Chairman is required, which is not unreasonably withheld.

### **Share trading policy**

The Company does not have trading windows, Directors and employees of the Company are permitted to deal in the securities of the Company at any time, subject to the insider trading provisions of the Corporations Act 2001. The insider trading provisions of the Corporations Act have been drawn to the attention of all Directors and employees of the Company. Prior to dealing in HGL shares Directors and employees must notify the Chairman of the number of shares involved, the proposed date of the transaction and whether it is a sale or a purchase. The Directors and employees must consider any views expressed by the Chairman. Notification to the Chairman does not constitute approval. It is the responsibility of the person dealing in the HGL shares to ensure it does not constitute insider trading and to ensure the proposed dealing preserves the reputation of each of HGL, the Directors and employees and is not only fair but seen to be fair. Dealings of the Chairman must be notified to the Chairman of the Audit Committee. The share trading policy relates not only to those HGL shares held directly but also to HGL shares where the Director or employee of HGL has in substance, rather than form, the ability or power, whether direct or indirect, to dominate the decision about the trading of HGL shares.

## INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

|  | NOTE | CONSOLIDATED    |                | COMPANY         |                |
|--|------|-----------------|----------------|-----------------|----------------|
|  |      | 2008<br>\$'000  | 2007<br>\$'000 | 2008<br>\$'000  | 2007<br>\$'000 |
| Revenue  | 2    | <b>173,753</b>  | 164,275        | <b>27,937</b>   | 29,640         |
| Share of associates' profit                                  | 6    | <b>388</b>      | 992            | -               | -              |
| Other income   | 2    | <b>648</b>      | 1,180          | -               | -              |
| Change in inventories of finished goods and work in progress |      | <b>(4,909)</b>  | (1,653)        | -               | -              |
| Raw materials and consumables used                           |      | <b>(86,590)</b> | (77,526)       | -               | -              |
| Employee benefits expense                                    | 2    | <b>(38,158)</b> | (35,307)       | <b>(1,969)</b>  | (2,903)        |
| Impairment of available for sale assets                      |      | <b>(17,477)</b> | -              | <b>(14,726)</b> | -              |
| Loss on sale of available for sale assets                    | 2    | <b>(638)</b>    | (259)          | -               | -              |
| Goodwill impairment  | 9    | <b>(2,780)</b>  | (2,000)        | -               | -              |
| Impairment of investment                                     |      | -               | -              | <b>(4,780)</b>  | -              |
| Freight, packaging and distribution expense                  |      | <b>(3,699)</b>  | (3,342)        | -               | -              |
| Depreciation expense   | 2    | <b>(2,008)</b>  | (1,823)        | <b>(31)</b>     | (27)           |
| Advertising and marketing expense                            |      | <b>(3,487)</b>  | (2,786)        | -               | -              |
| Operating lease expense                                      | 2    | <b>(3,744)</b>  | (3,490)        | <b>(121)</b>    | (53)           |
| Interest expense   | 2    | <b>(4,768)</b>  | (2,016)        | <b>(4,451)</b>  | (1,733)        |
| Other expenses   |      | <b>(13,499)</b> | (10,070)       | <b>(155)</b>    | (430)          |
| <b>(Loss)/profit before income tax expense</b>               |      | <b>(6,968)</b>  | 26,175         | <b>1,704</b>    | 24,494         |
| Income tax benefit/(expense)                                 | 3    | <b>2,070</b>    | (8,029)        | <b>4,488</b>    | (1,598)        |
| <b>(Loss)/profit for the period</b>                          |      | <b>(4,898)</b>  | 18,146         | <b>6,192</b>    | 22,896         |
| Attributable to:   |      |                 |                |                 |                |
| Equity holders of the parent                                 |      | <b>(7,461)</b>  | 15,653         | <b>6,192</b>    | 22,896         |
| Minority interest  |      | <b>2,563</b>    | 2,493          | -               | -              |
|  |      | <b>(4,898)</b>  | 18,146         | <b>6,192</b>    | 22,896         |
|  |      | <b>CENTS</b>    | <b>CENTS</b>   |                 |                |
| Basic earnings per share                                     | 22   | <b>(15.3)</b>   | 32.4           |                 |                |
| Diluted earnings per share                                   | 22   | <b>(15.3)</b>   | 32.1           |                 |                |

Notes to the financial statements are included on pages 24 to 56.

## BALANCE SHEET

AS AT 30 SEPTEMBER 2008

|   | NOTE      | CONSOLIDATED   |                | COMPANY        |                |
|---|-----------|----------------|----------------|----------------|----------------|
|   |           | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>Current Assets</b>                             |           |                |                |                |                |
| Cash and cash equivalents                         |           | 7,931          | 10,858         | 1,737          | 5,579          |
| Trade and other receivables                       | 4         | 34,236         | 30,658         | 2,127          | 1,877          |
| Inventories                                       | 5         | 34,541         | 28,967         | -              | -              |
| Current tax assets                                | 12        | -              | -              | 269            | -              |
| <b>Total Current Assets</b>                       |           | <b>76,708</b>  | 70,483         | <b>4,133</b>   | 7,456          |
| <b>Non-current Assets</b>                         |           |                |                |                |                |
| Investments accounted for using the equity method | 6         | 1,840          | 2,042          | -              | -              |
| Other financial assets                            | 7         | 40,691         | 78,120         | 102,686        | 107,307        |
| Property, plant and equipment                     | 8         | 10,382         | 9,517          | 127            | 122            |
| Intangibles                                       | 9         | 27,304         | 28,154         | -              | -              |
| Deferred tax assets                               | 13        | 3,602          | -              | 4,614          | 1,172          |
| <b>Total Non-current Assets</b>                   |           | <b>83,819</b>  | 117,833        | <b>107,427</b> | 108,601        |
| <b>Total Assets</b>                               |           | <b>160,527</b> | 188,316        | <b>111,560</b> | 116,057        |
| <b>Current Liabilities</b>                        |           |                |                |                |                |
| Trade and other payables                          | 10        | 30,092         | 24,041         | 4,207          | 3,193          |
| Borrowings  | 11        | 510            | 34,468         | 3,080          | 40,592         |
| Current tax liabilities                           | 12        | 228            | 2,689          | -              | 2,143          |
| Provisions  | 15        | 5,411          | 4,608          | 2,760          | 2,417          |
| <b>Total Current Liabilities</b>                  |           | <b>36,241</b>  | 65,806         | <b>10,047</b>  | 48,345         |
| <b>Non-current Liabilities</b>                    |           |                |                |                |                |
| Borrowings  | 11        | 41,541         | 3,876          | 37,300         | -              |
| Deferred tax liabilities                          | 13        | 1,220          | 8,967          | -              | 1,641          |
| Provisions  | 14 and 15 | 1,220          | 3,591          | 34             | 2,473          |
| Other financial liabilities                       | 16        | 765            | -              | 765            | -              |
| <b>Total Non-current Liabilities</b>              |           | <b>44,746</b>  | 16,434         | <b>38,099</b>  | 4,114          |
| <b>Total Liabilities</b>                          |           | <b>80,987</b>  | 82,240         | <b>48,146</b>  | 52,459         |
| <b>Net Assets</b>                                 |           | <b>79,540</b>  | 106,076        | <b>63,414</b>  | 63,598         |
| <b>Equity</b>                                     |           |                |                |                |                |
| Issued capital                                    | 17        | 32,409         | 31,389         | 32,409         | 31,389         |
| Reserves  | 18        | 11,441         | 24,761         | 2,442          | 2,437          |
| Retained earnings                                 | 20        | 21,602         | 36,563         | 28,563         | 29,772         |
| <b>HGL Limited Equity Interest</b>                |           | <b>65,452</b>  | 92,713         | <b>63,414</b>  | 63,598         |
| <b>Minority Interest</b>                          | 19        | <b>14,088</b>  | 13,363         | -              | -              |
| <b>Total Equity</b>                               |           | <b>79,540</b>  | 106,076        | <b>63,414</b>  | 63,598         |

Notes to the financial statements are included on pages 24 to 56.

## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

|   | NOTE | CONSOLIDATED    |                | COMPANY         |                |
|---|------|-----------------|----------------|-----------------|----------------|
|   |      | 2008<br>\$'000  | 2007<br>\$'000 | 2008<br>\$'000  | 2007<br>\$'000 |
| <b>Total equity at beginning of financial year</b>  |      | <b>106,076</b>  | 87,265         | <b>63,598</b>   | 45,670         |
| Available for sale investments:   |      |                 |                |                 |                |
| Revaluation (loss)/gain recognised directly in equity, net of tax                                       | 18   | <b>(25,990)</b> | 10,736         | <b>(10,294)</b> | (15)           |
| Land and buildings revaluation reserve:   |      |                 |                |                 |                |
| Revaluation gain recognised directly in equity, net of tax  | 18   | <b>262</b>      | 106            | -               | -              |
| Translation of foreign operations:  |      |                 |                |                 |                |
| Exchange differences recognised directly in equity, net of tax  | 18   | <b>(28)</b>     | (12)           | -               | -              |
| <b>Net (expense)/income recognised directly in equity</b>   |      | <b>(25,756)</b> | 10,830         | <b>(10,294)</b> | (15)           |
| Loss transferred to the income statement on impairment of available for sale investments, net of tax    | 18   | <b>12,234</b>   | -              | <b>10,309</b>   | -              |
| (Profit)/loss transferred to the income statement on sale of available for sale investments, net of tax | 18   | <b>212</b>      | (2,602)        | -               | -              |
| (Loss)/profit for the period  |      | <b>(4,898)</b>  | 18,146         | <b>6,192</b>    | 22,896         |
| <b>Total recognised income and expense for the period</b>   |      | <b>(18,208)</b> | 26,374         | <b>6,207</b>    | 22,881         |
| Transactions with equity holders in their capacity as equity holders:                                   |      |                 |                |                 |                |
| Dividend paid   | 21   | <b>(7,401)</b>  | (5,981)        | <b>(7,401)</b>  | (5,981)        |
| Dividend Reinvestment Plan shares issued  | 17   | <b>2,074</b>    | 1,220          | <b>2,074</b>    | 1,220          |
| Shares bought back and cancelled  | 17   | <b>(1,131)</b>  | (265)          | <b>(1,131)</b>  | (265)          |
| Shares issued to Employee Share Scheme participants   | 17   | <b>77</b>       | 63             | <b>77</b>       | 63             |
| Employee share scheme reserve   | 18   | <b>(10)</b>     | 10             | <b>(10)</b>     | 10             |
| Purchase of equity interest   | 18   | -               | (374)          | -               | -              |
| Other   | 20   | <b>(99)</b>     | -              | -               | -              |
| Minority interest   |      | <b>(1,838)</b>  | (2,236)        | -               | -              |
|   |      | <b>(8,328)</b>  | (7,563)        | <b>(6,391)</b>  | (4,953)        |
| <b>Total equity at end of financial year</b>  |      | <b>79,540</b>   | 106,076        | <b>63,414</b>   | 63,598         |
| Total recognised income and expense is attributable to:   |      |                 |                |                 |                |
| Equity holders of the parent  |      | <b>(20,771)</b> | 23,881         | <b>6,207</b>    | 22,881         |
| Minority interest   |      | <b>2,563</b>    | 2,493          | -               | -              |
|   |      | <b>(18,208)</b> | 26,374         | <b>6,207</b>    | 22,881         |

Notes to the financial statements are included on pages 24 to 56.

## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

|  | NOTE | CONSOLIDATED   |                | COMPANY        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>Cash flows from operating activities</b>  |      |                |                |                |                |
| Receipts from customers  |      | 181,909        | 153,347        | 1,619          | 5,284          |
| Payments to suppliers and employees  |      | (169,971)      | (140,080)      | (4,321)        | (3,848)        |
| Dividends received   |      | 4,007          | 2,473          | 5,610          | 5,162          |
| Income tax paid  |      | (6,332)        | (4,421)        | (3,554)        | (1,872)        |
| Interest received  |      | 738            | 612            | 5,613          | 4,576          |
| Interest paid  |      | (3,712)        | (2,016)        | (3,395)        | (1,733)        |
| <b>Net cash inflow from operating activities</b>                                   | 31   | <b>6,639</b>   | 9,915          | <b>1,572</b>   | 7,569          |
| <b>Cash flows from investing activities</b>  |      |                |                |                |                |
| Payment for purchase of property, plant and equipment                              |      | (2,474)        | (2,161)        | (36)           | (3)            |
| Proceeds from sale of property, plant and equipment                                |      | 174            | 415            | -              | -              |
| Proceeds from redemption of preference shares                                      |      | -              | 423            | -              | -              |
| Payment for purchase of listed securities  |      | (5,708)        | (25,958)       | (1,496)        | (18,594)       |
| Payment for purchase of controlled entities  |      | (2,307)        | (12,204)       | (1,630)        | (1,841)        |
| Prepayment for purchase of controlled entity                                       | 34   | (1,266)        | -              | (1,266)        | -              |
| Cash in acquired entity  | 26   | -              | 321            | -              | -              |
| Proceeds from sale of listed securities  |      | 2,583          | 11,615         | -              | -              |
| Proceeds from return of capital on financial asset                                 |      | 3,438          | -              | 3,438          | -              |
| Loan to controlled entities  |      | -              | -              | (5,061)        | (14,536)       |
| Loan repaid by controlled entities   |      | -              | -              | 4,317          | 7,938          |
| Loan to other entities   |      | (212)          | (830)          | (212)          | (165)          |
| Loan repaid by other entities  |      | 430            | 238            | 200            | -              |
| <b>Net cash (outflow) from investing activities</b>                                |      | <b>(5,342)</b> | (28,141)       | <b>(1,746)</b> | (27,201)       |
| <b>Cash flows from financing activities</b>  |      |                |                |                |                |
| Payment for share buy back   |      | (1,131)        | (265)          | (1,131)        | (265)          |
| Proceeds from borrowings   |      | 162,228        | 83,224         | 158,300        | 79,111         |
| Repayment of borrowings  |      | (158,521)      | (54,189)       | (155,510)      | (51,300)       |
| Dividends paid:  |      |                |                |                |                |
| Members of the parent entity   |      | (5,327)        | (4,761)        | (5,327)        | (4,761)        |
| Minority interests   |      | (1,453)        | (1,366)        | -              | -              |
| <b>Net cash inflow/(outflow) from financing activities</b>                         |      | <b>(4,204)</b> | 22,643         | <b>(3,668)</b> | 22,785         |
| <b>Net increase/(decrease) in cash held</b>  |      | <b>(2,907)</b> | 4,417          | <b>(3,842)</b> | 3,153          |
| Cash and cash equivalents at the beginning of the financial year                   |      | 10,858         | 6,438          | 5,579          | 2,426          |
| Effects of exchange rate changes on the balance of cash held in foreign currencies |      | (20)           | 3              | -              | -              |
| <b>Cash and cash equivalents at the end of the financial year</b>                  |      | <b>7,931</b>   | 10,858         | <b>1,737</b>   | 5,579          |

Notes to the financial statements are included on pages 24 to 56.

## 1 - Summary of Significant Accounting Policies

### Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of Accounting Standards including Australian equivalents to International Financial Reporting Standards (AIFRS) management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The 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 of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of AIFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

### Statement of compliance

Compliance with AIFRS ensures that the financial statements and notes of the company and consolidated entity comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 26 November 2008.

### (a) Principles of consolidation

The Company and its controlled entities together are referred to in these financial statements as the "consolidated entity". The consolidated financial statements are prepared by combining the financial statements of all entities that comprise the consolidated entity, being HGL Limited ("the Company") and its subsidiaries as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit or loss in the period of acquisition. The effects of all transactions between entities included in the consolidated financial statements are eliminated in full.

Minority interests are shown separately in the consolidated income statement and consolidated balance sheet.

Where controlled entities are acquired, their results are included only from the date control commenced. For controlled entities disposed of, their results are included up to the date control ceased.

### (b) Intangibles

#### Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

#### Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired in a business combination, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and cannot subsequently be reversed.

In the event that settlement of all or part of the purchase consideration is deferred or is dependent on future events the cost is determined by discounting the best estimate of amounts payable in the future to their present value as at the date of acquisition.

### (c) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill cannot subsequently be reversed. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in

use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease, to the extent of any existing revaluation reserve in respect of the same class of asset.

For any asset other than goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **(d) Financial assets**

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements. Subsequent to initial recognition, investment in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified as either available for sale financial assets or loans and receivables according to the nature and purpose of the financial assets. This determination is made at the time of initial recognition.

