



Statutory Reports and Financial Statements

30 SEPTEMBER

2010

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The Directors of HGL Limited present their annual financial report for the year ended 30 September 2010.

Directors

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

Name	Particulars
PG Miller FCA	Chairman, 63, Non executive director since 2000. A member of the Audit Committee and Chairman of the Nomination and Remuneration Committee. Chartered Accountant with over 30 years experience in public practice.
MP Mahoney ACA (England and Wales), CA	Chief Executive, 50, Executive director appointed 28 October 2010. Formerly Chief Operating Officer of HGL. Over 25 years broad experience in a range of industries.
JD Constable	Non executive director since 2003, 51. Appointed to the Nomination and Remuneration Committee 5 November 2010. A member of the Audit Committee until 5 November 2010. Authorised representative of Bell Potter Securities Limited. Over 25 years experience in the stockbroking industry.
KJ Eley CA, F FIN	Non executive director 61, Executive director and Chief Executive from 1985 to 28 October 2010. Chartered Accountant. A member of the Nomination and Remuneration Committee until 5 November 2010. Appointed to the Audit Committee 5 November 2010. Director of MMC Contrarian Limited from September 2003 to November 2008.
FM Wolf BA (Hons), PhD	Non executive director since 2000, 57. Chairman of the Audit Committee. Current director of Abacus Property Group (appointed December 1997), with over 30 years experience in strategic planning, financing and corporate advice.

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	12	12	4	4	4	4
KJ Eley	12	12	–	–	4	4
FM Wolf	12	12	4	4	–	–
JD Constable	12	12	4	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	9,473,795
KJ Eley	3,500,089	–
FM Wolf	364,615	–
JD Constable	44,000	625
MP Mahoney	1,567,192	–

Company secretaries

Andrew Whittles ACA (England and Wales) and Peter Caldelis CA act as joint company secretaries for the Company. Mr Whittles was appointed Company Secretary on 28 October 2010 and has been an employee of the Company for 10 years and has acted as Chief Financial Officer for the same period. Mr Caldelis has been an employee of the Company for 16 years and has acted as Company Secretary for 13 years. Mr Mahoney acted as joint Company Secretary until 28 October 2010.

Review of operations

The Directors report a consolidated profit before income tax and non controlling interest of \$24,554,000 (2009: \$13,984,000). Further details are in the Chairman's and Chief Executive's Review.

Principal activities

The principal activity of the consolidated entity during the year was the distribution of branded products. During the year the listed securities were sold.

Dividends

The Directors have declared a final fully franked dividend of 5.0 cents per share (2009: 5.0 cents per share fully franked). Interim fully franked dividends of 6.0 cents per share were paid during the year (2009: 3.0 cents per share fully franked).

The board policy is to distribute between 70% and 80% of underlying profit as dividends.

Ordinary Shares	2010 \$'000	2009 \$'000
Interim dividend paid 1 July 2010 (2009: paid 2 July 2009)	3,268	1,597
Final dividend payable 16 December 2010 (2009: paid 17 December 2009)	2,733	2,696
	6,001	4,293

Included in the above are dividends paid on equity settled options issued under the Employee Share Scheme. Refer to note 22 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 16 December 2010, shares will be allotted to eligible shareholders participating in the DRP with nil discount (2009: 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 1,306,620 (2009: 1,818,470). This includes 150,168 (2009: 284,029) DRP shares issued on equity settled options under the Employee Share Scheme. Refer to note 22 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 565,821 ordinary shares (2009: 232,657) were acquired at an average price of \$1.14 (2009: \$1.16) 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 32 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 19.

Deloitte Touche Tohmatsu received or are due to receive the following amounts for non audit services: tax advice \$nil (2009: \$nil). The Directors are satisfied that the nature and scope of the non audit services did not compromise auditor independence and 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 achieved 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. Other than six months for Michael Mahoney 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	Non Executive Director (Chief Executive until 28 October 2010)
MP Mahoney	HGL Chief Executive and Director (Chief Operating Officer until 28 October 2010)
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
2010	
D Hewitt	Chief Executive Officer of JSB Lighting
DW Evans	Chief Executive Officer of SPOS
IA Cerfontyne	Sales Director of JSB Lighting
CE Wagstaff	Chief Executive Officer of Anitech
2009	
D Hewitt	Chief Executive Officer of JSB Lighting
CE Wagstaff	Chief Executive Officer of Anitech
IA Cerfontyne	Sales Director of JSB Lighting

2010	Short term employee benefits			Post employment benefits	Long term employee benefits \$	Total \$
	Salary/fees \$	Bonus \$	Non monetary and other benefits \$	Superannuation \$		
D Hewitt	164,414	339,674	24,000	14,646	2,748	545,482
DW Evans	265,154	106,000	25,000	14,646	8,088	418,888
KJ Eley*	308,029	36,000	13,205	14,646	5,588	377,468
IA Cerfontyne	135,900	169,837	15,000	13,581	9,567	343,885
CE Wagstaff	220,354	50,000	15,000	14,646	8,893	308,893
MP Mahoney*	246,055	36,000	–	14,646	7,615	304,316
AJ Whittles*	219,310	35,000	–	14,646	4,232	273,188
PS Caldelis*	137,702	16,000	11,544	12,393	3,872	181,511
PG Miller*	100,917	–	–	9,083	–	110,000
FM Wolf*	70,000	–	–	–	–	70,000
JD Constable*	55,046	–	–	4,954	–	60,000
	1,922,881	788,511	103,749	127,887	50,603	2,993,631

2009	Short term employee benefits			Post employment benefits	Long term employee benefits \$	Total \$
	Salary/fees \$	Bonus \$	Non monetary and other benefits \$	Superannuation \$		
D Hewitt	162,500	282,793	24,000	13,928	3,482	486,703
KJ Eley*	307,512	–	17,366	13,928	4,279	343,085
IA Cerfontyne	133,864	141,396	15,000	13,398	4,698	308,356
MP Mahoney*	238,192	–	–	13,928	4,198	256,318
CE Wagstaff	221,067	–	15,000	13,928	5,250	255,245
AJ Whittles*	211,251	–	–	13,928	1,924	227,103
PS Caldelis*	130,362	–	17,905	11,733	1,312	161,312
PG Miller*	100,917	–	–	9,083	–	110,000
FM Wolf*	70,000	–	–	–	–	70,000
JD Constable*	55,046	–	–	4,954	–	60,000
	1,630,711	424,189	89,271	108,808	25,143	2,278,122

* HGL Limited employee.

Components of remuneration

Not at risk remuneration

Base remuneration is structured as a total employment 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

The Nomination and Remuneration Committee has reviewed the performance of KJ Eley, MP Mahoney, AJ Whittles and PS Caldelis. The underlying profit of 13.3 cents per share in 2010 is less than the hurdle of 21.9 cents per share. However, as the hurdle was established in 2006 and no bonuses have been paid to these senior executives in 2008 or 2009 the Nomination and Remuneration Committee has made discretionary payments for the current year.

Other schemes

Incentives to D Hewitt and IA Cerfontyne are based on the earnings before interest and tax of JSB. The incentive of DW Evans is based on the earnings before interest and tax of SPOS. There are two incentive schemes for the executives of JSB and SPOS, a short term and long term incentive scheme. The short term incentive is determined by reference to the profit for the year, while the long term incentive is determined by reference to the profit over three years. The November 2010 cash payment for the long term incentive is one third of the accrued incentive amount. Any accrued bonus is forfeited if the participants cease to be employed.

2010	Short term employee benefits			Long term incentive accrual 30 September 2010 \$	Cash Paid November 2010	
	Short term incentive \$	Long term incentive \$	Total \$		Short term Incentive \$	Long term Incentive \$
Name						
D Hewitt	163,118	176,556	339,674	516,465	163,118	172,155
IA Cerfontyne	81,559	88,278	169,837	258,232	81,559	86,077
DW Evans	80,000	26,000	106,000	26,000	80,000	–

2009	Short term employee benefits			Long term incentive accrual 30 September 2009 \$	Cash Paid November 2009	
	Short term incentive \$	Long term incentive \$	Total \$		Short term Incentive \$	Long term Incentive \$
Name						
D Hewitt	149,107	133,686	282,793	509,863	149,107	169,954
IA Cerfontyne	74,553	66,843	141,396	254,931	74,553	84,977
DW Evans	–	–	–	–	–	–

The incentive to CE Wagstaff is determined and paid annually based on earnings before interest and tax of Anitech. In October 2010 CE Wagstaff was paid \$50,000 (2009: \$nil).

