

**HGL LIMITED**

**Half Year Financial Report**

**31 March 2011**

## Results for six months ended 31 March 2011

### Summary

HGL Limited, a supplier of market leading branded products into specialist markets, today reported underlying profit of \$4.1 million (2010: \$4.1 million) for the six months ended 31 March 2011 and a slight decrease in underlying earnings per share to 8.0 cents (2010: 8.1 cents).

Statutory profit for the first six months this year was \$4.1million, the corresponding figure last year was \$7.8 million including \$3.7 million profit from the sale of listed shares. HGL exited all listed security investments in 2010.

The Directors have declared an interim dividend of 6.0 cents fully franked (2010: 6.0 cents fully franked) to be paid on 8 July 2011. The dividend represents a payout ratio of 75% of underlying profit. The dividend reinvestment plan will continue to be available to shareholders with no discount.

### Commentary

Underlying profit has been maintained despite the positive impact gained in the previous corresponding period from the Federal Government Stimulus Package which boosted profit in 2010 through higher sales of large format printers and eye testing equipment.

Excluding large format printers and eye testing equipment sales increased 3% while total sales fell 3% to \$81.8 million (2010: \$84.8 million).

HGL has a long term sustainable business model and as a market leader in specialised markets adjusts pricing when the dollar fluctuates. Most of the benefit of the strong Australian dollar was passed to customers in much the same way as prices were increased when the dollar fell in the 2008/2009 year.

Gross margin percentage increased to 48% from 45%. The gross margin improvement was mainly generated by a shift to higher margin products and by reduced discounting. The increase was partially due to lower product costs arising from the strengthening Australian dollar however most of this gain was passed onto customers.

During the second half of 2010 expenses were increased to support growth. Expenses continued at similar levels in the first half 2011 and were 7% higher than in the corresponding period last year.

Underlying profit was unchanged despite earnings before interest and tax (EBIT) from supplying branded goods into specialist markets decreasing 8% to \$8.1 million (2010: \$8.8 million). The business units selling large format printing equipment and eye testing instruments where sales and profits declined are partially owned by their management and therefore minority interests were lower this half year.

Since September debtors and inventories have increased by \$0.6 million and creditors have fallen by \$3.3 million. The reduction in creditors and increased tax payments, \$2 million higher in 2011, led to operating cash flow of \$1.0 million being \$4.8m lower than last year.

At the end of March 2011 capital employed in supplying market leading branded products was \$79.6 million, an increase of \$4.8 million since September. The annualised EBIT to capital employed return for the first half of the year was 20% (2010: 24%) and is in line with our budgeted internal hurdle rate of 20%.

### Capital management

Currently HGL has \$1.2 million net debt. Our capital management policy is to utilise prudent borrowings to invest in additional business units and agencies.

## Outlook

The strategy for continued growth includes increasing sales through improving internal processes and from gaining new product agencies in both existing and adjacent markets. External conditions remain challenging and unpredictable however with the current demand for our products, the product extensions and internal improvements we believe 2011 underlying profit will be higher than last year.



Peter Miller  
Chairman  
24 May 2011

For further information:  
Michael Mahoney  
Chief Executive  
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Mobile: 0410 285 318

Tim Allerton  
City PR  
02 8916 4848  
0412 715 707

24 May 2011

**HGL Limited – Half Year Report (Appendix 4D)  
 for the half year ended 31 March 2011**

The directors of HGL Limited announce the results for the half year ended 31 March 2011 as follows:

Final results for announcement to the market:

Extracted from the 2011 Half Year Report:

	% change	\$A'000
Revenue	down 9%	82,049
Net profit from ordinary activities after tax attributable to members	down 47%	4,119
Net profit after tax attributable to members	down 47%	4,119

Dividends per share:

	Amount per security	Franked amount per security
Interim dividend – Ex date 20 June 2011, Record date 24 June 2011, Payable 8 July 2011 and DRP discount rate of nil, last day for election for the DRP is 24 June 2011. The DRP share price will be the weighted average share price of trades on the ASX over the 5 trading day period 20 June 2011 to 24 June 2011. 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	6.0 cents	6.0 cents

Net Tangible Assets per share:

	31 March 2011	31 March 2010
Net Tangible Assets per share	86.0 cents	84.7 cents

The remainder of the information requiring disclosure to comply with the Listing Rules is contained in this 2011 Half Year Financial Report.

