



HGL LIMITED
Half Year Financial Report
31 March 2007

investing in businesses

Chairman's report 31 March 2007 half year results

Overview

HGL (ASX code: HNG) today reports a half year profit after tax of \$11.7 million (2006: \$4.6 million). Core profit increased by 15% to \$4.4 million (2006: \$3.8 million). The half year includes a profit after tax of \$6.7 million from the sale of our 37% equity interest in MMC Asset Management Limited and the cancellation of our management contract with MMC Contrarian Limited (ASX code: MMA).

The interim dividend to be paid on 5 July 2007 has been increased by 15% to 6.2 cents fully franked per share (2006: 5.4 cents fully franked per share).

During the half year listed securities increased in value by \$4.5 million after tax. As required by Australian Accounting Standards, this unrealised profit is recognised directly into reserves and not included within reported profit after tax. At 31 March 2007 our listed securities had a market value of \$62.5 million.

The annualised total return on shareholders funds, excluding the \$6.7 million capital profit referred to above, was 25%.

HGL strategy

HGL's focus is to invest in both import and distribution businesses and fund management activities in conjunction with the people who run these businesses. For 20 years HGL has invested on the Australian Stock Exchange and also acquired import and distribution businesses through takeover offers and by acquiring privately owned businesses. HGL continues to utilise the skills acquired in these activities for the benefit of shareholders.

Significant developments

In October 2006 HGL introduced the Chief Executive of J Leutenegger as a new 20% equity partner in the business. In April 2007 J Leutenegger acquired Biante, Australia's leading importer and distributor of collector model cars. After a short settling in period, this \$8 million cash acquisition of Biante is expected to meet HGL's 20% return on capital target.

In February 2007 HGL disposed of its 37% equity interest in MMC Asset Management Limited and cancelled its management contract with MMC Contrarian Limited in return for \$15.3 million of equity in MMC Contrarian. In addition, a further \$15.0 million has been invested to acquire a further 14.5 million shares in MMC Contrarian. Currently HGL owns 11% of MMC Contrarian with a total market value of \$30 million. Kevin Eley, our Chief Executive Officer, remains a director of MMC Contrarian.

Core profit

Core profit increased by 15% to \$4.4 million (2006: \$3.8 million). The increase was largely due to increased dividends from our fund management interests. At 31 March we had \$43.5 million invested in the fund management industry through a 10% holding in MMC Contrarian and 6% holding in Hunter Hall. We are positive about these two companies' growth prospects in this rapidly expanding industry.

In aggregate the contribution of our import and distribution businesses to core profit was in line with the excellent results achieved last half year. The import and distribution businesses generated combined annualised EBIT to capital employed returns of 23% (2006: 27%). We anticipate full year EBIT from these businesses will be greater than last year, excluding the Biante acquisition.

Funding

At 31 March 2007 net debt had increased to \$14.2 million from \$1.2 million at 30 September 2006. Our bank facilities have been initially increased to \$30 million from \$18 million to provide the flexibility to continue with our acquisition program.

Outlook

The balance sheet remains sound. The management team remain focused on growing the current businesses and making acquisitions.

The company is well positioned and expects to build upon the good first half result. With stable economic conditions and the benefit of the Biante acquisition the Board anticipates a strong second half and an increase in the final dividend (2006: 6.2 cents fully franked per share).

In aggregate HGL's listed securities produced an excellent pre tax return of 20%. We will increase the amount invested in listed companies when we identify suitable opportunities.

Peter Miller
Chairman
21 May 2007

About HGL:

- HGL (ASC code: HNG) owns 12 import and distribution businesses; acquisitions typically occur when business owners seeks to retire.
- HGL owns 11% of MMC Contrarian (ASX code: MMA) and 6% of Hunter Hall (ASX code: HHL); these investments in listed fund managers are complemented by a number of smaller investments in listed companies.
- All businesses within HGL are held for the long term and are effectively partially owned by their management.