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 underlying profit as an increase in the underlying 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 dividends for the 5 years to September 2010:

	30 September 2010 \$'000	30 September 2009 \$'000	30 September 2008 \$'000	30 September 2007 \$'000	30 September 2006 (a) \$'000
Underlying profit	6,767	5,003	8,447	9,309	6,946
Non underlying profit/(loss)	6,649	2,969	(15,908)	6,344	6,910
Underlying earnings per share (cents)	13.3	10.0	17.3	19.2	15.5
Dividend per share (cents)	11.0	8.0	12.1	14.4	11.6

(a) The HGL Bonus Scheme in effect for 2006 used previous Australian Accounting Standards profits in the calculation. In 2006 the profits were restated to eliminate all the effects of the adoption of Australian equivalents to International Financial Reporting 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. The maximum number of shares in the Scheme is 10% of HGL's total issued shares. At 30 September 2010 Scheme Shares were 9.8% (2009: 9.7%) of total issued share capital.

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 2010 there were 5,355,372 Scheme Shares (2009: 5,246,202 Scheme Shares) and Scheme Loans of \$8,296,138 (2009: \$8,167,085). The interest rate on the Scheme Loans is equal to the dividends paid by HGL on Scheme Shares. During 2010 nil (2009: nil) shares were issued and nil (2009: nil) shares were cancelled under the Scheme. There are no amounts for share based payments in the remuneration report as these amounts have all been expensed in prior periods.

Refer to note 22 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

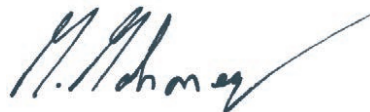
The consolidated entity is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order amounts in this report, and the financial report, have been rounded off to the nearest thousand dollars, unless otherwise indicated.

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



MP Mahoney
Director and Chief Executive

Sydney 24 November 2010

Deloitte.

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

24 November 2010

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 2010, 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

DELOITTE TOUCHE TOHMATSU



Mark Rossetti
Partner
Chartered Accountants

The Board of Directors of HGL Limited is responsible for the corporate governance of the Company and its controlled entities (HGL) and to ensure HGL is directed and managed appropriately. 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. The Board and management are committed to ensuring control systems are commensurate with the risks that HGL is exposed to. This corporate governance statement summarises the practices and policies in place during the year ended 30 September 2010. For ease of reference this statement has been presented consistently with the eight ASX Corporate Governance Principles. On at least an annual basis, the Board reviews these practices and policies to ensure they continue to assist HGL with its corporate governance. Various policies and charters have been posted to the website www.hgl.com.au.

Principle 1 – Lay solid foundations for management and oversight

The primary functions and responsibilities of the Board are as follows:

- establishing the long-term goals for the Company and the review of strategic and operational plans to achieve those goals;
- appointment of the Chief Executive;
- allocating capital and funding;
- reviewing and adopting the annual budgets of the Company and all its controlled entities;
- monitoring the performance of the Company and its controlled entities against the budget and strategic plans;
- ensuring adequate systems of internal control and risk management have been designed and implemented;
- approving 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.

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 Company has in place a process for evaluating the performance of senior executives. The Chief Executive reviews the performance of senior executives and presents to the Nomination and Remuneration Committee on this review. A performance review of senior executives took place during the year.

Principle 2 – Structure the Board to add value

At the date of this report the Board is comprised of five Directors (one Executive and four non-executive members). Mr FM Wolf is the sole independent director as defined in the ASX Corporate Governance Principles and Recommendations. The board does not have a majority of independent directors.

As the Chairman of the Board is associated with a substantial shareholder (Sery Pty Limited and its associates) he is not deemed independent in accordance with the Corporate Governance Principles and Recommendations. The Chairman is on the board of Sery Pty Limited and a number of its associates but he does not benefit financially from their shareholdings in HGL Limited.

The Board has established a Nomination and Remuneration Committee. At the date of this report the Committee consists of PG Miller (Chairman) and JD Constable.

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 annually and make recommendations to the Board.

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

Annually the Chairman assesses the performance of the Directors and the performance of the Board committees.

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

Principle 3 – Promote ethical and responsible decision making

The Board has a Code of Conduct and a Share Trading Policy.

Code of conduct

The overriding principle of the Code of Conduct is that all business affairs must be conducted legally and ethically. A copy of the Code of Conduct is posted on the HGL website.

Share trading policy

Other than from 1 April or 1 October until the day after the release of half or full year results, the 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. 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.

A copy of the Share Trading Policy is posted on the HGL website.

Principle 4 – Safeguard integrity in financial reporting

It is the Board's ultimate responsibility to ensure that effective internal controls exist within the consolidated entity. To this end the Board established an Audit Committee. At the date of this report the Committee consists of FM Wolf (Chairman), KJ Eley and PG Miller all of whom are non executive directors.

The Chairman of this committee is an independent director. Committee meetings are usually held at least three times a year. A copy of the charter of the Committee is posted on the HGL website.

The functions of the Committee are to:

- consider the half yearly and annual financial reports before they are approved by the Board;
- 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; and
- ensure compliance with statutory, Australian Security Exchange and other reporting requirements.

The Audit Committee generally invites the Chief Executive, 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 in 2006 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.

Principle 5 – Make timely and balanced disclosure

The Board recognises its continuous disclosure obligations. The Board is committed to ensuring all investors have equal and timely access to material information about the Company and that announcements made by the Company are accurate, balanced and presented in a clear fashion. A copy of the continuous disclosure policy is posted on the HGL website.

Principle 6 – Respect the rights of shareholders

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 Security Exchange reporting and disclosure requirements;
- the Company's website;
- the annual and interim reports; and
- the Annual General Meeting and any other meetings so called to obtain approval for Board action as appropriate.

HGL creates and distributes to all shareholders an overview of the half year and full year results. These are also made available through the HGL website.

A representative from the external auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and preparation and content of the auditor's report.

Principle 7 – Recognise and manage risk

The Board is responsible for ensuring the Company's risk management systems are effective. There are a number of material business risks that could impact the performance of the Company. There are risks that are specific to the Company and also those which are general business risks, for example movements in foreign exchange rates, which are beyond the control of the Company.

Calculated risk taking is an essential part of business. The Company has policies and procedures to manage risk. Some of the controls across the business include:

- annual budgeting and monthly reporting;
- the Board has sole discretion to approve any proposed material 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;
- policies and procedures for the management of financial risk, including movements in foreign exchange and interest rates;
- reviews of material existing and new customer and supplier arrangements;
- debtor and inventory reviews; and
- internal control questionnaires completed by management as part of the half year and year end financial reporting process.

Risks and the management of risks are not static. Management and the Board regularly review both. A copy of the risk management policy is posted to the HGL website.

The Chief Executive and Chief Financial Officer confirm in writing that, to the best of their knowledge:

- the Company's financial report presents a true and fair view of the Company's financial condition and operating results and is in accordance with applicable accounting standards;
- the Company's financial records for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001; and
- the integrity of the financial records and systems is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.

The Board has received the above assurances for this financial year.

Principle 8 – Remunerate fairly and responsibly

The Board has established a Nomination and Remuneration Committee. At the date of this report the Committee consists of PG Miller (Chairman) and JD Constable. The principle is to reward for performance. An overview of the executive bonus schemes is described in the remuneration report. The functions and responsibilities of the Committee have been summarised under principle 2. The attendance of committee members is detailed in the directors' report. There are no retirement benefits, other than superannuation, for non executive directors.