##### **Available for sale**

The consolidated entity's listed securities are classified as available for sale (AFS) under AASB 139 Financial Instruments: Recognition and Measurement. Under AASB 139 financial instruments classified as AFS are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in the AFS revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the AFS revaluation reserve is included in the income statement for the period.

##### **Loans and receivables**

Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

#### **(e) Financial instruments issued by the company and consolidated entity**

##### **Debt and equity instruments**

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

##### **Interest and dividends**

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

#### **(f) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials, direct labour and an appropriate portion of overheads. Cost is based on a weighted average cost. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### **(g) Property, plant and equipment**

Land and buildings are measured at fair value. Fair value is determined on the basis of independent valuation prepared by external valuation experts. The fair values are recognised in the financial statements of the consolidated entity and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

Any revaluation increase arising on the revaluation of land and buildings is credited to the land and buildings revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the land and buildings revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale, the attributable revaluation surplus remaining in the land and buildings revaluation reserve, net of any related deferred taxes, is transferred directly to the retained earnings.

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

**(h) Depreciation**

Buildings are depreciated over their estimated useful lives using the straight line method. Items of plant and equipment are depreciated over their estimated useful lives using the reducing balance method. The estimated useful lives and depreciation method is reviewed at the end of each reporting period.

The following estimated useful lives are used in the calculation of depreciation: buildings – 40 years; plant and equipment – 3 to 10 years; and leased plant and equipment – 3 to 5 years. The cost of improvements to or on leasehold properties is depreciated over the lesser of the period of the lease or the estimated useful life of the improvement.

**(i) Leased assets**

Finance leases, which effectively transfer to the consolidated entity substantially all the risks and benefits incidental to ownership of leased items, are capitalised at the lower of fair value or present value of the minimum lease payments, disclosed as property, plant and equipment and amortised over the period during which the consolidated entity is expected to benefit from use of the leased assets.

Operating lease payments, where the lessor effectively retains substantially all the risks and benefits incidental to ownership of the leased items, are charged to the income statement in the period in which they are incurred.

**(j) Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and are capable of being measured reliably. Employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at time of settlement. Employee benefit provisions, which are not expected to be settled within 12 months, are measured at the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

**(k) Share based payments**

Equity settled share based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period.

**(l) Revenue recognition**

Service contract revenue is brought to account by reference to the expired period of the contract. Amounts received and receivable in relation to the unexpired period of contracts at year end are treated as deferred revenue. Revenue from the sale of goods and profit on the disposal of other assets is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods or assets. Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**(m) Derivative financial instruments**

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to financial risk, including foreign exchange contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The consolidated entity has elected not to adopt hedge accounting under AASB 139, any material changes in the fair value of any derivative instruments are recognised immediately in the income statement.

**(n) Foreign currency****Foreign currency transactions**

Foreign currency transactions are translated into Australian currency at the rate of exchange at the date of the transaction. Amounts receivable or payable in foreign currencies are translated at the rates of exchange ruling at balance date. The resulting exchange differences are brought to account in determining the profit or loss for the year, except exchange differences on transactions entered into in order to hedge certain foreign currency risks.

**Translation of foreign controlled entities**

For the consolidated entity's foreign operations, the assets and liabilities are translated into Australian currency at rates of exchange current at balance date while their revenue and expenses are translated at the average rates ruling during the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve and are recognised in the income statement on disposal of the foreign operation.

**(o) Income tax****Current tax**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability or asset to the extent that it is unpaid or refundable.

**Deferred tax**

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset and liability giving rise to them are realised or settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

**Current and deferred tax for the period**

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

**Tax consolidation**

The Company and its wholly owned Australian controlled entities have entered into tax funding and tax sharing agreements.

The head entity, HGL Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right, adjusted for intercompany transactions.

In addition to the current and deferred tax amounts, HGL Limited also recognises the current tax liabilities (or assets) and the deferred tax assets from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities, recorded at the tax equivalent amount, arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

**(p) Accounts payable**

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

**(q) Cash**

For purposes of the cash flow statement, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

**(r) Provisions**

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**(s) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority; and
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**(t) AASB Accounting Standards issued but not yet effective**

The following accounting standards have been issued by the AASB but have not been adopted by the consolidated entity as they are not effective until annual reporting periods beginning on or after 1 January 2009:

- (i) AASB 8 Operating Segments – effective on or after 1 January 2009. The objective of AASB 8 is to enhance the disclosure requirements in relation to the operating segments of the Company and the consolidated entity. It will not impact on the results of the Company or the consolidated entity;
- (ii) Revised AASB 101 Presentation of financial statements. Effective on or after 1 January 2009. The impact of this standard will be on disclosure in the financial statements. All non-owner changes in equity must be presented in one statement of comprehensive income, or in a separate income statement and statement of comprehensive income. Components of comprehensive income may not be presented in the statement of changes in equity. Income tax and reclassification adjustments relating to each component of other comprehensive income have to be disclosed. The titles of financial statements will also change;
- (iii) Interpretation 13 Customer loyalty programmes. This Interpretation adopts a revenue allocation rather than cost accrual approach to accounting for customer loyalty programmes for their customers. Loyalty awards are not seen as costs that directly relate to the goods or services already delivered, rather they are separate goods or services delivered at a later date; and

- (iv) AASB 3 Business Combinations and AASB 127 Separate and Consolidated Financial Statements. Effective on or after 1 July 2009. The standard introduces greater emphasis on the use of fair value through increasing the judgement and subjectivity around business combination accounting and requiring greater involvement of valuation experts. Further volatility in the income statement will be introduced through the separate accounting for transaction costs, changes in the fair value of contingent consideration, settlement of pre-existing contracts and share based payments. The Standard also focuses on changes in control as a significant economic event, with requirements to remeasure interests to fair value of gaining or losing control, and to recognise all transactions between controlling and non-controlling shareholders whilst control is retained in retained earnings.

There are no other accounting standards issued by the AASB that are expected to have a material impact on the Company or the consolidated entity.

**(u) Adoption of revised AASB Accounting Standard**

In the current year, the consolidated entity has adopted:

- (i) AASB 7 Financial Instruments: Disclosures – effective on or after 1 January 2007. The objective of AASB 7 is to combine and enhance the disclosure requirements in relation to the risk exposures arising from financial instruments used by the Company and consolidated entity. It has not impacted the results of the Company or consolidated entity; and
- (ii) AASB 2007-7 Amendments to Australian Accounting Standards – effective 1 July 2007. The objective of AASB 2007-7 is to enhance the disclosure requirements in relation to the presentation of the financial statements of the Company and the consolidated entity. It has not impacted on the results of the Company or the consolidated entity.

|  | CONSOLIDATED   |                | COMPANY        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>2 - Profit from operations</b>  |                |                |                |                |
| <b>a) Revenue</b>  |                |                |                |                |
| Sales revenue - sale of goods  | 169,914        | 145,480        | -              | -              |
| Net income from MMC Contrarian Limited   | 65             | 343            | 65             | 343            |
| Sale of securities:  |                |                |                |                |
| Profit on redemption of preference shares  | -              | 106            | -              | -              |
| Profit on sale of MMC Asset Management and cancellation<br>of management agreement                             | -              | 9,992          | -              | 5,053          |
| Profit on sale of listed securities  | 335            | 3,976          | -              | -              |
| Dividends:   |                |                |                |                |
| Controlled entities  | -              | -              | 20,295         | 17,559         |
| Partnership distribution   | -              | -              | 590            | 262            |
| Other entities - listed securities   | 2,701          | 3,776          | 1,375          | 1,847          |
| Interest:  |                |                |                |                |
| Controlled entities  | -              | -              | 5,225          | 4,225          |
| Other entities   | 496            | 413            | 145            | 162            |
| Employee Share Scheme:   |                |                |                |                |
| Executive key management personnel   | 242            | 189            | 242            | 189            |
|  | <b>173,753</b> | <b>164,275</b> | <b>27,937</b>  | <b>29,640</b>  |
| <b>b) Profit/(Loss) before income tax</b>  |                |                |                |                |
| Profit/(Loss) before income tax has been arrived at after crediting/(charging) the following gains and losses: |                |                |                |                |
| Profit/(Loss) on sale of property, plant and equipment   | (24)           | 31             | -              | -              |
| Realised foreign exchange gain   | 672            | 1,149          | -              | -              |
|  | <b>648</b>     | <b>1,180</b>   | <b>-</b>       | <b>-</b>       |
| <b>c) Expenses</b>   |                |                |                |                |
| Cost of sales  | 91,499         | 79,179         | -              | -              |
| Interest:  |                |                |                |                |
| Controlled entities  | -              | -              | 144            | 74             |
| Associates   | 39             | 28             | -              | -              |
| Other entities   | 3,570          | 1,884          | 3,251          | 1,659          |
| Fair value of interest rate swap   | 765            | -              | 765            | -              |
| Unwinding of deferred consideration interest   | 291            | -              | 291            | -              |
| Finance charges relating to finance leases   | 103            | 104            | -              | -              |
|  | <b>4,768</b>   | <b>2,016</b>   | <b>4,451</b>   | <b>1,733</b>   |
| Depreciation:  |                |                |                |                |
| Buildings  | 72             | 56             | -              | -              |
| Leased plant and equipment   | 450            | 465            | -              | -              |
| Leasehold improvements   | 94             | 102            | 6              | 6              |
| Plant and equipment  | 1,392          | 1,200          | 25             | 21             |
|  | <b>2,008</b>   | <b>1,823</b>   | <b>31</b>      | <b>27</b>      |

|  | NOTE | CONSOLIDATED   |                | COMPANY        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Employee benefits expense:                     |      |                |                |                |                |
| Salary and wages                               |      | 35,730         | 32,450         | 1,799          | 2,754          |
| Defined contribution superannuation plans      |      | 2,188          | 2,076          | 180            | 139            |
| Movement in equity liability                   | 15   | 250            | 400            | -              | -              |
| Equity settled share based payments            |      | (10)           | 381            | (10)           | 10             |
|  |      | <b>38,158</b>  | <b>35,307</b>  | <b>1,969</b>   | <b>2,903</b>   |
| Loss on sale of listed securities              |      | 638            | 259            | -              | -              |
| Doubtful debts arising from:                   |      |                |                |                |                |
| Other entities - customers                     |      | 192            | 57             | -              | -              |
| Writedown of inventory to net realisable value |      | 897            | 847            | -              | -              |
| Operating lease expenses:                      |      |                |                |                |                |
| Minimum lease payments                         |      | 3,744          | 3,490          | 121            | 53             |

### 3 - Income Tax

#### (a) Income tax recognised in profit or loss

##### Tax expense/(benefit) comprises:

|                                   |  |                |              |                |              |
|-----------------------------------|--|----------------|--------------|----------------|--------------|
| Current tax expense/(benefit)     |  | 4,164          | 6,408        | 518            | (669)        |
| Prior year (over)/under provision |  | (266)          | 50           | 77             | 159          |
| Deferred tax (benefit)/expense    |  | (5,968)        | 1,571        | (5,083)        | 2,108        |
|                                   |  | <b>(2,070)</b> | <b>8,029</b> | <b>(4,488)</b> | <b>1,598</b> |

The prima facie income tax (benefit)/expense on pre-tax accounting (loss)/profit reconciles to the income tax (benefit)/expense in the financial statements as follows:

##### Prima facie income tax (benefit)/expense on (loss)/profit from ordinary activities at 30% (2007: 30%)

|   |  |                |              |                |              |
|---|--|----------------|--------------|----------------|--------------|
|   |  | (2,090)        | 7,853        | 511            | 7,348        |
| Fully franked dividends   |  | (810)          | (1,072)      | (455)          | (561)        |
| Tax rate differential relating to overseas controlled entities                  |  | 77             | 89           | -              | -            |
| Equity share of associates' profit  |  | (22)           | (148)        | -              | -            |
| Equity settled share based payments   |  | (3)            | 3            | (3)            | 3            |
| Equity settled share based payments recognised directly in equity               |  | -              | 111          | -              | -            |
| Income on scheme loans recognised directly in equity                            |  | 140            | 111          | 140            | 111          |
| Unwinding of discount on deferred consideration                                 |  | 87             | -            | 87             | -            |
| Movement in equity liability  |  | 75             | 120          | -              | -            |
| Amortisation and depreciation on buildings                                      |  | 22             | 17           | -              | -            |
| Non-allowable expenses  |  | 31             | 28           | 2              | 1            |
| Goodwill impairment   |  | 682            | 600          | -              | -            |
| Impairment of investment  |  | -              | -            | 1,434          | -            |
| Capital gain on restructure   |  | -              | 267          | -              | 25           |
| Effect of decrease in overseas tax rates on deferred tax assets                 |  | 7              | -            | -              | -            |
| Prior year (over)/under provision   |  | (266)          | 50           | (77)           | 159          |
| Non-assessable amount related to transactions within the tax consolidated group |  | -              | -            | (6,281)        | (5,488)      |
|   |  | <b>(2,070)</b> | <b>8,029</b> | <b>(4,488)</b> | <b>1,598</b> |

|  | NOTE | CONSOLIDATED   |                | COMPANY        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |

### 3 - Income Tax CONTINUED

#### (b) Income tax recognised directly in equity

The following deferred amounts were charged directly to equity:

|              |  |         |       |   |     |
|--------------|--|---------|-------|---|-----|
| Deferred tax |  | (5,381) | 3,480 | - | (4) |
|--------------|--|---------|-------|---|-----|

### 4 - Trade and Other Receivables

#### Current

|  |    |        |        |       |       |
|--|----|--------|--------|-------|-------|
| Trade receivables                            |    | 29,887 | 26,002 | -     | -     |
| Less: Allowance for doubtful debts           |    | (304)  | (211)  | -     | -     |
|  |    | 29,583 | 25,791 | -     | -     |
| Other debtors                                |    | 3,387  | 4,867  | 861   | 1,877 |
| Prepayment for purchase of controlled entity | 34 | 1,266  | -      | 1,266 | -     |
|  |    | 34,236 | 30,658 | 2,127 | 1,877 |

#### Movement in allowance for doubtful debts

|                                       |  |       |       |   |   |
|---------------------------------------|--|-------|-------|---|---|
| Opening balance                       |  | (211) | (234) | - | - |
| Additional provisions                 |  | (192) | (57)  | - | - |
| Amounts written off                   |  | 98    | 81    | - | - |
| Foreign currency exchange differences |  | 1     | (1)   | - | - |
| Closing balance                       |  | (304) | (211) | - | - |

#### Age of trade receivables

|                               |  |        |        |   |   |
|-------------------------------|--|--------|--------|---|---|
| Not yet due                   |  | 20,562 | 14,913 | - | - |
| Past due 0-30 days            |  | 6,108  | 7,326  | - | - |
| Past due 31-60 days           |  | 1,954  | 2,251  | - | - |
| Past due 61-90 days           |  | 749    | 980    | - | - |
| Past due greater than 90 days |  | 514    | 532    | - | - |
|                               |  | 29,887 | 26,002 | - | - |

The average credit period on sales, excluding cash on delivery sales, is generally 30 to 60 days. An allowance for doubtful debts is recognised when there is objective evidence that the customer will not be able to pay. As the concentration of credit risk is limited due to the customer base being large and unrelated the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

### 5 - Inventories

#### Current

|                  |  |        |        |   |   |
|------------------|--|--------|--------|---|---|
| Raw materials    |  | 3,679  | 3,014  | - | - |
| Work in progress |  | 545    | 438    | - | - |
| Finished goods   |  | 30,317 | 25,515 | - | - |
|                  |  | 34,541 | 28,967 | - | - |

## 6 - Investments Accounted for Using the Equity Method

| NAME OF ENTITY                            | PRINCIPAL ACTIVITY         | OWNERSHIP INTEREST CONSOLIDATED |           | CARRYING AMOUNT CONSOLIDATED |                |
|---|----------------------------|---------------------------------|-----------|------------------------------|----------------|
|   |                            | 2008<br>%                       | 2007<br>% | 2008<br>\$'000               | 2007<br>\$'000 |
| Safilo Australia Partnership <sup>1</sup> | Optical Frame Distribution | 19.5                            | 19.5      | 1,669                        | 1,944          |
| Other immaterial associates               |                            |                                 |           | 171                          | 98             |
|   |                            |                                 |           | <b>1,840</b>                 | <b>2,042</b>   |

<sup>1</sup> The statutory reporting date of Safilo Australia Partnership is 31 December

### Summarised financial position of associates

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| Current assets                      | 12,111         | 14,870         |
| Non-current assets                  | 380            | 447            |
| <b>Total assets</b>                 | <b>12,491</b>  | <b>15,317</b>  |
| Current liabilities                 | (3,722)        | (4,978)        |
| Non-current liabilities             | (242)          | (167)          |
| <b>Total liabilities</b>            | <b>(3,964)</b> | <b>(5,145)</b> |
| <b>Net assets</b>                   | <b>8,527</b>   | <b>10,172</b>  |
| <b>Revenue</b>                      | <b>20,735</b>  | <b>27,448</b>  |
| <b>Profit after tax</b>             | <b>1,908</b>   | <b>3,955</b>   |
| <b>Share of associates' profit:</b> |                |                |
| Share of profit before income tax   | 420            | 1,204          |
| Income tax expense <sup>1</sup>     | (32)           | (212)          |
| <b>Share of associates' profit</b>  | <b>388</b>     | <b>992</b>     |

<sup>1</sup> The income tax expense excludes taxation arising on the Safilo Australia partnership. This tax expense is recognised by HGL.

