

ANNUAL REPORT › SEPTEMBER

# 2011



**Supplying market  
leading branded  
products**

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

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## FINANCIAL CALENDAR

dates are subject to change

### Final Dividend

- › 16 December 2011

### Annual General Meeting

- › 31 January 2012

### Half Year End

- › 31 March 2012

### Half Year Report

- › May 2012

### Interim Dividend

- › July 2012

### Year End

- › 30 September 2012

### Annual Report

- › November 2012

## ANNUAL GENERAL MEETING

The one hundred and eighth Annual General Meeting of shareholders of HGL Limited will be held at the offices of Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000 at 11:00 am on 31 January 2012.

**first choice  
distributor  
in our markets**

**market leading  
branded products  
for specialist  
markets**

**focus sharpened  
by a business unit  
for each market**

# REVIEW

## Summary

For the year ended 30 September 2011 HGL reports a 6% increase in underlying profit to \$7.2 million (2010: \$6.8 million) and a reported loss of \$2.4 million (2010: \$13.4 million profit). Our balance sheet remains strong with net cash at 30 September 2011 of \$6.6 million (2010: \$2.0 million). We are well placed to fund both organic growth and future dividends.

Included in the reported loss is a \$9.6 million after tax non cash write down of the Biante business unit. The \$9.6 million principally comprises goodwill of \$6.4 million, fixed asset write downs of \$1.8 million and stock related provisions of \$1.0 million. Last year the reported profit included a \$6.6 million after tax profit from the sale of listed shares.

The 2011 year has been one of building on the change of strategy implemented last year and on continuing business improvement. The 6% increase in underlying profit in the face of tough external conditions demonstrates the success to date.

## Dividends

The final dividend for 2011, payable on 16 December 2011, will be 5.5 cents (2010: 5.0 cents) per share fully franked bringing the total dividend for the year to 11.5 cents (2010: 11.0 cents) per share fully franked. The dividend represents a payout ratio of 83% (2010: 83%) of underlying profit.

The dividend policy has been amended to distributing no less than 75% of underlying profit from distributing between 70% and 80% of underlying profit. Current and foreseeable future dividends are anticipated to be fully franked.

## Business approach

HGL is a supplier of market leading branded products and services into specialist markets. The fragmented nature of the specialist markets and the strength of the brands and services supplied ensure we have a reasonable level of pricing power. Typically we do not sell low margin mass market commodity type products. Approximately 70% of sales are to businesses and 30% are to retailers.

Operating a decentralised business model, each business unit is focussed on its specific markets. Most decision making is made as close to the customers, suppliers and markets as possible to facilitate satisfying customer needs and more fully exploiting growth opportunities. Our people and financial resources are directed to increasing sales and profits with only 5 of our 390 employees employed in the central office.

## SUMMARY OF RESULTS

	2011 \$millions	2010 \$millions
Underlying profit	7.2	6.8
Other	(9.6)	6.6
Reported (loss)/profit	(2.4)	13.4
Net cash	6.6	2.0

	cents per share	cents per share
Underlying profit	13.9	13.3
Other	(18.6)	13.0
Reported (loss)/profit	(4.7)	26.3

## DIVIDENDS

	cents per share	cents per share
Interim	6.0	6.0
Final	5.5	5.0
Total	11.5	11.0

## SUMMARY OF TRADING RESULTS

	2011	2010
	\$millions	\$millions
Sales	<b>163.4</b>	170.1
Cost of goods sold	<b>(85.8)</b>	(93.5)
Gross margin	<b>77.6</b>	76.6
Expenses	<b>(63.7)</b>	(61.5)
Business EBIT	<b>13.9</b>	15.1
Gross margin %	<b>47.5</b>	45.0

Michael Mahoney was appointed Chief Executive in October 2010 and the strategy to increase sales, profit and the dividend is to:

- Broaden our product offering and distribute these products into both our existing and adjacent markets. Successes to date include, leveraging our market leading position in the school hat market to sell school uniforms and delivering creative solutions in the point of sale market where previously sales were more product based.
- Increase the quality and experience of the senior management teams. A number of changes were made in 2011 and more are anticipated in the coming year. In August new Chief Executives were appointed for Leutenegger and Biante.
- Improve processes and increase efficiency.

The plan for organic growth shown above may be supplemented through acquisition at the business unit level. Our focus is on growing the profitability of our current business units.

To facilitate growth, and to provide appropriate focus, the potential for each business unit has been reviewed and three non core business units have been identified:

- Aarque Group, a New Zealand supplier of printing equipment with limited growth and sales of \$23 million in 2011; and
- The small shareholdings in Amcla and Safilo.

Since the end of the financial year we have disposed of Aarque and Amcla realising a loss of \$0.1 million and generating cash of \$4.4 million. Discussions are ongoing to sell our holding in Safilo.

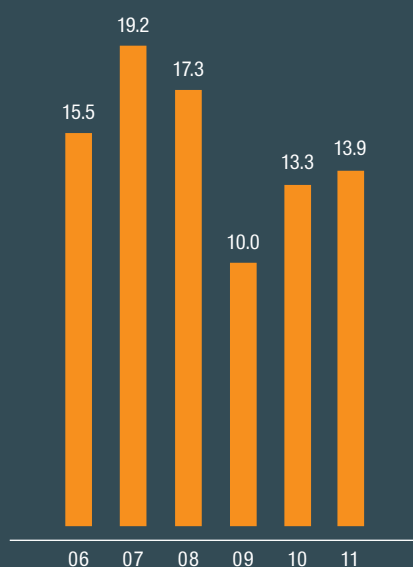
The performance of both Biante and BLC is disappointing. We are adopting new strategies and operational improvements to increase profitability.

### Financial summary

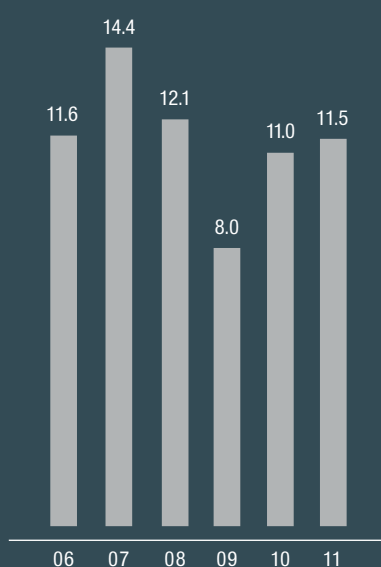
The financial performance for the year ended 30 September 2011 is summarised as follows:

- Underlying profit after tax increased by 6% to \$72 million (2010: \$6.8 million) being 13.9 cents per share (2010: 13.3 cents per share).
- A non cash charge excluded from underlying profit of \$9.6 million to write down inventories, fixed assets and goodwill in the Biante business unit.
- Fully franked dividends per share of 11.5 cents (2010: 11.0 cents).
- At the end of September 2011 capital employed was \$62.9 million (2010: \$74.7 million). The EBIT to capital employed ratio was 22.1% (2010: 20.2%) and remains above our internal hurdle rate of 20%.
- The operational cash flow of \$13.2 million (2010: \$11.5 million) enabled net cash balances to increase to \$6.6 million.
- Underlying return on equity of 11.4% (2010: 9.7%).

### UNDERLYING EARNINGS PER SHARE - CENTS



### DIVIDENDS PER SHARE - CENTS



### SUMMARY OF UNDERLYING PROFIT

	2011 \$millions	2010 \$millions
Business EBIT	13.9	15.1
Dividend income	-	0.2
Net interest expense	(0.3)	(0.7)
Underlying profit before tax	13.6	14.6
Taxation	(4.0)	(4.3)
Minorities	(2.4)	(3.5)
Underlying profit after tax	7.2	6.8

### Trading summary

Full year underlying profit was up 6%, buoyed by a 14% increase in the second half. This second half increase was particularly pleasing bearing in mind the significantly weaker external environment during that period.

JSB Lighting, SPOS and Mountcastle business units drove the 2011 result; they all delivered double digit earnings growth. Their growth reflected their achievement in building stronger teams and diversifying product offerings into adjacent markets.

Overall sales fell by 4% largely due to lower demand for printers at Anitech and for eye testing equipment at BOC. Both of these product categories had benefited in the prior year from the Government Stimulus Package which we believe brought forward some sales from 2011 to 2010. Excluding sales of printers and eye testing equipment sales increased 1%.

The gross margin increased to 47.5% (2010: 45.0%). This improvement was driven by lower sales of printers and eye testing equipment, which have lower margins, combined with a move to higher margin products and through retaining part of the benefit of lower product costs.



## ABOUT HGL

first choice distributor in our markets

market leading branded products for specialist markets

focus sharpened by a business unit for each market

## STRATEGY EXECUTION

- Broaden product offering
- Distribute products into both existing and adjacent markets
- Increase quality, experience and depth of senior management team
- Improve processes and increase efficiency

The A\$ strengthened from an average of 90 cents against the US\$ last year to an average of \$1.02 in 2011. When the A\$ strengthens our competitors receive the same benefit and market forces tend to result in lower product costs being passed onto our customers. As a result of lower selling prices we need to sell more units to maintain sales. When the US\$ exchange rate weakens market forces tend to allow price increases to our customers and price reductions to be negotiated with our suppliers.

The strategy of raising internal standards and entering adjacent markets is in place to not only provide sustainable long term growth but also to counteract weak external demand and any A\$ led price deflation.

Two key financial performance measures are the EBIT to sales ratio and the EBIT to capital employed ratio. The EBIT to sales ratio measures how much of each sales dollar is flowing through to profit and the EBIT to capital employed ratio ensures prudent growth and working capital management. The EBIT to sales ratio declined slightly to 8.5% from 8.9% largely following weakened performance from Leutenegger and BLC. The EBIT to capital employed ratio increased to 22.1% (2010: 20.2%) and is above our internal target rate of 20%.

A number of the business units are owned in conjunction with management, this creates a minority interest in the accounts. The minority interest fell to \$2.4 million (2010: \$3.5 million) as the earnings in Anitech, BOC and BLC decreased. HGL now typically owns 100% of the larger business units.

### Biante

There has been continuing weakness in demand for the collector model cars sold by the Biante business unit. The market for high quality collector model cars suffered a serious contraction in the wake of the global financial crisis and sales have not recovered and are not expected to recover in the medium term. To address this management changes have been implemented, costs have been significantly reduced and the range of Biante's product offering has been modified.

In October 2011 the major supplier to Biante went into bankruptcy without warning. The majority of the moulds used to manufacture Biante's model cars were in the care of this supplier and its sub contractors. It is unlikely Biante will be able to recover these moulds from this Chinese based supplier.

As a result reported profit for 2011 includes non cash write downs associated with the Biante business unit of approximately \$9.6 million after tax. The \$9.6 million principally comprises goodwill of \$6.4 million, fixed asset write downs of \$1.8 million and additional stock related provisions of \$1.0 million.

We are reviewing the options for Biante. While the options are being assessed our financial goal is to ensure Biante does not incur losses.

### Foreign exchange management

HGL sells products where most of the medium and long term exchange fluctuations can be carried by our customers and our suppliers. To provide sufficient time for operational adjustments to occur a combination of foreign currency bank accounts and foreign exchange contracts are utilised.

### People and the environment

Our success is a result of the skills and efforts of our people and this is even more the case in the current tough trading times. The board acknowledges and thanks our 390 employees for their commitment and contribution throughout the year.

Our drive to lift operational standards is dependent on recruiting, managing and providing opportunity more effectively for our people. This remains a key objective of senior management and the board.

We put the safety of our staff first. Despite operating in low risk environments there is a high level of awareness concerning occupational health and safety, there is no complacency.

Although our activities have limited environmental impact we strive to be environmentally friendly and embrace technologies that limit environmental impact. This strategy is particularly prevalent in our point of sale, architectural lighting and large format printing business units.

### Balance sheet

The balance sheet remains strong with net cash of \$6.6 million. The main changes compared to last year are associated with the non cash write downs in the Biante business unit. Following the sale of Aarque and Amcla net cash increased to \$14.0 million.

### Outlook

We remain cautious in outlook due to the prevailing uncertainty and weakened business confidence in the wider economy. With cash in the bank and a sound strategy the Board is confident about the long term future of the company.

At the Annual General Meeting on 31 January 2012 a review of the first quarter's trading will be presented.



**Peter Miller**  
Chairman



**Michael Mahoney**  
Director and Chief Executive

23 November 2011

## FUNDING AND CAPITAL MANAGEMENT

### At 30 September:

- The group has net cash of \$6.6 million
- Bank facility of \$10 million maturing December 2012
- Utilised bank facilities of \$1.0 million

### After 30 September:

- The sale of Aarque increased net cash by \$6.9 million
- The sale of Amcla increased net cash by \$0.5 million

Capital management policy is to employ net cash together with prudent borrowings to support the growth in each business unit.



# SPOSgroup

## Retail Marketing

Sales \$30m

**SPOS Group** - is a leading provider of marketing at retail solutions in Australia and New Zealand, creating and supplying effective point-of-purchase materials designed to enhance the overall appearance of the products in-store and ultimately stimulate sales. SPOS includes 3 divisions: SPOS Retail, icandy Creative and Propel Interactive. The head office is located in Sydney with offices in Norwest, Melbourne, New Zealand, China, United Kingdom and Hong Kong. The Chief executive is Mr David Evans.

[www.sposgroup.com](http://www.sposgroup.com)  
[www.icandycreative.com.au](http://www.icandycreative.com.au)

[www.spos.com.au](http://www.spos.com.au)  
[www.propelinteractive.com.au](http://www.propelinteractive.com.au)



## Architectural Lighting

Sales \$18m



**JSB Lighting** - supplier of architectural lighting and control equipment for the commercial market. World class brands include Modular, LTS, ACDC, Hess, Brick In The Wall, Luceplan and Sensor Switch. The business is based in Sydney with sales offices in Melbourne and Adelaide. The Chief Executive is Mr Dudley Hewitt.

