



HGL LIMITED
Half Year Financial Report
31 March 2010

Commentary on results for six months ended 31 March 2010

HGL today announced:

- 84% increase in underlying earnings per share to 8.1 cents
- 111% increase in statutory profit to \$7.8 million
- 100% increase in interim dividend per share to 6.0 cents fully franked

HGL Limited, a supplier of branded products into niche markets, today reported an underlying profit of \$4.1 million (2009: \$2.2 million) for the six months ended 31 March 2010 and an 84% increase in underlying earnings per share to 8.1 cents (2009: 4.4 cents). This result is attributable to sales growth of 3%, gross margin dollar growth of 11% and stable expenses.

In addition to underlying profit, a profit after tax of \$3.7 million was generated from the continuing disposal program of our share portfolio. The resulting statutory profit after tax is \$7.8 million (2009: \$3.7 million).

A description of the businesses through which HGL supplies branded products is on our website www.hgl.com.au.

Sales increased by 3% to \$84.8 million (2009: \$82.5 million) and the earnings before interest and tax (EBIT) generated from selling branded products into niche markets increased 80% to \$8.8 million (2009: \$4.9 million). On a comparable basis EBIT is 9% higher than our previous highest EBIT of \$8.1 million achieved in 2008. The EBIT to sales ratio increased to 10.4% from 5.9% last year.

The improvement in profitability confirms the actions taken by management over the last eighteen months to combat the effects of the global financial crisis. At the Annual General Meeting, held in early February 2010, we commented that the first quarter's results may have benefitted from the government's stimulus package. Whilst this may have been the case it is pleasing to note sales in the second quarter of the year grew 5% to \$40.2 million (2009: \$38.3 million).

Operating cash flow of \$5.8 million was generated with working capital increasing by \$2.3 million to \$39.1 million (2009: \$36.9 million). Net debt has declined to \$4.9 million from \$13.4 million at September 2009.

At the end of March 2010 the capital employed in supplying branded products into niche markets was \$74.6 million, an increase of \$2.7 million since September. The annualised EBIT to capital employed return for the first half of the year was 24% (2009: 13%) and has returned to a level above our internal hurdle rate of 20%.

Dividend

The Directors have declared an interim dividend of 6.0 cents fully franked (2009: 3.0 cents fully franked) to be paid on 1 July 2010. The dividend represents a payout ratio of 74% of underlying profit. The dividend reinvestment plan will continue to be available to shareholders with no discount.

Capital management

This time last year we announced the orderly disposal program to sell our listed share portfolio and to use the money to initially repay debt. Our present capital management policy is to utilise these proceeds and with prudent borrowings invest the capital in additional businesses and agencies.

In the six months \$7.1 million of cash was received from the disposal program. At the end of March 2010 there was \$6.2 million of shares still to be sold. The disposal program is continuing with the expectation all will be sold by the end of the year.

Outlook

Although there has been a marked recovery in HGL's underlying earnings for the six months to 31 March 2010 the recent volatility of the Australian dollar and a general flatness in external demand leads to caution about the remainder of the year.

HGL has a sound strategy and a balance sheet that will soon be debt free which allows the pursuit of both organic growth opportunities and acquisitions. The HGL Board is confident about the long term future of the company.

Peter Miller
Chairman
26 May 2010

For further information:
Kevin Eley
Chief Executive Officer
Office: 02 9221 7155
Mobile: 0414 457 254

26 May 2010

HGL Limited – Half Year Report (Appendix 4D)
for the half year ended 31 March 2010

The directors of HGL Limited announce the results for the half year ended 31 March 2010 as follows:

Final results for announcement to the market:

Extracted from the 2010 Half Year Report:

	% change	\$A'000
Revenue	up 3%	90,462
Net profit from ordinary activities after tax attributable to members	up 111%	7,775
Net profit after tax attributable to members	up 111%	7,775

Dividends per share:

	Amount per security	Franked amount per security
Interim dividend – Ex date 10 June 2010, Record date 17 June 2010, Payable 1 July 2010 and DRP discount rate of nil, last day for election for the DRP is 17 June 2010. The DRP share price will be the weighted average share price of trades on the ASX over the 5 trading day period 10 June 2010 to 17 June 2010. There is no foreign conduit income attributable to the dividend.	6.0 cents	6.0 cents
Final dividend in respect of prior financial year	5.0 cents	5.0 cents
Interim dividend – previous corresponding period	3.0 cents	3.0 cents

Net Tangible Assets per share:

	31 March 2010	31 March 2009
Net Tangible Assets per share	84.7 cents	72.7 cents

The remainder of the information requiring disclosure to comply with the Listing Rules is contained in the 2010 Half Year Financial Report released to the ASX today.

Consolidated Profit and Loss Statement

	Note	Half year ended 31 March 2010 \$'000	Half year ended 31 March 2009 \$'000
Sales revenue		84,787	82,455
Cost of sales		(46,610)	(48,058)
Gross profit		38,177	34,397
Other revenue	2	5,675	5,032
Share of associates' profit		550	240
Sales, marketing and advertising expenses		(11,202)	(10,842)
Freight and distribution expenses		(3,494)	(3,530)
Administration expenses		(13,149)	(13,079)
Occupancy expenses		(2,063)	(1,889)
Impairment of available for sale assets		-	(1,620)
Fair value of interest rate swap		-	(1,024)
Finance costs		(774)	(1,359)
Profit before income tax		13,720	6,326
Income tax expense	3	(3,806)	(1,663)
Profit for the period		9,914	4,663
Attributable to:			
Equity holders of the parent		7,775	3,693
Non controlling interest		2,139	970
		9,914	4,663
		Cents	Cents
Basic earnings per share		15.3	7.5
Diluted earnings per share		15.3	7.5

The notes to the financial statements are included on pages 9 to 14.

Consolidated Statement of Comprehensive Income

	Note	Half year ended 31 March 2010 \$'000	Half year ended 31 March 2009 \$'000
Profit for the period		<u>9,914</u>	4,663
Other comprehensive income			
Revaluation loss recognised on available for sale investments, net of tax	7	(299)	(900)
Gain transferred to the profit and loss statement on sale of available for sale investments, net of tax	7	(3,658)	(2,896)
Exchange differences arising on translation of foreign operations, net of tax	7	<u>(588)</u>	(38)
Other comprehensive income for the period		<u>(4,545)</u>	(3,834)
Total comprehensive income for the period		<u><u>5,369</u></u>	<u>829</u>
Total comprehensive income attributable to:			
Equity holders of the parent		3,731	(112)
Non controlling interest		<u>1,638</u>	941
		<u><u>5,369</u></u>	<u>829</u>

The notes to the financial statements are included on pages 9 to 14.

Consolidated Balance Sheet

	Note	31 March 2010 \$'000	30 September 2009 \$'000
Current Assets			
Cash and cash equivalents		7,364	8,126
Trade and other receivables		30,019	29,651
Inventories		32,969	33,368
Current tax assets		620	1,121
Total Current Assets		70,972	72,266
Non Current Assets			
Investments accounted for using the equity method		2,224	2,235
Other financial assets		8,401	15,924
Property, plant and equipment		10,925	10,530
Intangibles		27,417	27,489
Deferred tax assets		1,723	2,371
Total Non Current Assets		50,690	58,549
Total Assets		121,662	130,815
Current Liabilities			
Trade and other payables		19,274	21,245
Borrowings		2,469	2,477
Provisions		3,544	3,865
Total Current Liabilities		25,287	27,587
Non Current Liabilities			
Borrowings		9,851	19,016
Deferred tax liabilities		-	673
Provisions		1,080	987
Total Non Current Liabilities		10,931	20,676
Total Liabilities		36,218	48,263
Net Assets		85,444	82,552
Equity			
Issued capital	5	34,380	33,678
Reserves	7	5,562	9,235
Retained earnings	6	30,730	25,474
HGL Limited Equity Interest		70,672	68,387
Non controlling interest	8	14,772	14,165
Total Equity		85,444	82,552

The notes to the financial statements are included on pages 9 to 14.