PROFIT AND LOSS STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2010

	NOTE	CONSOLIDATED	
		2010 \$'000	2009 \$'000
Sales revenue	2	170,067	164,653
Cost of sales	2	(93,497)	(95,089)
Gross profit		76,570	69,564
Other revenue	2	10,887	7,594
Share of associates' profit		484	397
Sales, marketing and advertising expenses		(25,055)	(22,837)
Freight and distribution expenses		(7,116)	(6,765)
Administration expenses		(25,373)	(24,800)
Occupancy expenses		(4,614)	(4,351)
Impairment of available for sale assets		-	(1,665)
Fair value of interest rate swap		-	(651)
Finance costs		(1,229)	(2,502)
Profit before income tax expense		24,554	13,984
Income tax expense	3	(7,211)	(3,515)
Profit for the period		17,343	10,469
Attributable to:			
Equity holders of the parent		13,416	7,972
Non controlling interest		3,927	2,497
		17,343	10,469
		CENTS	CENTS
Basic earnings per share	21	26.3	16.0
Diluted earnings per share	21	26.3	16.0

Notes to the financial statements are included on pages 28 to 53.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2010

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Profit for the period	17,343	10,469
Other comprehensive income		
Revaluation (loss)/gain recognised on available for sale investments, net of tax	(475)	1,869
Revaluation transferred to the profit and loss statement on sale of available for sale investments, net of tax	(6,565)	(4,283)
Revaluation gain recognised on land and buildings revaluation reserve, net of tax	-	168
Exchange differences arising on translation of foreign operations, net of tax	(553)	(70)
Other comprehensive income for the period	(7,593)	(2,316)
Total comprehensive income for the period	9,750	8,153
Total comprehensive income attributable to:		
Equity holders of the parent	5,747	5,718
Non controlling interest	4,003	2,435
	9,750	8,153

Notes to the financial statements are included on pages 28 to 53.

BALANCE SHEET

AS AT 30 SEPTEMBER 2010

	NOTE	CONSOLIDATED	
		2010 \$'000	2009 \$'000
Current Assets			
Cash and cash equivalents		8,432	8,126
Trade and other receivables	4	31,589	29,651
Inventories	5	33,322	33,368
Current tax assets	12	–	1,121
Total Current Assets		73,343	72,266
Non-current Assets			
Investments accounted for using the equity method	6	1,749	2,235
Other financial assets	7	2,011	15,924
Property, plant and equipment	9	11,842	10,530
Intangibles	8	27,394	27,489
Deferred tax assets	13	3,716	2,371
Total Non-current Assets		46,712	58,549
Total Assets		120,055	130,815
Current Liabilities			
Trade and other payables	10	20,697	21,245
Borrowings	11	3,117	2,477
Current tax liabilities	12	2,951	–
Provisions	14	3,905	3,865
Total Current Liabilities		30,670	27,587
Non-current Liabilities			
Borrowings	11	3,296	19,016
Deferred tax liabilities	13	–	673
Provisions	14	1,453	987
Total Non-current Liabilities		4,749	20,676
Total Liabilities		35,419	48,263
Net Assets		84,636	82,552
Equity			
Issued capital	16	34,479	33,678
Reserves	18	1,943	9,235
Retained earnings	17	33,307	25,474
HGL Limited Equity Interest		69,729	68,387
Non Controlling Interest	15	14,907	14,165
Total Equity		84,636	82,552

Notes to the financial statements are included on pages 28 to 53.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2010

	RESERVES									
	ISSUED	AVAILABLE	LAND AND	FOREIGN	EMPLOYEE	OTHER	RETAINED	TOTAL	NON CON-	TOTAL
	CAPITAL	FOR SALE	BUILDINGS	CURRENCY	SHARE		EARNINGS		TROLLING	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED 2010										
Balance at beginning of year	33,678	7,040	924	(187)	2,442	(984)	25,474	68,387	14,165	82,552
Profit after income tax expense	-	-	-	-	-	-	13,416	13,416	3,927	17,343
Other comprehensive income for the period										
Revaluation of listed securities	-	(475)	-	-	-	-	-	(475)	-	(475)
Transferred to the profit and loss statement on sale of AFS investments	-	(6,565)	-	-	-	-	-	(6,565)	-	(6,565)
Translation of overseas controlled entities	-	-	-	(623)	-	-	(6)	(629)	76	(553)
Total comprehensive income for the period	-	(7,040)	-	(623)	-	-	13,410	5,747	4,003	9,750
Dividend paid (Note 15 and 19)	-	-	-	-	-	-	(5,577)	(5,577)	(2,890)	(8,467)
ESS Shares issued (Note 16)	88	-	-	-	-	-	-	88	-	88
Shares issued under DRP (Note 16)	1,356	-	-	-	-	-	-	1,356	-	1,356
Shares bought back (Note 16)	(643)	-	-	-	-	-	-	(643)	-	(643)
Purchase of options (Note 15 and 25)	-	-	-	-	-	371	-	371	(371)	-
Balance at end of year	34,479	-	924	(810)	2,442	(613)	33,307	69,729	14,907	84,636
CONSOLIDATED 2009										
Balance at beginning of year	32,409	9,454	756	(179)	2,442	(1,032)	21,602	65,452	14,088	79,540
Profit after income tax expense	-	-	-	-	-	-	7,972	7,972	2,497	10,469
Other comprehensive income for the period										
Revaluation of listed securities	-	1,869	-	-	-	-	-	1,869	-	1,869
Transferred to the profit and loss statement on sale of AFS investments	-	(4,283)	-	-	-	-	-	(4,283)	-	(4,283)
Revaluation of land and buildings	-	-	168	-	-	-	-	168	-	168
Translation of overseas controlled entities	-	-	-	(8)	-	-	-	(8)	(62)	(70)
Total comprehensive income for the period	-	(2,414)	168	(8)	-	-	7,972	5,718	2,435	8,153
Dividend paid (Note 15 and 19)	-	-	-	-	-	-	(3,993)	(3,993)	(1,671)	(5,664)
ESS Shares issued (Note 16)	99	-	-	-	-	-	-	99	-	99
Shares issued under DRP (Note 16)	1,441	-	-	-	-	-	-	1,441	-	1,441
Shares bought back (Note 16)	(271)	-	-	-	-	-	-	(271)	-	(271)
Other (Note 15 and 17)	-	-	-	-	-	48	(107)	(59)	(687)	(746)
Balance at end of year	33,678	7,040	924	(187)	2,442	(984)	25,474	68,387	14,165	82,552

All comprehensive income is net of tax.

Notes to the financial statements are included on pages 28 to 53.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2010

	NOTE	CONSOLIDATED	
		2010 \$'000	2009 \$'000
Cash flows from operating activities			
Receipts from customers		185,286	184,442
Payments to suppliers and employees		(171,527)	(171,151)
Dividends received		230	924
Income tax paid		(1,773)	(3,202)
Interest received		523	550
Interest paid		(1,229)	(2,502)
Interest rate swap settlement		-	(1,416)
Net cash inflow from operating activities	29	11,510	7,645
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		(3,934)	(2,539)
Proceeds from sale of property, plant and equipment		313	318
Payment for purchase of controlled entities		-	(4,554)
Cash in deconsolidated entity		-	(446)
Cash in newly consolidated entity		153	-
Proceeds from sale of listed securities		13,131	25,674
Loan to other entities		-	(95)
Loan repaid by other entities		-	408
Net cash inflow/(outflow) from investing activities		9,663	18,766
Cash flows from financing activities			
Payment for share buy back		(643)	(271)
Proceeds from borrowings		1,927	5,303
Repayment of borrowings		(14,986)	(26,793)
Dividends paid:			
Members of the parent entity		(4,221)	(2,552)
Non controlling interest		(2,890)	(1,894)
Net cash inflow/(outflow) from financing activities		(20,813)	(26,207)
Net increase/(decrease) in cash held		360	204
Cash and cash equivalents at the beginning of the financial year		8,126	7,931
Effects of exchange rate changes on the balance of cash held in foreign currencies		(54)	(9)
Cash and cash equivalents at the end of the financial year		8,432	8,126

Notes to the financial statements are included on pages 28 to 53.

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 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.

Critical accounting judgements and key sources of estimation uncertainty

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.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies for the consolidated entity's intangible assets and inventories are set out below:

Note 5 - Inventories. The key assumptions in estimating net realisable value require the use of management judgement and are reviewed annually.

Note 8 - Intangibles. Determining whether goodwill is impaired requires an estimation by management of the value in use of the cash generating units to which goodwill has been allocated.

Statement of compliance

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

The financial statements were authorised for issue by the directors on 24 November 2010.

(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.

Non controlling interests are shown separately in the consolidated profit and loss 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 profit and loss 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 profit and loss 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 profit and loss 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 profit and loss 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 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 profit and loss 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 instruments.

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 profit and loss 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.

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 profit and loss 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) Borrowings

Borrowings, are initially measured at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method.

(r) 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.

(s) 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.

(t) 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.