[www.jsblighting.com.au](http://www.jsblighting.com.au)





# Home Sewing and Craft

Sales \$18m

## LEUTENEGGER

ESTABLISHED 1891

**Leutenegger** - is a market leading supplier in the craft and textile industry distributing its own design driven collections and internationally recognised global ranges. Beutron, DMC, Zweigart, Prym and Robert Kaufman form part of this exciting range which continues to set a benchmark in the industry. The business is based in Sydney. Mr Andrew Mills is the Chief Executive.

[www.leutenegger.com.au](http://www.leutenegger.com.au)



**XLN Fabrics** - imports and distributes quality home sewing fabrics. Exclusive agencies include Marcus Brothers, Westminster and Free Spirit. The business is based in Sydney. The Chief Executive is Mr Vince Parry who owns 50% of the business.

[www.xln.com.au](http://www.xln.com.au)





# Large Format Printing

Sales \$36m

**Anitech** - distributes large format printing solutions to the sign, advertising, point of sale, architects, engineers and construction markets as well as associated consumables and services. Provides third party maintenance and service support for a wide variety of computer based equipment. The business is based in Sydney and has branches in all major Australian cities. Mr Chris Wagstaff is the Chief Executive. The management team own 50% of the business.

[www.anitech.com.au](http://www.anitech.com.au)





# Specialist Headwear and Uniforms

Sales \$12m

**Mountcastle** - imports, distributes and manufactures specialist headwear and school uniforms. It is the market leader in supplying contract headwear to organisations such as the police, defence forces and schools. The business is based in Brisbane. The Chief Executive is Mr James Baldwin. The management team own 50% of the business.

[www.mountcastle.com.au](http://www.mountcastle.com.au)



# Eye Testing Instruments

Sales \$8m



**BOC** - imports and distributes ophthalmic equipment to retail optometrists, ophthalmologists and laboratories. Agencies include Nidek, Optovue, Righton, Reichert and Welch Allyn. BOC continues to expand based on excellent customer service and increased penetration of the ophthalmology market. The business is based in Sydney. Mr Tony Cosentino is the Chief Executive. The management team own 50% of the business.

[www.bocinstruments.com.au](http://www.bocinstruments.com.au)



Advancing Frontline Care™



# Beauty

Sales \$11m

**BLC**  
COSMETICS

**BLC Cosmetics** - is the exclusive distributor of leading beauty and skin care brands in Australia and the South Pacific. Thalgo the company's heritage skincare brand remains the key product line in salons, day spas, hotels and resorts with the Terrake brand found at only the most luxurious properties. 2011 has seen the successful launch of the Kerstin Florian brand into the hotel spa segment. Essie continues its growth in the Australian marketplace by growing the distribution channel of retail stores, pharmacy, salon and nail bars. Grown an Australian made natural organic skincare brand continues gaining market share in pharmacy and department stores. A make-up brand "theBalm" presents a unique opportunity to expand sales to the retail channel. The business is based in Sydney and distributes Australia wide. Mr Gavin Caganoff is the Chief Executive. The management team own 40% of the business.

[www.blccosmetics.com](http://www.blccosmetics.com)

essie

 **GEHWOL**

BOTANICAL BEAUTY  
**GROWN**  
ORGANIC ALCHEMIST

KERSTIN  
FLORIAN

 theBalm<sup>®</sup>  
COSMETICS

**THALGO**  
LA BEAUTE MARINE

TERRAKE

VITAMIN



**BIANTE**<sup>™</sup>  
MODEL CARS

# Collector Model Cars

Sales \$8m

**Biante** - one of Australia's leading distributors of diecast collector model cars. The cars are scale replicas designed in Australia and made in world class factories. The design centre is located in Perth with sales offices in Sydney and Perth. Following the bankruptcy of the principal Chinese supplier, the business is in a rebuilding phase. The General Manager is Mr William Hall.

[www.biante.com.au](http://www.biante.com.au)

 **AUTOPAC**

 **KYOSHO**  
DIE-CAST MODEL COLLECTION

 **VITESSE**

 **Sun Star**

 **The Brian Brock**  
COLLECTION

 **The Jack Brabham**  
COLLECTION

 **The Dick Johnson**  
COLLECTION

 **The Allan Moffat**  
COLLECTION



# Statutory Reports and Financial Statements

30 SEPTEMBER

# 2011

# Statutory Reports and Financial Statements

30 SEPTEMBER

# 2011

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The Directors of HGL Limited present their annual financial report for the year ended 30 September 2011.

### Directors

The names and particulars of the directors of the Company during or since the end of the financial year are:

Name	Particulars
<b>PG Miller</b> FCA	Chairman, 64, Non executive director since 2000. A member of the Audit Committee and Chairman of the Nomination and Remuneration Committee. Chartered Accountant with over 30 years experience in public practice.
<b>MP Mahoney</b> ACA (England and Wales), CA	Chief Executive, 51, Executive director appointed 28 October 2010. Formerly Chief Operating Officer of HGL. Over 25 years broad experience in a range of industries.
<b>JD Constable</b>	Non executive director since 2003, 52. Appointed to the Nomination and Remuneration Committee 5 November 2010. A member of the Audit Committee until 5 November 2010. Authorised representative of Bell Potter Securities Limited. Over 26 years experience in the stockbroking industry. Director of Hunter Hall Global Value Limited since May 2010.
<b>KJ Eley</b> CA, F FIN	Non executive director 62, Executive director and Chief Executive from 1985 to 28 October 2010. Chartered Accountant. A member of the Nomination and Remuneration Committee until 5 November 2010. Appointed to the Audit Committee 5 November 2010. Director of Kresta Holdings Limited since April 2011. Director of MMC Contrarian Limited from September 2003 to November 2008.
<b>FM Wolf</b> BA (Hons), PhD	Non executive director since 2000, 58. Chairman of the Audit Committee since September 2003. Current director of Abacus Property Group (appointed December 1997), with over 30 years experience in property, strategic planning, financing and corporate advice.

### Meetings of directors

The following table sets out the number of directors' meetings, including meetings of committees of directors, held during the financial year and the number of meetings attended by each director while they were a director or committee member.

	Board		Audit Committee		Nomination and Remuneration Committee	
	Number	Attended	Number	Attended	Number	Attended
PG Miller	12	12	4	4	3	3
MP Mahoney	11	11	–	–	–	–
JD Constable	12	12	1	1	3	3
KJ Eley	12	12	3	3	–	–
FM Wolf	12	12	4	4	–	–

### Directors' interests in securities

As at the date of this report the interests of directors in the shares of the Company are as follows:

	Beneficial Interest	Non Beneficial Interest
PG Miller	39,723	9,473,795
KJ Eley	3,483,839	–
FM Wolf	364,615	–
JD Constable	44,000	625
MP Mahoney	1,633,140	–

### Company secretaries

Andrew Whittles ACA (England and Wales) and Peter Caldelis CA act as joint company secretaries for the Company. Mr Whittles was appointed Company Secretary on 28 October 2010 and has been an employee of the Company for 11 years and has acted as Chief Financial Officer for the same period. Mr Caldelis has been an employee of the Company for 17 years and has acted as Company Secretary for 14 years. Mr Mahoney acted as joint Company Secretary until 28 October 2010.

## Review of operations

The Directors report an underlying profit of \$7.2 million (2010: \$6.8 million) and a reported loss of \$2.4 million (2010: profit \$13.4 million). Excluded from underlying profit in 2011 are non cash write downs associated with the Biante business unit of \$9.6 million after tax. The \$9.6 million principally comprises goodwill of \$6.4 million, fixed asset write downs of \$1.8 million and additional stock related provisions of \$1.0 million. In 2010 after tax profit of \$6.6 million from the sale of listed shares was excluded from underlying profit. Further details are in the Chairman's and Chief Executive's Review.

## Principal activities

The principal activity of the consolidated entity during the year was the distribution of branded products.

## Dividends

The Directors have declared a final fully franked dividend of 5.5 cents per share (2010: 5.0 cents per share fully franked). Interim fully franked dividends of 6.0 cents per share were paid during the year (2010: 6.0 cents per share fully franked).

The board policy is to distribute not less than 75% of underlying profit as dividends.

Ordinary Shares	2011 \$'000	2010 \$'000
Interim dividend paid 8 July 2011 (2010: paid 1 July 2010)	<b>3,294</b>	3,268
Final dividend payable 16 December 2011 (2010: paid 16 December 2010)	<b>3,040</b>	2,733
	<b>6,334</b>	6,001

Included in the above are dividends paid on equity settled options issued under the Employee Share Scheme. Refer to note 22 in the financial statements for more details on the Scheme.

## Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) was established by the Directors to provide shareholders with the opportunity of reinvesting their dividends in ordinary shares in the Company. The Directors have resolved for the final dividend payable on 16 December 2011, shares will be allotted to eligible shareholders participating in the DRP with nil discount (2010: nil) from the market price of the Company's shares as defined in the DRP. No brokerage is payable if shares are allotted under the DRP. During the year the total number of shares issued under the DRP was 668,680 (2010: 1,306,620). This includes 107,273 (2010: 150,168) DRP shares issued on equity settled options under the Employee Share Scheme. Refer to note 22 in the financial statements for more details on the Scheme.

## Share buy-back

The Company operates an unlimited duration on-market share buy-back. During the year 55,886 ordinary shares (2010: 565,821) were acquired at an average price of \$1.05 (2010: \$1.14) pursuant to the buy-back.

## Events subsequent to balance date

No matters or circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in subsequent financial years, other than those referred to in the Chairman's and Chief Executive's Review and in note 32 to the Financial Statements.

## Significant changes in the state of affairs and future developments

There were no significant changes in the state of affairs of the consolidated entity other than those referred to in the Chairman's and Chief Executive's Review. Likely developments in operations and operating results are detailed in the Chairman's and Chief Executive's Review.

## Auditor independence and non audit services

The Directors have received an independence declaration from the auditor, a copy is on page 19.

Deloitte Touche Tohmatsu received or are due to receive the following amounts for non audit services: tax advice \$nil (2010: \$nil). The Directors are satisfied that the nature and scope of the non audit services did not compromise auditor independence and the services are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

## REMUNERATION REPORT – AUDITED

The remuneration report provides an overview of the consolidated entity's remuneration policies and practices and explains the links between rewards and company performance. The report also gives detailed information about the remuneration arrangements for the key management personnel of the company and consolidated entity and other executives of the consolidated entity.

### Principles of remuneration

The consolidated entity's executive remuneration strategy seeks to match the goals of the key management personnel to those of the shareholders. This is achieved through combining conservative levels of guaranteed remuneration with attractive incentive payments. These incentive payments are only paid on attainment of previously agreed financial performance targets.

Remuneration packages are reviewed with due regard to performance and other relevant factors. In order to retain and attract executives of sufficient calibre to facilitate the effective and efficient management of the Company's operations the Nomination and Remuneration Committee, when necessary, seeks the advice of external advisers in connection with the structure of remuneration packages.

### Structure and Remuneration of Directors and Executives

#### Non executive Directors

Non executive Directors are remunerated by fees with the aggregate limit approved by shareholders from time to time. The remuneration of non executive Directors does not depend on company performance. Currently, the aggregate amount of Directors' fees will not exceed \$500,000 per annum. Directors' fees can be paid as superannuation contributions.

#### Executives

The key management personnel of the company and consolidated entity, listed below, are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. Terms of employment are formalised in employment letters to each of the executive key management personnel. There are no fixed term contracts in place. Other than six months for Michael Mahoney, the payment of any termination benefit is at the discretion of the Nomination and Remuneration Committee.

Name of key management personnel	Office
PG Miller	Non Executive Chairman
FM Wolf	Non Executive Director
JD Constable	Non Executive Director
KJ Eley	Non Executive Director (Chief Executive until 28 October 2010)
MP Mahoney	HGL Chief Executive and Director (Chief Operating Officer until 28 October 2010)
AJ Whittles	HGL Chief Financial Officer
PS Caldelis	HGL Group Controller

In addition to the above, the following executives are included in the remuneration report as they are amongst the five highest remunerated group executives of the consolidated entity during the year in accordance with s300A of the Corporations Act 2001.

Name of executive	Office
<b>2011</b>	
D Hewitt	Chief Executive Officer of JSB Lighting
DW Evans	Chief Executive Officer of SPOS
IA Cerfontyne	Sales Director of JSB Lighting
SJ De Lorenzo	Chief Operating Officer of SPOS
CE Wagstaff	Chief Executive Officer of Anitech
<b>2010</b>	
D Hewitt	Chief Executive Officer of JSB Lighting
DW Evans	Chief Executive Officer of SPOS
CE Wagstaff	Chief Executive Officer of Anitech
IA Cerfontyne	Sales Director of JSB Lighting

2011	Short term employee benefits			Post employment benefits	Long term employee benefits	Total
	Salary/fees \$	Bonus \$	Non monetary and other benefits \$	Superannuation \$		
D Hewitt	181,844	517,009	24,000	15,343	3,312	741,508
DW Evans	275,857	212,060	26,000	15,343	5,422	534,682
IA Cerfontyne	150,110	258,504	16,250	14,718	2,748	442,330
MP Mahoney*	334,657	–	–	15,343	40,385	390,385
SJ De Lorenzo	195,924	107,203	18,349	15,343	3,651	340,470
CE Wagstaff	244,657	–	15,000	15,343	3,833	278,833
AJ Whittles*	244,657	–	–	15,343	5,760	265,760
KJ Eley *	211,311	–	5,455	15,343	–	232,109
PS Caldelis*	144,862	–	17,905	13,233	4,138	180,138
PG Miller*	100,917	–	–	9,083	–	110,000
FM Wolf*	70,000	–	–	–	–	70,000
JD Constable*	55,046	–	–	4,954	–	60,000
	<b>2,209,842</b>	<b>1,094,776</b>	<b>122,959</b>	<b>149,389</b>	<b>69,249</b>	<b>3,646,215</b>

2010	Short term employee benefits			Post employment benefits	Long term employee benefits	Total
	Salary/fees \$	Bonus \$	Non monetary and other benefits \$	Superannuation \$		
D Hewitt	164,414	339,674	24,000	14,646	2,748	545,482
DW Evans	265,154	106,000	25,000	14,646	8,088	418,888
KJ Eley*	308,029	36,000	13,205	14,646	5,588	377,468
IA Cerfontyne	135,900	169,837	15,000	13,581	9,567	343,885
CE Wagstaff	220,354	50,000	15,000	14,646	8,893	308,893
MP Mahoney*	246,055	36,000	–	14,646	7,615	304,316
AJ Whittles*	219,310	35,000	–	14,646	4,232	273,188
PS Caldelis*	137,702	16,000	11,544	12,393	3,872	181,511
PG Miller*	100,917	–	–	9,083	–	110,000
FM Wolf*	70,000	–	–	–	–	70,000
JD Constable*	55,046	–	–	4,954	–	60,000
	<b>1,922,881</b>	<b>788,511</b>	<b>103,749</b>	<b>127,887</b>	<b>50,603</b>	<b>2,993,631</b>

\* HGL Limited employee.