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Summary of half year results and 31 March balance sheets

	Note	Earnings 2007 \$'000	Capital employed 2007 \$'000	Annual return 2007	Earnings 2006 \$'000	Capital employed 2006 \$'000	Annual return 2006
Core profit							
Import and distribution businesses		7,064	60,318	23%	7,811	57,802	27%
Fund management businesses	1	2,451	43,489	11%	1,621	18,240	18%
Central items	2	(1,291)	975		(1,402)	(1,084)	
Borrowings		(459)	(14,234)		(197)	(1,631)	
Profit before tax		<u>7,765</u>	<u>90,548</u>		<u>7,833</u>	<u>73,327</u>	
Tax	3	(2,093)	(6,238)		(2,360)	(2,609)	
Partners' equity interests	4	(1,263)	(12,797)		(1,626)	(12,634)	
Core profit		4,409	71,513	12%	3,847	58,084	13%
Capital profit after tax	5	<u>7,246</u>			<u>720</u>		
Profit after tax and minority interests		11,655			4,567		
Core earnings per share (cents)	6	9.1			8.1		
Dividend per share (cents) - fully franked		6.2			5.4		

- Earnings mainly comprise our share of the pre tax profit from MMC Asset Management of \$0.6 million (2006: \$0.7 million) and the management fee income from MMC Contrarian of \$0.3 million (2006: \$0.5 million) until disposal on 1 February 2007 together with fully franked dividend income from Hunter Hall of \$0.3 million (2006: \$0.3 million) and MMC Contrarian of \$0.9 million (2006: \$nil). Capital employed comprises the market value of the investments in Hunter Hall and MMC Contrarian, the comparative figure also includes the value of the MMC Asset Management investment.
- The main constituents of capital employed are property of \$4.6 million (2006: \$4.6 million) and deferred consideration of \$4.0 million (2006: \$6.5 million).
- The tax liability of \$6.3 million (2006: \$2.6 million) includes deferred tax on the revaluation of Hunter Hall and MMC Contrarian of \$5.3 million (2006: \$3.6 million).
- The decrease in our partners' share of the profit is due to lower profits from import and distribution businesses.
- After tax capital profits in 2007 are
 - \$6.7 million profit on the disposal of MMC Asset Management and the cancellation of the management contract with MMC Contrarian;
 - \$0.8 million profit on the sale of listed securities;
 - \$0.4 million option expense on the grant of an equity settled option in J Leutenegger Pty Limited.
- Calculated by dividing core profit by the weighted average number of shares on issue during the period. The weighted average number of shares on issue is 48,255,000 (2006: 47,764,000).

Summary of listed securities at 31 March 2007

Our investment in listed securities has increased dramatically during the period due mainly to the acquisition of MMC Contrarian shares and the 34% increase in the value of Hunter Hall.

	Note	Capital employed Mar-07 \$'000	Transactions \$'000	Increase in value \$'000	Capital employed Sep-06 \$'000
MMC Contrarian	1	25,019	25,355	(351)	15
Hunter Hall	2	18,471		4,749	13,722
Calliden Group	3	6,888	132	751	6,005
Credit Corp	4	3,492		727	2,765
MMC Small Companies Fund	5	2,929	(2,023)	234	4,718
Others	6	5,712	581	1,517	3,614
	7	62,511	24,045	7,627	30,839

1. MMC Contrarian (ASX code: MMA). HGL owns 10% of MMC Contrarian a boutique fund manager with \$600 million of funds under management. Market value of MMC Contrarian \$1.03 a share at 31 March 2007. \$15.3 million of equity issued in consideration for the sale of MMC Asset Management and the cancellation of the management agreement with MMC Contrarian and \$10.0 million acquired on market.
2. Hunter Hall (ASX code: HHL). HGL owns 6% of Hunter Hall a boutique fund manager with \$2.4 billion of funds under management. Market value of Hunter Hall \$12.72 a share at 31 March 2007 and \$9.45 a share at 30 September 2006.
3. Calliden Group (ASX code: CIX). HGL owns 7% of Calliden Group a general insurer. Market value of Calliden \$0.45 a share at 31 March 2007 and \$0.40 a share at 30 September 2006.
4. Credit Corp (ASX code: CCP). Market price of Credit Corp \$10.23 a share at 31 March 2007 and \$8.10 a share at 30 September 2006.
5. During the period units with a value of \$2.0 million in the MMC Small Companies Fund were sold and profit of \$0.8 million was realised.
6. During the period \$3.0 million of shares were acquired and \$2.4 million were sold realising a profit of \$0.4 million.
7. The total increase in value of the portfolio was \$7.6 million before tax, \$1.2 million of profit was realised and recognised in the income statement, the balance of \$6.4 million is unrealised profit and is recognised directly into reserves after deducting deferred tax at 30%. At 31 March 2007 total unrealised gains are \$27.7 million and the deferred tax provided in respect of this future taxable gain is \$8.3 million.