(u) 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 2010:

- (i) AASB 9 Financial Instruments - effective on or after 1 January 2013. Introduces new requirements for classifying and measuring financial assets. The proposed changes that may impact on the consolidated entity include:
 - (1) the requirement to measure all instruments, other than debt instruments and investments in equity instruments, at fair value with changes recognised in the profit or loss; and
 - (2) the concept of 'embedded derivatives' does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

- (ii) AASB 124 Related Party Disclosures (2009) - effective on or after 1 January 2011. Amends the requirements of the previous version of AASB 124 to clarify the definition of the related party and includes an explicit requirement to disclose commitments involving related parties. There is not expected to be an impact on the related party disclosures.

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

(v) Adoption of revised AASB Accounting Standards

In the current year, the consolidated entity has adopted:

- (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 has not impacted 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 is 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 have also changed; and
- (iii) 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 has been 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.

	NOTE	CONSOLIDATED	
		2010 \$'000	2009 \$'000
2 - Profit from Operations			
a) Revenue			
Sales revenue		170,067	164,653
Net income from MMC Contrarian Limited		-	7
Acquisition discount	25	761	-
Profit on sale of listed securities		9,373	6,120
Dividends from listed securities		230	917
Interest:			
Other entities - bank		325	414
Employee Share Scheme:			
Key management personnel		198	136
		180,954	172,247
b) Profit/(Loss) before income tax			
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		50	(56)
Foreign exchange gain		535	425
c) Expenses			
Cost of sales		93,497	95,089
Interest:			
Associates		49	48
Other entities - bank		1,089	2,364
Fair value of interest rate swap		-	651
Finance charges relating to finance leases		91	90
		1,229	3,153
Depreciation:			
Buildings		72	75
Leased plant and equipment		294	366
Leasehold improvements		90	81
Plant and equipment		1,682	1,477
		2,138	1,999

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
2 - Profit from Operations CONTINUED		
Employee benefits expense:		
Salary and wages	36,311	34,095
Defined contribution superannuation plans	2,232	2,197
Movement in equity liability	-	(584)
	38,543	35,708
Loss on sale of listed securities	-	81
Doubtful debts arising from:		
Other entities - customers	487	420
Writedown of inventory to net realisable value	992	1,585
Operating lease expenses:		
Minimum lease payments	4,452	4,195

3 - Income Tax

a) Income tax recognised in profit

Tax expense comprises:

Current tax expense	6,459	2,142
Prior year over provision	(247)	(346)
Deferred tax expense	999	1,719
	7,211	3,515

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

Prima facie income tax expense on profit from ordinary activities at 30% (2009: 30%)	7,366	4,195
Fully franked dividends	(69)	(275)
Equity share of associates' profit	(25)	(39)
Income on scheme loans recognised directly in equity	116	80
Movement in equity liability	-	(175)
Amortisation and depreciation on buildings	22	23
Non-allowable expenses	48	52
Prior year over provision	(247)	(346)
	7,211	3,515

b) Income tax recognised directly in equity

The following deferred amounts were charged directly to equity during the period:

Deferred tax - available for sale assets	(3,017)	(1,035)
--	---------	---------

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
4 - Trade and Other Receivables		
Current		
Trade receivables	29,219	26,095
Allowance for doubtful debts	(795)	(496)
	28,424	25,599
Other debtors	3,165	4,052
	31,589	29,651
Movement in allowance for doubtful debts		
Opening balance	(496)	(304)
Additional provisions	(487)	(420)
Amounts written off	192	230
Foreign currency exchange differences	(4)	(2)
Closing balance	(795)	(496)
Age of trade receivables		
Not yet due	19,694	20,042
Past due 0-30 days	5,631	3,634
Past due 31-60 days	1,851	1,348
Past due 61-90 days	1,311	480
Past due greater than 90 days	732	591
	29,219	26,095

The average credit period on sales, excluding cash on delivery sales, is generally 30-60 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	2,629	2,927
Work in progress	486	280
Finished goods	30,207	30,161
	33,322	33,368

6 - Investments Accounted for Using the Equity Method

NAME OF ENTITY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST CONSOLIDATED		CARRYING AMOUNT CONSOLIDATED	
		2010 %	2009 %	2010 \$'000	2009 \$'000
Safilo Australia Partnership ¹	Optical Frame Distribution	19.5	19.5	1,303	1,546
Amcla Pty Limited ²	Pharmacy Product Distribution	36.6	36.6	416	471
Other immaterial associates				30	218
				1,749	2,235

¹ The statutory reporting date of Safilo Australia Partnership is 31 December.

² The statutory reporting date of Amcla Pty Ltd is 30 June.

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Summarised financial position of associates		
Current assets	10,807	13,744
Non-current assets	325	433
Total assets	11,132	14,177
Current liabilities	3,519	4,410
Non-current liabilities	211	214
Total liabilities	3,730	4,624
Net assets	7,402	9,553
Revenue	17,204	23,782
Profit after tax	2,366	1,783
Share of associates' profit:		
Share of profit before income tax	520	452
Income tax expense ¹	(36)	(55)
Share of associates' profit	484	397

¹ 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 \$643,500 (2009: \$390,000) 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. The call option can now be exercised 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.
- The amount to be received under the call option is approximately the same amount as HGL's share of the fair value of the business.

	NOTE	CONSOLIDATED	
		2010 \$'000	2009 \$'000
7 - Other Financial Assets			
Non Current			
At fair value:			
Available for sale shares		–	13,815
At amortised cost:			
Interest bearing loans advanced to:			
Key management personnel	22	2,011	1,968
Other entities		–	141
		2,011	2,109
		2,011	15,924

8 – Intangibles

Goodwill

Net book value at the beginning of the financial year		27,489	27,304
Acquisition of businesses		–	189
Net foreign currency exchange difference		(95)	(4)
Net book value at the end of the financial year		27,394	27,489

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

JSB		10,166	10,166
Biante		6,358	6,358
BLC		5,908	5,908
SPOS		2,815	2,815
Other ¹		2,147	2,242
		27,394	27,489

¹ Other comprises Mountcastle Pty Ltd, J Leutenegger Pty Ltd and Aarque Group Limited. The movement is the foreign currency translation of Aarque Group Limited.

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% (2009: 11.7%). The discount rate was reviewed at September 2010 and was 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.

	LAND & BUILDINGS \$'000	LEASEHOLD IMPROVEMENTS \$'000	CONSOLIDATED PLANT & EQUIPMENT \$'000	LEASED PLANT & EQUIPMENT \$'000	TOTAL \$'000
9 - Property, Plant and Equipment					
Gross Carrying Amount					
Balance at 30 September 2008	5,737	1,105	8,539	2,037	17,418
Additions	-	50	2,120	308	2,478
Net revaluation increments	79	-	-	-	79
Disposals	(374)	(5)	(1,054)	(595)	(2,028)
Deconsolidation of controlled entity	-	-	(76)	-	(76)
Net foreign currency exchange difference	(29)	(5)	(16)	-	(50)
Balance at 30 September 2009	5,413	1,145	9,513	1,750	17,821
Additions	-	659	2,851	424	3,934
Disposals	-	(353)	(729)	(617)	(1,699)
Net foreign currency exchange difference	(207)	(39)	(117)	-	(363)
Balance at 30 September 2010	5,206	1,412	11,518	1,557	19,693
Accumulated Depreciation					
Balance at 30 September 2008	(341)	(936)	(4,773)	(986)	(7,036)
Disposals	374	4	829	445	1,652
Deconsolidation of controlled entity	-	-	74	-	74
Depreciation expense	(75)	(81)	(1,477)	(366)	(1,999)
Net foreign currency exchange difference	2	3	13	-	18
Balance at 30 September 2009	(40)	(1,010)	(5,334)	(907)	(7,291)
Disposals	-	348	595	493	1,436
Depreciation expense	(72)	(90)	(1,682)	(294)	(2,138)
Net foreign currency exchange difference	-	34	108	-	142
Balance at 30 September 2010	(112)	(718)	(6,313)	(708)	(7,851)
Net Book Value					
As at 30 September 2010	5,094	694	5,205	849	11,842
As at 30 September 2009	5,373	135	4,179	843	10,530

The carrying value of the properties are based on market values provided by independent valuations made in 2009 and 2008. It was determined the carrying value of the land and buildings was not materially different to the fair value.

