REVIEW 2013

SUMMARY OF RESULTS ATTRIBUTABLE TO EQUITY HOLDERS

	2013 $millions	2012 $millions
Underlying loss	**(0.4)**	(0.5)
Reorganisation, restructuring and goodwill charges	**(8.5)**	(4.6)
Reported loss	**(8.9)**	(5.1)
Net cash	**2.1**	5.0

	2013 cents per share	2012 cents per share
Underlying loss	**(0.8)**	(0.9)
Reorganisation, restructuring and goodwill charges	**(16.0)**	(9.0)
Reported loss	**(16.8)**	(9.9)

DIVIDENDS

	2013 cents per share	2012 cents per share
Interim	**2.0**	4.0
Final	**2.0**	2.0
Total	**4.0**	6.0

For the year ended 30 September 2013 HGL reports a loss of $8.9 million (2012: $5.1 million) after reorganisation and restructuring charges of $5.0 million (2012: $4.6 million) incurred from improvement projects in several underperforming business units and $3.5 million (2012: nil) of goodwill impairment in BLC Cosmetics. Underlying EBIT from operations marginally increased to $0.4 million (2012: $0.3 million).

In April 2013 HGL commenced implementation of the GPS strategy plan (Growth, Profit and Sustainability) under the leadership of new Chief Executive, Henrik Thorup. The execution of the GPS strategy incorporates short term turnaround activities and long term development actions that will transition the Group and position it for the future.

The initial element of the GPS strategy plan was to commence reorganisation and restructure projects in Anitech, SPOS and Leutenegger. These improvement initiatives address internal performance issues and have reduced annualised expenses by approximately $5 million before tax. This is higher than our initial expectation of $3 million to $4 million before tax. We anticipate the GPS strategy will gather further momentum and there will be additional efficiencies and further reductions in annualised expenses.

The second half of the financial year produced an improvement over the prior corresponding period. The underlying loss in the second half of 2013 was $0.6 million (2012: $1.7 million). The improvement was largely due to the cost savings and efficiencies produced by the initiatives. The full year cash flow from operations was $0.7 million (2012: outflow $3.4 million) as the working capital and efficiency initiatives started to gain traction.

Following the appointment of the new Chief Executive, there have been extensive senior leadership developments throughout the Group. The most notable has been the appointment of a Chief Operating Officer for HGL. The strengthening of the HGL leadership team improves the execution of our active management approach, jointly managing the improvement initiatives in conjunction with the business unit management teams. SPOS, Anitech, Leutenegger and BLC Cosmetics are under new leadership with significant changes to their senior management teams.

TRADING SUMMARY

During the year our businesses continued to experience subdued economic conditions with depressed household spending and weak business confidence generating lower corporate investment activity. Sales were $105.3 million (2012: $118.2 million) 10.9% below the prior period. Sales were significantly impacted by Anitech where sales fell by $5.0 million.

Gross margins strengthened to 45.2% up 1.5% from last year. This was achieved in spite of more volatile foreign exchange conditions in the second half of the year.

SPOS has shown considerable improvement this year and generated an underlying profit in the second half. During the year cost reduction initiatives were implemented aligning operating expenses to current revenue levels. A new organisational model has been implemented focusing on the core product offering to drive sales growth, gross margin improvement and efficiency. The underlying EBIT loss of SPOS was reduced and it is budgeted to return to profit in 2014.

SPOS provides solutions for marketing at the point of purchase and has significant revenue from project business. Sales declined in 2013 due to the discontinuation of low margin international distributor and technology project sales.

Anitech is 50% owned by HGL. With a low level of business confidence and declining corporate investment in new equipment, hardware sales are weak.

Anitech is consolidating its management and operations in Sydney and is streamlining its distribution model. This will increase efficiency and profitability including a simplified management structure, improved operational procedures and enhanced product portfolio development.

We expect the challenges facing the business will continue throughout 2014 while Anitech improves its processes and refines its model.

BLC Cosmetics is concentrating on strengthening its platform in the salon and spa market. Management is improving leadership capabilities, business processes and the product portfolio. The change of management team has reinvigorated the business which is now operating out of a new location with state of the art training facilities.

The strategy of Leutenegger remains largely unchanged from last year as it expands into the homewares market adjacent to its traditional sewing and craft heartland. The sales of soft furnishing products increased this year and are on track to deliver further growth in 2014.

The traditional craft and fabric retail environment in Australia continues to be adversely affected by the ability of the end consumer to source products directly from manufacturers or from overseas distributors via the internet as well as pressure for discounts from the larger retailers. This is impacting the current sales model and Leutenegger sales declined by 12%. Leutenegger is remodelling its business, including the introduction of online ordering to lower its cost of doing business and refining its product range to ensure it remains relevant.