21 May 2007

**HGL Limited – Half Year Report (Appendix 4D)
 for the half year ended 31 March 2007**

The directors of HGL Limited are pleased to announce the results for the half year ended 31 March 2007 as follows:

Final results for announcement to the market:

Extracted from the 2007 Half Year Financial Report:

	% change	\$A'000
Revenue	7.6	71,014
Net profit from ordinary activities after tax attributable to members	155.2	11,655
Net profit after tax attributable to members	155.2	11,655

Dividends:

	Amount per security	Franked amount per security
Interim Dividend – Ex date 15 June 2007, Record date 21 June 2007, Payable 5 July 2007 and DRP discount rate of nil	6.2 cents	6.2 cents
Final Dividend paid in respect of prior financial year	6.2 cents	6.2 cents
Interim dividend – previous corresponding period	5.4 cents	5.4 cents

Net Tangible Assets per share:

	31 March 2007	31 March 2006
Net Tangible Assets	133.2 cents	103.4 cents

The remainder of the information requiring disclosure to comply with the Listing Rules is contained in the 2007 Half Year Financial Report released to the ASX today.

Consolidated Income Statement

	Note	Half year ended 31 March 2007 \$'000	Half year ended 31 March 2006 \$'000
Revenue		71,014	65,981
Profit on sale of MMC Asset Management and cancellation of management agreement		9,992	-
Share of associates' profit accounted for using the equity method		956	958
Other income		501	265
Change in inventories of finished goods and work in progress		(514)	(1,054)
Raw materials and consumables used		(36,704)	(32,296)
Employee benefits expense		(16,378)	(15,327)
Freight, packaging and distribution expense		(1,411)	(1,591)
Advertising and marketing expense		(1,099)	(1,361)
Depreciation expense		(881)	(780)
Operating lease expense		(1,669)	(1,686)
Equity settled share based payments		(371)	(141)
Interest expense		(757)	(459)
Other expenses		(4,596)	(3,888)
Profit before income tax expense		18,083	8,621
Income tax expense	2	(5,165)	(2,428)
Profit for the period		12,918	6,193
Profit attributable to minority interests		(1,263)	(1,626)
Profit attributable to members of HGL Limited		11,655	4,567
		Cents	Cents
Basic earnings per share		24.2	9.56
Diluted earnings per share		23.0	9.42

The notes to the financial statements are included on pages 10 to 17.

Consolidated Balance Sheet

	Note	31 March 2007 \$'000	30 September 2006 \$'000
Current Assets			
Cash and cash equivalents		8,070	6,438
Trade and other receivables		26,586	24,052
Inventories		26,793	26,301
Total Current Assets		61,449	56,791
Non Current Assets			
Investments accounted for using the equity method		2,123	6,916
Other financial assets		64,417	32,984
Property, plant & equipment		8,905	9,485
Intangibles		23,181	22,640
Total Non Current Assets		98,626	72,025
Total Assets		160,075	128,816
Current Liabilities			
Trade and other payables		21,245	21,065
Borrowings		18,583	3,794
Current tax liabilities		2,768	534
Provisions		3,598	4,207
Total Current Liabilities		46,194	29,600
Non Current Liabilities			
Borrowings		3,722	3,883
Deferred tax liabilities		6,418	3,916
Provisions		3,349	4,152
Total Non Current Liabilities		13,489	11,951
Total Liabilities		59,683	41,551
Net Assets		100,392	87,265
Equity			
Issued capital	4	30,890	30,371
Reserves	6	21,142	16,897
Retained earnings	5	35,563	26,891
HGL Limited Equity Interest		87,595	74,159
Minority Interest			
Issued capital		4,642	4,792
Reserves		1,363	982
Retained earnings		6,792	7,332
Minority Interests in Controlled Entities		12,797	13,106
Total Equity		100,392	87,265

The notes to the financial statements are included on pages 10 to 17.