Consolidated Statement of Changes in Equity

	Note	Half year ended 31 March 2010 \$'000	Half year ended 31 March 2009 \$'000
Total equity at the beginning of the half year		82,552	79,540
Available for sale investments:			
Revaluation loss recognised directly in equity, net of tax	7	(299)	(900)
Translation of foreign operations:			
Exchange differences recognised directly in equity, net of tax	7	(588)	(38)
Gain transferred to the profit and loss statement on sale of available for sale investments, net of tax	7	(3,658)	(2,896)
Profit for the period		9,914	4,663
Total comprehensive income for the period		5,369	829
Transactions with equity holders in their capacity as equity holders:			
Dividend paid	4	(2,519)	(2,497)
Dividend Reinvestment Plan shares issued	5	932	899
Shares bought back and cancelled	5	(318)	(232)
Shares issued to Employee Share Scheme participants	5	88	100
Dividend paid to non controlling interest	8	(660)	(390)
		(2,477)	(2,120)
Total equity at the end of the half year		85,444	78,249
Total comprehensive income for the half year is attributable to:			
Equity holders of the parent		3,731	(112)
Non controlling interest		1,638	941
		5,369	829

The notes to the financial statements are included on pages 9 to 14.

Consolidated Cash Flow Statement

	Note	Half year ended 31 March 2010 \$'000	Half year ended 31 March 2009 \$'000
Cash flows from operating activities			
Receipts from customers		92,904	94,620
Payments to suppliers and employees		(85,258)	(91,254)
Dividends received		230	505
Income tax paid		(1,526)	(2,485)
Interest received		217	363
Interest paid		(774)	(1,359)
Net cash inflow from operating activities		5,793	390
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		(1,511)	(1,126)
Proceeds from sale of property, plant and equipment		167	123
Payment for purchase of controlled entities		-	(3,858)
Proceeds from sale of listed securities		7,146	22,293
Loan to other entities		(576)	(96)
Loan repaid by other entities		-	201
Net cash (outflow)/inflow from investing activities		5,226	17,537
Cash flows from financing activities			
Payment for share buyback		(318)	(232)
Proceeds from borrowings		29,528	69,141
Repayment of borrowings		(38,696)	(85,501)
Dividends paid:			
Members of the parent entity	4	(1,587)	(1,598)
Non controlling interest	8	(660)	(390)
Net cash (outflow)/inflow from financing activities		(11,733)	(18,580)
Net (decrease)/increase in cash held		(714)	(653)
Cash and cash equivalents at the beginning of the half year		8,126	7,931
Effects of exchange rate changes on the balance of cash held in foreign currencies		(48)	1
Cash and cash equivalents at the end of the half year		7,364	7,279

The notes to the financial statements are included on pages 9 to 14.

1. Basis of preparation of the half year financial statements

The half year condensed financial statements are a general purpose financial report which have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 "Interim Financial Reporting" ensures compliance with International Financial Reporting Standard IAS 34.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and investing activities of the entity as the full financial report.

The half year financial report should be read in conjunction with the annual financial report of HGL Limited as at 30 September 2009 and any public announcements made by HGL Limited during the half year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 30 September 2009 annual report with the exceptions noted below.

Adoption of revised AASB Accounting Standards

In the current year, the consolidated entity has adopted:

(a) AASB 101 Presentation of Financial Statements

The Company has adopted the revised standard AASB 101 Presentation of Financial Statements (September 2007) for the first time in these financial statements. The standard introduces a requirement for the financial statements to include a "Consolidated Statement of Comprehensive Income" which has been provided on page 5 of these financial statements. There have not been any changes to the underlying financial information as a result of this standard.