During the year, the consolidated entity received distributions of \$590,000 (2007: \$262,000) from the Safilo Australia partnership.

The principal activity of the Safilo Australia partnership is the distribution of imported spectacle frames and sunglasses. During the 2005 financial year HGL's interest in the Safilo Australia partnership fell from 24.5% to 19.5%. The consideration given to HGL for the reduction in its partnership interest was a deferral of the exercise date of the call option held by Safint, a wholly owned subsidiary of Safilo S.p.A., under which Safint can acquire all of HGL's interest in the Safilo Australia partnership. Following the deferral, the earliest date that the call option can now be exercised is 1 January 2010 and the amount payable to HGL on exercise of the call option would be 19.5% of the sum of:

- \$4.412 million; and
- 60% of the average net profit before tax of the Safilo Australia partnership for the five years prior to the date on which the call option is exercised.

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

|   | NOTE | CONSOLIDATED   |                | COMPANY        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>7 - Other Financial Assets</b>                 |      |                |                |                |                |
| <b>Non-current</b>                                |      |                |                |                |                |
| <b>At cost less impairment:</b>                   |      |                |                |                |                |
| Shares in controlled entities                     |      | -              | -              | 25,993         | 29,532         |
| Shares in associates                              |      | -              | -              | 40             | 40             |
|   |      | -              | -              | 26,033         | 29,572         |
| <b>At fair value:</b>                             |      |                |                |                |                |
| Available for sale shares                         |      | 38,677         | 76,118         | 17,535         | 34,183         |
| <b>At amortised cost:</b>                         |      |                |                |                |                |
| Non interest bearing loans to controlled entities |      | -              | -              | 23,609         | 11,718         |
| Interest bearing loans advanced to:               |      |                |                |                |                |
| Executive key management personnel                | 23   | 1,883          | 1,682          | 1,883          | 1,682          |
| Other entities                                    |      | 131            | 320            | 131            | 320            |
| Controlled entities                               |      | -              | -              | 33,495         | 29,832         |
|   |      | 2,014          | 2,002          | 59,118         | 43,552         |
|   |      | 40,691         | 78,120         | 102,686        | 107,307        |

## 8 - Property, Plant and Equipment

|  | LAND &<br>BUILDINGS<br>\$'000 | LEASEHOLD<br>IMPROVEMENTS<br>\$'000 | CONSOLIDATED<br>PLANT &<br>EQUIPMENT<br>\$'000 | LEASED PLANT<br>& EQUIPMENT<br>\$'000 | TOTAL<br>\$'000 |
|--|-------------------------------|-------------------------------------|--|---------------------------------------|-----------------|
| <b>Gross Carrying Amount</b>             |                               |                                     |  |                                       |                 |
| Balance at 30 September 2006             | 4,967                         | 1,114                               | 6,607  | 2,347                                 | 15,035          |
| Additions                                | -                             | 37                                  | 1,023  | 358                                   | 1,418           |
| Acquisition of businesses                | -                             | -                                   | 543  | -                                     | 543             |
| Net revaluation increments               | 425                           | -                                   | -  | -                                     | 425             |
| Disposals                                | -                             | -                                   | (541)  | (795)                                 | (1,336)         |
| Net foreign currency exchange difference | (75)                          | (14)                                | (48)   | -                                     | (137)           |
| <b>Balance at 30 September 2007</b>      | <b>5,317</b>                  | <b>1,137</b>                        | <b>7,584</b>                                   | <b>1,910</b>                          | <b>15,948</b>   |
| Additions                                | -                             | 17                                  | 1,975  | 466                                   | 2,458           |
| Acquisition of businesses                | -                             | -                                   | 80   | -                                     | 80              |
| Disposals                                | -                             | (33)                                | (1,051)  | (339)                                 | (1,423)         |
| Net revaluation increments               | 505                           | -                                   | -  | -                                     | 505             |
| Net foreign currency exchange difference | (85)                          | (16)                                | (49)   | -                                     | (150)           |
| <b>Balance at 30 September 2008</b>      | <b>5,737</b>                  | <b>1,105</b>                        | <b>8,539</b>                                   | <b>2,037</b>                          | <b>17,418</b>   |

**8 - Property, Plant and Equipment** CONTINUED

|  | LAND &<br>BUILDINGS<br>\$'000 | LEASEHOLD<br>IMPROVEMENTS<br>\$'000 | CONSOLIDATED<br>PLANT &<br>EQUIPMENT<br>\$'000 | LEASED PLANT<br>& EQUIPMENT<br>\$'000 | TOTAL<br>\$'000 |
|--|-------------------------------|-------------------------------------|--|---------------------------------------|-----------------|
| <b>Accumulated Depreciation</b>          |                               |                                     |  |                                       |                 |
| Balance at 30 September 2006             | (348)                         | (769)                               | (3,552)  | (881)                                 | (5,550)         |
| Disposals                                | -                             | -                                   | 368  | 526                                   | 894             |
| Depreciation expense                     | (56)                          | (102)                               | (1,200)  | (465)                                 | (1,823)         |
| Net foreign currency exchange difference | 8                             | 10                                  | 30   | -                                     | 48              |
| <b>Balance at 30 September 2007</b>      | <b>(396)</b>                  | <b>(861)</b>                        | <b>(4,354)</b>                                 | <b>(820)</b>                          | <b>(6,431)</b>  |
| Disposals                                | -                             | -                                   | 939  | 284                                   | 1,223           |
| Net revaluation increments               | 120                           | -                                   | -  | -                                     | 120             |
| Depreciation expense                     | (72)                          | (94)                                | (1,392)  | (450)                                 | (2,008)         |
| Net foreign currency exchange difference | 7                             | 19                                  | 34   | -                                     | 60              |
| <b>Balance at 30 September 2008</b>      | <b>(341)</b>                  | <b>(936)</b>                        | <b>(4,773)</b>                                 | <b>(986)</b>                          | <b>(7,036)</b>  |
| <b>Net Book Value</b>                    |                               |                                     |  |                                       |                 |
| <b>As at 30 September 2008</b>           | <b>5,396</b>                  | <b>169</b>                          | <b>3,766</b>                                   | <b>1,051</b>                          | <b>10,382</b>   |
| As at 30 September 2007                  | 4,921                         | 276                                 | 3,230  | 1,090                                 | 9,517           |

During the year two of the properties were revalued. The carrying values are based on independent valuations made by Bristow Barbour & Walker Ltd in September 2007 and by Herron Todd White in May 2008, based on market value. It was determined the carrying value of the remaining land and building was not materially different to the fair value.

|   | CONSOLIDATED   |                |
|---|----------------|----------------|
|   | 2008<br>\$'000 | 2007<br>\$'000 |
| The carrying amount of land and buildings had they been recognised under the cost model | <b>4,067</b>   | 4,131          |

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements.

|                                     | LAND &<br>BUILDINGS<br>\$'000 | LEASEHOLD<br>IMPROVEMENTS<br>\$'000 | COMPANY<br>PLANT &<br>EQUIPMENT<br>\$'000 | LEASED PLANT<br>& EQUIPMENT<br>\$'000 | TOTAL<br>\$'000 |
|-------------------------------------|-------------------------------|-------------------------------------|---|---------------------------------------|-----------------|
| <b>Gross Carrying Amount</b>        |                               |                                     |   |                                       |                 |
| Balance at 30 September 2006        | -                             | 178                                 | 201                                       | -                                     | 379             |
| Additions                           | -                             | -                                   | 3   | -                                     | 3               |
| Disposals                           | -                             | -                                   | (74)                                      | -                                     | (74)            |
| <b>Balance at 30 September 2007</b> | <b>-</b>                      | <b>178</b>                          | <b>130</b>                                | <b>-</b>                              | <b>308</b>      |
| Additions                           | -                             | -                                   | 36  | -                                     | 36              |
| Disposals                           | -                             | -                                   | (24)                                      | -                                     | (24)            |
| <b>Balance at 30 September 2008</b> | <b>-</b>                      | <b>178</b>                          | <b>142</b>                                | <b>-</b>                              | <b>320</b>      |

**8 – Property, Plant and Equipment** CONTINUED

|                                     | LAND &<br>BUILDINGS<br>\$'000 | LEASEHOLD<br>IMPROVEMENTS<br>\$'000 | COMPANY<br>PLANT &<br>EQUIPMENT<br>\$'000 | LEASED PLANT<br>& EQUIPMENT<br>\$'000 | TOTAL<br>\$'000 |
|-------------------------------------|-------------------------------|-------------------------------------|---|---------------------------------------|-----------------|
| <b>Accumulated Depreciation</b>     |                               |                                     |   |                                       |                 |
| Balance at 30 September 2006        | –                             | (146)                               | (87)                                      | –                                     | (233)           |
| Disposals                           | –                             | –                                   | 74  | –                                     | 74              |
| Depreciation expense                | –                             | (6)                                 | (21)                                      | –                                     | (27)            |
| <b>Balance at 30 September 2007</b> | <b>–</b>                      | <b>(152)</b>                        | <b>(34)</b>                               | <b>–</b>                              | <b>(186)</b>    |
| Disposals                           | –                             | –                                   | 24  | –                                     | 24              |
| Depreciation expense                | –                             | (6)                                 | (25)                                      | –                                     | (31)            |
| <b>Balance at 30 September 2008</b> | <b>–</b>                      | <b>(158)</b>                        | <b>(35)</b>                               | <b>–</b>                              | <b>(193)</b>    |
| <b>Net Book Value</b>               |                               |                                     |   |                                       |                 |
| <b>As at 30 September 2008</b>      | <b>–</b>                      | <b>20</b>                           | <b>107</b>                                | <b>–</b>                              | <b>127</b>      |
| As at 30 September 2007             | –                             | 26                                  | 96  | –                                     | 122             |

**9 – Intangibles**

|   | NOTE | CONSOLIDATED   |                | COMPANY        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>Goodwill</b>                                       |      |                |                |                |                |
| Net book value at the beginning of the financial year |      | <b>28,154</b>  | 22,640         | –              | –              |
| Acquisition of businesses                             | 26   | <b>957</b>     | 6,860          | –              | –              |
| Net foreign currency exchange difference              |      | <b>(19)</b>    | (5)            | –              | –              |
| Impairment of goodwill                                |      | <b>(2,780)</b> | (2,000)        | –              | –              |
| Adjustment to deferred consideration                  |      | <b>992</b>     | 659            | –              | –              |
| Net book value at the end of the financial year       |      | <b>27,304</b>  | 28,154         | –              | –              |

Goodwill has been allocated for impairment testing purposes to each of the following cash generating units:

|                    | CONSOLIDATED   |                |
|--------------------|----------------|----------------|
|                    | 2008<br>\$'000 | 2007<br>\$'000 |
| JSB                | <b>10,166</b>  | 8,565          |
| Biante             | <b>6,358</b>   | 6,358          |
| Thalgo             | <b>5,908</b>   | 5,908          |
| Amcla              | –              | 2,780          |
| SPOS               | <b>2,813</b>   | 2,813          |
| Other <sup>1</sup> | <b>2,059</b>   | 1,730          |
|                    | <b>27,304</b>  | 28,154         |

<sup>1</sup> Other comprises Mountcastle Pty Ltd, J Leutenegger Pty Ltd and Aarque Graphics New Zealand Limited. The movement mainly arises due to the acquisition of certain assets and the business of Frontline Technologies by Aarque Graphics New Zealand Limited.

## 9 – Intangibles CONTINUED

### Impairment testing

The cash generating unit impairment tests are based on value in use calculations. The value in use calculations use cash flow projections based on the financial budgets approved by management on a one year basis and extrapolated over five years using a growth rate appropriate for the markets in which the businesses operate (growth rates range between 3% and 5%). The discount rate applied to the cash flow projections is 11.7% (2007: 11.7%). The discount rate was reviewed at September 2008 and is unchanged as it remains an appropriate discount rate for each cash generating unit.

The key assumptions used in the value in use calculations have been determined based on management's understanding of each cash generating unit. The assumptions are consistent with past performance.

During the year ended 30 September 2008 the consolidated entity determined that a \$2,780,000 impairment charge was required in respect of Amcla (2007: \$2,000,000) due to the underperformance of the business.

## 10 – Trade and other payables

|                             | NOTE | CONSOLIDATED   |                | COMPANY        |                |
|-----------------------------|------|----------------|----------------|----------------|----------------|
|                             |      | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Trade payables and accruals |      | 21,279         | 18,291         | 403            | 1,493          |
| Deferred consideration      |      | 4,146          | 1,630          | 3,726          | 1,630          |
| Deferred revenue            |      | 1,011          | 861            | –              | –              |
| Other accruals              |      | 3,656          | 3,259          | 78             | 70             |
|                             |      | <b>30,092</b>  | 24,041         | <b>4,207</b>   | 3,193          |

## 11 – Borrowings

### Current

#### Unsecured at amortised cost:

|   |  |   |   |       |       |
|---|--|---|---|-------|-------|
| Interest bearing loans from controlled entities     |  | – | – | 2,803 | 2,015 |
| Non interest bearing loans from controlled entities |  | – | – | 277   | 4,577 |

#### Secured at amortised cost:

|                                       |    |            |        |              |        |
|---------------------------------------|----|------------|--------|--------------|--------|
| Lease liabilities <sup>1</sup>        | 29 | 510        | 468    | –            | –      |
| Floating rate bank loans <sup>2</sup> | 30 | –          | 34,000 | –            | 34,000 |
|                                       |    | <b>510</b> | 34,468 | <b>3,080</b> | 40,592 |

### Non-current

#### Secured at amortised cost:

|                                       |    |               |       |               |   |
|---------------------------------------|----|---------------|-------|---------------|---|
| Floating rate bank loans <sup>2</sup> | 30 | 37,300        | –     | 37,300        | – |
| Fixed rate bank loans <sup>2,3</sup>  | 30 | 3,581         | 3,165 | –             | – |
| Lease liabilities <sup>1</sup>        | 29 | 660           | 711   | –             | – |
|                                       |    | <b>41,541</b> | 3,876 | <b>37,300</b> | – |

<sup>1</sup> Lease liabilities are secured by the respective assets acquired.

<sup>2</sup> Loans are secured by a fixed and floating charge over certain assets of the group.

<sup>3</sup> Bank facilities are secured by a mortgage over properties.

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

|  | CONSOLIDATED   |                | COMPANY        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Income tax payable/(receivable) attributable to: |                |                |                |                |
| Parent entity                                    | 397            | (759)          | 397            | (759)          |
| Entities in the tax consolidated group           | (666)          | 2,902          | (666)          | 2,902          |
| Other entities not in tax consolidated group     | 497            | 546            | -              | -              |
|  | <b>228</b>     | <b>2,689</b>   | <b>(269)</b>   | <b>2,143</b>   |

The company and its wholly-owned Australian resident entities have formed a tax consolidated group with effect from 1 October 2002. The accounting policy on implementation of the legislation is set out in Note 1(o). The head entity within the tax consolidated group is HGL Limited.