## Consolidated Profit and Loss Statement

	Note	Half year ended 31 March 2011 \$'000	Half year ended 31 March 2010 \$'000
Sales revenue		81,818	84,787
Cost of sales		<u>(42,442)</u>	<u>(46,610)</u>
Gross profit		39,376	38,177
Other revenue	2	231	5,675
Share of associates' profit		316	550
Sales, marketing and advertising expenses		(14,408)	(13,202)
Freight and distribution expenses		(3,684)	(3,494)
Administration expenses		(11,375)	(11,149)
Occupancy expenses		(2,117)	(2,063)
Finance costs		<u>(445)</u>	<u>(774)</u>
Profit before income tax		7,894	13,720
Income tax expense	3	<u>(2,425)</u>	<u>(3,806)</u>
Profit for the period		<u><u>5,469</u></u>	<u><u>9,914</u></u>
<b>Attributable to:</b>			
Equity holders of the parent		4,119	7,775
Non controlling interest		<u>1,350</u>	<u>2,139</u>
		<u><u>5,469</u></u>	<u><u>9,914</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		<b>8.0</b>	15.3
Diluted earnings per share		<b>8.0</b>	15.3

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

## Consolidated Statement of Comprehensive Income

	<b>Half year ended 31 March 2011 \$'000</b>	Half year ended 31 March 2010 \$'000
Profit for the period	<b>5,469</b>	9,914
<b>Other comprehensive income</b>		
Revaluation loss recognised on available for sale investments, net of tax	-	(299)
Gain transferred to the profit and loss statement on sale of available for sale investments, net of tax	-	(3,658)
Exchange differences arising on translation of foreign operations, net of tax	<b>(246)</b>	(588)
<b>Other comprehensive income for the period</b>	<b>(246)</b>	(4,545)
<b>Total comprehensive income for the period</b>	<b>5,223</b>	5,369
Total comprehensive income attributable to:		
Equity holders of the parent	<b>3,982</b>	3,731
Non controlling interest	<b>1,241</b>	1,638
	<b>5,223</b>	5,369

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

## Consolidated Balance Sheet

	Note	31 March 2011 \$'000	30 September 2010 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		9,730	8,432
Trade and other receivables		32,067	31,589
Inventories		33,453	33,322
<b>Total Current Assets</b>		<b>75,250</b>	<b>73,343</b>
<b>Non Current Assets</b>			
Investments accounted for using the equity method		2,065	1,749
Other financial assets		1,980	2,011
Property, plant and equipment		12,224	11,842
Intangibles		27,359	27,394
Deferred tax assets		3,564	3,716
<b>Total Non Current Assets</b>		<b>47,192</b>	<b>46,712</b>
<b>Total Assets</b>		<b>122,442</b>	<b>120,055</b>
<b>Current Liabilities</b>			
Trade and other payables		17,424	20,697
Borrowings		3,368	3,117
Provisions		3,580	3,905
Current tax liabilities		1,619	2,951
<b>Total Current Liabilities</b>		<b>25,991</b>	<b>30,670</b>
<b>Non Current Liabilities</b>			
Borrowings		7,529	3,296
Provisions		1,648	1,453
<b>Total Non Current Liabilities</b>		<b>9,177</b>	<b>4,749</b>
<b>Total Liabilities</b>		<b>35,168</b>	<b>35,419</b>
<b>Net Assets</b>		<b>87,274</b>	<b>84,636</b>
<b>Equity</b>			
Issued capital	5	34,886	34,479
Reserves	7	1,806	1,943
Retained earnings	6	34,869	33,307
<b>HGL Limited Equity Interest</b>		<b>71,561</b>	<b>69,729</b>
<b>Non controlling interest</b>	8	<b>15,713</b>	<b>14,907</b>
<b>Total Equity</b>		<b>87,274</b>	<b>84,636</b>