Leutenegger will relocate to the same premises occupied by SPOS at the end of its lease in November 2013. This will create additional cost savings.

In January 2013, **JSB Lighting** which sells architectural lighting relocated to new premises, designed to improve customer interaction, product portfolio displays and project management capability of the business. In 2013 sales declined by 9% following a lack of new investment activity in the building and construction industry. With the opening of the Perth office in 2012, JSB now sells directly in all states, other than Queensland. The strategy is to expand the product range of JSB to leverage its excellent brand and market position.

Biante continued to build upon the progress it made last year and increased its profit again. In 2011 Biante was restructured and refocussed on its core area of operations. This year we continued to invest for the future by the development of new moulds and products. Biante progressed with several business efficiency initiatives and inventory reduction projects, delivering the strongest EBIT margin of the business units in 2013.

Mountcastle continues to perform very well. Its market share in the school uniform and bag market continues to grow with an extended quality product range and expanded sales force across the country. Mouncastle is developing an online ordering system for its customer base to enhance efficiency, demand planning and customer satisfaction. Mountcastle was a significant contributor to the earnings of HGL in 2013.

JSB Lighting - supplier of architectural lighting and control equipment for the commercial market. World class brands include Modular, LTS, ACDC, Brick In The Wall, Luceplan and Sensor Switch. The business is based in Sydney.

www.jsblighting.com.au

SUPPLYING MARKET LEADING BRANDED PRODUCTS FOR SPECIALIST MARKETS

PARTNER OF CHOICE FOR OUR GLOBAL SUPPLIER BASE, CORPORATE CLIENTS AND RETAIL NETWORKS

IMPROVE, ACCELERATE AND LEVERAGE PORTFOLIO DEVELOPMENT STRATEGY

CORPORATE STRATEGY

The Company is executing its corporate strategy with focus on three core objectives –

Growth, Profitability and Sustainability (GPS).

The key enablers of the GPS Strategy are:

- growth from existing and new product sales in core markets and expansion into new markets;
- profitability through continuous improvement of work flow processes, systems, working capital management and staff performance management procedures; and
- sustainability through investment in leadership and talent management programs, staff engagement and group management oversight to drive best practice processes.

HGL's core purpose is to create shareholder value by exercising long term and active ownership in businesses where HGL is the best owner. Over the next 24 months the strategy will have 3 phases.

PHASE 1

of the GPS Strategy Plan is to rebuild foundations. The short term objective is to arrest the current revenue decline, maintain strong gross margins, improve operational efficiency and reduce working capital levels in the HGL Group. A core element in Phase One is the roll-out of a Group Strategic Initiative Program, aimed at consolidating and aligning corporate management practices across the various businesses.

The Group Strategic Initiative Program focuses on implementing best practice management processes in Business Development (Territory Management), Operations (Business Excellence), Human Resources Development (HR) and Working Capital Reduction.

PHASE 2

of the GPS Plan is establishing the future industry footprint of the HGL Group. HGL must participate in attractive industries with long-term growth characteristics executing our 'improve, accelerate and leverage' portfolio development strategy. The Company identifies its target industry segments based on size, growth prospects, competitive parameters, industry profitability, economies of scale and synergies with existing HGL business units.