(b) AASB 8 Operating Segments

The Company has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 October 2009. Operating segments are identified on the basis of how the group reports internally to the 'Chief Operating Decision Maker'. The comparative half year figures have been restated to report under the requirements of the new standard. The company has identified two operating segments, being branded products and listed securities, these being largely consistent with the segments reported under the previous standard on segment disclosure. The revised segment disclosures are shown in note 9.

Profit and Loss Disclosure

From 1 October 2009, the Company has elected to change the format of the Profit and Loss Statement from reporting items by their nature to reporting items by their function. The directors believe that this format provides information that is more relevant to the users of the financial statements. The main changes in classification include the allocation of employee related expenses to their relevant functional area and the classification of raw materials and consumables used into the cost of sales line. There has not been any overall change in profit as a result of these reclassifications.

2. Other Income

	Half year ended 31 March 2010 \$'000	Half year ended 31 March 2009 \$'000
Profit on sale of listed shares	5,228	4,137
Dividend income	230	532
Interest income	217	363
	<u>5,675</u>	<u>5,032</u>

3. Income Tax Expense

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

Prima facie income tax expense on the operating profit at 30% (2009: 30%)	4,116	1,898
Tax effect of:		
Fully franked dividends	(69)	(160)
Equity share of associates' profit	(28)	(12)
Amortisation and depreciation on buildings	11	11
Equity settled share based payments recognised directly in equity	-	4
Income on scheme loans recognised directly in equity	52	50
Movement in equity liability	-	(145)
Non-allowable expenses	35	30
Prior period over provision	(311)	(13)
Income tax expense	<u>3,806</u>	<u>1,663</u>

4. Dividends

	Half year ended 31 March 2010 \$'000	Year ended 30 September 2009 \$'000
Final 2009 dividend paid 17 December 2009 5.0 cents 100% franked at 30%	2,519	-
Interim 2009 dividend paid 2 July 2009 3.0 cents 100% franked at 30%	-	1,496
Final 2008 dividend paid 18 December 2008 5.1 cents 100% franked at 30%	-	2,497
	<u>2,519</u>	<u>3,993</u>
Paid in cash	1,587	2,552
Satisfied by the issue of shares	932	1,441
Dividends actually paid	<u>2,519</u>	<u>3,993</u>

Interim dividend

In accordance with AASB 110 Events after the Balance Sheet Date, HGL Limited has not provided for the interim dividend. The interim dividend of 6.0 cents 100% franked at 30% will be payable on 1 July 2010.

The dividend policy is to distribute between 70% and 80% of underlying earnings per share before any impairment of goodwill or amortisation of intangibles.

5. Issued Capital

	31 March 2010		31 March 2009	
	Number	\$'000	Number	\$'000
Balance at the beginning of the period	50,447,025	33,678	49,091,425	32,409
Allotment pursuant to HGL Dividend Reinvestment Plan	804,178	932	892,429	899
Cancellation of capital pursuant to the on-market share buy-back	(281,405)	(318)	(184,899)	(232)
Shares issued to Employee Share Scheme participants	76,750	88	53,816	100
Balance at the end of the period	51,046,548	34,380	49,852,771	33,176

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

Reconciliation of Total Share Capital

	31 March 2010 Number	31 March 2009 Number
Issued capital at end of period	51,046,548	49,852,771
Shares issued to Employee Share Scheme participants after November 2002	3,553,297	3,360,304
Total share capital at end of period	54,599,845	53,213,075

6. Retained Earnings

	Half year ended 31 March 2010 \$'000	Half year ended 31 March 2009 \$'000
Balance at the beginning of the period	25,474	21,602
Net profit attributable to members of the entity	7,775	3,693
Dividends paid	(2,519)	(2,497)
Balance at the end of the period	30,730	22,798