Consolidated Statement of Changes in Equity

	Note	Half year ended 31 March 2007 \$'000	Half year ended 31 March 2006 \$'000
Total equity at the beginning of the half year		87,265	77,090
Available for sale investments:			
Revaluation gain recognised directly in equity, net of tax	6	5,340	4,427
Profit transferred to the income statement on sale, net of tax	6	(827)	(667)
Translation of foreign operations:			
Exchange differences recognised directly in equity, net of tax	6	58	(141)
Net income/(expense) recognised directly in equity		4,571	3,619
Profit for the period		11,655	4,567
Total recognised income and expense for the period		16,226	8,186
Transaction with equity holders in their capacity as equity holders:			
Dividend paid	3	(2,983)	(2,765)
Dividend Reinvestment Plan shares issued	4	617	551
Shares bought back and cancelled	4	(161)	(305)
Shares issued to Employee Share Scheme participants	4	63	54
Employee share scheme reserve	6	-	141
Purchase of equity interest	6	(326)	-
Minority interest		(309)	424
		(3,099)	(1,900)
Total equity at the end of the half year		100,392	83,376
Total recognised income and expense for the half year is attributable to:			
Equity holders of the parent		14,963	6,560
Minority interest		1,263	1,626
		16,226	8,186

The notes to the financial statements are included on pages 10 to 17.

Consolidated Cash Flow Statement

	Note	Half year ended 31 March 2007 \$'000	Half year ended 31 March 2006 \$'000
Cash flows from operating activities			
Receipts from customers		79,043	75,025
Payments to suppliers and employees		(69,945)	(68,257)
Dividends received		1,508	723
Income tax paid		(2,304)	(3,056)
Interest received		309	257
Interest paid		(757)	(459)
Net cash inflow from operating activities		7,854	4,233
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		(666)	(741)
Proceeds from sale of property, plant and equipment		163	63
Payment for purchase of preference shares		-	575
Proceeds from redemption of preference shares		423	-
Payment for purchase of listed securities		(12,818)	(1,982)
Payment for purchase of controlled entities		(4,201)	(4,324)
Cash in acquired entity		-	920
Proceeds from sale of listed securities		4,368	1,737
Loan to other entities		(275)	(173)
Loan repaid by other entities		238	1
Net cash (outflow)/inflow from investing activities		(12,768)	(3,924)
Cash flows from financing activities			
Payment for share buyback		(161)	(305)
Proceeds from borrowings		26,132	10,871
Repayment of borrowings		(16,440)	(7,000)
Dividends paid:			
Members of the parent entity	3	(2,366)	(2,216)
Minority Interests		(617)	(736)
Net cash (outflow)/inflow from financing activities		6,548	614
Net (decrease)/increase in cash held		1,634	923
Cash and cash equivalents at the beginning of the half year		6,438	5,386
Effects of exchange rate changes on the balance of cash held in foreign currencies		(2)	2
Cash and cash equivalents at the end of the half year		8,070	6,311

The notes to the financial statements are included on pages 10 to 17.

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 2006 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 2006 annual report.