### 13 – Deferred tax assets and liabilities

#### Deferred tax assets comprise:

|                       |              |          |              |              |
|-----------------------|--------------|----------|--------------|--------------|
| Tax losses - capital  | 2,829        | -        | 2,829        | -            |
| Tax losses - revenue  | 773          | -        | 773          | -            |
| Temporary differences | -            | -        | 1,012        | 1,172        |
|                       | <b>3,602</b> | <b>-</b> | <b>4,614</b> | <b>1,172</b> |

#### Deferred tax liabilities comprise:

|                       |              |              |          |              |
|-----------------------|--------------|--------------|----------|--------------|
| Rollover relief       | -            | 1,641        | -        | 1,641        |
| Temporary differences | 1,220        | 7,326        | -        | -            |
|                       | <b>1,220</b> | <b>8,967</b> | <b>-</b> | <b>1,641</b> |

|                                       | CONSOLIDATED 2008            |                                |                                |                              | CONSOLIDATED 2007            |                                |                                |                              |
|---------------------------------------|------------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|------------------------------|
|                                       | OPENING<br>BALANCE<br>\$'000 | CHARGED<br>TO INCOME<br>\$'000 | CHARGED<br>TO EQUITY<br>\$'000 | CLOSING<br>BALANCE<br>\$'000 | OPENING<br>BALANCE<br>\$'000 | CHARGED<br>TO INCOME<br>\$'000 | CHARGED<br>TO EQUITY<br>\$'000 | CLOSING<br>BALANCE<br>\$'000 |
| <b>Gross deferred tax assets</b>      |                              |                                |                                |                              |                              |                                |                                |                              |
| Employee provisions                   | 1,247                        | 23                             | -                              | 1,270                        | 1,124                        | 123                            | -                              | 1,247                        |
| Other provisions                      | 1,919                        | 658                            | -                              | 2,577                        | 972                          | 897                            | 50                             | 1,919                        |
| Tax losses – capital                  | -                            | 4,470                          | -                              | 4,470                        | 775                          | (775)                          | -                              | -                            |
| Tax losses – revenue                  | -                            | 773                            | -                              | 773                          | -                            | -                              | -                              | -                            |
|                                       | <b>3,166</b>                 | <b>5,924</b>                   | <b>-</b>                       | <b>9,090</b>                 | <b>2,871</b>                 | <b>245</b>                     | <b>50</b>                      | <b>3,166</b>                 |
| <b>Gross deferred tax liabilities</b> |                              |                                |                                |                              |                              |                                |                                |                              |
| Land and buildings                    | 462                          | -                              | 422                            | 884                          | 416                          | -                              | 46                             | 462                          |
| Other provisions                      | 175                          | (44)                           | -                              | 131                          | -                            | 175                            | -                              | 175                          |
| Rollover relief                       | 1,641                        | -                              | -                              | 1,641                        | -                            | 1,641                          | -                              | 1,641                        |
| Available for sale investments        | 9,855                        | -                              | (5,803)                        | 4,052                        | 6,371                        | -                              | 3,484                          | 9,855                        |
|                                       | <b>12,133</b>                | <b>(44)</b>                    | <b>(5,381)</b>                 | <b>6,708</b>                 | <b>6,787</b>                 | <b>1,816</b>                   | <b>3,530</b>                   | <b>12,133</b>                |
|                                       | <b>(8,967)</b>               | <b>5,968</b>                   | <b>5,381</b>                   | <b>2,382</b>                 | <b>(3,916)</b>               | <b>(1,571)</b>                 | <b>(3,480)</b>                 | <b>(8,967)</b>               |

**13 – Deferred tax assets and liabilities** CONTINUED

|                                       | COMPANY 2008                 |                                |                                |                              | COMPANY 2007                 |                                |                                |                              |
|---------------------------------------|------------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|------------------------------|
|                                       | OPENING<br>BALANCE<br>\$'000 | CHARGED<br>TO INCOME<br>\$'000 | CHARGED<br>TO EQUITY<br>\$'000 | CLOSING<br>BALANCE<br>\$'000 | OPENING<br>BALANCE<br>\$'000 | CHARGED<br>TO INCOME<br>\$'000 | CHARGED<br>TO EQUITY<br>\$'000 | CLOSING<br>BALANCE<br>\$'000 |
| <b>Gross deferred tax assets</b>      |                              |                                |                                |                              |                              |                                |                                |                              |
| Employee provisions                   | 137                          | 22                             | –                              | 159                          | 148                          | (11)                           | –                              | 137                          |
| Other provisions                      | 1,031                        | (178)                          | –                              | 853                          | 712                          | 319                            | –                              | 1,031                        |
| Tax losses – capital                  | –                            | 4,470                          | –                              | 4,470                        | 775                          | (775)                          | –                              | –                            |
| Tax losses – revenue                  | –                            | 773                            | –                              | 773                          | –                            | –                              | –                              | –                            |
|                                       | <b>1,168</b>                 | <b>5,087</b>                   | <b>–</b>                       | <b>6,255</b>                 | <b>1,635</b>                 | <b>(467)</b>                   | <b>–</b>                       | <b>1,168</b>                 |
| <b>Gross deferred tax liabilities</b> |                              |                                |                                |                              |                              |                                |                                |                              |
| Rollover relief                       | 1,641                        | –                              | –                              | 1,641                        | –                            | 1,641                          | –                              | 1,641                        |
| Available for sale investments        | (4)                          | 4                              | –                              | –                            | –                            | –                              | (4)                            | (4)                          |
|                                       | <b>1,637</b>                 | <b>4</b>                       | <b>–</b>                       | <b>1,641</b>                 | <b>–</b>                     | <b>1,641</b>                   | <b>(4)</b>                     | <b>1,637</b>                 |
|                                       | <b>(469)</b>                 | <b>5,083</b>                   | <b>–</b>                       | <b>4,614</b>                 | <b>1,635</b>                 | <b>(2,108)</b>                 | <b>4</b>                       | <b>(469)</b>                 |

**14 – Provisions**

|  | CONSOLIDATED   |                | COMPANY        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>Non-current</b>                         |                |                |                |                |
| Deferred consideration                     | –              | 2,443          | –              | 2,443          |
| <b>Deferred consideration</b>              |                |                |                |                |
| Balance at beginning of financial year     | 2,443          | 3,414          | 2,443          | 3,414          |
| Additional deferred consideration provided | 992            | 495            | 992            | 495            |
| Transfer to current payable                | (3,726)        | (1,630)        | (3,726)        | (1,630)        |
| Unwinding of discount                      | 291            | 164            | 291            | 164            |
| Balance at end of financial year           | –              | 2,443          | –              | 2,443          |

**JSB Lighting**

On 4 October 2005 HGL acquired 100% of JSB Lighting (JSB), a Sydney based importer and distributor of specialist commercial lighting equipment. JSB was acquired for an upfront payment of \$4,000,000 and an obligation to pay additional consideration based on earnings over the next three years. As at 30 September 2008 \$3,470,000 of deferred consideration had been paid. The final payment was made in November 2008.

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

|                                  | NOTE | CONSOLIDATED   |                | COMPANY        |                |
|----------------------------------|------|----------------|----------------|----------------|----------------|
|                                  |      | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>15 – Employee Benefits</b>    |      |                |                |                |                |
| <b>Current</b>                   |      |                |                |                |                |
| Employee benefits                |      | 3,561          | 3,008          | 497            | 427            |
| Provision for equity liabilities | 27   | 1,850          | 1,600          | 2,263          | 1,990          |
|                                  |      | <b>5,411</b>   | <b>4,608</b>   | <b>2,760</b>   | <b>2,417</b>   |
| <b>Non-current</b>               |      |                |                |                |                |
| Employee benefits                |      | 1,220          | 1,148          | 34             | 30             |
| <b>Total employee benefits</b>   |      | <b>6,631</b>   | <b>5,756</b>   | <b>2,794</b>   | <b>2,447</b>   |

## 16 – Other Financial Liabilities

### Non-current

|                                |  |     |   |     |   |
|--------------------------------|--|-----|---|-----|---|
| Net settled interest rate swap |  | 765 | – | 765 | – |
|--------------------------------|--|-----|---|-----|---|

## 17 – Issued Capital

### Issued share capital

|  |  |        |        |        |        |
|--|--|--------|--------|--------|--------|
| 49,091,425 (2007: 48,577,236) fully paid ordinary shares |  | 32,409 | 31,389 | 32,409 | 31,389 |
|--|--|--------|--------|--------|--------|

During the year the following changes occurred in fully paid ordinary shares:

|   | CONSOLIDATED AND<br>COMPANY |                | CONSOLIDATED AND<br>COMPANY |                |
|---|-----------------------------|----------------|-----------------------------|----------------|
|   | 2008<br>NUMBER              | 2008<br>\$'000 | 2007<br>NUMBER              | 2007<br>\$'000 |
| Balance at beginning of financial year  | 48,577,236                  | 31,389         | 48,107,512                  | 30,371         |
| Allotted pursuant to HGL Dividend Reinvestment Plan                           | 1,127,794                   | 2,074          | 566,329                     | 1,220          |
| Cancellation of capital pursuant to the on-market share buy-back <sup>1</sup> | (653,886)                   | (1,131)        | (129,830)                   | (265)          |
| Shares issued to Employee Share Scheme participants                           | 40,281                      | 77             | 33,225                      | 63             |
| Balance at end of financial year  | <b>49,091,425</b>           | <b>32,409</b>  | 48,577,236                  | 31,389         |

<sup>1</sup> The company currently operates an on-market share buy-back. During the year 653,886 (2007: 129,830) ordinary shares were purchased at an average price of \$1.73 (2007: \$2.04) pursuant to the on-market share buy-back.

### Reconciliation of Total Share Capital

In accordance with AASB 2 Share-based Payment the shares issued to the executive key management personnel after November 2002 under the Employee Share Scheme are recognised as equity settled options.

|   | CONSOLIDATED      |                | CONSOLIDATED   |                |
|---|-------------------|----------------|----------------|----------------|
|   | 2008<br>NUMBER    | 2008<br>\$'000 | 2007<br>NUMBER | 2007<br>\$'000 |
| Issued capital at end of financial year                                 | 49,091,425        | 32,409         | 48,577,236     | 31,389         |
| Shares issued to Employee Share Scheme participants after November 2002 | 3,249,666         | 6,032          | 3,143,773      | 5,858          |
| Total share capital at end of financial year                            | <b>52,341,091</b> | <b>38,441</b>  | 51,721,009     | 37,247         |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Details of the HGL Dividend Reinvestment Plan are disclosed in the Shareholder Information on page 61.

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

|   | CONSOLIDATED   |                | COMPANY        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>18 – Reserves</b>  |                |                |                |                |
| Available for sale revaluation reserve  | 9,454          | 22,998         | –              | (15)           |
| Employee share scheme reserve   | 2,442          | 2,452          | 2,442          | 2,452          |
| Land and buildings revaluation reserve  | 756            | 494            | –              | –              |
| Foreign currency translation reserve  | (179)          | (151)          | –              | –              |
| Other reserve   | (1,032)        | (1,032)        | –              | –              |
|   | <b>11,441</b>  | <b>24,761</b>  | <b>2,442</b>   | <b>2,437</b>   |
| <b>Available for sale revaluation reserve</b>   |                |                |                |                |
| Balance at beginning of financial year  | 22,998         | 14,864         | (15)           | –              |
| Revaluation of listed securities, net of tax  | (25,990)       | 10,736         | (10,294)       | (15)           |
| Transferred to the income statement on impairment of financial assets, net of tax   | 12,234         | –              | 10,309         | –              |
| Transferred to the income statement on sale of financial assets, net of tax   | 212            | (2,602)        | –              | –              |
| Balance at end of financial year  | <b>9,454</b>   | <b>22,998</b>  | <b>–</b>       | <b>(15)</b>    |
| <b>Employee share scheme reserve</b>  |                |                |                |                |
| Balance at beginning of financial year  | 2,452          | 2,442          | 2,452          | 2,442          |
| Equity settled share based payments   | (10)           | 10             | (10)           | 10             |
| Balance at end of financial year  | <b>2,442</b>   | <b>2,452</b>   | <b>2,442</b>   | <b>2,452</b>   |
| <b>Land and buildings revaluation reserve</b>   |                |                |                |                |
| Balance at beginning of financial year  | 494            | 388            | –              | –              |
| Revaluation of land and buildings, net of tax   | 262            | 106            | –              | –              |
| Balance at end of financial year  | <b>756</b>     | <b>494</b>     | <b>–</b>       | <b>–</b>       |
| <b>Foreign currency translation reserve</b>   |                |                |                |                |
| Balance at beginning of financial year  | (151)          | (139)          | –              | –              |
| Translation of overseas controlled entities, net of tax   | (28)           | (12)           | –              | –              |
| Balance at end of financial year  | <b>(179)</b>   | <b>(151)</b>   | <b>–</b>       | <b>–</b>       |
| The foreign currency translation reserve arises on the retranslation of the opening net assets of overseas subsidiaries, at year end rates of exchange, net of tax. |                |                |                |                |
| <b>Other reserve</b>  |                |                |                |                |
| Balance at beginning of financial year  | (1,032)        | (658)          | –              | –              |
| Purchase of equity interest   | –              | (374)          | –              | –              |
| Balance at end of financial year  | <b>(1,032)</b> | <b>(1,032)</b> | <b>–</b>       | <b>–</b>       |

The other reserve arose on HGL increasing its equity interests in J Leutenegger Pty Limited and Amcla Pty Limited, neither met the definition of a business combination under AASB 3 Business Combinations as there was no change of control. Consequently, the excess of the purchase consideration over the share of net assets acquired was adjusted directly to reserves rather than recognised as an increase to goodwill.

|  | NOTE | CONSOLIDATED   |                | COMPANY        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>19 – Minority Interest</b>                |      |                |                |                |                |
| Balance at beginning of financial year       |      | 13,363         | 13,106         | –              | –              |
| Profit attributable to minority interests    |      | 2,563          | 2,493          | –              | –              |
| Dividends attributable to minority interests |      | (1,676)        | (1,366)        | –              | –              |
| Land and buildings revaluation               |      | 175            | 272            | –              | –              |
| Equity settled share based payments          |      | 22             | 390            | –              | –              |
| Purchase of equity interest                  |      | –              | (1,342)        | –              | –              |
| Foreign exchange                             |      | (190)          | (190)          | –              | –              |
| Other  |      | (169)          | –              | –              | –              |
| <b>Balance at end of financial year</b>      |      | <b>14,088</b>  | <b>13,363</b>  | <b>–</b>       | <b>–</b>       |

## 20 – Retained Earnings

|  |    |               |               |               |               |
|--|----|---------------|---------------|---------------|---------------|
| Balance at beginning of financial year           |    | 36,563        | 26,891        | 29,772        | 12,857        |
| Net profit attributable to members of the entity |    | (7,461)       | 15,653        | 6,192         | 22,896        |
| Dividends paid                                   | 21 | (7,401)       | (5,981)       | (7,401)       | (5,981)       |
| Other  |    | (99)          | –             | –             | –             |
| <b>Balance at end of financial year</b>          |    | <b>21,602</b> | <b>36,563</b> | <b>28,563</b> | <b>29,772</b> |

## 21 – Dividends - Company

|   |  | COMPANY        |                |
|---|--|----------------|----------------|
|   |  | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>Ordinary Shares</b>  |  |                |                |
| Interim 2008 dividend paid 3 July 2008 (2007: 5 July 2007)                    |  |                |                |
| 7.0 cents per share 100% franked at 30% (2007: 6.2 cents 100% franked at 30%) |  | 3,417          | 2,983          |
| Final 2007 dividend paid 18 December 2007 (2007: 20 December 2006)            |  |                |                |
| 8.2 cents per share 100% franked at 30% (2007: 6.2 cents 100% franked at 30%) |  | 3,984          | 2,998          |
| <b>Total dividends paid</b>   |  | <b>7,401</b>   | <b>5,981</b>   |

Dividends actually paid or satisfied by the issue of shares under the Dividend Reinvestment Plan during the year ended 30 September 2008 were as follows:

|                                |    |              |              |
|--------------------------------|----|--------------|--------------|
| Paid in cash                   |    | 5,327        | 4,761        |
| Satisfied by issue of shares   | 32 | 2,074        | 1,220        |
| <b>Dividends actually paid</b> |    | <b>7,401</b> | <b>5,981</b> |

In accordance with Australian Tax Law the company maintains the franking account on a tax paid basis. At September 2008 the consolidated entity has \$8,779,000 of franking credits (2007: \$6,593,000) sufficient to pay fully franked dividends of 39.1 cents per share (2007: 29.7 cents).

### Final dividend

In accordance with AASB 110 Events after Balance Sheet Date, HGL Limited has not provided for the final dividend. The final dividend of 5.1 cents per share 100% franked at 30% will be payable on 18 December 2008.