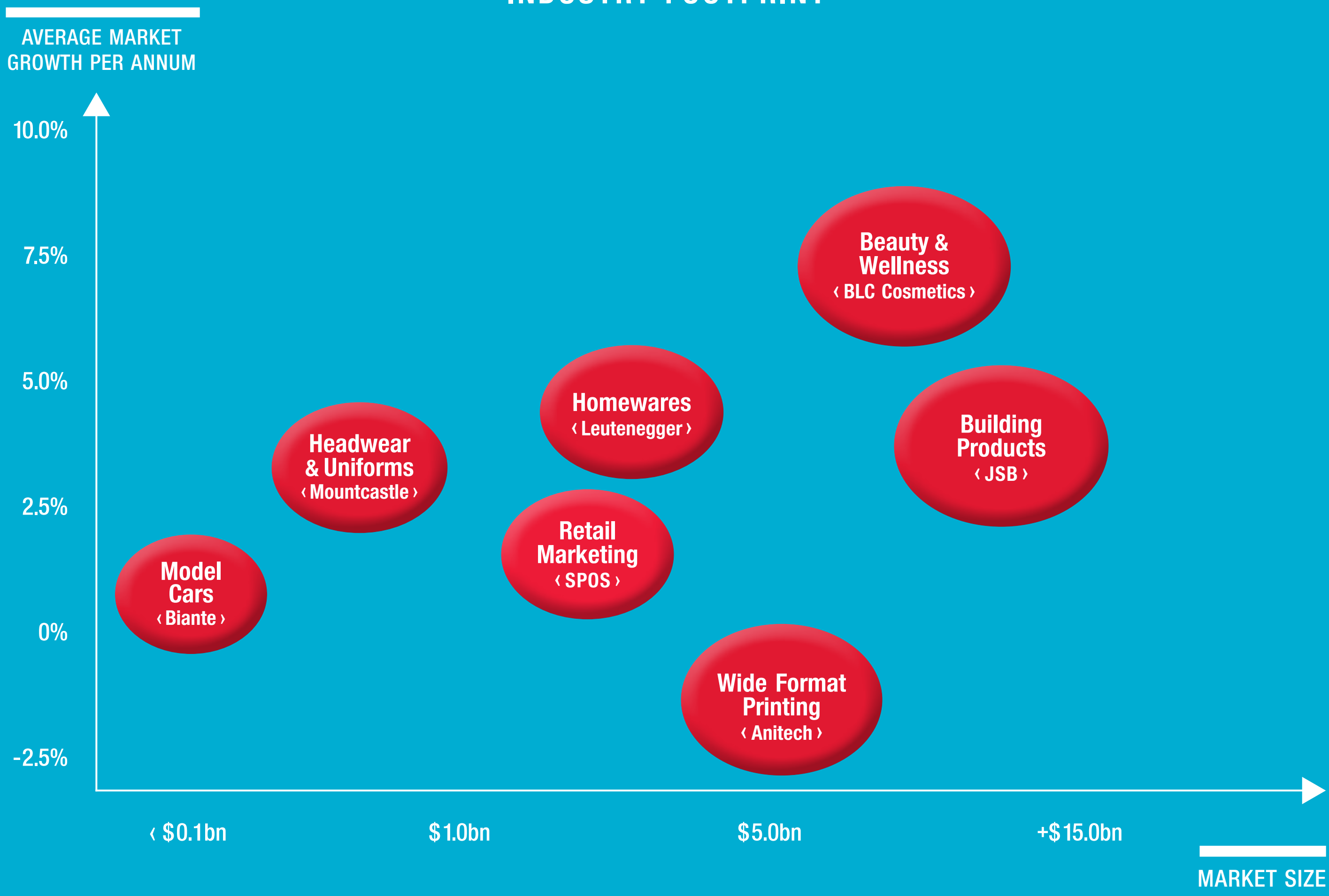
The related acquisition and divestment approach of HGL will narrow the industry diversification. This will drive an investment strategy securing controlling interests in target companies in selected industries.

PHASE 3

of the GPS Strategy Plan is leveraging the foundations and dynamics of a new industry footprint in delivering enhanced revenue and profitability growth, improved operating cash flow, increased customer satisfaction and employee engagement, securing long-term sustainability and enhanced value for our shareholders.

CORPORATE STRATEGY

INDUSTRY FOOTPRINT



HGL'S CORE PURPOSE IS BASED ON FIVE FUNDAMENTAL PRINCIPLES

PRODUCTS

HGL markets exclusive premium quality products and services with strong competitive advantage and value proposition.

PEOPLE

HGL is recognised as an employer of choice attracting talented and competent team members.

PROCESS

HGL achieves on-going efficiency gains through our continuous business process improvement programs.

CHANNELS

HGL works with our pro-active sales channels in a relentless pursuit of sales growth and market share expansion.

CUSTOMER CARE

HGL engages with our clients with the highest level of customer care possible securing long-term customer retention and loyalty.

FINANCIAL SUMMARY

UNDERLYING LOSS

	2013 $millions	2012 $millions
Sales	**105.3**	118.2
Cost of goods sold	**(57.7)**	(66.5)
Gross margin	**47.6**	51.7
Expenses	**(47.2)**	(51.4)
EBIT	**0.4**	0.3
Net interest	**(0.2)**	–
Underlying profit before tax	**0.2**	0.3
Taxation	**(0.2)**	(0.2)
Minority interests	**(0.4)**	(0.6)
Underlying loss after tax attributable to equity holders	**(0.4)**	(0.5)
Gross margin %	**45.2**	43.7