## Components of remuneration

### Not at risk remuneration

Base remuneration is structured as a total employment package paid in cash and benefits at the executive's discretion and includes superannuation contributions. Base remuneration is reviewed but not necessarily increased each year. The base remuneration is at the lower end of the market rate for the role and the individual. Total remuneration above the market rate can be achieved through the attainment of previously agreed performance targets. Long term employee benefits is the amount of long service leave entitlements accrued during the year. MP Mahoney's long term employee benefit reflects his pay increase on becoming Chief Executive.

### At risk remuneration

The Nomination and Remuneration Committee has reviewed the performance of MP Mahoney, AJ Whittles, PS Caldelis and KJ Eley. The underlying profit of \$7.15 million in 2011 is more than the hurdle of \$7.1 million. However, as there were non cash write offs of \$9.6 million, management recommended no bonuses would be paid in respect of the group bonus scheme, this was accepted by the Company.

### Other schemes

Incentives to D Hewitt and IA Cerfontyne are based on the earnings before interest and tax of JSB. The incentive of DW Evans and SJ De Lorenzo are based on the earnings before interest and tax of SPOS. There are two incentive schemes for the executives of JSB and SPOS, a short term and long term incentive scheme. The short term incentive is determined by reference to the profit for the year, while the long term incentive is determined by reference to the profit over three years. The October/November 2011 cash payments for the long term incentives are one third of the accrued incentive amount. Any accrued bonus is forfeited if the participants cease to be employed.

2011	Short term employee benefits			Long term incentive accrual 30 September 2011 \$	Cash Paid in October/November 2011	
	Short term incentive \$	Long term incentive \$	Total \$		Short term Incentive \$	Long term Incentive \$
Name						
D Hewitt	211,229	305,780	517,009	650,090	211,229	216,697
IA Cerfontyne	105,614	152,890	258,504	325,045	105,614	108,348
DW Evans	106,801	105,259	212,060	131,259	106,801	n/a
SJ De Lorenzo	53,401	53,802	107,203	65,630	53,401	n/a

2010	Short term employee benefits			Long term incentive accrual 30 September 2010 \$	Cash Paid in November 2010	
	Short term incentive \$	Long term incentive \$	Total \$		Short term Incentive \$	Long term Incentive \$
Name						
D Hewitt	163,118	176,556	339,674	516,465	163,118	172,155
IA Cerfontyne	81,559	88,278	169,837	258,232	81,559	86,077
DW Evans	80,000	26,000	106,000	26,000	80,000	n/a

The incentive to CE Wagstaff is determined and paid annually based on earnings before interest and tax of Anitech. In October 2010 CE Wagstaff was paid \$50,000.

### Relationship between the remuneration policy and company performance

The short term incentives for the head office management are determined by the profits of the consolidated entity so aligning the incentive of the executive with the creation of value for the HGL shareholders. There is nothing in any of the incentive schemes solely linked to the HGL share price. Instead incentives are based primarily on underlying profit as an increase in the underlying profit leads to an increase in the dividend. The Board is focused on increasing shareholder value through increasing dividends.

The tables below set out summary information about the Group's earnings and dividends for the 5 years to September 2011:

	30 September 2011 \$'000	30 September 2010 \$'000	30 September 2009 \$'000	30 September 2008 \$'000	30 September 2007 \$'000
Underlying profit	7,150	6,767	5,003	8,447	9,309
Non underlying profit/(loss)	(9,575)	6,649	2,969	(15,908)	6,344
Underlying earnings per share (cents)	13.9	13.3	10.0	17.3	19.2
Dividend per share (cents)	11.5	11.0	8.0	12.1	14.4

### Employee Share Scheme

The Directors believe that it is important to link the remuneration of eligible key management personnel to the long term success of the Company by supporting the acquisition of shares through the Company's Employee Share Scheme (Scheme). The Scheme rules are posted on the HGL website, [www.hgl.com.au](http://www.hgl.com.au). The maximum number of shares in the Scheme is 10% of HGL's total issued shares. At 30 September 2011 Scheme Shares were 9.8% (2010: 9.8%) of total issued share capital.

To enable each of the eligible key management personnel to acquire shares non recourse loans (Scheme Loans) were made in accordance with the terms of the Scheme. As at 30 September 2011 there were 5,409,383 Scheme Shares (2010: 5,355,372 Scheme Shares) and Scheme Loans of \$8,357,682 (2010: \$8,296,138). The interest rate on the Scheme Loans is equal to the dividends paid by HGL on Scheme Shares. During 2011 nil (2010: nil) shares were issued and nil (2010: nil) shares were cancelled under the Scheme. There are no amounts for share based payments in the remuneration report as these amounts have all been expensed in prior periods.

Refer to note 22 in the financial statements for more detail on the Scheme.

### Indemnification of directors, officers and auditors

During the year, the Company purchased Directors' and Officers' Liability Insurance to provide cover in respect of claims made against the directors and officers in office during the financial year and at the date of this report, as far as is allowable by the Corporations Act 2001. The policy also covers the Company for reimbursement of directors' and officers' expenses associated with such claims if the defence to the claim is successful. The total amount of insurance premium paid and the nature of the liability are not disclosed due to a confidentiality clause within the agreement. As at the date of this report, no amounts have been claimed or paid in respect of this indemnity and insurance, other than the premium referred to above. The Company has not otherwise, during or since the end of the financial period, indemnified or agreed to indemnify an officer or the auditor of the Company against a liability incurred as an officer or auditor.

### 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, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 298(2) of the Corporations Act 2001.

For and on behalf of the Board of Directors of HGL Limited:



PG Miller  
Chairman



MP Mahoney  
Director and Chief Executive

Sydney 23 November 2011

**Deloitte.**

Deloitte Touche Tohmatsu  
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The Board of Directors  
HGL Limited  
Level 11, 280 George Street  
Sydney NSW 2000

23 November 2011

Dear Board Members

**Re: 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 audit of the financial statements of HGL Limited for the financial year ended 30 September 2011, I declare that to the best of my knowledge and belief, the only contravention of:

- (i) the auditor independence requirements of the Corporations Act 2001 ("the Act") in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit;

is set out below.

During the current financial year, Deloitte's quality control system identified that due to the auditor rotation requirements of the Act, the review auditor in relation to the audit of HGL Limited for the half year ended 31 March 2011 was not eligible to undertake that role.

All reasonable steps have now been undertaken to ensure compliance with the auditor rotation requirements and the individual has played no further role in relation to the audit of HGL Limited.

Accordingly I consider that the independence of Deloitte in respect to the review of the financial statements of HGL Limited for the financial year ended 30 September 2011 has not been impaired.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Stephen Holdstock  
Partner  
Chartered Accountants

The Board of Directors of HGL Limited is responsible for the corporate governance of the Company and its controlled entities (HGL) and to ensure HGL is directed and managed appropriately. The Board guides and monitors the business and affairs of the consolidated entity on behalf of shareholders, by whom they are elected and to whom they are accountable. The Board and management are committed to ensuring control systems are commensurate with the risks that HGL is exposed to. This corporate governance statement summarises the practices and policies in place during the year ended 30 September 2011. For ease of reference this statement has been presented consistently with the eight ASX Corporate Governance Principles. On at least an annual basis, the Board reviews these practices and policies to ensure they continue to assist HGL with its corporate governance. Various policies and charters have been posted to the website [www.hgl.com.au](http://www.hgl.com.au).

### **Principle 1 – Lay solid foundations for management and oversight**

The primary functions and responsibilities of the Board are as follows:

- establishing the long-term goals for the Company and the review of strategic and operational plans to achieve those goals;
- appointment of the Chief Executive;
- allocating capital and funding;
- reviewing and adopting the annual budgets of the Company and all its controlled entities;
- monitoring the performance of the Company and its controlled entities against the budget and strategic plans;
- ensuring adequate systems of internal control and risk management have been designed and implemented;
- approving the half yearly and annual financial reports;
- ensuring effective external disclosure policies so that the market is fully informed on all matters that may influence the share price; and
- monitoring corporate governance.

The responsibility for the operation and administration of the consolidated entity is delegated by the Board to the Chief Executive and his executive team. The Board ensures that this team is appropriately qualified and experienced to discharge this responsibility. The Board is responsible for ensuring that management's objectives are aligned with the expectations and the risks identified by the Board. The Company has in place a process for evaluating the performance of senior executives. The Chief Executive reviews the performance of senior executives and presents to the Nomination and Remuneration Committee on this review. A performance review of senior executives took place during the year.

### **Principle 2 – Structure the Board to add value**

At the date of this report the Board is comprised of five Directors (one Executive and four non-executive members). Mr FM Wolf is the sole independent director as defined in the ASX Corporate Governance Principles and Recommendations. The board does not have a majority of independent directors.

As the Chairman of the Board is associated with a substantial shareholder (Sery Pty Limited and its associates) he is not deemed independent in accordance with the Corporate Governance Principles and Recommendations. The Chairman is on the board of Sery Pty Limited and a number of its associates but he does not benefit financially from their shareholdings in HGL Limited.

The Board has established a Nomination and Remuneration Committee. At the date of this report the Committee consists of PG Miller (Chairman) and JD Constable.

The primary functions of the Nomination and Remuneration Committee are to review:

- the composition of the Board on a regular basis and make recommendations to the Board, when considered necessary, to ensure that the Board comprises a majority of non-executive Directors with the appropriate mix of skills and experience; and
- the remuneration packages of all Directors, the Chief Executive and senior HGL managers annually and make recommendations to the Board.

The Board has considered its composition and believes the current composition is in the interests of shareholders.

Annually the Chairman assesses the performance of the Directors and the performance of the Board committees.

All Directors have the right to seek independent legal and financial advice, at the expense of the Company, concerning any aspect of the consolidated entity's operations or undertakings. However, prior approval of the Chairman is required, which is not unreasonably withheld.

### **Principle 3 – Promote ethical and responsible decision making**

The Board has a Code of Conduct and a Share Trading Policy.

#### **Code of conduct**

The overriding principle of the Code of Conduct is that all business affairs must be conducted legally and ethically. A copy of the Code of Conduct is posted on the HGL website.

**Share trading policy**

Other than from 1 April or 1 October until the day after the release of half or full year results, the Directors and employees of the Company are permitted to deal in the securities of the Company at any time, subject to the insider trading provisions of the Corporations Act. The insider trading provisions of the Corporations Act have been drawn to the attention of all Directors and employees of the Company. Prior to dealing in HGL shares Directors and employees must notify the Chairman of the number of shares involved, the proposed date of the transaction and whether it is a sale or a purchase. The Directors and employees must consider any views expressed by the Chairman. Notification to the Chairman does not constitute approval. It is the responsibility of the person dealing in the HGL shares to ensure it does not constitute insider trading and to ensure the proposed dealing preserves the reputation of each of HGL, the Directors and employees and is not only fair but seen to be fair. Dealings of the Chairman must be notified to the Chairman of the Audit Committee. The share trading policy relates not only to those HGL shares held directly but also to HGL shares where the Director or employee of HGL has in substance, rather than form, the ability or power, whether direct or indirect, to dominate the decision about the trading of HGL shares.

A copy of the Share Trading Policy is posted on the HGL website.

**Principle 4 – Safeguard integrity in financial reporting**

It is the Board's ultimate responsibility to ensure that effective internal controls exist within the consolidated entity. To this end the Board established an Audit Committee. At the date of this report the Committee consists of FM Wolf (Chairman), KJ Eley and PG Miller all of whom are non executive directors.

The Chairman of this committee is an independent director. Committee meetings are usually held at least three times a year. A copy of the charter of the Committee is posted on the HGL website.

The functions of the Committee are to:

- consider the half yearly and annual financial reports before they are approved by the Board;
- review the appointment of the external auditors, the terms of their engagement, the scope and quality of the audit and the auditor's independence;
- establish and maintain the framework of internal control; and
- ensure compliance with statutory, Australian Security Exchange and other reporting requirements.

The Audit Committee generally invites the Chief Executive, Chief Financial Officer and external auditors to attend Audit Committee meetings.

The external auditors can meet privately with the Committee. The partner managing the audit was appointed in 2011 and will be rotated after a maximum of five years. It is the policy of the external auditors to provide an annual declaration of their independence to the Committee.

**Principle 5 – Make timely and balanced disclosure**

The Board recognises its continuous disclosure obligations. The Board is committed to ensuring all investors have equal and timely access to material information about the Company and that announcements made by the Company are accurate, balanced and presented in a clear fashion. A copy of the continuous disclosure policy is posted on the HGL website.

**Principle 6 – Respect the rights of shareholders**

The Board aims to ensure that shareholders, on whose behalf they act, are informed of all information necessary to assess the performance of the Company. Information is communicated to the shareholders through:

- compliance with Australian Security Exchange reporting and disclosure requirements;
- the Company's website;
- the annual and interim reports; and
- the Annual General Meeting and any other meetings so called to obtain approval for Board action as appropriate.

HGL creates and distributes to all shareholders an overview of the half year and full year results. These are also made available through the HGL website.

A representative from the external auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and preparation and content of the auditor's report.

**Principle 7 – Recognise and manage risk**

The Board is responsible for ensuring the Company's risk management systems are effective. There are a number of material business risks that could impact the performance of the Company. There are risks that are specific to the Company and also those which are general business risks, for example movements in foreign exchange rates, which are beyond the control of the Company.