7. Reserves

	Half year ended 31 March 2010	Half year ended 31 March 2009
	\$'000	\$'000
Available for Sale Revaluation Reserve	3,083	5,658
Employee Share Scheme Reserve	2,442	2,442
Land and Buildings Revaluation Reserve	924	756
Foreign Currency Translation Reserve	(274)	(188)
Other Reserve	(613)	(1,032)
	<u>5,562</u>	<u>7,636</u>
Available for Sale Revaluation Reserve		
Balance at the beginning of the period	7,040	9,454
Revaluation of listed securities, net of tax	(299)	(900)
Transferred to the profit and loss statement on sale of financial assets, net of tax	(3,658)	(2,896)
Balance at the end of the period	<u>3,083</u>	<u>5,658</u>
Employee Share Scheme Reserve		
Balance at the beginning of the period	2,442	2,442
Balance at the end of the period	<u>2,442</u>	<u>2,442</u>
Land and Buildings Revaluation Reserve		
Balance at the beginning of the period	924	756
Balance at the end of the period	<u>924</u>	<u>756</u>
Foreign Currency Translation Reserve		
Balance at the beginning of the period	(187)	(179)
Translation of overseas controlled entities, net of tax	(87)	(9)
Balance at the end of the period	<u>(274)</u>	<u>(188)</u>
Other Reserve		
Balance at the beginning of the period	(984)	(1,032)
Purchase of options in J Leutenegger Pty Ltd	371	-
Balance at the end of the period	<u>(613)</u>	<u>(1,032)</u>

The other reserve arose in prior years when HGL increased its equity interest in J Leutenegger Pty Limited, this did not meet the definition of a business combination under AASB 3 Business Combinations as there was no change of control and so 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. On 1 October 2009 HGL purchased the 20% share option in J Leutenegger Pty Ltd resulting in a decrease of \$371,000 in the other reserve. There was no profit or loss on this transaction.

8. Non Controlling Interest

	Half year ended 31 March 2010	Half year ended 31 March 2009
	\$'000	\$'000
Balance at the beginning of the period	14,165	14,088
Profit attributable to non controlling interest	2,139	970
Dividends paid to non controlling interest	(660)	(390)
Purchase of options in J Leutenegger Pty Ltd	(371)	-
Foreign exchange	(501)	(29)
Balance at the end of the period	<u>14,772</u>	<u>14,639</u>

9. Segment Information

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 branded products into niche markets. The products include point of sale merchandising, fabric and haberdashery, collector model vehicles, lighting equipment, skin care products, ophthalmic equipment, printing solutions and specialist headwear.

Listed shares: The ownership and sale of listed shares.

The results of these segments are shown below:

Half year ended 31 March 2010

	Branded Products \$'000	Listed Shares \$'000	Consolidated \$'000
Revenue	84,787	5,458	90,245
Share of associates' profit	550	-	550
	<u>85,337</u>	<u>5,458</u>	<u>90,795</u>
Underlying profit before interest, tax, depreciation and amortisation and non controlling interest	9,794	230	10,024
Depreciation and amortisation	(975)	-	(975)
Underlying profit before interest, tax and non controlling interest	<u>8,819</u>	<u>230</u>	<u>9,049</u>

A reconciliation of underlying profit before interest, tax and non controlling interest to net profit after tax is provided as follows:

	Underlying Profit \$'000	Other \$'000	Consolidated \$'000
Underlying profit before interest, tax and non controlling interest	9,049	-	9,049
Realised profit on sale of listed securities	-	5,228	5,228
Interest income	217	-	217
Interest expense	(774)	-	(774)
Net profit before tax	8,492	5,228	13,720
Income tax expense	(2,238)	(1,568)	(3,806)
Profit after tax	6,254	3,660	9,914
Non controlling interest	(2,139)	-	(2,139)
Profit after tax and non controlling interest	<u>4,115</u>	<u>3,660</u>	<u>7,775</u>