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
The carrying amount of land and buildings had they been recognised under the cost model	3,939	4,003

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

	NOTE	CONSOLIDATED	
		2010 \$'000	2009 \$'000
10 – Trade and Other Payables			
Trade payables and accruals		15,559	17,228
Deferred revenue		984	919
Other accruals		4,154	3,098
		20,697	21,245

The average credit period on purchases is generally 30-60 days. Interest can be charged on overdue accounts. The consolidated entity has financial risk management procedures in place to ensure that payables are paid within terms.

11 – Borrowings

Current			
Secured at amortised cost:			
Lease liabilities ¹	27	363	424
Fixed rate bank loans ^{2,3}	28	2,754	2,053
		3,117	2,477
Non-current			
Secured at amortised cost:			
Floating rate bank loans ²	28	–	16,300
Fixed rate bank loans ^{2,3}	28	2,558	2,063
Lease liabilities ¹	27	738	653
		3,296	19,016

¹ Lease liabilities are secured by the respective assets acquired.

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

³ Bank facilities are secured by a mortgage over properties.

12 – Current Tax Assets and Liabilities

Income tax payable/(receivable) attributable to:			
Parent entity		36	(151)
Entities in the tax consolidated group		1,635	(1,076)
Other entities not in the tax consolidated group		1,280	106
		2,951	(1,121)

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.

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
13 – Deferred Tax Assets and Liabilities		
Deferred tax assets comprise:		
Tax losses - capital	95	1,426
Tax losses - revenue	294	945
Temporary differences	3,327	–
	3,716	2,371
Deferred tax liabilities comprise:		
Temporary differences	–	673
	–	673

	CONSOLIDATED 2010				CONSOLIDATED 2009			
	OPENING BALANCE \$'000	CHARGED TO INCOME \$'000	CHARGED TO EQUITY \$'000	CLOSING BALANCE \$'000	OPENING BALANCE \$'000	CHARGED TO INCOME \$'000	CHARGED TO EQUITY \$'000	CLOSING BALANCE \$'000
Gross deferred tax assets								
Employee provisions	1,456	152	–	1,608	1,451	5	–	1,456
Other provisions	1,854	884	–	2,738	2,396	(542)	–	1,854
Tax losses – capital realised	1,331	(1,331)	–	–	–	1,331	–	1,331
Tax losses – capital unrealised	95	–	–	95	4,470	(4,375)	–	95
Tax losses – revenue realised	506	(212)	–	294	–	506	–	506
Tax losses – revenue unrealised	439	(439)	–	–	773	(334)	–	439
	5,681	(946)	–	4,735	9,090	(3,409)	–	5,681
Gross deferred tax liabilities								
Land and buildings	878	141	–	1,019	884	(6)	–	878
Other provisions	88	(88)	–	–	131	(43)	–	88
Rollover relief	–	–	–	–	1,641	(1,641)	–	–
Available for sale assets	3,017	–	(3,017)	–	4,052	–	(1,035)	3,017
	3,983	53	(3,017)	1,019	6,708	(1,690)	(1,035)	3,983
	1,698	(999)	3,017	3,716	2,382	(1,719)	1,035	1,698

14 – Employee Benefits

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Current		
Employee benefits	3,905	3,865
Non-current		
Employee benefits	1,453	987
Total employee benefits	5,358	4,852

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
15 – Non Controlling Interest		
Balance at the beginning of financial year	14,165	14,088
Profit attributable to non controlling interest	3,927	2,497
Dividends attributable to non controlling interest	(2,890)	(1,671)
Land and buildings revaluation	–	51
Equity settled share based payments	–	21
Deconsolidation of controlled entity	–	(56)
Purchase of options in J Leutenegger	(371)	–
Foreign exchange	76	(62)
Purchase of equity interest	–	(703)
Balance at the end of the financial year	14,907	14,165

16 – Issued Capital

Issued share capital

51,114,406 (2009: 50,447,025) fully paid ordinary shares	34,479	33,678
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During the year the following changes occurred in fully paid ordinary shares:

	CONSOLIDATED		CONSOLIDATED	
	2010 NUMBER	2010 \$'000	2009 NUMBER	2009 \$'000
Balance at beginning of financial year	50,447,025	33,678	49,091,425	32,409
Allotted pursuant to HGL Dividend Reinvestment Plan	1,156,452	1,356	1,534,441	1,441
Cancellation of capital pursuant to the on-market share buy-back ¹	(565,821)	(643)	(232,657)	(271)
Shares issued to Employee Share Scheme participants	76,750	88	53,816	99
Balance at end of financial year	51,114,406	34,479	50,447,025	33,678

¹ The company has an on-market share buy-back. During the year 565,821 (2009: 232,657) ordinary shares were purchased at an average price of \$1.14 (2009: \$1.16) 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 key management personnel after November 2002 under the Employee Share Scheme are recognised as equity settled options.

	CONSOLIDATED		CONSOLIDATED	
	2010 NUMBER	2010 \$'000	2009 NUMBER	2009 \$'000
Issued capital at end of financial year	51,114,406	34,479	50,447,025	33,678
Shares issued to Employee Share Scheme participants after November 2002	3,553,297	6,285	3,479,879	6,199
Total share capital at end of financial year	54,667,703	40,764	53,926,904	39,877

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 58.

	NOTE	CONSOLIDATED	
		2010 \$'000	2009 \$'000
17 – Retained Earnings			
Balance at beginning of financial year		25,474	21,602
Net profit attributable to members of the entity		13,416	7,972
Dividends paid	19	(5,577)	(3,993)
Other		(6)	(107)
Balance at the end of the financial year		33,307	25,474

18 – Reserves

Available for sale revaluation reserve		–	7,040
Employee share scheme reserve		2,442	2,442
Land and buildings revaluation reserve		924	924
Foreign currency translation reserve		(810)	(187)
Other reserve		(613)	(984)
		1,943	9,235

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. The other reserve arose on HGL increasing its equity interests in J Leutenegger Pty Limited as this did not meet 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.

19 – Dividends

Ordinary Shares

Interim 2010 dividend paid 1 July 2010 (2009: 2 July 2009)

6.0 cents per share 100% franked at 30% (2009: 3.0 cents 100% franked at 30%) **2,522** 1,496

Final 2009 dividend paid 17 December 2009 (2009: 18 December 2008)

5.0 cents per share 100% franked at 30% (2009: 5.1 cents 100% franked at 30%) **3,055** 2,497

Total dividends paid **5,577** 3,993

Dividends actually paid or satisfied by the issue of shares under the Dividend Reinvestment Plan:

Paid in cash **4,221** 2,552

Satisfied by issue of shares 30 **1,356** 1,441

Dividends actually paid **5,577** 3,993

In accordance with Australian Tax Law the company maintains the franking account on a tax paid basis. At 30 September 2010 the consolidated entity has \$8,808,000 of franking credits (2009: \$8,789,000) sufficient to pay fully franked dividends of 37.6 cents per share (2009: 38.0 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 5.0 cents per share 100% franked at 30% will be payable on 16 December 2010.

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

	2010 \$'000	2009 \$'000
20 – Parent Entity Disclosures		
Balance Sheet		
Assets		
Current assets	28,174	2,670
Non current assets	49,727	95,452
Total assets	77,901	98,122
Liabilities		
Current liabilities	5,585	5,436
Non current liabilities	34	16,309
Total liabilities	5,619	21,745
Net Assets	72,282	76,377
Equity		
Issued capital	34,479	33,678
Reserves	2,822	2,442
Retained earnings	34,981	40,257
Total Equity	72,282	76,377
Statement of Comprehensive Income		
Profit after tax	300	15,687
Other comprehensive income	–	–
Total comprehensive income	300	15,687

There are no contingent liabilities or commitments for acquisition of property, plant and equipment.

21 – Earnings per Share

	CONSOLIDATED			
	2010 CENTS PER SHARE		2009 CENTS PER SHARE	
Basic earnings per share	26.3		16.0	
Diluted earnings per share	26.3		16.0	
	2010 \$'000	2010 NUMBER '000	2009 \$'000	2009 NUMBER '000
Basic earnings per share				
Earnings and weighted average number of ordinary shares for the purposes of basic earnings per share	13,416	50,959	7,972	49,816
Diluted earnings per share				
Earnings and weighted average number of ordinary shares for the purposes of diluted earnings per share	13,416	50,959	7,972	49,816

In the current year 3,553,297 shares (2009: 3,479,879) 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.