2. Income Tax Expense

Half year ended 31 March 2007 \$'000	Half year ended 31 March 2006 \$'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:

Prima facie income tax expense on the operating profit at 30% (2006: 30%)	5,425	2,586
Tax effect of:		
Fully franked dividends	(388)	(235)
Tax rate differential relating to overseas controlled entities	36	34
Equity share of associates' profit	(145)	(146)
Amortisation and depreciation on buildings	4	5
Equity settled share based payments	111	42
Income on scheme loans recognised directly in equity	54	48
Unwinding of discount on deferred consideration	14	28
Non-allowable expenses	25	16
Prior period under provision	29	50
Income tax expense	5,165	2,428

3. Dividends

Half year ended 31 March 2007 \$'000	Year ended 30 September 2006 \$'000
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Final 2006 dividend paid 20 December 2006 6.2 cents 100% franked at 30%	2,983	-
Interim 2006 dividend paid 6 July 2006 5.4 cents 100% franked at 30%	-	2,585
Final 2005 dividend paid 20 December 2005 5.8 cents 100% franked at 30%	-	2,765
	2,983	5,350

Half year ended 31 March 2007 \$'000	Year ended 30 September 2006 \$'000
Paid in cash	4,272
Satisfied by the issue of shares	1,078
Dividends actually paid	5,350

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 6.2 cents 100% franked at 30% will be payable on 5 July 2007.

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

4. Issued Capital

	31 March 2007		31 March 2006	
	Number	\$'000	Number	\$'000
Balance at the beginning of the period	48,107,512	30,371	47,681,742	29,544
Allotment pursuant to HGL Dividend Reinvestment Plan	300,097	617	301,237	551
Cancellation of capital pursuant to the on-market share buy-back	(79,830)	(161)	(170,735)	(305)
Shares issued to Employee Share Scheme participants	33,225	63	28,976	54
Balance at the end of the period	48,361,004	30,890	47,841,220	29,844

In accordance with AASB 2 Share-based Payment the shares issued after November 2002 under the Employee Share Scheme, although issued capital, are recognised as options.

Reconciliation of Shares on Issue

	31 March 2007 Number	31 March 2006 Number
Fully paid ordinary shares on issue per accounts at end of period	48,361,004	47,841,220
Shares issued to Employee Share Scheme participants	2,962,687	2,831,138
Fully paid ordinary shares on issue at end of the period	51,323,691	50,672,358

5. Retained Earnings

	Half year ended 31 March 2007 \$'000	Half year ended 31 March 2006 \$'000
Balance at the beginning of the period	26,891	23,190
Net profit attributable to members of the entity	11,655	4,567
Dividends paid	(2,983)	(2,765)
Balance at the end of the period	35,563	24,992

6. Reserves

	Half year ended 31 March 2007	Half year ended 31 March 2006
	\$'000	\$'000
Available for Sale Revaluation Reserve	19,377	13,928
Employee Share Scheme Reserve	2,442	2,442
Land and Buildings Revaluation Reserve	388	388
Foreign Currency Translation Reserve	(81)	(191)
Other Reserve	(984)	(658)
	<u>21,142</u>	<u>15,909</u>
Available for Sale Revaluation Reserve		
Balance at the beginning of the period	14,864	10,168
Revaluation of listed securities, net of tax	5,340	4,427
Transferred to the income statement on sale of financial assets, net of tax	(827)	(667)
Balance at the end of the period	<u>19,377</u>	<u>13,928</u>
Employee Share Scheme Reserve		
Balance at the beginning of the period	2,442	2,301
Equity settled share based payments	-	141
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	388	388
Revaluation of land and buildings, net of tax	-	-
Balance at the end of the period	<u>388</u>	<u>388</u>
Foreign Currency Translation Reserve		
Balance at the beginning of the period	(139)	(50)
Translation of overseas controlled entities, net of tax	58	(141)
Balance at the end of the period	<u>(81)</u>	<u>(191)</u>
Other Reserve		
Balance at the beginning of the period	(658)	(658)
Purchase of equity interest	(326)	-
Balance at the end of the period	<u>(984)</u>	<u>(658)</u>

The Other Reserve arose on HGL increasing 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. 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.

7. Changes in the composition of the consolidated entity

J Leutenegger Pty Ltd

On 3 October 2006 HGL increased its equity interest in J Leutenegger Pty Limited to 100% from 85% for \$1,560,000 paid in cash. The reserve adjustment on acquisition was \$326,000. Refer to note 6 for details.

On 4 October 2006 Chris Roche, the Chief Executive Officer, beneficially acquired 20% of the equity in J Leutenegger Pty Ltd for \$250,000. However, under AASB 2 Share-based Payment this beneficial equity interest is treated as an option as Chris Roche funded the equity purchase through a loan made by HGL Limited that was secured on his J Leutenegger Pty Ltd equity. A one off option expense of \$371,000 has been recognised in the half year.