The dividend policy is to distribute between 70% and 80% of core earnings per share.

|   | 2008<br>CENTS PER<br>SHARE | 2007<br>CENTS PER<br>SHARE |
|---|----------------------------|----------------------------|
| <b>22 – Earnings per share</b>  |                            |                            |
| Basic earnings per share  | (15.3)                     | 32.4                       |
| Diluted earnings per share  | (15.3)                     | 32.1                       |
| <b>BASIC EARNINGS PER SHARE</b>   | <b>\$'000</b>              | <b>\$'000</b>              |
| Earnings used in calculating basic earnings per share                                     | (7,461)                    | 15,653                     |
|   | NUMBER '000                | NUMBER '000                |
| Weighted average number of ordinary shares for the purposes of basic earnings per share   | 48,878                     | 48,366                     |
| <b>DILUTED EARNINGS PER SHARE</b>   | <b>\$'000</b>              | <b>\$'000</b>              |
| Earnings used in calculating diluted earnings per share                                   | (7,461)                    | 15,653                     |
|   | NUMBER '000                | NUMBER '000                |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 48,878                     | 48,811                     |

In the current year 3,249,666 shares recognised as equity settled options are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of the diluted earnings per share calculation.

## 23 – Employee Share Scheme

The Directors believe it is important to link the remuneration of HGL's executives to the long term success of the Company by supporting the acquisition of shares (Scheme Shares) through the Employee Share Scheme (Scheme). To support this aim eligible employees may acquire HGL shares, with the cost being financed by non-recourse, interest bearing loans from HGL (Scheme Loans). The Scheme is available to be viewed in full on the HGL website, [www.hgl.com.au](http://www.hgl.com.au).

During the year nil (2007: 100,000) shares were issued and 100,000 shares were cancelled (2007: nil) under the Scheme.

Under the terms of the Scheme, the Scheme Shares have the same rights as apply to the other shares of HGL, including the rights to dividends and voting. The interest rate on the Scheme Loans is equivalent to the dividend rate. The interest is required to be paid by the participant within 5 business days of the receipt of a dividend. If the participant elects to reinvest dividends using the DRP then the Company capitalises interest up to the amount reinvested. Any interest so capitalised will be added to the principal of the participants Scheme Loans and bear interest accordingly. In addition any benefit of franking credits must be paid by the participant to the Company.

Repayments are made on the last day of each calendar year. At this time an amount equal to the sum of franking credits received under the Scheme multiplied by one minus the top tax rate (including the Medicare levy) and profit from sales of any such shares shall be used in partial discharge of the Scheme Loan.

No demand for repayment of the principal shall be made before the earliest to occur of:

- (a) the expiration of six months after the participant ceases, for any reason other than death, to be an employee of the Company or controlled entity;
- (b) the expiration of twelve months after death; and
- (c) the seventh anniversary of the making of the Scheme Loan.

If all the Scheme Shares are sold and the proceeds are insufficient to discharge the Scheme Loan, the participant has no further liability to repay the Scheme Loan, and the amount outstanding would be written off as an equity adjustment with no effect on profit or loss. If a participant has more than one Scheme Loan each Scheme Loan is treated separately from any other Scheme Loan.

## 23 – Employee Share Scheme CONTINUED

The Company retains a holding lock in respect of the Scheme Shares registered in the name of the participant. Any loans repaid by the participants are released from the holding lock.

As at 30 September 2008 there were 5 Scheme Loans outstanding (2007: 6 Scheme Loans). Loans 1 and 2 were issued pursuant to the HGL Limited Employee Share Scheme (1999). Loans 3, 4, 5 and 6 were issued pursuant to the Employee Share Scheme as amended at the 2004 Annual General Meeting.

Shares issued under Scheme Loans 1 and 2 are recognised as shares while the shares issued under loans 3, 4, 5 and 6 are recognised as equity settled options. Loans 3, 4, 5 and 6 were issued after November 2002 and are recognised as equity settled options in accordance with AASB 2 Share-based Payment.

Summary of total Share Loans and Scheme Shares movements during the financial year:

|  | NOTE | 2008<br>NUMBER OF<br>SCHEME<br>SHARES | 2008<br>SCHEME<br>LOANS<br>\$'000 | 2007<br>NUMBER OF<br>SCHEME<br>SHARES | 2007<br>SCHEME<br>LOANS<br>\$'000 |
|--|------|---------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|
| Balance at beginning of financial year                     |      | 4,720,140                             | 7,540                             | 4,428,164                             | 6,864                             |
| DRP participation and capitalised interest                 |      | 373,033                               | 709                               | 256,425                               | 553                               |
| Interest on Scheme Loans                                   |      | –                                     | –                                 | –                                     | 6                                 |
| Interest repaid on Scheme Loans                            |      | –                                     | –                                 | –                                     | (6)                               |
| Shares (cancelled)/issued during the year                  |      | (100,000)                             | (218)                             | 100,000                               | 218                               |
| Repayment of Loans and release of Scheme Shares            |      | (76,410)                              | (116)                             | (64,449)                              | (95)                              |
| Balance at end of financial year                           |      | 4,916,763                             | 7,915                             | 4,720,140                             | 7,540                             |
| Recognised as shares (Loans 1 and 2)                       | 7    | 1,667,097                             | 1,883                             | 1,576,367                             | 1,682                             |
| Recognised as equity settled options (Loans 3, 4, 5 and 6) |      | 3,249,666                             | 6,032                             | 3,143,773                             | 5,858                             |
|  |      | 4,916,763                             | 7,915                             | 4,720,140                             | 7,540                             |

### a) Details of Loans recognised as shares (Loans 1 and 2)

|        | KJ ELEY                       |                       |                                | MP MAHONEY                    |                       |                                | TOTAL                         |                       |                                |
|--------|-------------------------------|-----------------------|--------------------------------|-------------------------------|-----------------------|--------------------------------|-------------------------------|-----------------------|--------------------------------|
|        | NUMBER<br>OF SCHEME<br>SHARES | SCHEME<br>LOANS<br>\$ | MARKET VALUE<br>30.09.08<br>\$ | NUMBER<br>OF SCHEME<br>SHARES | SCHEME<br>LOANS<br>\$ | MARKET VALUE<br>30.09.08<br>\$ | NUMBER OF<br>SCHEME<br>SHARES | SCHEME<br>LOANS<br>\$ | MARKET VALUE<br>30.09.08<br>\$ |
| 2008   |                               |                       |                                |                               |                       |                                |                               |                       |                                |
| Loan 1 | 819,013                       | 910,703               | 1,236,710                      | 284,593                       | 317,672               | 429,735                        | 1,103,606                     | 1,228,375             | 1,666,445                      |
| Loan 2 | 476,899                       | 541,574               | 720,117                        | 86,592                        | 113,484               | 130,754                        | 563,491                       | 655,058               | 850,871                        |
|        | 1,295,912                     | 1,452,277             | 1,956,827                      | 371,185                       | 431,156               | 560,489                        | 1,667,097                     | 1,883,433             | 2,517,316                      |

|        | KJ ELEY                       |                       |                                | MP MAHONEY                    |                       |                                | TOTAL                         |                       |                                |
|--------|-------------------------------|-----------------------|--------------------------------|-------------------------------|-----------------------|--------------------------------|-------------------------------|-----------------------|--------------------------------|
|        | NUMBER<br>OF SCHEME<br>SHARES | SCHEME<br>LOANS<br>\$ | MARKET VALUE<br>30.09.07<br>\$ | NUMBER<br>OF SCHEME<br>SHARES | SCHEME<br>LOANS<br>\$ | MARKET VALUE<br>30.09.07<br>\$ | NUMBER OF<br>SCHEME<br>SHARES | SCHEME<br>LOANS<br>\$ | MARKET VALUE<br>30.09.07<br>\$ |
| 2007   |                               |                       |                                |                               |                       |                                |                               |                       |                                |
| Loan 1 | 774,718                       | 811,758               | 1,665,644                      | 269,174                       | 283,291               | 578,724                        | 1,043,892                     | 1,095,049             | 2,244,368                      |
| Loan 2 | 450,872                       | 483,967               | 969,375                        | 81,603                        | 103,033               | 175,446                        | 532,475                       | 587,000               | 1,144,821                      |
|        | 1,225,590                     | 1,295,725             | 2,635,019                      | 350,777                       | 386,324               | 754,170                        | 1,576,367                     | 1,682,049             | 3,389,189                      |

The market value of HGL shares as at 30 September 2008 was \$1.51 (2007: \$2.15).

**23 – Employee Share Scheme** CONTINUED

**b) Details of Loans recognised as equity settled options (Loans 3, 4, 5 and 6)**

| 2008   | KJ ELEY                 |                  |                          | MP MAHONEY              |                  |                          | AJ WHITTLES             |                  |                          |
|--------|-------------------------|------------------|--------------------------|-------------------------|------------------|--------------------------|-------------------------|------------------|--------------------------|
|        | NUMBER OF SCHEME SHARES | SCHEME LOANS \$  | MARKET VALUE 30.09.08 \$ | NUMBER OF SCHEME SHARES | SCHEME LOANS \$  | MARKET VALUE 30.09.08 \$ | NUMBER OF SCHEME SHARES | SCHEME LOANS \$  | MARKET VALUE 30.09.08 \$ |
| Loan 3 | 420,326                 | 764,819          | 634,692                  | 342,506                 | 565,601          | 517,184                  | 256,881                 | 424,201          | 387,890                  |
| Loan 4 | 400,641                 | 773,919          | 604,968                  | 320,512                 | 619,134          | 483,973                  | 240,387                 | 464,352          | 362,984                  |
| Loan 5 | 378,774                 | 733,606          | 571,949                  | 303,019                 | 586,886          | 457,559                  | 227,264                 | 440,164          | 343,169                  |
|        | <b>1,199,741</b>        | <b>2,272,344</b> | <b>1,811,609</b>         | <b>966,037</b>          | <b>1,771,621</b> | <b>1,458,716</b>         | <b>724,532</b>          | <b>1,328,717</b> | <b>1,094,043</b>         |

| 2008   | PS CALDELIS             |                 |                          | OTHER                   |                 |                          | TOTAL                   |                  |                          |
|--------|-------------------------|-----------------|--------------------------|-------------------------|-----------------|--------------------------|-------------------------|------------------|--------------------------|
|        | NUMBER OF SCHEME SHARES | SCHEME LOANS \$ | MARKET VALUE 30.09.08 \$ | NUMBER OF SCHEME SHARES | SCHEME LOANS \$ | MARKET VALUE 30.09.08 \$ | NUMBER OF SCHEME SHARES | SCHEME LOANS \$  | MARKET VALUE 30.09.08 \$ |
| Loan 3 | 128,444                 | 212,102         | 193,951                  | –                       | –               | –                        | 1,148,157               | 1,966,723        | 1,733,717                |
| Loan 4 | 117,277                 | 226,850         | 177,088                  | –                       | –               | –                        | 1,078,817               | 2,084,255        | 1,629,013                |
| Loan 5 | 113,635                 | 220,082         | 171,589                  | –                       | –               | –                        | 1,022,692               | 1,980,738        | 1,544,266                |
|        | <b>359,356</b>          | <b>659,034</b>  | <b>542,628</b>           | <b>–</b>                | <b>–</b>        | <b>–</b>                 | <b>3,249,666</b>        | <b>6,031,716</b> | <b>4,906,996</b>         |

| 2007   | KJ ELEY                 |                  |                          | MP MAHONEY              |                  |                          | AJ WHITTLES             |                  |                          |
|--------|-------------------------|------------------|--------------------------|-------------------------|------------------|--------------------------|-------------------------|------------------|--------------------------|
|        | NUMBER OF SCHEME SHARES | SCHEME LOANS \$  | MARKET VALUE 30.09.07 \$ | NUMBER OF SCHEME SHARES | SCHEME LOANS \$  | MARKET VALUE 30.09.07 \$ | NUMBER OF SCHEME SHARES | SCHEME LOANS \$  | MARKET VALUE 30.09.07 \$ |
| Loan 3 | 393,579                 | 714,170          | 846,195                  | 321,159                 | 524,314          | 690,492                  | 240,871                 | 393,235          | 517,873                  |
| Loan 4 | 375,142                 | 725,642          | 806,555                  | 300,113                 | 580,513          | 645,243                  | 225,086                 | 435,386          | 483,935                  |
| Loan 5 | 354,656                 | 687,969          | 762,510                  | 283,725                 | 550,376          | 610,009                  | 212,794                 | 412,782          | 457,507                  |
| Loan 6 | –                       | –                | –                        | –                       | –                | –                        | –                       | –                | –                        |
|        | <b>1,123,377</b>        | <b>2,127,781</b> | <b>2,415,260</b>         | <b>904,997</b>          | <b>1,655,203</b> | <b>1,945,744</b>         | <b>678,751</b>          | <b>1,241,403</b> | <b>1,459,315</b>         |

| 2007   | PS CALDELIS             |                 |                          | OTHER                   |                 |                          | TOTAL                   |                  |                          |
|--------|-------------------------|-----------------|--------------------------|-------------------------|-----------------|--------------------------|-------------------------|------------------|--------------------------|
|        | NUMBER OF SCHEME SHARES | SCHEME LOANS \$ | MARKET VALUE 30.09.07 \$ | NUMBER OF SCHEME SHARES | SCHEME LOANS \$ | MARKET VALUE 30.09.07 \$ | NUMBER OF SCHEME SHARES | SCHEME LOANS \$  | MARKET VALUE 30.09.07 \$ |
| Loan 3 | 120,439                 | 196,618         | 258,944                  | –                       | –               | –                        | 1,076,048               | 1,828,337        | 2,313,504                |
| Loan 4 | 109,810                 | 212,719         | 236,091                  | –                       | –               | –                        | 1,010,151               | 1,954,260        | 2,171,824                |
| Loan 5 | 106,399                 | 206,391         | 228,758                  | –                       | –               | –                        | 957,574                 | 1,857,518        | 2,058,784                |
| Loan 6 | –                       | –               | –                        | 100,000                 | 217,680         | 215,000                  | 100,000                 | 217,680          | 215,000                  |
|        | <b>336,648</b>          | <b>615,728</b>  | <b>723,793</b>           | <b>100,000</b>          | <b>217,680</b>  | <b>215,000</b>           | <b>3,143,773</b>        | <b>5,857,795</b> | <b>6,759,112</b>         |

The market value of HGL shares as at 30 September 2008 was \$1.51 (2007: \$2.15).

The options under Loan 3 to MP Mahoney, AJ Whittles and PS Caldelis were granted at \$1.69 and vested on 1 December 2003. The Black-Scholes model creates a fair value of this right of \$0.82 per share. The options under Loan 3 issued to KJ Eley were granted at \$1.9256 and vested on 6 February 2004. The Black-Scholes model creates a fair value of this right of \$1.056 per share.

## 23 – Employee Share Scheme CONTINUED

The options under Loans 4 to KJ Eley, MP Mahoney, AJ Whittles and PS Caldelis were granted at \$1.9256 on 6 February 2004 and vested on 6 February 2005. The Black-Scholes model creates a fair value of this right of \$0.90 per share.

The options under Loans 5 to KJ Eley, MP Mahoney, AJ Whittles and PS Caldelis were granted at \$1.9256 on 6 February 2004 and vested on 6 February 2006. The Black-Scholes model creates a fair value of this right of \$0.90 per share.

During the year the options issued under Loan 6 were cancelled by the Company as the vesting conditions were not met. The options under Loan 6 were granted at \$2.18 on 28 May 2007 and would have vested on 28 May 2010. The Black-Scholes model created a fair value of this right of \$0.88 per share.