22 – 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). During the 2010 and 2009 years no shares were issued or bought back 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 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, 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, the expiration of twelve months after death, and 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.

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 result in release of shares from a holding lock.

As at 30 September 2010 there were 5 Scheme Loans outstanding (2009: 5 Scheme Loans). Loans 1 & 2 were issued pursuant to the HGL Limited Employee Share Scheme (1999). Loans 3, 4 and 5 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 and 5 are recognised as equity settled options.

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

	NOTE	2010 SCHEME SHARES NUMBER	2010 SCHEME LOANS \$'000	2009 SCHEME SHARES NUMBER	2009 SCHEME LOANS \$'000
Balance at beginning of financial year		5,246,202	8,167	4,916,763	7,915
DRP participation and capitalised interest		226,389	262	429,088	403
Disposal of Scheme Shares		(85,518)	(98)	–	–
Repayment of Loans and release of Scheme Shares		(31,701)	(35)	(99,649)	(151)
Balance at end of financial year		5,355,372	8,296	5,246,202	8,167
Recognised as shares (Loans 1 and 2)	7	1,802,075	2,011	1,766,323	1,968
Recognised as equity settled options (Loans 3, 4 and 5)		3,553,297	6,285	3,479,879	6,199
		5,355,372	8,296	5,246,202	8,167

22 – Employee Share Scheme CONTINUED

a) Details of Loans recognised as shares

2010	KJ ELEY			MP MAHONEY			TOTAL		
	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$
Loan 1	884,681	973,488	1,132,391	307,732	339,518	393,897	1,192,413	1,313,006	1,526,288
Loan 2	515,649	578,163	660,031	94,013	120,169	120,337	609,662	698,332	780,368
	1,400,330	1,551,651	1,792,422	401,745	459,687	514,234	1,802,075	2,011,338	2,306,656

2009	KJ ELEY			MP MAHONEY			TOTAL		
	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.09 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.09 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.09 \$
Loan 1	867,423	952,315	936,817	301,446	332,133	325,562	1,168,869	1,284,448	1,262,379
Loan 2	505,369	565,820	545,799	92,085	117,905	99,451	597,454	683,725	645,250
	1,372,792	1,518,135	1,482,616	393,531	450,038	425,013	1,766,323	1,968,173	1,907,629

The market value of HGL shares as at 30 September 2010 was \$1.28 (2009: \$1.08).

b) Details of Loans recognised as equity settled options

2010	KJ ELEY			MP MAHONEY			AJ WHITTLES		
	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$
Loan 3	459,757	797,613	588,489	374,017	592,262	478,742	280,513	444,176	359,057
Loan 4	438,234	805,178	560,940	350,587	644,142	448,751	262,944	483,089	336,568
Loan 5	414,330	763,157	530,342	331,466	610,530	424,276	248,599	457,878	318,207
	1,312,321	2,365,948	1,679,771	1,056,070	1,846,934	1,351,769	792,056	1,385,143	1,013,832

2010	PS CALDELIS			TOTAL		
	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$
Loan 3	140,261	222,002	179,534	1,254,548	2,056,053	1,605,822
Loan 4	128,285	235,911	164,205	1,180,050	2,168,320	1,510,464
Loan 5	124,304	228,862	159,109	1,118,699	2,060,427	1,431,934
	392,850	686,775	502,848	3,553,297	6,284,800	4,548,220

22 – Employee Share Scheme CONTINUED

b) Details of Loans recognised equity settled options (continued)

2009	KJ ELEY			MP MAHONEY			AJ WHITTLES		
	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.09 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.09 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.09 \$
Loan 3	450,254	786,453	486,274	366,299	583,198	395,603	274,725	437,398	296,703
Loan 4	429,176	794,540	463,510	343,340	635,631	370,807	257,509	476,725	278,110
Loan 5	405,768	753,102	438,229	324,614	602,483	350,583	243,461	451,862	262,938
	1,285,198	2,334,095	1,388,013	1,034,253	1,821,312	1,116,993	775,695	1,365,985	837,751

2009	PS CALDELIS			TOTAL		
	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.09 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.09 \$
Loan 3	137,366	218,701	148,355	1,228,644	2,025,750	1,326,935
Loan 4	125,633	232,887	135,684	1,155,658	2,139,783	1,248,111
Loan 5	121,734	225,932	131,473	1,095,577	2,033,379	1,183,223
	384,733	677,520	415,512	3,479,879	6,198,912	3,758,269

The market value of HGL shares at 30 September 2010 was \$1.28 (2009: \$1.08).

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. 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.

23 – 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. For details of the loans in relation to the Employee Share Scheme refer to Note 22.

b) Key management personnel compensation

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 EMPLOYEE BENEFITS \$	POST EMPLOYMENT BENEFITS \$	SHARE BASED PAYMENTS \$	LONG TERM EMPLOYEE BENEFITS \$	TOTAL \$
2010	1,284,808	70,368	–	21,307	1,376,483
2009	1,148,551	67,554	–	11,713	1,227,818

23 – Related Party Disclosures CONTINUED**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 BEGINNING OF PERIOD NUMBER	REPAYMENT OF SCHEME LOANS 1 AND 2 NUMBER	EXERCISE OF OPTIONS NUMBER	DRP SHARES ISSUED NUMBER	ON MARKET PURCHASE NUMBER	SHARES AT END OF PERIOD NUMBER	BALANCE HELD NOMINALLY NUMBER
2010							
PG Miller	9,121,616	–	–	391,902	–	9,513,518	9,473,795
FM Wolf	291,377	–	–	–	73,238	364,615	–
JD Constable	44,625	–	–	–	–	44,625	625
KJ Eley	755,737	31,701	–	–	–	787,438	–
MP Mahoney	99,870	–	–	9,507	–	109,377	–
AJ Whittles	42,139	–	–	4,014	–	46,153	–
PS Caldelis	20,814	–	–	1,983	–	22,797	–
2009							
PG Miller	8,326,343	–	–	731,406	63,867	9,121,616	9,081,893
FM Wolf	291,377	–	–	–	–	291,377	–
JD Constable	44,625	–	–	–	–	44,625	625
KJ Eley	700,448	35,871	19,418	–	–	755,737	–
MP Mahoney	66,880	9,962	16,211	6,817	–	99,870	–
AJ Whittles	27,156	–	12,158	2,825	–	42,139	–
PS Caldelis	13,391	–	6,029	1,394	–	20,814	–

The key management personnel equity holdings exclude the Employee Scheme Shares detailed in note 22.

There were no other movements in personnel 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 was \$3,217 (2009: \$1,355) 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 \$51,381 (2009: \$21,535) for listed securities.

24 – Segment Reporting

Operating segments are reported in a manner which is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors. The internal reports reviewed by the Board, which are used to make strategic decisions, are separated into two distinct reporting segments: Branded Products and Listed Shares. These segments derive revenue from the following activities:

Branded Products: Supplying market leading branded products into the following markets, Large Format Printing, Home Sewing and Craft, Point of Sale, Top End Lighting, Eye Testing Instruments, Beauty, Collector Model Cars and Specialist Headwear and Uniforms.

Listed Shares: The ownership and sale of listed shares. The last of the listed shares were sold during 2010.