Calculated risk taking is an essential part of business. The Company has policies and procedures to manage risk. Some of the controls across the business include:

- annual budgeting and monthly reporting;
- the Board has sole discretion to approve any proposed material business acquisition. Proposed new business acquisitions are analysed by management, this includes a risk assessment and extensive due diligence. Businesses that meet the Company's return and risk parameters are presented in a formal proposal document to the Board for consideration;
- policies and procedures for the management of financial risk, including movements in foreign exchange and interest rates;
- reviews of material existing and new customer and supplier arrangements;
- debtor and inventory reviews; and
- internal control questionnaires completed by management as part of the half year and year end financial reporting process.

Risks and the management of risks are not static. Management and the Board regularly review both. A copy of the risk management policy is posted on the HGL website.

The Chief Executive and Chief Financial Officer confirm in writing that, to the best of their knowledge:

- the Company's financial report presents a true and fair view of the Company's financial condition and operating results and is in accordance with applicable accounting standards;

- the Company's financial records for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001; and
- the integrity of the financial records and systems is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.

The Board has received the above assurances for this financial year.

### **Principle 8 – Remunerate fairly and responsibly**

The Board has established a Nomination and Remuneration Committee. At the date of this report the Committee consists of PG Miller (Chairman) and JD Constable. The principle is to reward for performance. An overview of the executive bonus schemes is described in the Remuneration Report. The functions and responsibilities of the Committee have been summarised under principle 2. The attendance of committee members is detailed in the directors' report. There are no retirement benefits, other than superannuation, for non executive directors.

## PROFIT AND LOSS STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011

	NOTE	CONSOLIDATED	
		2011 \$'000	2010 \$'000
Sales revenue	2	163,431	170,067
Cost of sales	2	(85,811)	(93,497)
Gross profit		77,620	76,570
Other revenue	2	497	10,887
Share of associates' profit		254	484
Sales, marketing and advertising expenses		(26,792)	(25,055)
Freight and distribution expenses		(7,113)	(7,116)
Administration expenses		(25,561)	(25,373)
Occupancy expenses		(4,474)	(4,614)
Impairment of Biante goodwill	8	(6,358)	-
Biante write off of fixed assets and stock provisions		(4,596)	-
Finance costs		(865)	(1,229)
<b>Profit before income tax expense</b>		<b>2,612</b>	<b>24,554</b>
Income tax expense	3	(2,669)	(7,211)
<b>(Loss)/profit for the period</b>		<b>(57)</b>	<b>17,343</b>
Attributable to			
Equity holders of the parent		(2,425)	13,416
Non controlling interest		2,368	3,927
		(57)	17,343
		CENTS	CENTS
Basic earnings per share	21	(4.7)	26.3
Diluted earnings per share	21	(4.7)	26.3

Notes to the financial statements are included on pages 28 to 53.

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>(Loss)/profit for the period</b>	<b>(57)</b>	17,343
<b>Other comprehensive income</b>		
Revaluation (loss) recognised on available for sale investments, net of tax	-	(475)
Revaluation transferred to the profit and loss statement on sale of available for sale investments, net of tax	-	(6,565)
Revaluation gain recognised on land and buildings revaluation reserve, net of tax	358	-
Exchange differences arising on translation of foreign operations, net of tax	355	(553)
<b>Other comprehensive income for the period</b>	<b>713</b>	(7,593)
<b>Total comprehensive income for the period</b>	<b>656</b>	9,750
Total comprehensive income attributable to		
Equity holders of the parent	(2,075)	5,747
Non controlling interest	2,731	4,003
	<b>656</b>	9,750

Notes to the financial statements are included on pages 28 to 53.

## BALANCE SHEET

AS AT 30 SEPTEMBER 2011

	NOTE	CONSOLIDATED	
		2011 \$'000	2010 \$'000
<b>Current assets</b>			
Cash and cash equivalents		11,762	8,432
Trade and other receivables	4	28,868	31,589
Inventories	5	32,424	33,322
<b>Total current assets</b>		<b>73,054</b>	<b>73,343</b>
<b>Non current assets</b>			
Investments accounted for using the equity method	6	2,003	1,749
Other financial assets	7	2,003	2,011
Property, plant and equipment	9	9,542	11,842
Intangibles	8	21,085	27,394
Deferred tax assets	13	4,988	3,716
<b>Total non current assets</b>		<b>39,621</b>	<b>46,712</b>
<b>Total assets</b>		<b>112,675</b>	<b>120,055</b>
<b>Current liabilities</b>			
Trade and other payables	10	20,921	20,697
Borrowings	11	3,244	3,117
Current tax liabilities	12	2,105	2,951
Provisions	14	3,647	3,905
<b>Total current liabilities</b>		<b>29,917</b>	<b>30,670</b>
<b>Non current liabilities</b>			
Borrowings	11	1,937	3,296
Provisions	14	2,124	1,453
<b>Total non current liabilities</b>		<b>4,061</b>	<b>4,749</b>
<b>Total liabilities</b>		<b>33,978</b>	<b>35,419</b>
<b>Net assets</b>		<b>78,697</b>	<b>84,636</b>
<b>Equity</b>			
Issued capital	16	35,249	34,479
Reserves	18	2,152	1,943
Retained earnings	17	25,383	33,307
<b>HGL Limited equity interest</b>		<b>62,784</b>	<b>69,729</b>
<b>Non controlling interest</b>	15	<b>15,913</b>	<b>14,907</b>
<b>Total equity</b>		<b>78,697</b>	<b>84,636</b>

Notes to the financial statements are included on pages 28 to 53.

## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011

	RESERVES								
	ISSUED CAPITAL	LAND AND BUILDINGS	FOREIGN CURRENCY	EMPLOYEE SHARE SCHEME	OTHER	RETAINED EARNINGS	TOTAL	NON CON- TROLLING INTEREST	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CONSOLIDATED 2011</b>									
<b>Balance at beginning of year</b>	<b>34,479</b>	<b>924</b>	<b>(810)</b>	<b>2,442</b>	<b>(613)</b>	<b>33,307</b>	<b>69,729</b>	<b>14,907</b>	<b>84,636</b>
Profit after income tax expense	-	-	-	-	-	(2,425)	(2,425)	2,368	(57)
<b>Other comprehensive income for the period</b>									
Revaluation of land and buildings, net of tax	-	147	-	-	-	-	147	211	358
Transfer of reserves on disposal of land and buildings	-	(141)	-	-	-	141	-	-	-
Translation of overseas controlled entities	-	-	203	-	-	-	203	152	355
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>6</b>	<b>203</b>	<b>-</b>	<b>-</b>	<b>(2,284)</b>	<b>(2,075)</b>	<b>2,731</b>	<b>656</b>
Dividend paid (Note 15 and 19)	-	-	-	-	-	(5,640)	(5,640)	(1,970)	(7,610)
ESS shares issued (Note 16)	63	-	-	-	-	-	63	-	63
Shares issued under DRP (Note 16)	765	-	-	-	-	-	765	-	765
Shares bought back (Note 16)	(58)	-	-	-	-	-	(58)	-	(58)
Increase in non controlling interest share capital (Note 15)	-	-	-	-	-	-	-	245	245
<b>Balance at end of year</b>	<b>35,249</b>	<b>930</b>	<b>(607)</b>	<b>2,442</b>	<b>(613)</b>	<b>25,383</b>	<b>62,784</b>	<b>15,913</b>	<b>78,697</b>
<b>CONSOLIDATED 2010</b>									
<b>Balance at beginning of year</b>	<b>33,678</b>	<b>924</b>	<b>(187)</b>	<b>2,442</b>	<b>6,056</b>	<b>25,474</b>	<b>68,387</b>	<b>14,165</b>	<b>82,552</b>
Profit after income tax expense	-	-	-	-	-	13,416	13,416	3,927	17,343
<b>Other comprehensive income for the period</b>									
Revaluation of listed securities	-	-	-	-	(475)	-	(475)	-	(475)
Transferred to the profit and loss statement on sale of AFS investments	-	-	-	-	(6,565)	-	(6,565)	-	(6,565)
Translation of overseas controlled entities	-	-	(623)	-	-	(6)	(629)	76	(553)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(623)</b>	<b>-</b>	<b>(7,040)</b>	<b>13,410</b>	<b>5,747</b>	<b>4,003</b>	<b>9,750</b>
Dividend paid (Note 15 and 19)	-	-	-	-	-	(5,577)	(5,577)	(2,890)	(8,467)
ESS shares issued (Note 16)	88	-	-	-	-	-	88	-	88
Shares issued under DRP (Note 16)	1,356	-	-	-	-	-	1,356	-	1,356
Shares bought back (Note 16)	(643)	-	-	-	-	-	(643)	-	(643)
Purchase of options (Note 15)	-	-	-	-	371	-	371	(371)	-
<b>Balance at end of year</b>	<b>34,479</b>	<b>924</b>	<b>(810)</b>	<b>2,442</b>	<b>(613)</b>	<b>33,307</b>	<b>69,729</b>	<b>14,907</b>	<b>84,636</b>

Notes to the financial statements are included on pages 28 to 53.

## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011

	NOTE	CONSOLIDATED	
		2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		185,041	185,286
Payments to suppliers and employees		(166,508)	(171,527)
Dividends received		–	230
Income tax paid		(4,930)	(1,773)
Interest received		497	523
Interest paid		(865)	(1,229)
<b>Net cash inflow from operating activities</b>	29	<b>13,235</b>	<b>11,510</b>
<b>Cash flows from investing activities</b>			
Payment for purchase of property, plant and equipment		(3,551)	(3,934)
Proceeds from sale of property, plant and equipment		1,661	313
Cash in newly consolidated entity		–	153
Proceeds from sale of listed securities		–	13,131
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(1,890)</b>	<b>9,663</b>
<b>Cash flows from financing activities</b>			
Payment for share buy back		(58)	(643)
Proceeds from borrowings		1,278	1,927
Repayment of borrowings		(2,509)	(14,986)
Dividends paid			
Members of the parent entity		(4,875)	(4,221)
Non controlling interest		(1,870)	(2,890)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(8,034)</b>	<b>(20,813)</b>
<b>Net increase/(decrease) in cash held</b>		<b>3,311</b>	<b>360</b>
Cash and cash equivalents at the beginning of the financial year		8,432	8,126
Effects of exchange rate changes on the balance of cash held in foreign currencies		19	(54)
<b>Cash and cash equivalents at the end of the financial year</b>		<b>11,762</b>	<b>8,432</b>

Notes to the financial statements are included on pages 28 to 53.

## 1 - Summary of Significant Accounting Policies

### Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and other requirements of the law.

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

### Critical accounting judgements and key sources of estimation uncertainty

In the application of Accounting Standards including Australian equivalents to International Financial Reporting Standards (AIFRS) management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies for the consolidated entity's intangible assets and inventories are set out below:

Note 5 - Inventories. The key assumptions in estimating net realisable value require the use of management judgement and are reviewed annually.

Note 8 - Intangibles. Determining whether goodwill is impaired requires an estimation by management of the value in use of the cash generating units to which goodwill has been allocated.

### Statement of compliance

Compliance with AIFRS ensures that the financial statements and notes of the consolidated entity comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 23 November 2011.

### (a) Principles of consolidation

The Company and its controlled entities together are referred to in these financial statements as the "consolidated entity". The consolidated financial statements are prepared by combining the financial statements of all entities that comprise the consolidated entity, being HGL Limited (the Company) and its subsidiaries as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit or loss in the period of acquisition. The effects of all transactions between entities included in the consolidated financial statements are eliminated in full.

Non controlling interests are shown separately in the consolidated profit and loss statement and consolidated balance sheet.

Where controlled entities are acquired, their results are included only from the date control commenced. For controlled entities disposed of, their results are included up to the date control ceased.

### (b) Intangibles

#### Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

#### Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired in a business combination, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and cannot subsequently be reversed.

In the event that settlement of all or part of the purchase consideration is deferred or is dependent on future events the cost is determined by discounting the best estimate of amounts payable in the future to their present value as at the date of acquisition.

**(c) Impairment of assets**

At each reporting date, the consolidated entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill cannot subsequently be reversed. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease, to the extent of any existing revaluation reserve in respect of the same class of asset.

For any asset other than goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised in the profit and loss statement immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(d) Financial assets**

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements. Subsequent to initial recognition, investment in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified as either available for sale financial assets or loans and receivables according to the nature and purpose of the financial assets. This determination is made at the time of initial recognition.

**Available for sale**

The consolidated entity's listed securities are classified as available for sale (AFS) under AASB 139 Financial Instruments: Recognition and Measurement. Under AASB 139 financial instruments classified as AFS are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in the AFS revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the AFS revaluation reserve is included in the profit and loss statement for the period.

**Loans and receivables**

Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

**(e) Financial instruments issued by the company and consolidated entity****Debt and equity instruments**

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

**Interest and dividends**

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

**(f) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials, direct labour and an appropriate portion of overheads. Cost is based on a weighted average cost. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**(g) Property, plant and equipment**

Land and buildings are measured at fair value. Fair value is determined on the basis of independent valuation prepared by external valuation experts. The fair values are recognised in the financial statements of the consolidated entity and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

Any revaluation increase arising on the revaluation of land and buildings is credited to the land and buildings revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the

increase is credited to the profit and loss statement to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the land and buildings revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale, the attributable revaluation surplus remaining in the land and buildings revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

#### **(h) Depreciation**

Buildings are depreciated over their estimated useful lives using the straight line method. Items of plant and equipment are depreciated over their estimated useful lives using the reducing balance method. The estimated useful lives and depreciation method is reviewed at the end of each reporting period.

The following estimated useful lives are used in the calculation of depreciation: buildings – 40 years; plant and equipment – 3 to 10 years; and leased plant and equipment – 3 to 5 years. The cost of improvements to or on leasehold properties is depreciated over the lesser of the period of the lease or the estimated useful life of the improvement.