Acquisition of JSB Lighting

On 4 October 2005 HGL acquired 100% of JSB Lighting (JSB), a Sydney based importer and distributor of specialist commercial lighting equipment. JSB was acquired for an upfront payment of \$4.0 million and an obligation to pay additional consideration based on earnings over the next three years.

JSB assists in the design and development of lighting solutions and its products are specified by professional consultants and installed in prime positions within hotels, offices, showrooms and retail areas.

When preparing accounts for the business combination of JSB the consolidated entity is required to recognise identifiable intangible assets separately from goodwill. Goodwill of \$8.4 million for the acquisition of JSB has been recognised. There have been no identifiable intangibles recognised.

JSB contributed \$690,000 to the net profit of the group during the 2006 half year.

The fair value of identifiable assets and liabilities of the above business as at the date of acquisition were:

	\$'000
Consideration	5,821
Cost of acquisition	331
	<u>6,152</u>
Estimate for deferred consideration	3,769
Total consideration	<u>9,921</u>
Net assets acquired:	
Current assets	
Cash	920
Trade and other receivables	2,357
Inventories	278
Non current assets	
Plant and equipment	87
Current liabilities	
Trade and other liabilities	(1,667)
Current tax liabilities	(340)
Provisions	(139)
Net Assets	<u>1,496</u>
Goodwill	8,425
	<u>9,921</u>

7. Changes in the composition of the consolidated entity (continued)

Acquisition of Biante

On 17 April 2007 J Leutenegger, a subsidiary of HGL, acquired 100% of Biante Pty Limited, a Perth based importer and distributor of collector model cars for \$8.0 million, paid in cash.

When preparing accounts for the business combination of Biante the consolidated entity is required to recognise identifiable intangible assets separately from goodwill. Goodwill of \$6.3 million for the acquisition of Biante is anticipated. There have been no identifiable intangibles recognised. The accounting for the acquisition has been determined provisionally.

Had HGL owned Biante from 1 October 2006, its contribution to profit would have been \$0.4 million after the interest cost associated with funding the acquisition.

The preliminary estimated fair value of identifiable assets and liabilities of Biante as at the date of acquisition are:

	\$'000
Consideration	8,000
Costs of acquisition	263
Total consideration	8,263
Net assets acquired:	
Current assets	
Cash	321
Trade and other receivables	468
Inventories	1,214
Non current assets	
Other financial assets	8
Plant and equipment	557
Current liabilities	
Trade and other liabilities	(98)
Current tax liabilities	(320)
Provisions	(148)
Net Assets	2,002
Goodwill	6,261
	8,263