24 – Segment Reporting CONTINUED

The results of these segments are shown below:

	CONSOLIDATED 2010			CONSOLIDATED 2009		
	BRANDED PRODUCTS \$'000	LISTED SHARES \$'000	CONSOLIDATED \$'000	BRANDED PRODUCTS \$'000	LISTED SHARES \$'000	CONSOLIDATED \$'000
Revenue	170,067	9,603	179,670	164,653	7,037	171,690
Underlying profit before interest, tax, depreciation and amortisation and non controlling interest	17,273	230	17,503	13,027	917	13,944
Depreciation and amortisation	(2,138)	-	(2,138)	(1,999)	-	(1,999)
Underlying profit before interest, tax and non controlling interest	15,135	230	15,365	11,028	917	11,945
Segment assets	120,055	-	120,055	117,000	13,815	130,815
Segment liabilities	(35,419)	-	(35,419)	(48,263)	-	(48,263)
Segment acquisition of assets	3,934	-	3,934	2,478	-	2,478

Reconciliation of underlying profit before interest, tax and non controlling interest to net profit after tax:

	CONSOLIDATED 2010			CONSOLIDATED 2009		
	UNDERLYING PROFIT \$'000	OTHER \$'000	CONSOLIDATED \$'000	UNDERLYING PROFIT \$'000	OTHER \$'000	CONSOLIDATED \$'000
Underlying profit before interest, tax and non controlling interest	15,365	-	15,365	11,945	-	11,945
Realised profit on sale of listed securities	-	9,373	9,373	-	6,039	6,039
Write off lease incentive	-	(239)	(239)	-	-	-
Acquisition discount	-	761	761	-	-	-
Disposal of controlled entity	-	-	-	-	(316)	(316)
Movement in equity liability	-	-	-	-	584	584
Revaluation of available for sale assets	-	-	-	-	(1,665)	(1,665)
Interest income	523	-	523	550	-	550
Interest expense	(1,229)	-	(1,229)	(2,502)	(651)	(3,153)
Net profit before tax	14,659	9,895	24,554	9,993	3,991	13,984
Income tax expense	(4,306)	(2,905)	(7,211)	(2,493)	(1,022)	(3,515)
Profit after tax	10,353	6,990	17,343	7,500	2,969	10,469
Non controlling interest	(3,586)	(341)	(3,927)	(2,497)	-	(2,497)
Profit after tax and non controlling interest	6,767	6,649	13,416	5,003	2,969	7,972

Revenue is predominately derived, in Australia, from supplying branded products into niche markets. Approximately, 9% of revenue is derived from providing maintenance and repair services. Revenue from no single customer is greater than 10% of the Group's revenues. There were no intersegment sales during the year (2009: \$nil).

25 – Investment in Controlled Entities

Company	COUNTRY OF INCORPORATION/FORMATION	OWNERSHIP INTEREST	
		2010 %	2009 %
Company			
HGL Limited	Australia	–	–
Subsidiaries			
Baker & McAuliffe Holdings Pty Ltd (trading as JSB Lighting)	Australia	100	100
BLC Cosmetics Pty Limited	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 SPOS)	Australia	100	100
The Point-of-Sale Centre (New Zealand) Ltd *	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 Group Limited *	NZ	50**	50

* 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 final deferred consideration acquisition payment for JSB of \$3.7 million was paid in 2009.

The Chief Executive of J Leutenegger had an option to acquire 20% of J Leutenegger and Biante. On 1 October 2009 the option was cancelled and replaced with a long term incentive scheme.

In May 2010 Mountcastle Pty Ltd increased its interest in Trutex Pty Limited from 50% to 100% creating a discount on acquisition of \$761,000.

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

26 – Auditors' Remuneration

	CONSOLIDATED	
	2010 \$	2009 \$
Auditor of the parent entity		
Audit and review of the financial reports	333,650	336,550
Other auditors		
Audit and review of the financial reports	47,374	42,076
Taxation services	48,862	41,993
	96,236	84,069

The auditor of HGL Limited is Deloitte Touche Tohmatsu.

	NOTE	CONSOLIDATED	
		2010 \$'000	2009 \$'000
27 – Lease Commitments			
Finance leases			
Plant and equipment		1,257	1,187
Payable not later than one year		439	496
Payable later than one, not later than five years		818	691
		1,257	1,187
Future finance charges		(156)	(110)
Provided for in the financial statements		1,101	1,077
Representing lease liabilities:			
Current	11	363	424
Non-current	11	738	653
		1,101	1,077

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

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

Operating leases			
Land and buildings		10,515	10,564
Motor vehicles		427	442
		10,942	11,006
Payable not later than one year		3,688	3,607
Payable later than one, not later than five years		7,254	7,399
		10,942	11,006

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.

28 – 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 credit risk and liquidity risk. Foreign exchange contracts and interest rate instruments are used to manage the currency and interest rate risk. The consolidated entity does not engage in speculative activities. Foreign currency management is governed by the risk management and internal control policy approved by the board of directors.

Capital management

The consolidated entity manages its capital to ensure that the business units will have funding to expand. The capital structure consists of debt, which includes the borrowings disclosed in note 11, cash and cash equivalents, issued capital and reserves disclosed in notes 16 and 18 and retained earnings, note 17. The capital structure is reviewed regularly and is balanced through the payment of dividends and share buybacks as well as the level of debt. Borrowing facilities are explained elsewhere within this note.

	NOTE	CONSOLIDATED	
		2010 \$'000	2009 \$'000
28 – Financial Instruments CONTINUED			
Categories of financial instruments			
Financial assets			
Cash and cash equivalents		8,432	8,126
Trade receivables	4	28,424	25,599
Other financial assets	7	2,011	15,924
Financial liabilities			
Trade payables and accruals	10	15,559	17,228
Borrowings – Fixed rate loans	11	5,312	4,116
Borrowings – Floating rate loans	11	–	16,300
Borrowings – Finance lease liabilities	11	1,101	1,077

The consolidated entity groups its financial instruments into groups using the fair value hierarchy outlined in AASB 7 Financial Instruments. At 30 September 2010 the consolidated entity had \$5,190,000 of foreign currency forward contracts with a fair value of \$236,000 that were classed as level 2 financial instruments. The company did not have any level 1 or level 3 financial instruments at the date of this report. There were no transfers between the fair value hierarchy categories during the year.

Fair value

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

- Foreign exchange forward contracts and interest rate 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 or option pricing models as appropriate.
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

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

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 and foreign exchange bank accounts. At the year end the consolidated entity has \$2,940,000 (2009: \$7,180,000) of monetary liabilities mainly in USD and Euros. The consolidated entity has \$3,043,000 (2009: \$3,046,000) of monetary assets mainly in USD and Euros. In addition the consolidated entity has \$5,190,000 (2009: \$3,986,000) foreign currency forward contracts outstanding at 30 September 2010. The consolidated entity used a 10% sensitivity analysis and concluded there was no material impact on the 2010 and 2009 net outstanding foreign currency exposure.

The following table details the forward foreign exchange contracts outstanding as at 30 September 2010:

	AVERAGE EXCHANGE RATE		FOREIGN CURRENCY		CONTRACT VALUE		FAIR VALUE	
	2010	2009	2010 FC'000	2009 FC'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Buy US Dollar								
Less than 3 months	0.91	0.84	3,865	1,234	4,266	1,479	(227)	(61)
Buy Euros								
Less than 3 months	0.71	0.58	353	1,122	497	1,947	1	(56)
Buy Japanese Yen								
Less than 3 months	78.05	78.83	26,949	27,131	345	344	(11)	2
Buy Great British Pound								
Less than 3 months	0.61	–	50	–	82	–	1	–

28 – Financial Instruments CONTINUED

Interest rate risk management

The consolidated entity is exposed to interest rate risk as entities within the consolidated entity 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 cap. These instruments allow the consolidated entity 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.

At the year end the company and consolidated entity had an outstanding interest rate cap. The \$10 million cap is in place until July 2011 and has a cap interest rate of 7.0%. The benchmark reference rate for the interest rate cap is the 90 day BBSY BID rate and any amounts due to the company under the cap are settled on a quarterly basis.

Borrowings

The Company's banking facilities with the Australia and New Zealand Banking Group Limited (ANZ) expire in December 2012. The Company has unrestricted access available at balance date to facilities totalling \$10 million (2009: \$24 million). At 30 September 2010 \$nil (2009: \$16.3 million) was drawn down. The undrawn banking facilities are mainly maintained to provide the flexibility to acquire additional businesses. The remaining bank loans in the consolidated entity are at fixed rates and mature periodically up until July 2015.

At the year end the consolidated entity considered the impact of interest rate changes in the consolidated entity. A 1% increase or decrease, with all other variables held constant, would result in the consolidated entity's net profit changing by \$70,000 (2009: \$114,000). This is calculated assuming the consolidated entity has fully utilised its variable borrowings.

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.

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 consolidated entity's short, medium and long term funding and liquidity management requirements. The consolidated entity 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 consolidated entity's remaining contractual maturity for its 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 consolidated entity can be required to pay. The table includes both interest and principal cash flows.