CASH FLOWS

	2013 $millions	2012 $millions
Customer receipts	**118.8**	133.6
Supplier payments	**(119.0)**	(132.8)
Taxation refund (paid)	**1.1**	(4.3)
Net interest paid	**(0.2)**	0.1
Inflow from operations	**0.7**	(3.4)
Net fixed assets	**(1.6)**	(1.4)
Proceeds from sale of subsidiary	**–**	6.0
Others, net	**–**	(0.8)
Outflow from investing	**(1.6)**	3.8
Borrowings receipts	**0.8**	1.1
Dividends:		
Shareholder	**(1.4)**	(4.2)
Minorities	**(1.0)**	(1.4)
Outflow from financing	**(1.6)**	(4.5)
Net cash movement	**(2.5)**	(4.1)
Opening cash	**7.6**	11.7
Closing cash	**5.1**	7.6

In 2013 the reported EBIT was after $9.9 million of reorganisation and restructuring charges arising from the implementation of the GPS strategy plan and $3.5 million of goodwill impairment charge in BLC Cosmetics.

These charges have been excluded from underlying profit. The reorganisation and restructuring charges comprise:

- $3.7 million for inventory provisions;
- $2.5 million to provide for surplus property leases and fixed assets;
- $1.3 million for redundancies and associated costs; and
- $2.4 million for other restructuring charges.

The reorganisation and restructuring charges have an effective tax rate of 30%. The impact on the group of the reorganisation and restructuring charges was $5.0 million after tax. The impact on the non controlling interests was $1.9 million after tax.

The inventory provisions were incurred by Anitech and Leutenegger and arose from lower sales and the decision to exit inventory lines to reduce business complexity.

Following the rationalisation of locations within Anitech and SPOS, to increase the efficiency of those business units, surplus leases were identified. Accounting Standards require these future lease costs to be provided for. We are negotiating with landlords to surrender or sub let the affected leases however none of these potential benefits have been reflected in the provisioning.

In the assessment of the carrying value of goodwill the board has adopted a more conservative view of the discount rate applied to future cash flows. In assessing BLC Cosmetics this has resulted in a goodwill impairment charge of $3.5 million. This goodwill impairment charge has no adverse cash effect. We remain of the view that BLC Cosmetics is operating in an industry with sound growth opportunities.

To reduce costs and increase efficiency the number of employees has reduced by 17% to 260 from 315 last year.

HGL is part of a wider community and although the operations have limited environmental impact, the consequences of business decisions on the environment are considered.

Foreign exchange

We continue to sell products with flexible pricing where most of the medium and long term effects of foreign exchange movements will not be borne by HGL. Foreign currency bank accounts and foreign exchange contracts afford sufficient time for the necessary operational adjustments to occur.

Until April 2013 the AUD traded within a narrow band and averaged $1.04 against the USD which was around the average exchange rate for 2012. From May 2013 the AUD rapidly depreciated against the USD and fell to as low as 89 cents in early August. The average exchange rate for the last five months of the financial year was 15% lower than the average of the first seven months. This rapid depreciation of the AUD necessitated numerous customer pricing initiatives as we attempted to cover our associated increase in product cost.

Sale of non core business units

Based on the new active management approach and the planned establishment of a new future industry footprint for HGL, the Company decided to divest two small non core 50% owned business units in October 2013. Kinsole Pty Ltd (trading as XLN Fabrics) and BOC Ophthalmic Instruments Unit Trust were sold for total cash proceeds of $1.6 million. Our share of the earnings before interest and tax from these two businesses was $0.2 million in both 2013 and 2012. The profit after tax from these disposals is $0.1 million.

FINANCIAL SUMMARY

Chief Executive Officer

In November 2012 Michael Mahoney resigned as the Chief Executive Officer and a Director. In January 2013 Henrik Thorup was appointed Chief Executive Officer. Andrew Whittles the Chief Financial Officer acted as Chief Executive Officer in the interim period.

Balance sheet

The total net assets of the group have decreased by $12.8 million during the year. The reduction in net assets was largely due to the reorganisation and restructuring charges along with the goodwill impairment. Net cash has decreased by $2.9 million to $2.1 million. Net tangible assets are 50.0 cents per share.

Inventory days are 146, an initiative for 2014 is to release cash by reducing inventory balances further. In the second half of this financial year we have begun to make progress in this regard, we expect more inventory reduction in 2014. Trade receivables continue to be well managed, debtor days are 52.

Cash flow

Given the high level of restructuring costs including approximately $1 million of redundancy costs the cash flow from operations was $0.7 million (2012: outflow $3.4 million). The focus on working capital management and the absence of significant restructuring costs is anticipated to create further improvement in the cash flow from operations in 2014.

