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HGL Limited
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Profit update

HGL Limited (ASX Code: HNG) is in the process of finalising its accounts for the year ended 30 September 2011. HGL anticipates underlying profit will be higher than last year's \$6.8 million. In the week beginning 31 October HGL will provide a final profit guidance update with a range for both reported and underlying profit.

There has been continuing weakness in demand for the collector model cars sold by the Biante business unit. The market for high quality collector model cars suffered a serious contraction in the wake of the global financial crisis and sales have not recovered and are not expected to recover in the medium term. To address this management changes have been implemented, costs have been significantly reduced and the range of Biante's product offering has also been modified. We believe that these actions will address the losses experienced by Biante.

The major supplier to Biante has without warning gone into bankruptcy. The majority of the moulds used to manufacture Biante's model cars were in the care of this supplier and its sub contractors. It is unlikely Biante will be able to recover these moulds from this Chinese based supplier.

As a result reported profit for 2011 will include non cash write downs associated with the Biante business unit of approximately \$9.6 million after tax. The \$9.6 million principally comprises goodwill of \$6.4 million, fixed asset write downs of \$1.8 million and additional stock related provisions of \$1.0 million. Reported profit will be lower than last year's \$13.4 million profit which included a \$6.6 million profit from the sale of non core assets.

The Biante write downs have no adverse cash effect. The dividend policy is based on underlying profit and the Board currently anticipates the final dividend, to be paid in December, will exceed last year's 5.0 cents per share fully franked.

Peter Miller
24 October 2011

For further information please contact:

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