## 24 – Segment Reporting

| Business segments <sup>1</sup>                 | IMPORT AND<br>DISTRIBUTION<br>\$'000 | FUND<br>MANAGEMENT<br>\$'000 | SEGMENT<br>TOTAL<br>\$'000 | UNALLOCATED*<br>\$'000 | CONSOLIDATED<br>TOTAL<br>\$'000 |
|--|--------------------------------------|------------------------------|----------------------------|------------------------|---------------------------------|
| <b>30 September 2008</b>                       |                                      |                              |                            |                        |                                 |
| <b>Revenue</b>                                 |                                      |                              |                            |                        |                                 |
| Segment Revenue                                | 169,914                              | 3,101                        | 173,015                    | 738                    | 173,753                         |
| <b>Segment Result</b>                          |                                      |                              |                            |                        |                                 |
| Profit/(loss) before income tax                | 17,697                               | (15,079)                     | 2,618                      | (9,586)                | (6,968)                         |
| Income tax benefit                             | –                                    | –                            | –                          | 2,070                  | 2,070                           |
| Profit/(loss) after income tax                 | 17,697                               | (15,079)                     | 2,618                      | (7,516)                | (4,898)                         |
| <b>Segment Assets</b>                          | <b>100,894</b>                       | <b>38,677</b>                | <b>139,571</b>             | <b>20,956</b>          | <b>160,527</b>                  |
| <b>Segment Liabilities</b>                     | <b>(29,946)</b>                      | <b>–</b>                     | <b>(29,946)</b>            | <b>(51,041)</b>        | <b>(80,987)</b>                 |
| <b>Net Assets</b>                              | <b>70,948</b>                        | <b>38,677</b>                | <b>109,625</b>             | <b>(30,085)</b>        | <b>79,540</b>                   |
| <b>Other segment information:</b>              |                                      |                              |                            |                        |                                 |
| Depreciation expense                           | 1,977                                | –                            | 1,977                      | 31                     | 2,008                           |
| Acquisition of segment assets                  | 2,502                                | –                            | 2,502                      | 36                     | 2,538                           |
| Carrying value of equity accounted investments | 1,840                                | –                            | 1,840                      | –                      | 1,840                           |
| Share of associates' profit                    | 388                                  | –                            | 388                        | –                      | 388                             |
| Profit on sale of securities                   | –                                    | 335                          | 335                        | –                      | 335                             |
| <b>Other significant revenue:</b>              |                                      |                              |                            |                        |                                 |
| Dividends                                      | –                                    | 2,701                        | 2,701                      | –                      | 2,701                           |
| Foreign exchange                               | 672                                  | –                            | 672                        | –                      | 672                             |
| <b>Other significant expenses:</b>             |                                      |                              |                            |                        |                                 |
| Goodwill impairment                            | 2,780                                | –                            | 2,780                      | –                      | 2,780                           |
| Movement in equity liability                   | –                                    | –                            | –                          | 250                    | 250                             |
| Loss on sale of securities                     | –                                    | 638                          | 638                        | –                      | 638                             |

\* Unallocated refers to tax assets, tax liabilities and tax expenses, net borrowings, properties, head office items and the employee share scheme.

<sup>1</sup> The import and distribution businesses obtain branded products mainly from overseas and distribute these products mainly within Australia. Fund management comprises listed investments. The consolidated entity's main business is carried on in Australia. There are no material geographical segments to report.

**24 – Segment Reporting** CONTINUED

| <b>Business segments<sup>1</sup></b>                          | IMPORT AND<br>DISTRIBUTION<br>\$'000 | FUND<br>MANAGEMENT<br>\$'000 | SEGMENT<br>TOTAL<br>\$'000 | UNALLOCATED*<br>\$'000 | CONSOLIDATED<br>TOTAL<br>\$'000 |
|---|--------------------------------------|------------------------------|----------------------------|------------------------|---------------------------------|
| <b>30 September 2007</b>                                      |                                      |                              |                            |                        |                                 |
| <b>Revenue</b>  |                                      |                              |                            |                        |                                 |
| Segment Revenue   | 145,480                              | 18,193                       | 163,673                    | 602                    | 164,275                         |
| <b>Segment Result</b>   |                                      |                              |                            |                        |                                 |
| Profit before income tax                                      | 15,564                               | 18,386                       | 33,950                     | (7,775)                | 26,175                          |
| Income tax  | –                                    | –                            | –                          | (8,029)                | (8,029)                         |
| Profit after income tax                                       | 15,564                               | 18,386                       | 33,950                     | (15,804)               | 18,146                          |
| <b>Segment Assets</b>   | 92,320                               | 76,118                       | 168,438                    | 19,878                 | 188,316                         |
| <b>Segment Liabilities</b>                                    | (24,482)                             | –                            | (24,482)                   | (57,758)               | (82,240)                        |
| <b>Net Assets</b>   | 67,838                               | 76,118                       | 143,956                    | (37,880)               | 106,076                         |
| <b>Other segment information:</b>                             |                                      |                              |                            |                        |                                 |
| Depreciation expense  | 1,796                                | –                            | 1,796                      | 27                     | 1,823                           |
| Acquisition of segment assets                                 | 1,958                                | –                            | 1,958                      | 3                      | 1,961                           |
| Carrying value of equity accounted investments                | 2,042                                | –                            | 2,042                      | –                      | 2,042                           |
| Share of associates' profit                                   | 541                                  | 451                          | 992                        | –                      | 992                             |
| Profit on sale of securities                                  | –                                    | 4,082                        | 4,082                      | –                      | 4,082                           |
| Profit on sale of unlisted securities and management contract | –                                    | 9,992                        | 9,992                      | –                      | 9,992                           |
| Net income from MMC Contrarian Limited                        | –                                    | 343                          | 343                        | –                      | 343                             |
| <b>Other significant revenue:</b>                             |                                      |                              |                            |                        |                                 |
| Dividends   | –                                    | 3,776                        | 3,776                      | –                      | 3,776                           |
| Foreign exchange  | 1,149                                | –                            | 1,149                      | –                      | 1,149                           |
| <b>Other significant expenses:</b>                            |                                      |                              |                            |                        |                                 |
| Goodwill impairment   | 2,000                                | –                            | 2,000                      | –                      | 2,000                           |
| Movement in equity liability                                  | –                                    | –                            | –                          | 400                    | 400                             |
| Equity settled share based payments                           | –                                    | –                            | –                          | 381                    | 381                             |
| Loss on sale of securities                                    | –                                    | 259                          | 259                        | –                      | 259                             |

\* Unallocated refers to tax assets, tax liabilities and tax expenses, net borrowings, properties, head office items and the employee share scheme.

<sup>1</sup> The import and distribution businesses obtain branded products mainly from overseas and distribute these products mainly within Australia. Fund management comprises the listed investments, the equity accounted investment in MMC Asset Management Limited and net management fee income from MMC Contrarian Limited. The consolidated entity's main business is carried on in Australia. There are no material geographical segments to report.

## 25 – Related Party Disclosures

### a) Loans to key management personnel

There were no loans made to key management personnel of the consolidated entity and their related entities other than loans that are in-substance options and are non-recourse to the consolidated entity. For details of the loans in relation to the Employee Share Scheme refer to Note 23.

### b) Key management personnel compensation (Company and Consolidated)

The table below provides a total of the remuneration received by the key management personnel. For further details regarding remuneration of key management personnel see the Remuneration Report which forms part of the Directors' Report.

|      | SHORT TERM<br>EMPLOYEE BENEFITS<br>\$ | POST EMPLOYMENT<br>BENEFITS<br>\$ | SHARE BASED<br>PAYMENTS<br>\$ | LONG TERM<br>EMPLOYEE BENEFITS<br>\$ | TOTAL<br>\$ |
|------|---------------------------------------|-----------------------------------|-------------------------------|--------------------------------------|-------------|
| 2008 | 1,055,858                             | 157,142                           | –                             | 42,996                               | 1,255,996   |
| 2007 | 1,590,024                             | 153,149                           | –                             | 23,405                               | 1,766,578   |

### c) Key management personnel equity holdings

The key management personnel and their relevant interest in the fully paid ordinary shares of the Company as at year end are as follows:

|              | SHARES AT<br>BEGINNING OF PERIOD<br>NUMBER | REPAYMENT OF<br>SCHEME LOANS 1<br>AND 2 NUMBER | EXERCISE<br>OF OPTIONS<br>NUMBER | ON SHARES<br>ISSUED<br>NUMBER | ON MARKET<br>PURCHASE<br>NUMBER | SHARES AT<br>END OF PERIOD<br>NUMBER | BALANCE HELD<br>NOMINALLY<br>NUMBER |
|--------------|--|--|----------------------------------|-------------------------------|---------------------------------|--------------------------------------|-------------------------------------|
| 2008         |  |  |                                  |                               |                                 |                                      |                                     |
| PG Miller    | 7,796,027                                  | –  | –                                | 330,316                       | 200,000                         | 8,326,343                            | 8,286,620                           |
| FM Wolf      | 291,377                                    | –  | –                                | –                             | –                               | 291,377                              | –                                   |
| JD Constable | 44,625                                     | –  | –                                | –                             | –                               | 44,625                               | 625                                 |
| KJ Eley      | 623,630                                    | 28,298   | 14,507                           | –                             | 34,015                          | 700,450                              | –                                   |
| MP Mahoney   | 42,603                                     | 7,831  | 12,147                           | 4,299                         | –                               | 66,880                               | –                                   |
| AJ Whittles  | 16,335                                     | –  | 9,110                            | 1,711                         | –                               | 27,156                               | –                                   |
| PS Caldelis  | 8,032                                      | –  | 4,517                            | 842                           | –                               | 13,391                               | –                                   |
| 2007         |  |  |                                  |                               |                                 |                                      |                                     |
| PG Miller    | 7,796,027                                  | –  | –                                | –                             | –                               | 7,796,027                            | 7,756,304                           |
| FM Wolf      | 291,377                                    | –  | –                                | –                             | –                               | 291,377                              | –                                   |
| JD Constable | 44,625                                     | –  | –                                | –                             | –                               | 44,625                               | 625                                 |
| KJ Eley      | 587,209                                    | 24,479   | 11,942                           | –                             | –                               | 623,630                              | –                                   |
| MP Mahoney   | 23,976                                     | 6,745  | 10,025                           | 1,857                         | –                               | 42,603                               | –                                   |
| AJ Whittles  | 8,136                                      | –  | 7,518                            | 681                           | –                               | 16,335                               | –                                   |
| PS Caldelis  | 3,958                                      | –  | 3,740                            | 334                           | –                               | 8,032                                | –                                   |

There were no other movements in personal equity holdings of key management personnel other than those listed above. Key management personnel received or were entitled to receive dividends from the Company on shares held in the Company in their own names and their associated entities. These transactions were on the same basis as with other shareholders.

### d) Other transactions with key management personnel

During the year, HGL Limited bought back shares pursuant to the on-market buy-back and listed security trades through Bell Potter, the firm where JD Constable works as a broker. There were \$5,226 (2007: \$1,115) of brokerage fees paid in the ordinary course of business for the on-market buy-back. Brokerage fees were paid in the ordinary course of business, totalling \$10,605 (2007: \$60,510) for listed securities.

### e) Transactions with other related parties

- (1) Transactions between the Company, its controlled entities and its associated entities relate to inter-entity loan account balances. The amount of interest has been disclosed in Note 2 and balances at year end are disclosed in Notes 7 and 11.
- (2) Transactions between the Company and its controlled entities and amongst the various controlled entities consist of the payment and receipt of dividends, the transfer of funds amongst the entities for day-to-day financing and investment of surplus funds, and the payment and receipt of interest on inter-entity balances. Such balances are unsecured.

## 26 – Acquisition of Businesses

### 2008 Acquisitions

During the year JSB acquired certain assets and the business of its Adelaide distributor and Aarque Graphics New Zealand acquired certain assets and the business of Frontline Technologies. A total of \$677,000 was paid with an obligation to pay additional consideration based on future earnings. Total goodwill of \$957,000 has been recognised.

### 2007 Acquisitions

#### Acquisition of Biante

On 17 April 2007 J Leutenegger acquired 100% of Biante Pty Limited, a Perth based importer and distributor of collector model cars for \$8,200,000 paid in cash.

When preparing accounts for the business combination of Biante the consolidated entity is required to recognise identifiable intangible assets separately from goodwill. Goodwill of \$6,400,000 arose on the acquisition. There have been no identifiable intangibles recognised.

If HGL had owned Biante from 1 October 2006, the Group's profit after tax and minorities would have been \$16,000,000 and the Group's revenue would have been \$171,800,000.

The contribution of Biante to profit after tax and minorities for the year ended 30 September 2007 was \$390,000 after the interest cost associated with funding the acquisition.

The fair value of identifiable assets and liabilities of Biante as at the date of acquisition was:

|                                | \$'000       |
|--------------------------------|--------------|
| Consideration                  | 8,000        |
| Cost of acquisition            | 225          |
| <b>Total consideration</b>     | <b>8,225</b> |
| <b>Net assets acquired:</b>    |              |
| <b>Current assets</b>          |              |
| Cash                           | 321          |
| Trade and other receivables    | 304          |
| Inventories                    | 1,208        |
| Current tax assets             | 59           |
| <b>Non-current assets</b>      |              |
| Other financial assets         | 8            |
| Plant and equipment            | 544          |
| <b>Current liabilities</b>     |              |
| Trade and other liabilities    | (121)        |
| Current tax liabilities        | (259)        |
| Provisions                     | (23)         |
| <b>Non-current liabilities</b> |              |
| Provisions                     | (174)        |
| <b>Net Assets</b>              | <b>1,867</b> |
| Goodwill                       | 6,358        |
|                                | <b>8,225</b> |

### J Leutenegger Pty Ltd

On 3 October 2006 HGL increased its equity interest in J Leutenegger Pty Limited to 100% from 85% for \$1,560,000 paid in cash, the associated reserve adjustment was \$326,000. Refer to note 18 for details.

## 26 – Acquisition of Businesses CONTINUED

On 4 October 2006 Chris Roche, the Chief Executive Officer, beneficially acquired 20% of the equity in J Leutenegger Pty Ltd for \$250,000. However, under AASB 2 Share-based Payment this beneficial equity interest is treated as an option as Chris Roche funded the equity purchase through a loan made by HGL Limited that was secured on his J Leutenegger Pty Ltd equity. A one off option expense of \$371,277 was recognised.

### Amcla Pty Ltd

On 4 July 2007 HGL's interest in AMCLA was increased to 92% from 80% by the conversion of debt into equity, the associated reserve adjustment was \$48,000. Refer to note 18 for details.

### Other

During the 2007 year there were two small acquisitions, the business assets of Essie Cosmetics and Varden Hats were acquired for a total of \$600,000 resulting in \$500,000 of goodwill.

## 27 – Investment in Controlled Entities

| Company  | COUNTRY OF INCORPORATION/FORMATION | OWNERSHIP INTEREST |           |
|--|------------------------------------|--------------------|-----------|
|  |                                    | 2008<br>%          | 2007<br>% |
| HGL Limited  | Australia                          | –                  | –         |
| <b>Import &amp; Distribution Businesses</b>                  |                                    |                    |           |
| Baker & McAuliffe Holdings Pty Ltd (trading as JSB Lighting) | Australia                          | 100                | 100       |
| Amcla Pty Ltd  | Australia                          | 92                 | 92        |
| BLC Cosmetics Pty Limited (trading as Thalgo)                | Australia                          | 60                 | 60        |
| BOC Ophthalmic Instruments Unit Trust                        | Australia                          | 50**               | 50        |
| Createc Pty Limited (trading as Anitech)                     | Australia                          | 50**               | 50        |
| Hamlon Pty Limited (trading as Sydney Point of Sale (SPOS))  | Australia                          | 100                | 100       |
| The Point-of-Sale Centre (New Zealand) Ltd (SPOS)*           | NZ                                 | 100                | 100       |
| Kinsole Pty Limited (trading as XLN Fabrics)                 | Australia                          | 50**               | 50        |
| J Leutenegger Pty Limited                                    | Australia                          | 100                | 100       |
| Biante Pty Limited   | Australia                          | 100                | 100       |
| Mountcastle Pty Limited                                      | Australia                          | 50**               | 50        |
| Aarque Graphics New Zealand Limited*                         | NZ                                 | 50**               | 50        |
| Frontline Technologies Limited*                              | NZ                                 | 50**               | –         |
| <b>Head Office Entities</b>                                  |                                    |                    |           |
| HGL Company Six Pty Limited                                  | Australia                          | 100                | 100       |
| HGL Group Pty Limited  | Australia                          | 100                | 100       |

\* Controlled entities of which Deloitte Touche Tohmatsu has not acted as auditors.

\*\* These entities are controlled by the Company as the Directors believe that the Company has the capacity to dominate decision making in relation to the financial and operating policies of the entity, in order to pursue the objectives of the Company.

The acquisition of SPOS was structured so that its CEO has an effective 20% equity interest in the increase in value of SPOS if the value is crystallised by a sale or similar event, accordingly a provision for equity liability has been recorded, refer to note 15. On 1 October 2008 this effective 20% equity interest was acquired for an initial payment of \$1,266,000 with an additional amount in twelve months depending on the profit of the business in 2009. The amount of \$1,266,000 was prepaid in July 2008, refer note 4.

The Chief Executive of J Leutenegger has an option to acquire 20% of J Leutenegger and Biante, refer to note 26.

Certain immaterial entities have not been disclosed in the above listing of controlled entities.