9. Segment Information (continued)

Half year ended 31 March 2009

	Branded Products \$'000	Listed Shares \$'000	Consolidated \$'000
Revenue	82,455	4,675	87,130
Share of associates' profit	240	-	240
	<u>82,695</u>	<u>4,675</u>	<u>87,370</u>
Underlying profit before interest, tax, depreciation and amortisation and non controlling interest	5,826	532	6,358
Depreciation and amortisation	(963)	-	(963)
Underlying profit before interest, tax and non controlling interest	<u>4,863</u>	<u>532</u>	<u>5,395</u>

A reconciliation of underlying profit before interest, tax and non controlling interest to net profit after tax is provided as follows:

	Underlying Profit \$'000	Other \$'000	Consolidated \$'000
Underlying profit before interest, tax and non controlling interest	5,395	-	5,395
Net realised profit on sale of listed securities	-	4,087	4,087
Interest income	363	-	363
Interest expense	(1,359)	-	(1,359)
Movement in equity liability	-	484	484
Impairment of listed securities	-	(1,620)	(1,620)
Fair value movement of interest rate swap	-	(1,024)	(1,024)
Net profit before tax	<u>4,399</u>	<u>1,927</u>	<u>6,326</u>
Income tax expense	(1,229)	(434)	(1,663)
Profit after tax	<u>3,170</u>	<u>1,493</u>	<u>4,663</u>
Non controlling interest	(970)	-	(970)
Profit after tax and non controlling interest	<u>2,200</u>	<u>1,493</u>	<u>3,693</u>

10. Changes in the composition of the consolidated entity

There are no significant changes in the composition of the consolidated entity.

11. Subsequent events

There are no significant subsequent events.

DIRECTORS' DECLARATION

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; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors:

PG Miller
Chairman

Sydney 26 May 2010

DIRECTORS' REPORT

The Directors submit the financial report of HGL Limited for the half year ended 31 March 2010.

Directors

The names and particulars of the directors of the Company during the half year and until the date of this report are:

PG Miller	- Chairman
KJ Eley	- Chief Executive
FM Wolf	- Non Executive Director
JD Constable	- Non Executive Director

Review of Operations

The Directors report a consolidated profit before income tax and non controlling interest of \$13,720,000 (2009: \$6,326,000). Further details are in the Chairman's report on pages 1-2.

Dividends

The Directors have declared an interim fully franked dividend of 6.0 cents per share (2009: 3.0 cents fully franked interim dividend) to be paid on 1 July 2010. The record date will be 17 June 2010.

The dividend reinvestment plan continues. It offers shareholders the opportunity of reinvesting their dividends in ordinary shares of the company. The shares will be issued at the weighted average market price of shares sold on the ASX on the record date and the 4 trading days preceding that date. The Directors have resolved that there will be no discount for the dividend. Notices for the dividend reinvestment plan must be received by the share registry by no later than 5.00pm on the record date for a forthcoming dividend in order to take effect for that dividend.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 17.

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.

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

On behalf of the Directors:

PG Miller
Chairman
Sydney 26 May 2010

Registered office and principal place of business:

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

26 May 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 review of the financial statements of HGL Limited for the half year ended 31 March 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 review and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Rossetti

Mark Rossetti
Partner
Chartered Accountants

Independent Auditor's Review report to the members of HGL Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of HGL Limited which comprises the balance sheet as at 31 March 2010 and the profit and loss statement, statement of comprehensive income, cash flow statement and the statement of changes in equity for the half year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year as set out on pages 4 to 15.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year 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 half year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of HGL Limited's financial position as at 31 March 2010 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of HGL Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of HGL Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the group's financial position as at 31 March 2010 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Rossetti

Mark Rossetti
Partner
Chartered Accountants
Sydney, 26 May 2010