#### **(i) Leased assets**

Finance leases, which effectively transfer to the consolidated entity substantially all the risks and benefits incidental to ownership of leased items, are capitalised at the lower of fair value or present value of the minimum lease payments, disclosed as property, plant and equipment and amortised over the period during which the consolidated entity is expected to benefit from use of the leased assets.

Operating lease payments, where the lessor effectively retains substantially all the risks and benefits incidental to ownership of the leased items, are charged to the profit and loss statement in the period in which they are incurred.

#### **(j) Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and are capable of being measured reliably. Employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at time of settlement. Employee benefit provisions, which are not expected to be settled within 12 months, are measured at

the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

#### **(k) Share based payments**

Equity settled share based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period.

#### **(l) Revenue recognition**

Service contract revenue is brought to account by reference to the expired period of the contract. Amounts received and receivable in relation to the unexpired period of contracts at year end are treated as deferred revenue. Revenue from the sale of goods and profit on the disposal of other assets is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods or assets. Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

#### **(m) Derivative financial instruments**

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to financial risk, including foreign exchange contracts and interest rate instruments.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The consolidated entity has elected not to adopt hedge accounting under AASB 139. Any material changes in the fair value of any derivative instruments are recognised immediately in the profit and loss statement.

#### **(n) Foreign currency**

##### **Foreign currency transactions**

Foreign currency transactions are translated into Australian currency at the rate of exchange at the date of the transaction. Amounts receivable or payable in foreign currencies are translated at the rates of exchange ruling at balance date. The resulting exchange differences are brought to account in determining the profit or loss for the year.

### Translation of foreign controlled entities

For the consolidated entity's foreign operations, the assets and liabilities are translated into Australian currency at rates of exchange current at balance date while their revenue and expenses are translated at the average rates ruling during the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve and are recognised in the profit and loss statement on disposal of the foreign operation.

## (o) Income tax

### Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability or asset to the extent that it is unpaid or refundable.

### Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset and liability giving rise to them are realised or settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

### Tax consolidation

The Company and its wholly owned Australian controlled entities have entered into tax funding and tax sharing agreements.

The head entity, HGL Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right, adjusted for intercompany transactions.

In addition to the current and deferred tax amounts, HGL Limited also recognises the current tax liabilities (or assets) and the deferred tax assets from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities, recorded at the tax equivalent amount, arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

## (p) Accounts payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

## (q) Borrowings

Borrowings, are initially measured at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method.

## (r) Cash

For purposes of the cash flow statement, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

**(s) Provisions**

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**(t) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority; and
- (ii) for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**(u) AASB Accounting Standards issued but not yet effective**

The following accounting standards have been issued by the AASB but have not been adopted by the consolidated entity as they are not effective until annual reporting periods beginning on or after 1 January 2011:

- (i) AASB 9 Financial Instruments - effective on or after 1 January 2013. Introduces new requirements for classifying and measuring financial assets. The proposed changes that may impact on the consolidated entity include:
  - (1) the requirement to measure all instruments, other than debt instruments and investments in equity instruments, at fair value with changes recognised in the profit or loss; and
  - (2) the concept of 'embedded derivatives' does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

There are no other accounting standards issued by the AASB that are expected to have a material impact on the Company or consolidated entity.

**(v) Adoption of revised AASB Accounting Standards**

In the current year, the consolidated entity has adopted:

- (i) AASB 124 Related Party Disclosures (2009) - effective on or after 1 January 2011. Amends the requirements of the previous version of AASB 124 to clarify the definition of the related party and includes an explicit requirement to disclose commitments involving related parties.

The adoption of the Standard has not impacted on the disclosures of the Company or consolidated entity.

	NOTE	CONSOLIDATED	
		2011 \$'000	2010 \$'000
<b>2 - Profit from operations</b>			
<b>a) Revenue</b>			
Sales revenue		<b>163,431</b>	170,067
Acquisition discount	25	-	761
Profit on sale of listed securities		-	9,373
Dividends from listed securities		-	230
Interest			
Bank		<b>300</b>	325
Employee share scheme - key management personnel		<b>197</b>	198
		<b>163,928</b>	180,954
<b>b) Profit/(loss) before income tax</b>			
Profit/(loss) before income tax has been arrived at after crediting/(charging) the following gains and losses:			
Profit on sale of property, plant and equipment		<b>259</b>	50
(Loss) on moulds in Biante		<b>(2,543)</b>	-
Foreign exchange gain		<b>456</b>	535
<b>c) Expenses</b>			
Cost of sales		<b>85,811</b>	93,497
Interest			
Associates		<b>68</b>	49
Bank		<b>718</b>	1,089
Finance charges relating to finance leases		<b>79</b>	91
		<b>865</b>	1,229
Depreciation			
Buildings		<b>70</b>	72
Leased plant and equipment		<b>228</b>	294
Leasehold improvements		<b>163</b>	90
Plant and equipment		<b>1,881</b>	1,682
		<b>2,342</b>	2,138

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>2 - Profit from operations</b> CONTINUED		
Employee benefits expense		
Salary and wages	37,953	36,311
Defined contribution superannuation plans	2,340	2,232
	<b>40,293</b>	<b>38,543</b>
Doubtful debts arising from customers	472	487
Writedown of inventory to net realisable value	1,640	992
Operating lease expenses - minimum lease payments	4,246	4,452

### 3 - Income tax

#### a) Income tax recognised in profit

##### Tax expense comprises

Current tax expense	4,211	6,459
Prior year over provision	(207)	(247)
Deferred tax (benefit)/expense	(1,335)	999
	<b>2,669</b>	<b>7,211</b>

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

Prima facie income tax expense on profit from ordinary activities at 30% (2010: 30%)	784	7,366
Fully franked dividends	-	(69)
Equity share of associates' profit	(20)	(25)
Impairment of Biante goodwill	1,907	-
Effect on deferred tax balances due to change in income tax rate	17	-
Income on scheme loans recognised directly in equity	116	116
Amortisation and depreciation on buildings	21	22
Non allowable expenses	51	48
Prior year over provision	(207)	(247)
	<b>2,669</b>	<b>7,211</b>

#### b) Income tax recognised directly in equity

The following deferred amounts were recognised directly to equity during the period:

Deferred tax - land and buildings	63	-
Deferred tax - available for sale assets	-	(3,017)
	<b>63</b>	<b>(3,017)</b>

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>4 - Trade and other receivables</b>		
<b>Current</b>		
Trade receivables	27,156	29,219
Allowance for doubtful debts	(682)	(795)
	26,474	28,424
Other debtors	2,394	3,165
	28,868	31,589
<b>Movement in allowance for doubtful debts</b>		
Opening balance	(795)	(496)
Additional provisions	(472)	(487)
Amounts written off	583	192
Foreign currency exchange differences	2	(4)
Closing balance	(682)	(795)
<b>Age of trade receivables</b>		
Not yet due	19,257	19,694
Past due 0-30 days	4,460	5,631
Past due 31-60 days	1,318	1,851
Past due 61-90 days	1,306	1,311
Past due greater than 90 days	815	732
	27,156	29,219

The average credit period on sales, excluding cash on delivery sales, is generally 30-60 days. An allowance for doubtful debts is recognised when there is objective evidence that the customer will not be able to pay. As the concentration of credit risk is limited due to the customer base being large and unrelated the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

## 5 - Inventories

<b>Current</b>		
Raw materials	2,515	2,629
Work in progress	142	486
Finished goods	29,767	30,207
	32,424	33,322

## 6 - Investments accounted for using the equity method

NAME OF ENTITY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST CONSOLIDATED		CARRYING AMOUNT CONSOLIDATED	
		2011 %	2010 %	2011 \$'000	2010 \$'000
Safilo Australia Partnership <sup>1</sup>	Optical Frame Distribution	19.5	19.5	1,489	1,303
Amcla Pty Limited <sup>2</sup>	Pharmacy Product Distribution	36.6	36.6	484	416
Other immaterial associates				30	30
				<b>2,003</b>	<b>1,749</b>

<sup>1</sup> The statutory reporting date of Safilo Australia Partnership is 31 December.

<sup>2</sup> The statutory reporting date of Amcla Pty Ltd is 30 June. On 13 October 2011 the consolidated entity disposed of its interest in Amcla Pty Limited for proceeds of \$460,000 resulting in a loss of \$24,000.

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>Summarised financial position of associates</b>		
Current assets	10,728	10,807
Non current assets	344	325
<b>Total assets</b>	<b>11,072</b>	<b>11,132</b>
Current liabilities	2,296	3,519
Non current liabilities	244	211
<b>Total liabilities</b>	<b>2,540</b>	<b>3,730</b>
<b>Net assets</b>	<b>8,532</b>	<b>7,402</b>
<b>Revenue</b>	<b>13,106</b>	<b>17,204</b>
<b>Profit after tax</b>	<b>1,140</b>	<b>2,366</b>
<b>Share of associates' profit</b>		
Share of profit before income tax	283	520
Income tax expense <sup>1</sup>	(29)	(36)
<b>Share of associates' profit</b>	<b>254</b>	<b>484</b>

<sup>1</sup> The income tax expense excludes taxation arising on the Safilo Australia Partnership. This tax expense is recognised by HGL.

During the year, the consolidated entity received distributions of \$nil (2010: \$643,500) from the Safilo Australia Partnership.

The principal activity of the Safilo Australia Partnership is the distribution of imported spectacle frames and sunglasses. During the 2005 financial year HGL's interest in the Safilo Australia Partnership fell from 24.5% to 19.5%. The consideration given to HGL for the reduction in its partnership interest was a deferral of the exercise date of the call option held by Safint, a wholly owned subsidiary of Safilo S.p.A., under which Safint can acquire all of HGL's interest in the Safilo Australia Partnership. The call option can now be exercised and the amount payable to HGL on exercise of the call option would be 19.5% of the sum of \$4.412 million and 60% of the average net profit before tax of the Safilo Australia Partnership for the five years prior to the date on which the call option is exercised.

The amount to be received under the call option is approximately the same amount as HGL's share of the fair value of the business.

	NOTE	CONSOLIDATED	
		2011 \$'000	2010 \$'000
<b>7 - Other financial assets</b>			
<b>Non current at amortised cost</b>			
Interest bearing loans advanced to key management personnel	22	2,003	2,011

## 8 - Intangibles

### Goodwill

Net book value at the beginning of the financial year		27,394	27,489
Impairment of Biante goodwill		(6,358)	-
Net foreign currency exchange difference		49	(95)
Net book value at the end of the financial year		21,085	27,394

Goodwill has been allocated for impairment testing purposes to each of the following cash generating units:

JSB		10,166	10,166
Biante		-	6,358
BLC		5,908	5,908
SPOS		2,815	2,815
Other <sup>1</sup>		2,196	2,147
		21,085	27,394

<sup>1</sup> Other comprises Mountcastle Pty Ltd, J Leutenegger Pty Ltd and Aarque Group Limited. The movement is the foreign currency translation of Aarque Group Limited.

### Impairment testing

The cash generating unit impairment tests are based on value in use calculations. The value in use calculations use cash flow projections based on the financial budgets approved by management on a one year basis and extrapolated over five years using a growth rate appropriate for the markets in which the business unit operate (growth rates range between 3% and 5%). The discount rate applied to the cash flow projections is 11.7% (2010: 11.7%). The discount rate was reviewed at September 2011 and was unchanged as it remains an appropriate discount rate for each cash generating unit.

The key assumptions used in the value in use calculations have been determined based on management's understanding of each cash generating unit. The assumptions are consistent with past performance.

### Biante

There has been continuing weakness in demand for the collector model cars sold by the Biante business unit. The market for high quality collector model cars suffered a serious contraction in the wake of the global financial crisis and sales have not recovered and are not expected to recover in the medium term. To address this management changes have been implemented, costs have been significantly reduced and the range of Biante's product offering has been modified.

In October 2011 the major supplier to Biante went into bankruptcy without warning. The majority of the moulds used to manufacture Biante's model cars were in the care of this supplier and its sub contractors. It is unlikely Biante will be able to recover these moulds from this Chinese based supplier. As a result reported profit for 2011 includes non cash write downs associated with the Biante business unit of approximately \$9.6 million after tax. The \$9.6 million principally comprises goodwill of \$6.4 million, fixed asset write downs of \$1.8 million and additional stock related provisions of \$1.0 million. We are reviewing the options for Biante. While the options are being assessed our financial goal is to ensure Biante does not incur losses.

	LAND & BUILDINGS \$'000	LEASEHOLD IMPROVEMENTS \$'000	CONSOLIDATED PLANT & EQUIPMENT \$'000	LEASED PLANT & EQUIPMENT \$'000	TOTAL \$'000
<b>9 - Property, plant and equipment</b>					
<b>Gross carrying amount</b>					
Balance at 30 September 2009	5,413	1,145	9,513	1,750	17,821
Additions	-	659	2,851	424	3,934
Disposals	-	(353)	(729)	(617)	(1,699)
Net foreign currency exchange difference	(207)	(39)	(117)	-	(363)
<b>Balance at 30 September 2010</b>	<b>5,206</b>	<b>1,412</b>	<b>11,518</b>	<b>1,557</b>	<b>19,693</b>
Additions	-	590	2,639	152	3,381
Disposals	(1,200)	(62)	(4,697)	(338)	(6,297)
Revaluations	236	-	-	-	236
Net foreign currency exchange difference	110	33	117	-	260
<b>Balance at 30 September 2011</b>	<b>4,352</b>	<b>1,973</b>	<b>9,577</b>	<b>1,371</b>	<b>17,273</b>
<b>Accumulated Depreciation</b>					
Balance at 30 September 2009	(40)	(1,010)	(5,334)	(907)	(7,291)
Disposals	-	348	595	493	1,436
Depreciation expense	(72)	(90)	(1,682)	(294)	(2,138)
Net foreign currency exchange difference	-	34	108	-	142
<b>Balance at 30 September 2010</b>	<b>(112)</b>	<b>(718)</b>	<b>(6,313)</b>	<b>(708)</b>	<b>(7,851)</b>
Disposals	28	62	1,992	270	2,352
Net revaluation increments	86	98	-	-	184
Depreciation expense	(70)	(163)	(1,881)	(228)	(2,342)
Net foreign currency exchange difference	(3)	(6)	(65)	-	(74)
<b>Balance at 30 September 2011</b>	<b>(71)</b>	<b>(727)</b>	<b>(6,267)</b>	<b>(666)</b>	<b>(7,731)</b>
<b>Net book value</b>					
<b>As at 30 September 2011</b>	<b>4,281</b>	<b>1,246</b>	<b>3,310</b>	<b>705</b>	<b>9,542</b>
As at 30 September 2010	5,094	694	5,205	849	11,842

In August 2011 a property was sold for \$1.4 million. The New Zealand property and leasehold improvements were revalued to their contracted sale price of \$4.0 million. The carrying value of the remaining property incorporates the market value provided by independent valuations in 2008.