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

Consolidated Statement of Changes in Equity

	Reserves					Retained Earnings	Total	Non Controlling Interest	Total Equity
	Issued Capital	Land and Buildings	Foreign Currency	Employee Share Scheme	Other				
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Consolidated half year ended 31 March 2011</b>									
Balance at beginning of period	34,479	924	(810)	2,442	(613)	33,307	69,729	14,907	84,636
Profit after income tax expense	-	-	-	-	-	4,119	4,119	1,350	5,469
<b>Other comprehensive income for the period</b>									
Translation of overseas controlled entity	-	-	(137)	-	-	-	(137)	(109)	(246)
<b>Total comprehensive income for the period</b>	-	-	(137)	-	-	4,119	3,982	1,241	5,223
Dividend paid	-	-	-	-	-	(2,557)	(2,557)	(435)	(2,992)
Shares issued under ESS	63	-	-	-	-	-	63	-	63
Shares issued under DRP	344	-	-	-	-	-	344	-	344
<b>Balance at end of period</b>	<b>34,886</b>	<b>924</b>	<b>(947)</b>	<b>2,442</b>	<b>(613)</b>	<b>34,869</b>	<b>71,561</b>	<b>15,713</b>	<b>87,274</b>
<b>Consolidated half year ended 31 March 2010</b>									
Balance at beginning of period	33,678	924	(187)	2,442	6,056	25,474	68,387	14,165	82,552
Profit after income tax expense	-	-	-	-	-	7,775	7,775	2,139	9,914
<b>Other comprehensive income for the period</b>									
Translation of overseas controlled entity	-	-	(87)	-	-	-	(87)	(501)	(588)
Revaluation of listed securities	-	-	-	-	(299)	-	(299)	-	(299)
Transferred to the profit and loss statement on sale of AFS investments	-	-	-	-	(3,658)	-	(3,658)	-	(3,658)
<b>Total comprehensive income for the period</b>	-	-	(87)	-	(3,957)	7,775	3,731	1,638	5,369
Dividend paid	-	-	-	-	-	(2,519)	(2,519)	(660)	(3,179)
Shares issued under ESS	88	-	-	-	-	-	88	-	88
Shares issued under DRP	932	-	-	-	-	-	932	-	932
Shares bought back	(318)	-	-	-	-	-	(318)	-	(318)
Purchase of options	-	-	-	-	371	-	371	(371)	-
<b>Balance at end of period</b>	<b>34,380</b>	<b>924</b>	<b>(274)</b>	<b>2,442</b>	<b>2,470</b>	<b>30,730</b>	<b>70,672</b>	<b>14,772</b>	<b>85,444</b>

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



## Consolidated Cash Flow Statement

	Half year ended 31 March 2011	Half year ended 31 March 2010
Note	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	89,549	92,904
Payments to suppliers and employees	(84,701)	(85,258)
Dividends received	-	230
Income tax paid	(3,544)	(1,526)
Interest received	141	217
Interest paid	(445)	(774)
<b>Net cash inflow from operating activities</b>	<b>1,000</b>	<b>5,793</b>
<b>Cash flows from investing activities</b>		
Payment for purchase of property, plant and equipment	(1,665)	(1,511)
Proceeds from sale of property, plant and equipment	140	167
Proceeds from sale of listed securities	-	7,146
Loan to other entities	-	(576)
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(1,525)</b>	<b>5,226</b>
<b>Cash flows from financing activities</b>		
Payment for share buyback	-	(318)
Proceeds from borrowings	6,060	1,477
Repayment of borrowings	(1,575)	(10,645)
Dividends paid:		
Members of the parent entity	4 (2,213)	(1,587)
Non controlling interest	8 (435)	(660)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>1,837</b>	<b>(11,733)</b>
<b>Net (decrease)/increase in cash held</b>	<b>1,312</b>	<b>(714)</b>
Cash and cash equivalents at the beginning of the half year	8,432	8,126
Effects of exchange rate changes on the balance of cash held in foreign currencies	(14)	(48)
<b>Cash and cash equivalents at the end of the half year</b>	<b>9,730</b>	<b>7,364</b>

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 2010 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 HGL Limited's 30 September 2010 annual report.