## 28 – Auditors' Remuneration

|   | CONSOLIDATED   |            | COMPANY        |            |
|---|----------------|------------|----------------|------------|
|   | 2008<br>\$     | 2007<br>\$ | 2008<br>\$     | 2007<br>\$ |
| <b>Auditor of the parent entity</b>       |                |            |                |            |
| Audit and review of the financial reports | 370,474        | 353,486    | 140,350        | 126,500    |
| Taxation services                         | 56,285         | 112,031    | 25,285         | 86,665     |
|   | <b>426,759</b> | 465,517    | <b>165,635</b> | 213,165    |
| <b>Other auditors</b>                     |                |            |                |            |
| Audit and review of the financial reports | 38,033         | 33,988     | –              | –          |
| Taxation services                         | 31,583         | 26,922     | –              | –          |
| New Zealand IFRS transition               | 25,452         | –          | –              | –          |
|   | <b>95,068</b>  | 60,910     | –              | –          |

The auditor of HGL Limited is Deloitte Touche Tohmatsu.

## 29 – Lease Commitments

|   | NOTE | CONSOLIDATED   |                | COMPANY        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>Finance leases</b>                             |      |                |                |                |                |
| Plant and equipment                               |      | 1,313          | 1,304          | –              | –              |
| Payable not later than one year                   |      | 584            | 529            | –              | –              |
| Payable later than one, not later than five years |      | 729            | 775            | –              | –              |
|   |      | <b>1,313</b>   | 1,304          | –              | –              |
| Less: Future finance charges                      |      | (143)          | (125)          | –              | –              |
| <b>Provided for in the financial statements</b>   |      | <b>1,170</b>   | 1,179          | –              | –              |
| Representing lease liabilities:                   |      |                |                |                |                |
| Current   | 11   | 510            | 468            | –              | –              |
| Non-current                                       | 11   | 660            | 711            | –              | –              |
|   |      | <b>1,170</b>   | 1,179          | –              | –              |

The finance leases are for employee motor vehicles. The leases expire at various future dates up to five years.

There are no finance lease commitments in the Company.

Aggregate lease expenditure contracted for at balance date but not provided for in the financial statements:

### Operating leases

|   |              |       |            |     |
|---|--------------|-------|------------|-----|
| Land and buildings                                | 7,735        | 8,822 | 311        | 475 |
| Motor vehicles                                    | 402          | 439   | –          | –   |
|   | <b>8,137</b> | 9,261 | <b>311</b> | 475 |
| Payable not later than one year                   | 3,416        | 3,512 | 125        | 133 |
| Payable later than one, not later than five years | 4,721        | 5,749 | 186        | 342 |
|   | <b>8,137</b> | 9,261 | <b>311</b> | 475 |

The land and building operating leases are in respect of warehouses and offices occupied by group companies. The leases expire at various future dates and a number contain option provisions.

## 30 – Financial Instruments

### Significant Accounting Policies

A summary of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

### Financial risk management

The activities of the consolidated entity expose it to a variety of financial risks: credit risk, liquidity risk and market risk. Derivative financial instruments are used to manage the currency and interest rate risk. The consolidated entity does not use derivative or financial instruments for speculative or trading purposes. Foreign currency management is governed by the risk management and internal control policy approved by the board of directors.

### Categories of financial instruments

|  | NOTE | CONSOLIDATED   |                | COMPANY        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>Financial Assets</b>  |      |                |                |                |                |
| Cash and cash equivalents  |      | <b>7,931</b>   | 10,858         | <b>1,737</b>   | 5,579          |
| Trade receivables  | 4    | <b>29,583</b>  | 25,791         | –              | –              |
| Other financial assets   | 7    | <b>40,691</b>  | 78,120         | <b>102,686</b> | 107,307        |
| <b>Financial liabilities</b>                                     |      |                |                |                |                |
| Trade payable and accruals                                       | 10   | <b>21,279</b>  | 18,291         | <b>403</b>     | 1,493          |
| Borrowings - Non interest bearing loans from controlled entities | 11   | –              | –              | <b>277</b>     | 4,577          |
| Borrowings - Fixed rate loans                                    | 11   | <b>3,581</b>   | 3,165          | –              | –              |
| Borrowings - Floating rate loans                                 | 11   | <b>37,300</b>  | 34,000         | <b>40,103</b>  | 36,015         |
| Borrowings - Finance lease liabilities                           | 11   | <b>1,170</b>   | 1,179          | –              | –              |
| Other financial liabilities                                      | 16   | <b>765</b>     | –              | <b>765</b>     | –              |

### Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns and have funding to expand. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 11, cash and cash equivalents, issued capital and reserves disclosed in notes 17 and 18 and retained profits, note 20. The Group reviews the capital structure regularly and balances its overall capital structure through the payment of dividends and share buybacks as well as the level of debt. Borrowing facilities are explained elsewhere within this note.

### Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.
- The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate fair values.

### 30 – Financial Instruments CONTINUED

#### Market risk

The consolidated entity's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange risks and equity price movement. The consolidated entity enters into a variety of derivative financial instruments to manage these exposures, including:

- foreign exchange forward contracts to hedge the exchange risk arising on the import of goods; and
- interest rate swaps mitigate the risk of rising interest rates.

#### Foreign currency risk management

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the consolidated entity's foreign currency denominated monetary liabilities at the reporting date is as follows:

|              | LIABILITIES    |                |
|--------------|----------------|----------------|
|              | 2008<br>\$'000 | 2007<br>\$'000 |
| Euro         | 2,125          | 1,857          |
| US dollars   | 5,044          | 1,702          |
| Japanese Yen | 1,934          | –              |

#### Foreign currency sensitivity

The consolidated entity is mainly exposed to US dollars, Euro and Japanese Yen. The following table details the Group's sensitivity to a 10% (2007: 10%) increase and decrease in the Australian Dollar against these foreign currencies. A 10% sensitivity has been chosen to illustrate the impact of movements in foreign currency rates. The sensitivity analysis is attributable to the exposure outstanding on receivables and payables in the consolidated entity. The sensitivity analysis is not fully representative of the inherent foreign exchange risk as the year end exposure does not necessarily reflect the exposure during the course of the year.

|        | JAPANESE YEN   |                | EURO IMPACT    |                | USD IMPACT     |                |
|--------|----------------|----------------|----------------|----------------|----------------|----------------|
|        | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Profit | 79             | –              | 79             | 55             | 435            | 11             |
| Loss   | (97)           | –              | (96)           | (153)          | (532)          | (44)           |

#### Forward Foreign Exchange Contracts

The consolidated entity enters into forward foreign exchange contracts to manage the exchange risk associated with foreign currency payments. There are no forward foreign exchange contracts in the Company.

The following table details the forward foreign exchange contracts outstanding as at the reporting date:

|                               | AVERAGE EXCHANGE RATE |       | FOREIGN CURRENCY |                | CONTRACT VALUE |                | FAIR VALUE     |                |
|-------------------------------|-----------------------|-------|------------------|----------------|----------------|----------------|----------------|----------------|
|                               | 2008                  | 2007  | 2008<br>FC'000   | 2007<br>FC'000 | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>Buy US Dollar</b>          |                       |       |                  |                |                |                |                |                |
| Less than 3 months            | 0.82                  | 0.80  | 199              | 223            | 242            | 264            | (7)            | 4              |
| <b>Buy Euros</b>              |                       |       |                  |                |                |                |                |                |
| Less than 3 months            | 0.60                  | 0.62  | 472              | 562            | 791            | 914            | (63)           | 6              |
| <b>Buy Japanese Yen</b>       |                       |       |                  |                |                |                |                |                |
| Less than 3 months            | 85.34                 | 96.33 | 88,886           | 39,141         | 1,060          | 406            | (58)           | 20             |
| <b>Buy New Zealand Dollar</b> |                       |       |                  |                |                |                |                |                |
| Less than 3 months            | 1.19                  | –     | 58               | –              | 49             | –              | –              | –              |

## 30 – Financial Instruments CONTINUED

### Interest Rate Risk Management

The Company and consolidated entity are exposed to interest rate risk as entities within the Group borrow funds at both fixed and floating interest rates.

The consolidated entity manages the interest rate risk by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of an interest rate swap contract. Under the interest rate swap contract, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts allow the Company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held.

### Interest Rate Sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date a 1% increase or decrease in the interest rate and all other variables were held constant, the Group's net profit would change by \$261,000 (2007: \$238,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

### Interest Rate Swap Contract

At the year end the Company and consolidated entity had an outstanding interest rate swap (2007: nil). The \$20,000,000 swap is in place until March 2011 and has a contracted interest rate of 7.98%. As at the year end the fair value of the swap is \$765,000. The interest rate swap settles on a quarterly basis. The floating rate on the interest rate swap is the 90 day BBSY BID. The company settles the difference between the fixed and floating interest rate on a net basis.

### Equity Risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are mainly held for strategic rather than trading purposes.

### Equity price sensitivity

The Company and consolidated entity's sensitivity analysis in the following table has been determined based on the exposure to equity price risks. The 14% investment in MMC Contrarian has been excluded from the equity risk analysis as the investment was sold in November 2008. Refer to note 34.

|   | NET<br>PROFIT<br>\$'000 | 2008<br>AVAILABLE FOR<br>SALE RESERVE<br>\$'000 | NET<br>PROFIT<br>\$'000 | 2007<br>AVAILABLE FOR<br>SALE RESERVE<br>\$'000 |
|---|-------------------------|---|-------------------------|---|
| Increase in equity prices by 10% (2007: 5%) | –                       | 2,114   | –                       | 2,664   |
| Decrease in equity prices by 10% (2007: 5%) | (356)                   | (1,758)   | –                       | (2,664)   |

At September 2008 the Company and consolidated entity recognised an impairment charge in the profit and loss for a number of its available for sale financial assets. Any subsequent increase in the share price of these investments will be recognised in the available for sale reserve while decreases in the share prices will be booked to the profit and loss account.

### Credit Risk

The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

**30 – Financial Instruments** CONTINUED

Under the Group Guarantee and Covenants Deed the Company has provided \$14,900,000 (2007: \$11,900,000) of bank guarantees. These guarantees are provided by the Company on behalf of the import and distribution business and are primarily letters of credit and lease facilities. As security the Company holds a charge over the shares in the import and distribution businesses. Other than these guarantees the maximum exposure to the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk.

**Liquidity Risk**

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate risk management framework for the management of the group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

|                                   | INTEREST RATE | CONSOLIDATED<br>MATURING GROUPING |                 |                 | INTEREST<br>RATE | COMPANY<br>MATURING GROUPING |                 |                 |
|-----------------------------------|---------------|-----------------------------------|-----------------|-----------------|------------------|------------------------------|-----------------|-----------------|
|                                   |               | 1 YEAR<br>OR LESS                 | 1 TO 2<br>YEARS | OVER<br>2 YEARS |                  | 1 YEAR<br>OR LESS            | 1 TO 2<br>YEARS | OVER<br>2 YEARS |
| 2008                              | %             | \$'000                            | \$'000          | \$'000          | %                | \$'000                       | \$'000          | \$'000          |
| Current payables                  | –             | 21,279                            | –               | –               | –                | 403                          | –               | –               |
| Borrowings - fixed                | 8.69          | 492                               | 1,569           | 2,189           | –                | –                            | –               | –               |
| Borrowings - non interest bearing |               |                                   |                 |                 |                  |                              |                 |                 |
| loans from controlled entities    | –             | –                                 | –               | –               | –                | 277                          | –               | –               |
| Borrowings - floating             | 7.32          | 2,729                             | 2,729           | 37,755          | 7.31             | 5,736                        | 2,729           | 37,755          |
| Finance Lease Liabilities         | 8.70          | 510                               | 401             | 259             | –                | –                            | –               | –               |
| <b>Total</b>                      |               | <b>25,010</b>                     | <b>4,699</b>    | <b>40,203</b>   |                  | <b>6,416</b>                 | <b>2,729</b>    | <b>37,755</b>   |

|                                   | INTEREST RATE | CONSOLIDATED<br>MATURING GROUPING |                 |                 | INTEREST<br>RATE | COMPANY<br>MATURING GROUPING |                 |                 |
|-----------------------------------|---------------|-----------------------------------|-----------------|-----------------|------------------|------------------------------|-----------------|-----------------|
|                                   |               | 1 YEAR<br>OR LESS                 | 1 TO 2<br>YEARS | OVER<br>2 YEARS |                  | 1 YEAR<br>OR LESS            | 1 TO 2<br>YEARS | OVER<br>2 YEARS |
| 2007                              | %             | \$'000                            | \$'000          | \$'000          | %                | \$'000                       | \$'000          | \$'000          |
| Current payables                  | –             | 18,291                            | –               | –               | –                | 1,556                        | –               | –               |
| Borrowings - fixed                | 7.75          | 1,665                             | 1,500           | 371             | –                | –                            | –               | –               |
| Borrowings - non interest bearing |               |                                   |                 |                 |                  |                              |                 |                 |
| loans from controlled entities    | –             | –                                 | –               | –               | –                | 4,577                        | –               | –               |
| Borrowings - floating             | 6.78          | 36,306                            | –               | –               | 6.72             | 38,430                       | –               | –               |
| Finance Lease Liabilities         | 9.02          | 468                               | 431             | 280             | –                | –                            | –               | –               |
| <b>Total</b>                      |               | <b>56,730</b>                     | <b>1,931</b>    | <b>651</b>      |                  | <b>44,563</b>                | <b>–</b>        | <b>–</b>        |

**30 – Financial Instruments** CONTINUED

The following table details the Company's and the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that is settled on a net basis and the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

| 2008                           | CONSOLIDATED<br>MATURING GROUPING |                           |                           |                            | COMPANY<br>MATURING GROUPING |                           |                           |            | TOTAL<br>\$'000 |
|--------------------------------|-----------------------------------|---------------------------|---------------------------|----------------------------|------------------------------|---------------------------|---------------------------|------------|-----------------|
|                                | 1 YEAR<br>OR LESS<br>\$'000       | 1 TO 2<br>YEARS<br>\$'000 | OVER<br>2 YEARS<br>\$'000 | CLOSING<br>TOTAL<br>\$'000 | 1 YEAR<br>OR LESS<br>\$'000  | 1 TO 2<br>YEARS<br>\$'000 | OVER<br>2 YEARS<br>\$'000 |            |                 |
| Net settled interest rate swap | 352                               | 332                       | 157                       | 841                        | 352                          | 332                       | 157                       | 841        |                 |
| Forward Exchange Contracts     | 2,142                             | –                         | –                         | 2,142                      | –                            | –                         | –                         | –          |                 |
| <b>Total</b>                   | <b>2,494</b>                      | <b>332</b>                | <b>157</b>                | <b>2,983</b>               | <b>352</b>                   | <b>332</b>                | <b>157</b>                | <b>841</b> |                 |

| 2007                       | CONSOLIDATED<br>MATURING GROUPING |                           |                           |                            | COMPANY<br>MATURING GROUPING |                           |                           |          | TOTAL<br>\$'000 |
|----------------------------|-----------------------------------|---------------------------|---------------------------|----------------------------|------------------------------|---------------------------|---------------------------|----------|-----------------|
|                            | 1 YEAR<br>OR LESS<br>\$'000       | 1 TO 2<br>YEARS<br>\$'000 | OVER<br>2 YEARS<br>\$'000 | CLOSING<br>TOTAL<br>\$'000 | 1 YEAR<br>OR LESS<br>\$'000  | 1 TO 2<br>YEARS<br>\$'000 | OVER<br>2 YEARS<br>\$'000 |          |                 |
| Forward Exchange Contracts | 1,584                             | –                         | –                         | 1,584                      | –                            | –                         | –                         | –        |                 |
| <b>Total</b>               | <b>1,584</b>                      | <b>–</b>                  | <b>–</b>                  | <b>1,584</b>               | <b>–</b>                     | <b>–</b>                  | <b>–</b>                  | <b>–</b> |                 |

**Borrowings**

During the financial year the Company's banking facilities with the Australia and New Zealand Banking Group Limited (ANZ) were extended to December 2010. The Company has unrestricted access available at balance date to facilities totalling \$50,000,000 (2007: \$40,000,000). At 30 September 2008 \$37,300,000 (2007: \$34,000,000) was drawn down. The undrawn banking facilities are mainly maintained to provide the flexibility to acquire additional businesses. During the year the Company entered into a \$20,000,000 interest rate swap contracted at 7.98%. The swap expires in March 2011 with the balance of the facilities at variable rates.

The remaining bank loans in the consolidated entity are at fixed rates and mature periodically up until October 2012.

**Breach of loan agreement**

At 30 September 2008 the Company is in breach of its banking covenants to the Australia and New Zealand Banking Group Limited (ANZ). The ANZ has confirmed, in writing, at 30 September 2008 that they do not propose to take any action in respect of this breach. The covenants were breached mainly due to the booking of an after tax impairment charge of \$10,300,000 on the decline in the market value of its 14% interest in funds manager MMC Contrarian (ASX code: MMA) and other non cash write downs. At 30 September 2008 total borrowings from the ANZ were \$37,300,000.