8. Segment information

	Import & Distribution \$'000	Fund Management \$'000	Segment Total \$'000	Unallocated* \$'000	Consolidated \$'000
Business segments					
31 March 2007					
Revenue					
Segment Revenue	67,621	3,093	70,714	300	71,014
Segment Result					
Profit/(Loss) before income tax	7,064	12,769	19,833	(1,750)	18,083
Income tax	-	-	-	(5,165)	(5,165)
Profit/(Loss) after income tax	7,064	12,769	19,833	(6,915)	12,918
Segment Assets					
	81,223	62,515	143,738	16,337	160,075
Segment Liabilities					
	(20,906)	-	(20,906)	(38,777)	(59,683)
Net Assets					
	60,317	62,515	122,832	(22,440)	100,392
Other disclosures					
Depreciation expense	867	-	867	14	881
Acquisition of segment assets	666	-	666	-	666
Carrying value of equity investments	2,123	-	2,123	-	2,123
Share of associates' profit	505	451	956	-	956
Profit on sale of listed securities	-	1,181	1,181	-	1,181
Profit on sale of unlisted securities and management contract	-	9,992	9,992	-	9,992
Profit on sale of preference shares	-	106	106	-	106
Net income from MMC Contrarian Limited	-	310	310	-	310
Other significant revenue					
Dividends	-	1,496	1,496	-	1,496
Other significant expenses					
Inventory obsolescence	326	-	326	-	326
Business segments					
31 March 2006					
Revenue					
Segment Revenue	63,797	1,923	65,720	261	65,981
Segment Result					
Profit/(Loss) before income tax	7,811	2,408	10,219	(1,598)	8,621
Income tax	-	-	-	(2,428)	(2,428)
Profit/(Loss) after income tax	7,811	2,408	10,219	(4,026)	6,193
Segment Assets					
	74,703	34,747	109,450	16,142	125,592
Segment Liabilities					
	(17,595)	-	(17,595)	(24,621)	(42,216)
Net Assets					
	57,108	34,747	91,855	(8,479)	83,376
Other disclosures					
Depreciation expense	773	-	773	7	780
Acquisition of segment assets	741	-	741	-	741
Carrying value of equity investments	1,753	5,042	6,795	29	6,824
Share of associates' profit	473	485	958	-	958
Profit on sale of listed securities	-	953	953	-	953
Profit on sale of preference shares	-	75	75	-	75
Net income from MMC Contrarian Limited	-	450	450	-	450
Other significant revenue					
Dividends	-	445	445	-	445
Other significant expenses					
Inventory obsolescence	819	-	819	-	819
Equity settled share based payments	-	-	-	141	141

* Unallocated refers to tax assets, tax liabilities and tax expenses, cash, properties, head office items and the employee share scheme.

The import and distribution businesses obtain branded products mainly from overseas and distribute these products mainly within Australia. Fund management comprises the listed investments, the equity accounted investment in MMC Asset Management Limited and net management fee income from MMC Contrarian Limited. The consolidated entity's main business is carried on in Australia. There are no material geographical segments to report.

9. Sale of MMC Asset Management and subsequent investment in MMC Contrarian

On 1 February 2007 HGL disposed of its 37% equity interest in MMC Asset Management and cancelled its management contract with MMC Contrarian Limited. The consideration was 14.7 million MMC Contrarian Limited shares which had a market price of \$1.04 on 1 February 2007, the resultant profit before tax was \$10.0 million. To 31 March 2007 an additional \$10.0 million was utilised to acquire a further 9.6 million MMC Contrarian Limited shares. At 31 March 2007 HGL owned 9.5% of MMC Contrarian Limited.

From 1 April 2007 to the date of this report an additional 4.9 million shares in MMC Contrarian Limited have been purchased for \$5.0 million. This expenditure has been funded by utilising debt facilities.

DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the directors opinion, there are reasonable grounds to believe that the disclosing entity 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 21 May 2007

DIRECTORS' REPORT

The Directors submit the financial report of HGL Limited for the half year ended 31 March 2007.

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 minority interests of \$18,083,000 (2006: \$8,621,000). Further details are in the Chairman's report on pages 1-4.

Dividends

The Directors have declared an interim fully franked dividend of 6.2 cents per share (2006: 5.4 cents fully franked interim dividend) to be paid on 5 July 2007. The record date will be 21 June 2007.

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 20.

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 of HGL Limited.

PG Miller
Chairman

Sydney 21 May 2007

Registered office and principal place of business:

Level 5, 34 Hunter Street
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Phone: +612 9221 7155
Fax: +612 9233 2713
Email: hgl@hgl.com.au
Web: www.hgl.com.au
ABN: 25 009 657 961

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

21 May 2007

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 2007, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Mark Rossetti
Partner
Chartered Accountants

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 balance sheet as at 31 March 2007, and the income statement, cash flow statement, 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 HGL Limited 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 6 to 18.

Directors' Responsibility for the Half-Year Financial Report

The directors of the HGL Limited are responsible for the preparation and true and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing 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 an Interim 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the HGL Limited's financial position as at 31 March 2007 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.

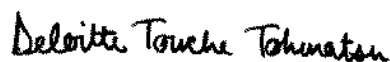
Auditor's Independence Declaration

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 consolidated entity's financial position as at 31 March 2007 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



Mark Rossetti
Partner
Chartered Accountants
Sydney, 21 May 2007