### **AASB Accounting Standards issued but not yet effective**

A number of Australian Accounting Standards and Interpretations are in issue but are not effective for the current period end. These Accounting Standards are not expected to have a material impact on the Consolidated entity in future periods.

## 2. Other Income

	Half year ended 31 March 2011 \$'000	Half year ended 31 March 2010 \$'000
Profit on sale of listed shares	-	5,228
Dividend income	-	230
Interest income	231	217
	<b>231</b>	<b>5,675</b>

## 3. Income Tax Expense

	Half year ended 31 March 2011 \$'000	Half year ended 31 March 2010 \$'000
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The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the accounts as follows:

<b>Prima facie income tax expense on the operating profit at 30% (2010: 30%)</b>	<b>2,368</b>	<b>4,116</b>
Tax effect of:		
Fully franked dividends	-	(69)
Equity share of associates' profit	(12)	(28)
Amortisation and depreciation on buildings	11	11
Income on scheme loans recognised directly in equity	53	52
Non-allowable expenses	34	35
Prior period over provision	(29)	(311)
<b>Income tax expense</b>	<b>2,425</b>	<b>3,806</b>

## 4. Dividends

	Half year ended 31 March 2011 \$'000	Year ended 30 September 2010 \$'000
Final 2010 dividend paid 16 December 2010 5.0 cents 100% franked at 30%	2,557	-
Interim 2010 dividend paid 1 July 2010 6.0 cents 100% franked at 30%	-	2,522
Final 2009 dividend paid 17 December 2009 5.0 cents 100% franked at 30%	-	3,055
	<b>2,557</b>	<b>5,577</b>
Paid in cash	2,213	4,221
Satisfied by the issue of shares	344	1,356
Dividends actually paid	<b>2,557</b>	<b>5,577</b>

### 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 8 July 2011.

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

## 5. Issued Capital

	31 March 2011		31 March 2010	
	Number	\$'000	Number	\$'000
Balance at the beginning of the period	51,114,406	34,479	50,447,025	33,678
Allotment pursuant to HGL Dividend Reinvestment Plan	221,453	344	804,178	932
Cancellation of capital pursuant to the on-market share buy-back	-	-	(281,405)	(318)
Shares issued to Employee Share Scheme participants	43,744	63	76,750	88
Balance at the end of the period	<b>51,379,603</b>	<b>34,886</b>	51,046,548	34,380

### Reconciliation of Total Share Capital

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

	31 March 2011 Number	31 March 2010 Number
Issued capital at end of period	51,379,603	51,046,548
Shares issued to Employee Share Scheme participants after November 2002	3,509,553	3,553,297
Total share capital at end of period	<b>54,889,156</b>	54,599,845

## 6. Retained Earnings

	Half year ended 31 March 2011 \$'000	Half year ended 31 March 2010 \$'000
Balance at the beginning of the period	33,307	25,474
Net profit attributable to members of the entity	4,119	7,775
Dividends paid	(2,557)	(2,519)
Balance at the end of the period	<b>34,869</b>	30,730

## 7. Reserves

	<b>Half year ended 31 March 2011</b>	Half year ended 31 March 2010
	<b>\$'000</b>	\$'000
Available for Sale Revaluation Reserve	-	3,083
Employee Share Scheme Reserve	<b>2,442</b>	2,442
Land and Buildings Revaluation Reserve	<b>924</b>	924
Foreign Currency Translation Reserve	<b>(947)</b>	(274)
Other Reserve	<b>(613)</b>	(613)
	<b>1,806</b>	5,562

The foreign currency translation reserve arises on the retranslation of the opening net assets of overseas subsidiaries, at period end rates of exchange, net of tax.