It was determined the carrying value of the land and buildings were not materially different to their fair value.

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
The carrying amount of land and buildings had they been recognised under the cost model	<b>3,044</b>	3,939

Aggregate depreciation allocated during the year and the loss on Biante moulds is recognised as an expense and disclosed in note 2 to the financial statements.

	NOTE	CONSOLIDATED	
		2011 \$'000	2010 \$'000
<b>10 – Trade and other payables</b>			
Trade payables and accruals		15,923	15,559
Deferred revenue		836	984
Other accruals		4,162	4,154
		<b>20,921</b>	<b>20,697</b>

The average credit period on purchases is generally 30-60 days. Interest can be charged on overdue accounts. The consolidated entity has financial risk management procedures in place to ensure that payables are paid within terms.

## 11 – Borrowings

<b>Current</b>			
<b>Secured at amortised cost</b>			
Fixed rate bank loans <sup>2,3</sup>	28	2,902	2,754
Lease liabilities <sup>1</sup>	27	342	363
		<b>3,244</b>	<b>3,117</b>
<b>Non current</b>			
<b>Secured at amortised cost</b>			
Floating rate bank loans <sup>2</sup>	28	1,152	–
Fixed rate bank loans <sup>2,3</sup>	28	264	2,558
Lease liabilities <sup>1</sup>	27	521	738
		<b>1,937</b>	<b>3,296</b>

<sup>1</sup> Lease liabilities are secured by the respective assets acquired.

<sup>2</sup> Loans are secured by a fixed and floating charge over certain assets of the group.

<sup>3</sup> Bank facilities are secured by a mortgage over properties.

## 12 – Current tax assets and liabilities

Income tax payable/(receivable) attributable to:			
Parent entity		(377)	36
Entities in the tax consolidated group		1,895	1,635
Other entities not in the tax consolidated group		587	1,280
		<b>2,105</b>	<b>2,951</b>

The company and its wholly-owned Australian resident entities have formed a tax consolidated group with effect from 1 October 2002. The accounting policy on implementation of the legislation is set out in Note 1(o). The head entity within the tax consolidated group is HGL Limited.

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>13 – Deferred tax assets and liabilities</b>		
<b>Deferred tax assets comprise</b>		
Tax losses - capital	95	95
Tax losses - revenue	452	294
Temporary differences	4,441	3,327
	<b>4,988</b>	<b>3,716</b>

	CONSOLIDATED 2011				CONSOLIDATED 2010			
	OPENING BALANCE \$'000	CHARGED TO INCOME \$'000	CHARGED TO EQUITY \$'000	CLOSING BALANCE \$'000	OPENING BALANCE \$'000	CHARGED TO INCOME \$'000	CHARGED TO EQUITY \$'000	CLOSING BALANCE \$'000
<b>Gross deferred tax assets</b>								
Employee provisions	1,608	124	-	1,732	1,456	152	-	1,608
Other provisions	2,738	705	-	3,443	1,854	884	-	2,738
Tax losses – capital realised	-	-	-	-	1,331	(1,331)	-	-
Tax losses – capital unrealised	95	-	-	95	95	-	-	95
Tax losses – revenue realised	294	158	-	452	506	(212)	-	294
Tax losses – revenue unrealised	-	-	-	-	439	(439)	-	-
	<b>4,735</b>	<b>987</b>	<b>-</b>	<b>5,722</b>	5,681	(946)	-	4,735
<b>Gross deferred tax liabilities</b>								
Land and buildings	1,019	(348)	63	734	878	141	-	1,019
Other provisions	-	-	-	-	88	(88)	-	-
Available for sale assets	-	-	-	-	3,017	-	(3,017)	-
	<b>1,019</b>	<b>(348)</b>	<b>63</b>	<b>734</b>	3,983	53	(3,017)	1,019
	<b>3,716</b>	<b>1,335</b>	<b>(63)</b>	<b>4,988</b>	1,698	(999)	3,017	3,716

## 14 – Employee benefits

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>Current</b>		
Employee benefits	3,647	3,905
<b>Non current</b>		
Employee benefits	2,124	1,453
<b>Total employee benefits</b>	<b>5,771</b>	<b>5,358</b>

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Balance at the beginning of financial year	14,907	14,165
Profit attributable to non controlling interest	2,368	3,927
Dividends attributable to non controlling interest	(1,970)	(2,890)
Increase in non controlling interest share capital	245	-
Revaluation of land and buildings	211	-
Purchase of options in J Leutenegger	-	(371)
Foreign exchange	152	76
<b>Balance at the end of the financial year</b>	<b>15,913</b>	<b>14,907</b>

## 16 – Issued capital

### Issued share capital

51,663,671 (2010: 51,114,406) fully paid ordinary shares	35,249	34,479
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During the year the following changes occurred in fully paid ordinary shares:

	CONSOLIDATED		CONSOLIDATED	
	2011 NUMBER	2011 \$'000	2010 NUMBER	2010 \$'000
Balance at beginning of financial year	51,114,406	34,479	50,447,025	33,678
Allotted pursuant to HGL dividend reinvestment plan	561,407	765	1,156,452	1,356
Cancellation of capital pursuant to the on market share buy-back <sup>1</sup>	(55,886)	(58)	(565,821)	(643)
Shares issued to employee share scheme participants	43,744	63	76,750	88
<b>Balance at end of financial year</b>	<b>51,663,671</b>	<b>35,249</b>	<b>51,114,406</b>	<b>34,479</b>

<sup>1</sup> The company has an on market share buy back. During the year 55,886 (2010: 565,821) ordinary shares were purchased at an average price of \$1.05 (2010: \$1.14) pursuant to the on market share buy back.

### Reconciliation of total share capital

In accordance with AASB 2 Share based payment the shares issued to the key management personnel after November 2002 under the employee share scheme are recognised as equity settled options.

	CONSOLIDATED		CONSOLIDATED	
	2011 NUMBER	2011 \$'000	2010 NUMBER	2010 \$'000
Issued capital at end of financial year	51,663,671	35,249	51,114,406	34,479
Shares issued to employee share scheme participants after November 2002	3,616,826	6,355	3,553,297	6,285
<b>Total share capital at end of financial year</b>	<b>55,280,497</b>	<b>41,604</b>	<b>54,667,703</b>	<b>40,764</b>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Details of the HGL Dividend Reinvestment Plan are disclosed in the Shareholder Information on page 58.

	NOTE	CONSOLIDATED	
		2011 \$'000	2010 \$'000
<b>17 – Retained earnings</b>			
Balance at beginning of financial year		33,307	25,474
Net (loss)/profit attributable to members of the entity		(2,425)	13,416
Dividends paid	19	(5,640)	(5,577)
Transfers between reserves		141	–
Other		–	(6)
<b>Balance at the end of the financial year</b>		<b>25,383</b>	<b>33,307</b>

## 18 – Reserves

Employee share scheme reserve		2,442	2,442
Land and buildings revaluation reserve		930	924
Foreign currency translation reserve		(607)	(810)
Other reserve		(613)	(613)
		<b>2,152</b>	<b>1,943</b>

The foreign currency translation reserve arises on the retranslation of the opening net assets of overseas subsidiaries, at year end rates of exchange, net of tax. The other reserve arose when HGL increased its equity interest in J Leutenegger Pty Limited, this did not meet the definition of a business combination under AASB 3 Business Combinations, as there was no change of control. 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.

## 19 – Dividends

### Ordinary Shares

Interim 2011 dividend paid 8 July 2011 (2010: 1 July 2010)			
6.0 cents per share 100% franked at 30% (2010: 6.0 cents 100% franked at 30%)		3,083	2,522
Final 2010 dividend paid 16 December 2010 (2010: 17 December 2009)			
5.0 cents per share 100% franked at 30% (2010: 5.0 cents 100% franked at 30%)		2,557	3,055
<b>Total dividends paid</b>		<b>5,640</b>	<b>5,577</b>

Dividends actually paid or satisfied by the issue of shares under the Dividend Reinvestment Plan:

Paid in cash		4,875	4,221
Satisfied by issue of shares	30	765	1,356
<b>Dividends actually paid</b>		<b>5,640</b>	<b>5,577</b>

In accordance with Australian Tax Law the company maintains the franking account on a tax paid basis. At 30 September 2011 the consolidated entity has \$8,781,000 of franking credits (2010: \$8,808,000) sufficient to pay fully franked dividends of 37.1 cents per share (2010: 37.6 cents).

### Final dividend

In accordance with AASB 110 Events after Balance Sheet Date, HGL Limited has not provided for the final dividend. The final dividend of 5.5 cents per share 100% franked at 30% will be payable on 16 December 2011.

The dividend policy is to distribute not less than 75% of underlying profit as dividends.

	2011 \$'000	2010 \$'000
<b>20 – Parent entity disclosures</b>		
<b>Balance sheet</b>		
<b>Assets</b>		
Current assets	4,356	1,516
Non current assets	70,800	76,385
<b>Total assets</b>	<b>75,156</b>	<b>77,901</b>
<b>Liabilities</b>		
Current liabilities	11,698	5,585
Non current liabilities	1,019	34
<b>Total liabilities</b>	<b>12,717</b>	<b>5,619</b>
<b>Net assets</b>	<b>62,439</b>	<b>72,282</b>
<b>Equity</b>		
Issued capital	35,249	34,479
Reserves	2,822	2,822
Retained earnings	24,368	34,981
<b>Total equity</b>	<b>62,439</b>	<b>72,282</b>
<b>Statement of comprehensive income</b>		
(Loss)/profit after tax	(4,973)	300
Other comprehensive income	–	–
<b>Total comprehensive income</b>	<b>(4,973)</b>	<b>300</b>

There are no contingent liabilities or commitments for acquisition of property, plant and equipment.

## 21 – Earnings per share

			CONSOLIDATED 2011 CENTS PER SHARE	2010 CENTS PER SHARE
Basic earnings per share			(4.7)	26.3
Diluted earnings per share			(4.7)	26.3
	2011 \$'000	2011 NUMBER '000	2010 \$'000	2010 NUMBER '000
<b>Basic earnings per share</b>				
Earnings and weighted average number of ordinary shares for the purposes of basic earnings per share	(2,425)	51,394	13,416	50,959
<b>Diluted earnings per share</b>				
Earnings and weighted average number of ordinary shares for the purposes of diluted earnings per share	(2,425)	51,394	13,416	50,959

In the current year 3,616,826, shares (2010: 3,553,297) recognised as equity settled options are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of the diluted earnings per share calculation.

## 22 – Employee share scheme

The Directors believe it is important to link the remuneration of HGL's executives to the long term success of the Company by supporting the acquisition of shares (Scheme Shares) through the Employee Share Scheme (Scheme). To support this aim eligible employees may acquire HGL shares, with the cost being financed by non-recourse, interest bearing loans from HGL (Scheme Loans). During the 2011 and 2010 years no shares were issued or bought back under the Scheme.

Under the terms of the Scheme, the Scheme Shares have the same rights as apply to the other shares of HGL, including the rights to dividends and voting. The interest rate on the Scheme Loans is equivalent to the dividend rate. The interest is required to be paid by the participant within 5 days of the receipt of a dividend. If the participant elects to reinvest dividends using the DRP then the Company capitalises interest up to the amount reinvested. Any interest so capitalised will be added to the principal of the participants' Scheme Loans and bear interest accordingly. In addition any benefit of franking credits must be paid by the participant to the Company.

Repayments are made on the last day of each calendar year. At this time an amount equal to the sum of franking credits received under the Scheme multiplied by one minus the top tax rate (including Medicare levy) and profit from sales of any such shares shall be used in partial discharge of the Scheme Loan. No demand for repayment of the principal shall be made before the earliest to occur of, the expiration of six months after the participant ceases, for any reason other than death, to be an employee of the Company or controlled entity, the expiration of twelve months after death, and the seventh anniversary of the making of the Scheme Loan.

If all the Scheme Shares are sold and the proceeds are insufficient to discharge the Scheme Loan, the participant has no further liability to repay the Scheme Loan, and the amount outstanding would be written off as an equity adjustment with no effect on profit or loss. If a participant has more than one Scheme Loan each Scheme Loan is treated separately from any other Scheme Loan.

The Company retains a holding lock in respect of the Scheme Shares registered in the name of the participant. Any loans repaid by the participants result in the release of shares from a holding lock.

As at 30 September 2011 there were 5 Scheme Loans outstanding (2010: 5 Scheme Loans). Loans 1 & 2 were issued pursuant to the HGL Limited Employee Share Scheme (1999). Loans 3, 4 and 5 were issued pursuant to the Employee Share Scheme as amended at the 2004 Annual General Meeting. Shares issued under Scheme Loans 1 and 2 are recognised as shares while the shares issued under loans 3, 4 and 5 are recognised as equity settled options.