	CONSOLIDATED 2010 MATURING GROUPING				CONSOLIDATED 2009 MATURING GROUPING			
	INTEREST RATE %	1 YEAR OR LESS \$'000	1 TO 2 YEARS \$'000	OVER 2 YEARS \$'000	INTEREST RATE %	1 YEAR OR LESS \$'000	1 TO 2 YEARS \$'000	OVER 2 YEARS \$'000
Current payables	–	15,559	–	–	–	17,228	–	–
Borrowings - fixed	7.13	3,385	2,036	182	8.43	1,060	1,733	469
Borrowings - floating	–	–	–	–	6.59	545	16,936	–
Finance Lease Liabilities	9.07	370	672	71	9.10	422	404	250
Total		19,314	2,708	253		19,255	19,073	719

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
29 – Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities		
Profit from operations	17,343	10,469
Share of associates' profit	(484)	(397)
Depreciation expense	2,138	1,999
Acquisition discount	(761)	–
Impairment of available for sale assets	–	1,665
Fair value of interest rate swap	–	651
Movement in equity liability	–	(584)
Loss/(profit) on foreign currency translation	317	(493)
	18,553	13,310
Profit on sale of shares and property, plant and equipment	(9,423)	(5,666)
(Increase)/decrease in receivables and other assets	(1,244)	1,881
(Increase)/decrease in inventories	715	781
Increase/(decrease) in accounts payable and other liabilities	1,910	(4,380)
Increase/(decrease) in deferred tax provisions	999	1,719
	2,380	1
Net cash inflow from operating activities	11,510	7,645

30 – Non-cash Financing and Investing Activities

Acquisition of plant and equipment by means of finance leases	424	308
Dividend satisfied by the issue of shares under the Dividend Reinvestment Plan	1,356	1,441

31 – Contingent Liabilities and Capital Commitments

There are no significant contingent liabilities or capital commitments.

32 – Subsequent Events

There are no significant subsequent events.

The Directors declare that:

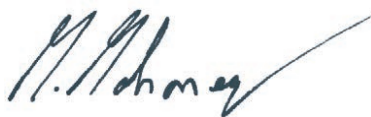
- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;
- (c) 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
- (d) 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



MP Mahoney
Director and Chief Executive

Sydney, 24 November 2010



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Report on the Financial Report

We have audited the accompanying financial report of HGL Limited, which comprises the balance sheet as at 30 September 2010, and the profit and loss statement, statement of comprehensive income, statement of cash flows 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 23 to 54.

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.

Deloitte.

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 consolidated entity's financial position as at 30 September 2010 and of its 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 15 to 18 of the directors' report for the year ended 30 September 2010. 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 2010, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Rossetti.

Mark Rossetti
Partner
Chartered Accountants

Sydney, 24 November 2010

SHAREHOLDER INFORMATION

On 11 November 2010 there were 2,424 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	741	233,717
1,001	- 5,000	738	2,102,316
5,001	- 10,000	405	3,112,604
10,001	- 100,000	479	12,272,724
100,001	- and over	61	36,946,342
		2,424	54,667,703

Number of shareholders holding less than a marketable parcel (368 shares) is 451.

Percentage of the total holdings of the 20 largest shareholders is 58.63%.

Twenty largest ordinary shareholders

	NAME	NUMBER OF SHARES HELD	% OF TOTAL ISSUED CAPITAL
1	Sery Pty Ltd	7,901,519	14.45
2	Constable Investments Group Ltd	5,679,653	10.39
3	Kevin Eley	3,500,089	6.40
4	Michael Mahoney	1,567,192	2.87
5	LPO Investments Pty Ltd	1,534,085	2.81
6	ANZ Trustees Ltd (Queensland Common Fund Account)	1,419,088	2.60
7	Jancon Pty Limited	1,358,550	2.49
8	FM Parker Pty Ltd (FMP & ORS A/C)	1,282,550	2.35
9	Extra Edge Pty Limited	921,500	1.69
10	JP Morgan Nominees Australia Ltd	859,150	1.57
11	Andrew Whittles	838,209	1.53
12	National Nominees Limited	811,770	1.48
13	George Edward Curphey	727,277	1.33
14	Jennifer Anne Drummond	718,541	1.31
15	Citicorp Nominees Pty Limited	661,522	1.21
16	ANZ Trustees Limited - The JO & JR Wicking A/C	515,000	0.94
17	Kitwood Pty Limited	510,000	0.93
18	Ida Lichter	426,594	0.78
19	Peter Caldelis	415,647	0.76
20	Oscarsborg Fort Pty Limited	402,945	0.74
		32,050,881	58.63

Substantial shareholders

The following information is extracted from the Company's Register of Substantial Shareholders as at 11 November 2010:

	NAME	NUMBER OF SHARES AS PER NOTICE
1	Sery Pty Limited and its associates	10,307,059
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:

- a) at meetings of shareholders each shareholder is entitled to vote in person, by proxy, by attorney, or by representative;
- b) on a show of hands each shareholder present in person, by proxy, by attorney, or by representative has one vote; and
- c) 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:

- a) shareholders are eligible to participate, except where local legislation prevents it;
- b) participation is optional;
- c) full or partial participation is available;
- d) 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 Securities 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:

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Level 5, 34 Hunter Street, Sydney NSW 2000

GPO Box 4406, Sydney NSW 2001

Amounts after 2005 are reported under Australian equivalents to International Financial Reporting Standards.

All prior periods are reported under previous Australian Accounting Standards.

		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Underlying profit (\$'000)	(a)	6,767	5,003	8,447	9,309	7,438	7,033	5,580	2,386		
Underlying earnings per share (cents)	(a)	13.3	10.0	17.3	19.2	15.5	14.7	11.3	5.1		
Capital profit/(loss) and revaluations (\$'000)	(a)	6,694	2,969	(15,908)	6,344	1,613	343	4,953	7,552		
Reported profit/(loss) (\$'000)		13,416	7,972	(7,461)	15,653	9,051	7,376	10,533	9,938	8,013	6,112
Reported earnings per share (cents)		26.3	16.0	(15.3)	32.4	18.9	15.4	21.4	21.2	17.2	13.2
Dividend per share (cents)	(b)	11.0	8.0	12.1	14.4	11.6	10.2	9.0	8.6	12.0	10.3
Shares on issue ('000)		51,114	50,447	49,091	48,577	48,108	47,682	50,443	47,213	46,583	46,507
Total shareholders' equity (\$'000)		84,636	82,552	79,540	106,076	87,265	77,090	80,132	65,744	54,451	57,599
HGL shareholders' equity (\$'000)		69,729	68,387	65,452	92,713	74,159	64,883	67,478	55,149	46,638	43,274
Net cash/(debt) (\$'000)	(c)	2,019	(13,367)	(34,120)	(27,486)	(1,239)	1,416	7,596	8,678	5,968	(7,187)
Underlying return on shareholders' funds (%)	(d)	10	8	9	13	12	11	10	5		
Return on shareholders' funds (%)	(e)	20	12	(8)	21	14	11	19	21	19	14

Notes

- (a) Separately identified from 2003 following decision to build underlying profit. Underlying profit is profit after tax and minorities before revaluations and capital gains.
 (b) All dividends are fully franked other than 6.5 cents in 2001 and 12 cents in 2002.
 (c) Comprises cash, bank borrowings and leases.
 (d) Underlying profit divided by opening HGL shareholders' equity.
 (e) Reported profit divided by opening HGL shareholders' equity.

Directors

PG Miller, FCA (Chairman)
MP Mahoney, ACA (England and Wales), CA
JD Constable
KJ Eley, CA, F FIN
FM Wolf, BA (Hons), PhD

Chief Executive

MP Mahoney, ACA (England and Wales), CA

Chief Financial Officer and Joint Company Secretary

AJ Whittles, ACA (England and Wales)

Joint Company Secretary

PS Caldelis, CA

Head Office and Registered Office

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HGL Group web sites

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Aarque Graphics
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Anitech
www.anitech.com.au

Amcla
www.amcla.com.au

Biante
www.biante.com.au

BOC Instruments
www.bocinstruments.com.au

Frontline Technologies
www.frontline.net.nz

J Leutenegger
www.leutenegger.com.au

JSB Lighting
www.jsblighting.com.au
www.jsbcontrols.com.au

Mountcastle
www.mountcastle.com.au

Safilo Australia
www.safilo.com

SPOS
www.spos.com.au
www.icandycreative.com.au
www.propelinteractive.com.au

BLC Cosmetics
www.thalgo.com.au

XLN Fabrics
www.xln.com.au

Share Registry

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Ph: international +61 3 9415 4000

Auditors

Deloitte Touche Tohmatsu

Bankers

ANZ Banking Group Limited

Solicitors

Addisons

Securities Exchange Listing

Australian Securities Exchange
Code: HNG (not HGL)