The other reserve arose when HGL increased its equity interest 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.

## 8. Non Controlling Interest

	<b>Half year ended 31 March 2011</b>	Half year ended 31 March 2010
	<b>\$'000</b>	\$'000
Balance at the beginning of the period	<b>14,907</b>	14,165
Profit attributable to non controlling interest	<b>1,350</b>	2,139
Dividends paid to non controlling interest	<b>(435)</b>	(660)
Purchase of options in J Leutenegger Pty Ltd	-	(371)
Foreign exchange	<b>(109)</b>	(501)
Balance at the end of the period	<b>15,713</b>	14,772

## 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 categorised as Branded Products. Revenue is derived from supplying branded products into niche markets.

The products include 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.

At March 2010 there was an additional segment - Listed Shares. Revenue for the listed shares segment was derived from the ownership and sale of listed shares. All remaining listed shares were sold in 2010.

## 9. Segment Information (continued)

### Half year ended 31 March 2011

	<b>Branded Products \$'000</b>	<b>Listed Shares \$'000</b>	<b>Consolidated \$'000</b>
Sales Revenue	81,818	-	81,818
Underlying profit before interest, tax, depreciation and amortisation and non controlling interest	9,240	-	9,240
Depreciation and amortisation	(1,132)	-	(1,132)
Underlying profit before interest, tax and non controlling interest	8,108	-	8,108

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

	<b>Underlying Profit \$'000</b>	<b>Other \$'000</b>	<b>Consolidated \$'000</b>
Underlying profit before interest, tax and non controlling interest	8,108	-	8,108
Interest income	231	-	231
Interest expense	(445)	-	(445)
Net profit before tax	7,894	-	7,894
Income tax expense	(2,425)	-	(2,425)
Profit after tax	5,469	-	5,469
Non controlling interest	(1,350)	-	(1,350)
Profit after tax and non controlling interest	4,119	-	4,119

### Half year ended 31 March 2010

	<b>Branded Products \$'000</b>	<b>Listed Shares \$'000</b>	<b>Consolidated \$'000</b>
Sales Revenue	84,787	5,458	90,245
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	8,819	230	9,049

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

	<b>Underlying Profit \$'000</b>	<b>Other \$'000</b>	<b>Consolidated \$'000</b>
Underlying profit before interest, tax and non controlling interest	9,049	-	9,049
Net 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	4,115	3,660	7,775

## **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 24 May 2011



## DIRECTORS' REPORT

The Directors submit the financial report of HGL Limited for the half year ended 31 March 2011.

### 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
MP Mahoney	- Chief Executive (Chief Operating Officer until 28 October 2010)
JD Constable	- Non Executive Director
KJ Eley	- Non Executive Director (Chief Executive until 28 October 2010)
FM Wolf	- Non Executive Director

### Review of Operations

The Directors report a consolidated profit before income tax and non controlling interest of \$7,894,000 (2010: \$13,720,000). 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 (2010: 6.0 cents fully franked interim dividend) to be paid on 8 July 2011. The record date will be 24 June 2011.

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

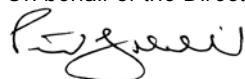
The auditor's independence declaration is included on page 17.

### 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 24 May 2011

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The Board of Directors  
HGL Limited  
Level 11, 280 George Street  
SYDNEY NSW 2000

24 May 2011

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 2011, 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



Stephen Holdstock  
Partner  
Chartered Accountant

## Independent Auditor's Review Report to the members of HGL Limited

We have reviewed the accompanying half-year financial report of HGL Limited, which comprises the consolidated balance sheet as at 31 March 2011, and the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### *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 a Financial Report 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 2011 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*

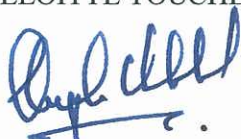
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of HGL Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

*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 consolidated entity's financial position as at 31 March 2011 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



Stephen Holdstock  
Partner  
Chartered Accountants  
Sydney, 24 May 2011