### 31 – Reconciliation of (Loss)/Profit after Income Tax to Net Cash Inflow from Operating Activities

|   | CONSOLIDATED   |                | COMPANY         |                |
|---|----------------|----------------|-----------------|----------------|
|   | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000  | 2007<br>\$'000 |
| (Loss)/profit from operations   | <b>(4,898)</b> | 18,146         | <b>6,192</b>    | 22,896         |
| Share of associates' (profit)   | <b>(388)</b>   | (992)          | –               | –              |
| Depreciation expense  | <b>2,008</b>   | 1,823          | <b>31</b>       | 27             |
| Goodwill impairment   | <b>2,780</b>   | 2,000          | –               | –              |
| Impairment of investment  | –              | –              | <b>4,780</b>    | –              |
| Impairment of available for sale assets                                   | <b>17,477</b>  | –              | <b>14,726</b>   | –              |
| Fair value of interest rate swap  | <b>765</b>     | –              | <b>765</b>      | –              |
| Unwinding of deferred consideration interest                              | <b>291</b>     | –              | <b>291</b>      | –              |
| Equity settled share based payments                                       | <b>(10)</b>    | 381            | <b>(10)</b>     | 10             |
| Movement in equity liability  | <b>250</b>     | 400            | –               | –              |
| (Profit)/loss on foreign currency translation                             | <b>(148)</b>   | (180)          | –               | –              |
|   | <b>18,127</b>  | 21,578         | <b>26,775</b>   | 22,933         |
| (Profit)/loss on sale of investments and property,<br>plant and equipment | <b>327</b>     | (13,846)       | –               | (5,053)        |
| (Increase)/decrease in receivables and other assets                       | <b>(2,312)</b> | (6,302)        | <b>(21,821)</b> | (16,373)       |
| (Increase)/decrease in inventories  | <b>(5,574)</b> | (1,458)        | –               | –              |
| Increase/(decrease) in accounts payable and other liabilities             | <b>2,039</b>   | 4,892          | <b>1,701</b>    | 3,958          |
| Increase/(decrease) in deferred tax provisions                            | <b>(5,968)</b> | 5,051          | <b>(5,083)</b>  | 2,104          |
| <b>Net cash inflow from operating activities</b>                          | <b>6,639</b>   | 9,915          | <b>1,572</b>    | 7,569          |

### 32 – Non-cash Financing and Investing Activities

|  |              |       |              |       |
|--|--------------|-------|--------------|-------|
| Acquisition of plant and equipment by means of finance leases                  | <b>466</b>   | 358   | –            | –     |
| Dividend satisfied by the issue of shares under the Dividend Reinvestment Plan | <b>2,074</b> | 1,220 | <b>2,074</b> | 1,220 |

### 33 – Contingent Liabilities and capital commitments

There are no contingent liabilities or capital commitments.

### 34 – Subsequent Events

On 1 October 2008 the effective 20% equity interest in SPOS owned by its former Chief Executive was acquired for an initial payment of \$1,266,000 with an additional amount due in twelve months depending on the profit of the business in 2009. The amount of \$1,266,000 was prepaid in July 2008.

In November 2008 our 14% investment in MMC Contrarian was sold for \$21,300,000 paid in cash, resulting in a \$3,800,000 pre tax profit which will be recognised in the March 2009 half year.

## DIRECTORS' DECLARATION

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The Directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and
- (c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors:



PG Miller  
Chairman



KJ Eley  
Director

Sydney 26 November 2008



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1217 Australia

DX 10307SSE  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7001  
[www.deloitte.com.au](http://www.deloitte.com.au)

## Report on the Financial Report

We have audited the accompanying financial report of HGL Limited, which comprises the balance sheet as at 30 September 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year as set out on pages 20 to 57.

## Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.



### Auditor's Opinion

In our opinion:

(a) the financial report of HGL Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 September 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 16 of the directors' report for the year ended 30 September 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's Opinion

In our opinion the Remuneration Report of HGL Limited for the year ended 30 September 2008, complies with section 300A of the Corporations Act 2001.

A stylized, handwritten signature of the firm Deloitte Touche Tohmatsu in dark blue ink.

DELOITTE TOUCHE TOHMATSU

A handwritten signature of Mark Rossetti in dark blue ink.

Mark Rossetti

Partner

Chartered Accountants

Sydney, 26 November 2008

## SHAREHOLDER INFORMATION

On 11 November 2008 there were 2,509 shareholders. All of the shares of the company are ordinary and fully paid carrying one vote.

### Distribution of shareholders

| CATEGORY           | NUMBER OF SHAREHOLDERS | NUMBER OF SHARES |
|--------------------|------------------------|------------------|
| 1 - 1,000          | 648                    | 252,175          |
| 1,001 - 5,000      | 882                    | 2,499,435        |
| 5,001 - 10,000     | 441                    | 3,366,967        |
| 10,001 - 100,000   | 476                    | 11,398,890       |
| 100,001 - and over | 62                     | 34,818,831       |
|                    | 2,509                  | 52,336,298       |

Number of shareholders holding less than a marketable parcel (376 shares) is 335.

Percentage of the total holdings of the 20 largest shareholders is 57.09%.

### Twenty largest ordinary shareholders

| NAME  | NUMBER OF SHARES HELD | % OF TOTAL ISSUED CAPITAL |
|---|-----------------------|---------------------------|
| 1 Sery Pty Ltd                                    | 6,901,281             | 13.19                     |
| 2 Constable Investments Group Ltd                 | 5,679,653             | 10.85                     |
| 3 Kevin Eley                                      | 3,196,101             | 6.11                      |
| 4 Jancon Pty Ltd                                  | 1,466,453             | 2.80                      |
| 5 ANZ Trustees Limited Queensland Common Fund A/C | 1,419,088             | 2.71                      |
| 6 Michael Mahoney                                 | 1,404,102             | 2.68                      |
| 7 Knarsdale Pty Ltd                               | 1,400,001             | 2.68                      |
| 8 LPO Investments Pty Ltd                         | 1,351,689             | 2.58                      |
| 9 Extra Edge Pty Ltd                              | 979,975               | 1.87                      |
| 10 National Nominees Limited                      | 850,230               | 1.62                      |
| 11 Andrew Whittles                                | 751,688               | 1.44                      |
| 12 Citicorp Nominees Pty Limited                  | 661,518               | 1.26                      |
| 13 George Edward Curphy                           | 610,362               | 1.17                      |
| 14 Ida Lichter                                    | 600,000               | 1.15                      |
| 15 Jennifer Anne Drummond                         | 556,963               | 1.06                      |
| 16 Kitwood Pty Limited                            | 487,634               | 0.93                      |
| 17 Oscarsborg Fort Pty Ltd                        | 426,954               | 0.82                      |
| 18 Mr Alister John Forsyth                        | 392,857               | 0.75                      |
| 19 Peter Caldelis                                 | 372,747               | 0.71                      |
| 20 Australasian & General Securities Ltd          | 372,111               | 0.71                      |
|   | 29,881,407            | 57.09                     |

### Substantial shareholders

The following information is extracted from the Company's Register of Substantial Shareholders as at 11 November 2008:

| NAME   | NUMBER OF SHARES AS PER NOTICE |
|--|--------------------------------|
| 1 Sery Pty Limited and its associates                    | 8,233,669                      |
| 2 Constable Investments Group Limited and its associates | 6,160,456                      |
| 3 Kevin Eley   | 2,871,559                      |

## Security holder information

### Voting rights

Subject to the Constitution:

- at meetings of shareholders each shareholder is entitled to vote in person, by proxy, by attorney, or by representative;
- on a show of hands each shareholder present in person, by proxy, by attorney, or by representative has one vote; and
- on a poll each shareholder present in person, by proxy, by attorney, or by representative shall have one vote for every share held by the shareholder.

In the case of joint holdings, only one joint holder may vote.

### Voting by proxy

Voting by proxy is a way shareholders can vote without attending a meeting in person.

All shareholders are encouraged to complete and return the proxy form that accompanies the Notice of Meeting.

If you appoint a proxy and attend the meeting, you automatically revoke your proxy.

Shareholders may appoint a proxy or attorney to represent them at the meeting.

A corporate shareholder may appoint a representative, the instrument of appointment must be under common seal of the company where necessary.

### Payment direct to a bank, building society or credit union

Security holders may have their dividend entitlements paid directly into any bank, building society or credit union within Australia. The necessary form is available from the registry. Once your payment details have been recorded on your holding, they will remain in force until you notify the registry of their alteration or cancellation.

### Dividend reinvestment plan

Brief details of the Plan are:

- shareholders are eligible to participate, except where local legislation prevents it;
- participation is optional;
- full or partial participation is available;
- payment is made through the allotment of shares, rather than cash, at a discount of up to 7.5% on the average market price of the Company's ordinary shares;

e) no brokerage, commission, stamp duty, or administration costs are payable by shareholders; and

f) participants may withdraw from the plan at any time by notice in writing to the Registry. Shareholders wanting to participate should contact the Company's registry for an explanatory booklet and an application form.

### Change of address

All changes of address or other particulars for issuer-sponsored holders, must be notified in writing to the registry. Broker sponsored holders must advise all changes directly to their broker. Your security holder reference number should always be quoted in either case.

### Share registry

Computershare Investor Services Pty Limited

Ph: toll free 1300 855 080

Ph: international +61 3 9415 4000

Facsimile: (03) 9473 2500

Level 3, 60 Carrington Street, Sydney NSW 2000

### Stock exchange listing

HGL Limited is traded on the Australian Stock Exchange (ASX). The symbol under which the shares are traded is HNG (note: not HGL). Details of trading activity are usually published in most daily newspapers under the HNG abbreviation. HGL Limited is a participant in the ASX's Flexible Accelerated Security System (FAST).

### Requests for publications and media and public relations enquiries should be directed to:

Jenny Dinneen, HGL Limited

Tel: (02) 9221 7155 Fax: (02) 9233 2713

Email: hgl@hgl.com.au

Level 5, 34 Hunter Street, Sydney NSW 2000

GPO Box 4406, Sydney NSW 2001

## FINANCIAL SUMMARY

Amounts in 2008, 2007, 2006 and 2005 are reported under Australian equivalents to International Financial Reporting Standards.

All prior periods are reported under previous Australian Accounting Standards.

|   |     | 2008            | 2007     | 2006    | 2005   | 2004   | 2003   | 2002   | 2001    | 2000     | 1999     |
|---|-----|-----------------|----------|---------|--------|--------|--------|--------|---------|----------|----------|
| Core profit (\$'000)                            | (a) | <b>8,447</b>    | 9,309    | 7,438   | 7,033  | 5,580  | 2,386  |        |         |          |          |
| Core earnings per share (cents)                 | (a) | <b>17.3</b>     | 19.2     | 15.5    | 14.7   | 11.3   | 5.1    |        |         |          |          |
| Capital (loss)/profit and revaluations (\$'000) | (a) | <b>(15,908)</b> | 6,344    | 1,613   | 343    | 4,953  | 7,552  |        |         |          |          |
| Reported (loss)/profit (\$'000)                 |     | <b>(7,461)</b>  | 15,653   | 9,051   | 7,376  | 10,533 | 9,938  | 8,013  | 6,112   | 6,066    | 6,264    |
| Reported earnings per share (cents)             |     | <b>(15.3)</b>   | 32.4     | 18.9    | 15.4   | 21.4   | 21.2   | 17.2   | 13.2    | 13.2     | 13.5     |
| Dividend per share (cents)                      | (b) | <b>12.1</b>     | 14.4     | 11.6    | 10.2   | 9.0    | 8.6    | 12.0   | 10.3    | 10.3     | 8.0      |
| Shares on issue ('000)                          |     | <b>49,091</b>   | 48,577   | 48,108  | 47,682 | 50,443 | 47,213 | 46,583 | 46,507  | 46,110   | 46,346   |
| Total shareholders' equity (\$'000)             |     | <b>79,540</b>   | 106,076  | 87,265  | 77,090 | 80,132 | 65,744 | 54,451 | 57,599  | 55,860   | 52,567   |
| HGL shareholders' equity (\$'000)               |     | <b>65,452</b>   | 92,713   | 74,159  | 64,883 | 67,478 | 55,149 | 46,638 | 43,274  | 43,075   | 41,252   |
| Net cash/(debt) (\$'000)                        | (c) | <b>(34,120)</b> | (27,486) | (1,239) | 1,416  | 7,596  | 8,678  | 5,968  | (7,187) | (10,719) | (16,683) |
| Core return on shareholders' funds (%)          | (d) | <b>9</b>        | 13       | 12      | 11     | 10     | 5      |        |         |          |          |
| Return on shareholders' funds (%)               | (e) | <b>(8)</b>      | 21       | 14      | 11     | 19     | 21     | 19     | 14      | 15       | 16       |

### Notes

(a) Separately identified from 2003 following decision to build core profit. Core profit is profit after tax and minorities before revaluations and capital gains.

(b) All dividends are fully franked other than 6.5 cents in both 2000 and 2001 and 12 cents in 2002.

(c) Comprises cash, bank borrowings and leases.

(d) Core profit divided by opening HGL shareholders' equity.

(e) Reported profit divided by opening HGL shareholders' equity.

## DIRECTORY

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### Directors

PG Miller, FCA (Chairman)  
KJ Eley, CA, F FIN (Chief Executive)  
JD Constable  
FM Wolf, BA (Hons), PhD

### Chief Executive

KJ Eley, CA, FFIN

### Joint Company Secretary and Operations Manager

MP Mahoney, ACA (England and Wales), CA

### Chief Financial Officer

AJ Whittles, ACA (England and Wales)

### Joint Company Secretary

PS Caldelis, CA

### Acquisitions Manager

Paul Rajendran

### Head Office and Registered Office

Level 5, 34 Hunter Street,  
Sydney NSW 2000  
GPO Box 4406, Sydney NSW 2001  
Ph: (02) 9221 7155  
Fax: (02) 9233 2713  
Email: [hgl@hgl.com.au](mailto:hgl@hgl.com.au)  
Web site: [www.hgl.com.au](http://www.hgl.com.au)

### HGL Group web sites

HGL Limited  
[www.hgl.com.au](http://www.hgl.com.au)

Aarque Graphics  
[www.aarque.co.nz](http://www.aarque.co.nz)

Anitech  
[www.anitech.com.au](http://www.anitech.com.au)

Amcla  
[www.amcla.com.au](http://www.amcla.com.au)

Biante  
[www.biante.com.au](http://www.biante.com.au)

BOC Instruments  
[www.bocinstruments.com.au](http://www.bocinstruments.com.au)

Frontline Technologies  
[www.frontline.net.nz](http://www.frontline.net.nz)

J Leutenegger  
[www.leutenegger.com.au](http://www.leutenegger.com.au)

JSB Lighting  
[www.jsblighting.com.au](http://www.jsblighting.com.au)

Mountcastle  
[www.mountcastle.com.au](http://www.mountcastle.com.au)

Safilo Australia  
[www.safilo.com](http://www.safilo.com)

SPOS  
[www.spos.com.au](http://www.spos.com.au)

Thalgo  
[www.thalgo.com.au](http://www.thalgo.com.au)

XLN Fabrics  
[www.xln.com.au](http://www.xln.com.au)

### Other web sites

Hunter Hall  
[www.hunterhall.com.au](http://www.hunterhall.com.au)

### Share Registry

Computershare Investor Services  
Pty Limited  
Level 3, 60 Carrington Street,  
Sydney NSW 2000  
Ph: toll free 1300 855 080  
Ph: international +61 3 9415 4000

### Auditors

Deloitte Touche Tohmatsu

### Bankers

ANZ Banking Group Limited

### Solicitors

Dibbs Abbott Stillman

### Stock Exchange Listing

Australian Stock Exchange  
Code: HNG (not HGL)

## FINANCIAL CALENDAR

dates are subject to change

### **Final Dividend**

› 18 December 2008

### **Annual General Meeting**

› 3 February 2009

### **Half Year End**

› 31 March 2009

### **Half Year Report**

› May 2009

### **Interim Dividend**

› July 2009

### **Year End**

› 30 September 2009

### **Annual Report**

› November 2009

## ANNUAL GENERAL MEETING

The one hundred and fifth Annual General Meeting of shareholders of HGL Limited will be held in the Seminar Room, Level 8, 123 Pitt Street, Sydney NSW 2000 at 11:00 am on 3 February 2009.

MOHAWK



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**HGL Limited** ASX CODE > **HNG** ABN 25 009 657 961 INCORPORATED IN QUEENSLAND

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