### Summary of total scheme loans and scheme share movements during the financial year:

	NOTE	2011 SCHEME SHARES NUMBER	2011 SCHEME LOANS \$'000	2010 SCHEME SHARES NUMBER	2010 SCHEME LOANS \$'000
Balance at beginning of financial year		5,355,372	8,296	5,246,202	8,167
DRP participation and capitalised interest		126,440	157	226,389	262
Disposal of scheme shares		(43,744)	(63)	(85,518)	(98)
Repayment of scheme loans and release of scheme shares		(28,685)	(32)	(31,701)	(35)
Balance at end of financial year		5,409,383	8,358	5,355,372	8,296
Recognised as shares (loans 1 and 2)	7	1,792,557	2,003	1,802,075	2,011
Recognised as equity settled options (loans 3, 4 and 5)		3,616,826	6,355	3,553,297	6,285
		5,409,383	8,358	5,355,372	8,296

**22 – Employee share scheme** CONTINUED

**a) Details of loans recognised as shares**

2011	KJ ELEY			MP MAHONEY			TOTAL		
	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.11 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.11 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.11 \$
Loan 1	870,408	957,782	896,520	317,459	352,226	326,983	1,187,867	1,310,008	1,223,503
Loan 2	507,488	569,012	522,713	97,202	124,064	100,118	604,690	693,076	622,831
	<b>1,377,896</b>	<b>1,526,794</b>	<b>1,419,233</b>	<b>414,661</b>	<b>476,290</b>	<b>427,101</b>	<b>1,792,557</b>	<b>2,003,084</b>	<b>1,846,334</b>

2010	KJ ELEY			MP MAHONEY			TOTAL		
	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$
Loan 1	884,681	973,488	1,132,391	307,732	339,518	393,897	1,192,413	1,313,006	1,526,288
Loan 2	515,649	578,163	660,031	94,013	120,169	120,337	609,662	698,332	780,368
	<b>1,400,330</b>	<b>1,551,651</b>	<b>1,792,422</b>	<b>401,745</b>	<b>459,687</b>	<b>514,234</b>	<b>1,802,075</b>	<b>2,011,338</b>	<b>2,306,656</b>

The market value of HGL shares as at 30 September 2011 was \$1.03 (2010: \$1.28).

**b) Details of loans recognised as equity settled options**

2011	KJ ELEY			MP MAHONEY			AJ WHITTLES		
	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.11 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.11 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.11 \$
Loan 3	454,064	789,460	467,686	387,299	607,792	398,918	290,534	455,828	299,250
Loan 4	432,808	797,407	445,792	363,026	658,700	373,917	272,338	494,012	280,508
Loan 5	409,199	755,809	421,475	343,227	624,294	353,524	257,481	468,205	265,205
	<b>1,296,071</b>	<b>2,342,676</b>	<b>1,334,953</b>	<b>1,093,552</b>	<b>1,890,786</b>	<b>1,126,359</b>	<b>820,353</b>	<b>1,418,045</b>	<b>844,963</b>

2011	PS CALDELIS			TOTAL		
	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.11 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.11 \$
Loan 3	145,260	227,828	149,618	1,277,157	2,080,908	1,315,472
Loan 4	132,856	241,238	136,842	1,201,028	2,191,357	1,237,059
Loan 5	128,734	234,025	132,596	1,138,641	2,082,333	1,172,800
	<b>406,850</b>	<b>703,091</b>	<b>419,056</b>	<b>3,616,826</b>	<b>6,354,598</b>	<b>3,725,331</b>

## 22 – Employee share scheme CONTINUED

### b) Details of Loans recognised equity settled options (continued)

2010	KJ ELEY			MP MAHONEY			AJ WHITTLES		
	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$
Loan 3	459,757	797,613	588,489	374,017	592,262	478,742	280,513	444,176	359,057
Loan 4	438,234	805,178	560,940	350,587	644,142	448,751	262,944	483,089	336,568
Loan 5	414,330	763,157	530,342	331,466	610,530	424,276	248,599	457,878	318,207
	1,312,321	2,365,948	1,679,771	1,056,070	1,846,934	1,351,769	792,056	1,385,143	1,013,832

2010	PS CALDELIS			TOTAL		
	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.10 \$
Loan 3	140,261	222,002	179,534	1,254,548	2,056,053	1,605,822
Loan 4	128,285	235,911	164,205	1,180,050	2,168,320	1,510,464
Loan 5	124,304	228,862	159,109	1,118,699	2,060,427	1,431,934
	392,850	686,775	502,848	3,553,297	6,284,800	4,548,220

The market value of HGL shares as at 30 September 2011 was \$1.03 (2010: \$1.28).

All options issued to the participants under Loans 3, 4 and 5 have fully vested. The options under Loan 3 to MP Mahoney, AJ Whittles and PS Caldelis were granted at \$1.69. The Black Scholes model creates a fair value of this right of \$0.82 per share. The options under Loan 3 issued to KJ Eley were granted at \$1.9256. The Black Scholes model creates a fair value of this right of \$1.056 per share. The options under Loans 4 and 5 to KJ Eley, MP Mahoney, AJ Whittles and PS Caldelis were granted at \$1.9256. The Black Scholes model creates a fair value of this right of \$0.90 per share.

## 23 – Related party disclosures

### a) Loans to key management personnel

There were no loans made to key management personnel of the consolidated entity and their related entities other than loans that are in substance options and are non recourse. For details of the loans in relation to the Employee Share Scheme refer to Note 22.

### b) Key management personnel compensation

The table below provides a total of the remuneration received by the key management personnel. For further details regarding remuneration of key management personnel see the Remuneration Report which forms part of the Director's Report.

	SHORT TERM EMPLOYEE BENEFITS \$	POST EMPLOYMENT BENEFITS \$	SHARE BASED PAYMENTS \$	LONG TERM EMPLOYEE BENEFITS \$	TOTAL \$
2011	1,184,810	73,299	–	50,283	1,308,392
2010	1,284,808	70,368	–	21,307	1,376,483

## 23 – Related party disclosures CONTINUED

### c) Key management personnel equity holdings

The key management personnel and their relevant interest in the fully paid ordinary shares of the Company as at year end are as follows:

	SHARES AT BEGINNING OF PERIOD NUMBER	REPAYMENT OF SCHEME LOANS 1 AND 2 NUMBER	EXERCISE OF OPTIONS NUMBER	DRP SHARES ISSUED NUMBER	ON MARKET PURCHASE NUMBER	SHARES AT END OF PERIOD NUMBER	BALANCE HELD NOMINALLY NUMBER
<b>2011</b>							
PG Miller	9,513,518	–	–	–	–	9,513,518	9,473,795
FM Wolf	364,615	–	–	–	–	364,615	–
JD Constable	44,625	–	–	–	–	44,625	625
KJ Eley	787,438	22,434	–	–	–	809,872	–
MP Mahoney	109,377	6,251	–	9,299	–	124,927	–
AJ Whittles	46,153	–	–	3,798	–	49,951	–
PS Caldelis	22,797	–	–	1,876	–	24,673	–
<b>2010</b>							
PG Miller	9,121,616	–	–	391,902	–	9,513,518	9,473,795
FM Wolf	291,377	–	–	–	73,238	364,615	–
JD Constable	44,625	–	–	–	–	44,625	625
KJ Eley	755,737	31,701	–	–	–	787,438	–
MP Mahoney	99,870	–	–	9,507	–	109,377	–
AJ Whittles	42,139	–	–	4,014	–	46,153	–
PS Caldelis	20,814	–	–	1,983	–	22,797	–

The key management personnel equity holdings exclude the Employee Scheme Shares detailed in note 22.

There were no other movements in personnel equity holdings of key management personnel other than in those listed above. Key management personnel received or were entitled to receive dividends from the Company on shares held in the Company in their own names and their associated entities. These transactions were on the same basis as with other shareholders.

### d) Other transactions with key management personnel

During the year, HGL Limited bought back shares pursuant to the on market buy back through Bell Potter, the firm where JD Constable works as a broker. There was \$292 (2010: \$3,217) of brokerage paid in the ordinary course of business for the on market buy back. There was \$nil (2010: \$51,381) brokerage fees were paid in the ordinary course of business for listed securities.

## 24 – Segment reporting

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 specialist 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 September 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.

## 24 – Segment reporting CONTINUED

The results of these segments are shown below:

	CONSOLIDATED 2011			CONSOLIDATED 2010		
	BRANDED PRODUCTS \$'000	LISTED SHARES \$'000	TOTAL \$'000	BRANDED PRODUCTS \$'000	LISTED SHARES \$'000	TOTAL \$'000
Sales revenue	163,431	–	163,431	170,067	9,603	179,670
Underlying profit before interest, tax, depreciation and amortisation and non controlling interest	16,276	–	16,276	17,273	230	17,503
Depreciation and amortisation	(2,342)	–	(2,342)	(2,138)	–	(2,138)
Underlying profit before interest, tax and non controlling interest	13,934	–	13,934	15,135	230	15,365
Segment assets	112,675	–	112,675	120,055	–	120,055
Segment liabilities	(33,978)	–	(33,978)	(35,419)	–	(35,419)
Segment acquisition of assets	3,381	–	3,381	3,934	–	3,934

Reconciliation of underlying profit before interest, tax and non controlling interest to net profit after tax:

	CONSOLIDATED 2011			CONSOLIDATED 2010		
	UNDERLYING PROFIT \$'000	OTHER \$'000	TOTAL \$'000	UNDERLYING PROFIT \$'000	OTHER \$'000	TOTAL \$'000
Underlying profit before interest, tax and non controlling interest	13,934	–	13,934	15,365	–	15,365
Impairment of Biante goodwill	–	(6,358)	(6,358)	–	–	–
Biante write off of fixed assets and inventory provisions	–	(4,596)	(4,596)	–	–	–
Realised profit on sale of listed securities	–	–	–	–	9,373	9,373
Write off lease incentive	–	–	–	–	(239)	(239)
Acquisition discount	–	–	–	–	761	761
Interest income	497	–	497	523	–	523
Interest expense	(865)	–	(865)	(1,229)	–	(1,229)
Net profit before tax	13,566	(10,954)	2,612	14,659	9,895	24,554
Income tax (expense)/benefit	(4,048)	1,379	(2,669)	(4,306)	(2,905)	(7,211)
Profit after tax	9,518	(9,575)	(57)	10,353	6,990	17,343
Non controlling interest	(2,368)	–	(2,368)	(3,586)	(341)	(3,927)
Profit after tax and non controlling interest	7,150	(9,575)	(2,425)	6,767	6,649	13,416

Revenue is predominately derived, in Australia, from supplying branded products into specialist markets. Approximately, 9% (2010: 9%) of revenue is derived from providing maintenance and repair services. Revenue from no single customer is greater than 10% (2010: 10%) of the Group's revenues. There were no intersegment sales during the year (2010: \$nil).

## 25 – Investment in controlled entities

Company	COUNTRY OF INCORPORATION/FORMATION	OWNERSHIP INTEREST	
		2011 %	2010 %
<b>Company</b>			
HGL Limited	Australia	–	–
<b>Subsidiaries</b>			
Baker & McAuliffe Holdings Pty Limited (trading as JSB Lighting)	Australia	100	100
BLC Cosmetics Pty Limited	Australia	60	60
BOC Ophthalmic Instruments Unit Trust	Australia	50**	50
Createc Pty Limited (trading as Anitech)	Australia	50**	50
Hamlon Pty Limited (trading as SPOS)	Australia	100	100
The Point-of-Sale Centre (New Zealand) Limited *	New Zealand	100	100
Kinsole Pty Limited (trading as XLN Fabrics)	Australia	50**	50
J Leutenegger Pty Limited	Australia	100	100
Biante Pty Limited	Australia	100	100
Mountcastle Pty Limited	Australia	50**	50
Aarque Group Limited *	New Zealand	50**	50

\* Controlled entities of which Deloitte Touche Tohmatsu has not acted as auditors.

\*\* These entities are controlled by the Company as the Directors believe that the Company has the capacity to dominate decision making in relation to the financial and operating policies of the entity, in order to pursue the objectives of the Company.

In May 2010 Mountcastle Pty Ltd increased its interest in Trutex Pty Limited from 50% to 100% creating a discount on acquisition of \$761,000.

Certain immaterial entities have not been disclosed in the above listing of controlled entities.

## 26 – Auditors' remuneration

	CONSOLIDATED	
	2011 \$	2010 \$
<b>Auditor of the parent entity</b>		
Audit and review of the financial reports	329,650	333,650
<b>Other auditors</b>		
Audit and review of the financial reports	57,787	47,374
Taxation services	22,411	48,862
	<b>80,198</b>	<b>96,236</b>

The auditor of HGL Limited is Deloitte Touche Tohmatsu.

	NOTE	CONSOLIDATED	
		2011 \$'000	2010 \$'000
<b>27 – Lease commitments</b>			
<b>Finance leases</b>			
Plant and equipment		996	1,257
Payable not later than one year		389	439
Payable later than one, not later than five years		607	818
		996	1,257
Future finance charges		(133)	(156)
<b>Provided for in the financial statements</b>		<b>863</b>	<b>1,101</b>
Representing lease liabilities			
Current	11	342	363
Non current	11	521	738
		863	1,101

The finance leases are for employee motor vehicles. The leases expire at various future dates up to five years.

Aggregate lease expenditure contracted for at balance date but not provided for in the financial statements:

<b>Operating leases</b>			
Land and buildings		9,363	10,515
Motor vehicles		449	427
		9,812	10,942
Payable not later than one year		3,214	3,688
Payable later than one, not later than five years		6,230	7,254
Payable greater than five years		368	–
		9,812	10,942

The land and building operating leases are in respect of warehouses and offices occupied by group companies. The leases expire at various future dates and a number contain option provisions.

## 28 – Financial instruments

### Significant accounting policies

A summary of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial assets, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

### Financial risk management

The activities of the consolidated entity expose it to credit risk and liquidity risk. Foreign exchange contracts and interest rate instruments are used to manage the currency and interest rate risk. The consolidated entity does not engage in speculative activities. Foreign currency management is governed by the risk management and internal control policy approved by the board of directors.

### Capital management

The consolidated entity manages its capital to ensure that the business units will have funding to expand. The capital structure consists of debt, which includes the borrowings disclosed in note 11, cash and cash equivalents, issued capital and reserves disclosed in notes 16 and 18 and retained earnings, note 17. The capital structure is reviewed regularly and is balanced through the payment of dividends and share buy backs as well as the level of debt. Borrowing facilities are explained elsewhere in this note.

