



2012

Results for six months ended 31 March 2012

Summary

HGL Limited, a supplier of market leading branded products into specialist markets, reported underlying profit of \$1.25 million (2011: \$4.1 million) for the six months ended 31 March 2012 and a decrease in underlying earnings per share to 2.4 cents per share (2011: 8.0 cents).

Statutory profit for the six months was \$1.15 million (2011: \$4.1 million). Statutory profit includes the loss of \$0.1 million on the sale of the Amcla and New Zealand based, Aarque Graphics business units.

The Directors have declared an interim dividend of 4.0 cents fully franked (2011: 6.0 cents fully franked) to be paid on 13 July 2012. The dividend reinvestment plan will continue to be available to shareholders with no discount.

Commentary

In common with most non mining related enterprises we experienced very difficult trading conditions. Australian business confidence and consumer sentiment is weak. Sales from continuing operations excluding Biante, which was restructured at the end of 2011, fell 11% from \$65.9 million to \$58.3 million.

The disappointing level of underlying profit reflects the challenging business environment and a number of specific circumstances:

- Sales of architectural lighting by JSB are down 34% on an exceptional performance last year. The decline follows a slowdown in building fit outs and generally softer business confidence. To further develop our sales footprint we are increasing our presence in the key Melbourne market.
- SPOS provides solutions for marketing at the point of purchase and is a project business. The timing of projects leads to variability of profits between periods. While the value of projects under development is higher than six months ago, the value of projects invoiced has been disappointing with domestic sales being 18% lower than last year.
- Anitech derives approximately 80% of its revenue from the sale of large format printers and consumables to the specialist CAD printing, design, graphic arts and sign industry. These sales

increased by 9%. However Anitech's overall sales and earnings were reduced through the loss of a major service contract late last year.

The JSB, SPOS and Anitech business units comprise approximately 80% of the \$2.8 million reduction in underlying profit.

In the other business units:

- The sales of Mountcastle are up 8% predominately through the successful move into the school uniform and school bag market. This business unit was historically a contract supplier of hats into a variety of markets including defence, police, industry and schools. Mountcastle is capitalising on its market strength in the school's market and now supplies uniforms and bags in addition to its traditional hats.
- Leutenegger sales increased by 9% following the appointment of a new Chief Executive for this business unit last September. The new CEO has in turn made a number of senior appointments and Leutenegger is expanding into markets adjacent to its traditional sewing and craft heartland.

We continue to increase the sales footprint through moving into adjacent markets, broadening our product offering and increasing our geographical reach. In addition, in each business unit we are building teams to create growth. We have kept these teams together while reducing expenses, in continuing operations excluding Biante, by 8%.

HGL remains financially strong with net cash of \$9.5 million (September 2011: \$6.6 million) and \$10 million of unutilised borrowing facilities. Despite the weak economy, the reduction in underlying profit and the lack of clarity on future earnings the Board remains confident HGL has the right strategy and will return to higher levels of profitability and dividends.

Peter Miller
Chairman

Summary of half year profit and loss account

	March 2012			March 2011
	Underlying profit \$'000	Other \$'000	Statutory \$'000	Statutory \$'000
Sales	60,527	–	60,527	81,818
Cost of sales	(32,625)	–	(32,625)	(42,442)
Gross profit	27,902	–	27,902	39,376
Expenses	(24,984)	(600)	(25,584)	(31,268)
Earnings before interest and tax	2,918	(600)	2,318	8,108
Net interest	57	–	57	(214)
Profit before tax	2,975	(600)	2,375	7,894
Income tax expense	(947)	505	(442)	(2,425)
Profit for the period	2,028	(95)	1,933	5,469
Non controlling interests	(777)	–	(777)	(1,350)
Profit after tax and non controlling interests	1,251	(95)	1,156	4,119

In 2012 other is the disposal of Aarque Group Limited and Amcla Pty Ltd. In 2011 underlying profit and statutory profit were the same.

Summary of balance sheets

	March 2012 \$'000	September 2011 \$'000
Cash	10,989	11,762
Trade and other debtors	26,740	28,868
Inventories	24,444	32,424
Current tax assets	572	–
Current assets	62,745	73,054
Equity accounted investments	1,771	2,003
Other financial assets	1,981	2,003
Property, plant and equipment	4,638	9,542
Intangibles	19,896	21,085
Deferred tax assets	4,441	4,988
Non current assets	32,727	39,621
Trade and other payables	(14,417)	(20,921)
Borrowings	(858)	(3,244)
Provisions	(3,265)	(3,647)
Current tax liabilities	–	(2,105)
Current liabilities	(18,540)	(29,917)
Borrowings	(653)	(1,937)
Provisions	(1,840)	(2,124)
Non current liabilities	(2,493)	(4,061)
Net assets	74,439	78,697
HGL equity interest	61,975	62,784
Non controlling interests	12,464	15,913
Equity	74,439	78,697

Summary of cash flows

	March 2012 \$'000	March 2011 \$'000
Receipts from customers	65,568	89,549
Paid to suppliers and employees	(64,179)	(84,701)
Income tax paid	(2,757)	(3,544)
Net interest paid	(42)	(304)
(Outflow)/inflow from operating activities	(1,410)	1,000
Purchase of plant and equipment	(639)	(1,665)
Proceeds from disposal of controlled entity	4,398	–
Others, net	85	140
Inflow/(outflow) from investing activities	3,844	(1,525)
Net proceeds from borrowings	(483)	4,485
Dividends paid to HGL shareholders	(2,442)	(2,213)
Dividends paid to non controlling interests	(280)	(435)
(Outflow)/inflow from financing activities	(3,205)	1,837
Net movement in cash held	(771)	1,312
Cash at beginning of half year	11,762	8,432
Foreign exchange effects on opening cash	(2)	(14)
Cash at end of half year	10,989	9,730