Dividends

The final dividend has been maintained at 2.0 cents per share fully franked (2012: 2.0 cents fully franked). The final dividend will be paid on 13 December 2013. An interim dividend of 2.0 cents per share fully franked (2012: 4.0 cents fully franked) was paid on 12 July 2013.

Outlook

Despite the continued subdued trading environment, HGL's businesses have shown resilience and achieved an overall underlying EBIT result in line with last year. The Board and management remain confident in the outlook for the Group.

Our financial position remains strong and we are confident that the continued implementation of our corporate strategy will improve sales performance and deliver efficiencies enhancing profit contribution in future periods.

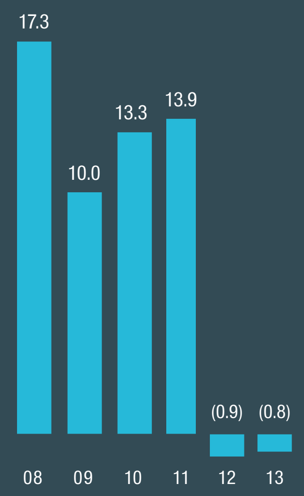
The board thanks every employee for their efforts during this challenging year.

21 November 2013

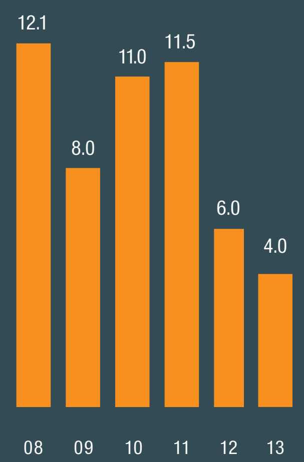
Peter Miller
Chairman

Henrik Thorup
Chief Executive Officer

UNDERLYING EARNINGS PER SHARE - CENTS



DIVIDENDS PER SHARE - CENTS



STATEMENT OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2013

	CONSOLIDATED 2013 $'000	CONSOLIDATED 2012 $'000
Sales revenue	**105,298**	118,237
Cost of sales	**(57,738)**	(66,579)
Gross profit	**47,560**	51,658
Other revenue	**206**	426
Share of associates' profit	**–**	302
Sales, marketing and advertising expenses	**(15,681)**	(19,219)
Freight and distribution expenses	**(5,342)**	(5,657)
Administration expenses	**(21,775)**	(22,401)
Occupancy expenses	**(4,366)**	(4,424)
Reorganisation and restructuring charges	**(9,894)**	(7,069)
Impairment of BLC Cosmetics goodwill	**(3,500)**	–
Finance costs	**(364)**	(359)
Loss before tax	**(13,156)**	(6,743)
Income tax benefit	**2,760**	2,142
Loss for the period	**(10,396)**	(4,601)
Attributable to		
Equity holders of the parent	**(8,921)**	(5,149)
Non controlling interests	**(1,475)**	548
	(10,396)	(4,601)

	CENTS	CENTS
Basic earnings per share	**(16.8)**	(9.9)
Diluted earnings per share	**(16.8)**	(9.9)

BALANCE SHEET

AS AT 30 SEPTEMBER 2013

	CONSOLIDATED 2013 $'000	CONSOLIDATED 2012 $'000
Current assets		
Cash and cash equivalents	**5,120**	7,594
Trade and other receivables	**18,766**	21,547
Inventories	**19,172**	24,034
Current tax assets	**30**	1,779
Total current assets	**43,088**	54,954
Non current assets		
Other financial assets	**666**	975
Property, plant and equipment	**4,347**	4,326
Intangible assets	**16,396**	19,896
Deferred tax assets	**10,776**	7,401
Total non current assets	**32,185**	32,598
Total assets	**75,273**	87,552
Current liabilities		
Trade and other payables	**15,385**	15,602
Borrowings	**2,851**	2,329
Provisions	**4,053**	2,606
Total current liabilities	**22,289**	20,537
Non current liabilities		
Borrowings	**167**	255
Provisions	**1,284**	2,412
Total non current liabilities	**1,451**	2,667
Total liabilities	**23,740**	23,204
Net assets	**51,533**	64,348
Equity		
Issued capital	**36,624**	36,027
Reserves	**1,424**	1,344
Retained earnings	**5,198**	16,236
Equity attributable to the parent entity	**43,246**	53,607
Non controlling interests	**8,287**	10,741
Total equity	**51,533**	64,348

HGL LIMITED ASX CODE › HNG ABN 25 009 657 961 INCORPORATED IN QUEENSLAND

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