	NOTE	CONSOLIDATED	
		2011 \$'000	2010 \$'000
<b>28 – Financial instruments</b> CONTINUED			
<b>Categories of financial instruments</b>			
<b>Financial assets</b>			
Cash and cash equivalents		11,762	8,432
Trade receivables	4	26,474	28,424
Other financial assets	7	2,003	2,011
<b>Financial liabilities</b>			
Trade payables and accruals	10	15,923	15,559
Borrowings – Fixed rate loans	11	3,166	5,312
Borrowings – Floating rate loans	11	1,152	–
Borrowings – Finance lease liabilities	27	863	1,101

The consolidated entity groups its financial instruments into groups using the fair value hierarchy outlined in AASB 7 Financial Instruments: Disclosures. At 30 September 2011 the consolidated entity had \$1,649,000 (2010: \$5,190,000) of foreign currency forward contracts with a fair value of \$151,000 (2010: (\$236,000)) that were classed as level 2 financial instruments. The company did not have any level 1 or level 3 financial instruments at the date of this report. There were no transfers between the fair value hierarchy categories during the year.

#### Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- Foreign exchange forward contracts and interest rate instruments are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments or option pricing models as appropriate.
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate fair values.

#### Foreign currency risk management

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and foreign exchange bank accounts. At the year end the consolidated entity has \$1,930,000 (2010: \$2,940,000) of monetary liabilities mainly in USD and Japanese Yen. The consolidated entity has \$4,205,000 (2010: \$3,043,000) of monetary assets mainly in USD and Euros. In addition the consolidated entity has \$1,649,000 (2010: \$5,190,000) foreign currency forward contracts outstanding at 30 September 2011. The consolidated entity used a 10% sensitivity analysis and concluded there was no material impact on the 2011 and 2010 net outstanding foreign currency exposure.

The following table details the forward foreign exchange contracts outstanding as at 30 September 2011:

	AVERAGE EXCHANGE RATE		FOREIGN CURRENCY		CONTRACT VALUE		FAIR VALUE	
	2011	2010	2011 FC'000	2010 FC'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Buy US Dollar</b>								
Less than 3 months	1.04	0.91	902	3,865	864	4,266	77	(227)
<b>Buy Euros</b>								
Less than 3 months	0.76	0.71	200	353	264	497	15	1
<b>Buy Japanese Yen</b>								
Less than 3 months	82.25	78.05	42,852	26,949	521	345	59	(11)
<b>Buy Great British Pound</b>								
Less than 3 months	–	0.61	–	50	–	82	–	1

## 28 – Financial instruments CONTINUED

### Interest rate risk management

The consolidated entity is exposed to interest rate risk as entities within the consolidated entity borrow funds at both fixed and floating interest rates. The consolidated entity manages the interest rate risk by maintaining an appropriate mix between fixed and floating rate borrowings and by use of interest rate instruments. These instruments allow the consolidated entity to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. A \$10 million cap was in place until July 2011 and had a cap interest rate of 7.0%.

### Borrowings

The Company's banking facilities with the Australia and New Zealand Banking Group Limited (ANZ) expire in December 2012. The Company has unrestricted access available at balance date to facilities totalling \$10 million (2010: \$10 million). At 30 September 2011 \$1 million (2010: \$nil) was drawn down. The undrawn banking facilities are mainly maintained to provide working capital flexibility.

At the year end the consolidated entity considered the impact of interest rate changes in the consolidated entity. A 1% increase or decrease, with all other variables held constant, would result in the consolidated entity's net profit changing by \$70,000 (2010: \$70,000). This is calculated assuming the consolidated entity has fully utilised its variable borrowings.

### Credit risk

The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis. The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate risk management framework for the management of the consolidated entity's short, medium and long term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the consolidated entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the consolidated entity can be required to pay. The table includes both interest and principal cash flows.

	INTEREST RATE %	CONSOLIDATED 2011 MATURING GROUPING			INTEREST RATE %	CONSOLIDATED 2010 MATURING GROUPING		
		1 YEAR OR LESS \$'000	1 TO 2 YEARS \$'000	OVER 2 YEARS \$'000		1 YEAR OR LESS \$'000	1 TO 2 YEARS \$'000	OVER 2 YEARS \$'000
Current payables		15,923	–	–	–	15,559	–	–
Borrowings - fixed	9.02	288	–	–	7.13	3,385	2,036	182
Borrowings - floating	4.86	992	–	–	–	–	–	–
Finance lease liabilities	9.10	337	520	–	9.07	370	672	71
<b>Total</b>		<b>17,540</b>	<b>520</b>	<b>–</b>		<b>19,314</b>	<b>2,708</b>	<b>253</b>

The fixed and floating loans in Aarque Group Limited have been excluded from the liquidity analysis as the business was disposed of in November 2011. Refer to Note 32.

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>29 – Reconciliation of (loss)/profit after income tax to net cash inflow from operating activities</b>		
(Loss)/profit from operations	(57)	17,343
Share of associates' profit	(254)	(484)
Depreciation expense	2,342	2,138
Acquisition discount	–	(761)
Impairment of goodwill	6,358	–
Loss on foreign currency translation	291	317
	<b>8,680</b>	<b>18,553</b>
(Profit) on sale of shares and property, plant and equipment	(259)	(9,423)
Loss on moulds in Biante	2,543	–
	<b>2,284</b>	<b>(9,423)</b>
(Increase)/decrease in receivables and other assets	2,952	(1,244)
(Increase)/decrease in inventories	(46)	715
Increase/(decrease) in accounts payable and other liabilities	637	1,910
Increase/(decrease) in deferred tax provisions	(1,272)	999
	<b>2,271</b>	<b>2,380</b>
<b>Net cash inflow from operating activities</b>	<b>13,235</b>	<b>11,510</b>

### 30 – Non-cash financing and investing activities

Acquisition of plant and equipment by means of finance leases	152	424
Dividend satisfied by the issue of shares under the Dividend Reinvestment Plan	765	1,356

### 31 – Contingent liabilities and capital commitments

There are no significant contingent liabilities or capital commitments.

### 32 – Subsequent events

On 13 October 2011 the consolidated entity disposed of its interest in Amcla Pty Limited. Cash of \$460,000 was generated resulting in a loss of \$24,000.

On 11 November 2011 the consolidated entity disposed of its interest in Aarque Group. Cash of \$3.9 million was generated resulting in a loss of \$0.1 million.

## DIRECTORS' DECLARATION

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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;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;
- (c) 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 company and consolidated entity; and
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors:



PG Miller  
Chairman



MP Mahoney  
Director and Chief Executive

Sydney, 23 November 2011



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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Sydney NSW 2000  
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We have audited the accompanying financial report of HGL Limited, which comprises the statement of financial position as at 30 September 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 23 to 54.

#### **Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Auditor's Independence Declaration**

In conducting our audit, 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 report.

# Deloitte.

## Opinion

In our opinion:

(a) the financial report of HGL Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 18 of the directors' report for the year ended 30 September 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion the Remuneration Report of HGL Limited for the year ended 30 September 2011, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Stephen Holdstock  
Partner  
Chartered Accountants

Sydney, 23 November 2011

## SHAREHOLDER INFORMATION

On 10 November 2011 there were 2,542 shareholders. All of the shares of the company are ordinary and fully paid carrying one vote.

### Distribution of shareholders

CATEGORY		NUMBER OF SHAREHOLDERS	NUMBER OF SHARES
1	- 1,000	733	231,040
1,001	- 5,000	774	2,219,912
5,001	- 10,000	442	3,436,681
10,001	- 100,000	533	13,893,958
100,001	- and over	60	35,498,906
		2,542	55,280,497

Number of shareholders holding less than a marketable parcel (455 shares) is 484.

Percentage of the total holdings of the 20 largest shareholders is 55.85%.

### Twenty largest ordinary shareholders

	NAME	NUMBER OF SHARES HELD	% OF TOTAL ISSUED CAPITAL
1	Sery Pty Ltd	7,901,519	14.29
2	Constable Investments Group Ltd	5,679,653	10.27
3	Kevin Eley	3,483,839	6.30
4	Michael Mahoney	1,633,140	2.96
5	LPO Investments Pty Ltd	1,534,085	2.78
6	ANZ Trustees Ltd (Queensland Common Fund Account)	1,419,088	2.57
7	Jancon Pty Limited	1,008,550	1.83
8	Andrew Whittles	870,304	1.57
9	National Nominees Limited	812,528	1.47
10	JP Morgan Nominees Australia Ltd	808,521	1.46
11	George Edward Curphey	787,090	1.43
12	Jennifer Anne Drummond	718,541	1.30
13	Extra Edge Pty Limited	700,000	1.27
14	FM Parker Pty Ltd (FMP & ORS A/C)	658,974	1.19
15	Citicorp Nominees Pty Limited	655,973	1.19
16	ANZ Trustees Limited (The JO & JR Wicking A/C)	515,000	0.93
17	Kitwood Pty Limited	510,000	0.92
18	Peter Caldelis	431,523	0.78
19	Australasian & General Securities Limited	372,111	0.67
20	Mr Alister John Forsyth	371,250	0.67
		30,871,689	55.85

### Substantial shareholders

The following information is extracted from the Company's Register of Substantial Shareholders as at 10 November 2011:

	NAME	NUMBER OF SHARES AS PER NOTICE
1	Sery Pty Limited and its associates	10,307,059
2	Constable Investments Group Limited and its associates	6,189,653
3	Kevin Eley	2,871,559

## Security holder information

### Voting rights

Subject to the Constitution:

- a) at meetings of shareholders each shareholder is entitled to vote in person, by proxy, by attorney, or by representative;
- b) on a show of hands each shareholder present in person, by proxy, by attorney, or by representative has one vote; and
- c) on a poll each shareholder present in person, by proxy, by attorney, or by representative shall have one vote for every share held by the shareholder.

In the case of joint holdings, only one joint holder may vote.

### Voting by proxy

Voting by proxy is a way shareholders can vote without attending a meeting in person.

All shareholders are encouraged to complete and return the proxy form that accompanies the Notice of Meeting.

If you appoint a proxy and attend the meeting, you automatically revoke your proxy.

Shareholders may appoint a proxy or attorney to represent them at the meeting.

A corporate shareholder may appoint a representative, the instrument of appointment must be under common seal of the company where necessary.

### Payment direct to a bank, building society or credit union

Security holders may have their dividend entitlements paid directly into any bank, building society or credit union within Australia. The necessary form is available from the registry. Once your payment details have been recorded on your holding, they will remain in force until you notify the registry of their alteration or cancellation.

### Dividend reinvestment plan

Brief details of the Plan are:

- a) shareholders are eligible to participate, except where local legislation prevents it;
- b) participation is optional;
- c) full or partial participation is available;
- d) payment is made through the allotment of shares, rather than cash, at a discount of up to 7.5% on the average market price of the Company's ordinary shares;

e) no brokerage, commission, stamp duty, or administration costs are payable by shareholders; and

f) participants may withdraw from the plan at any time by notice in writing to the Registry. Shareholders wanting to participate should contact the Company's registry for an explanatory booklet and an application form.

### Change of address

All changes of address or other particulars for issuer-sponsored holders, must be notified in writing to the registry. Broker sponsored holders must advise all changes directly to their broker. Your security holder reference number should always be quoted in either case.

### Share registry

Computershare Investor Services Pty Limited

Ph: toll free 1300 855 080

Ph: international +61 3 9415 4000

Facsimile: (03) 9473 2500

Level 3, 60 Carrington Street, Sydney NSW 2000

### Stock exchange listing

HGL Limited is traded on the Australian Securities Exchange (ASX). The symbol under which the shares are traded is HNG (note: not HGL). Details of trading activity are usually published in most daily newspapers under the HNG abbreviation. HGL Limited is a participant in the ASX's Flexible Accelerated Security System (FAST).

### Requests for publications and media and public relations enquiries should be directed to:

Jenny Dinneen, HGL Limited

Tel: (02) 9221 7155 Fax: (02) 9233 2713

Email: hgl@hgl.com.au

Level 11, 280 George Street, Sydney NSW 2000

GPO Box 4406, Sydney NSW 2001

Amounts after 2005 are reported under Australian equivalents to International Financial Reporting Standards.

All prior periods are reported under previous Australian Accounting Standards.

		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Underlying profit (\$'000)	(a)	<b>7,150</b>	6,767	5,003	8,447	9,309	7,438	7,033	5,580	2,386	
Underlying earnings per share (cents)	(a)	<b>13.9</b>	13.3	10.0	17.3	19.2	15.5	14.7	11.3	5.1	
Capital profit/(loss) and revaluations (\$'000)	(a)	<b>(9,575)</b>	6,649	2,969	(15,908)	6,344	1,613	343	4,953	7,552	
Reported profit/(loss) (\$'000)		<b>(2,425)</b>	13,416	7,972	(7,461)	15,653	9,051	7,376	10,533	9,938	8,013
Reported earnings per share (cents)		<b>(4.7)</b>	26.3	16.0	(15.3)	32.4	18.9	15.4	21.4	21.2	17.2
Dividend per share (cents)	(b)	<b>11.5</b>	11.0	8.0	12.1	14.4	11.6	10.2	9.0	8.6	12.0
Shares on issue ('000)		<b>51,664</b>	51,114	50,447	49,091	48,577	48,108	47,682	50,443	47,213	46,583
Total shareholders' equity (\$'000)		<b>78,697</b>	84,636	82,552	79,540	106,076	87,265	77,090	80,132	65,744	54,451
HGL shareholders' equity (\$'000)		<b>62,784</b>	69,729	68,387	65,452	92,713	74,159	64,883	67,478	55,149	46,638
Net cash/(debt) (\$'000)	(c)	<b>6,581</b>	2,019	(13,367)	(34,120)	(27,486)	(1,239)	1,416	7,596	8,678	5,968
Underlying return on shareholders' funds (%)	(d)	<b>10</b>	10	8	9	13	12	11	10	5	
Return on shareholders' funds (%)	(e)	<b>(4)</b>	20	12	(8)	21	14	11	19	21	19

**Notes**

- (a) Separately identified from 2003 following decision to build underlying profit. Underlying profit is profit after tax and minorities before revaluations and capital gains.  
 (b) All dividends are fully franked other than 12 cents in 2002.  
 (c) Comprises cash, bank borrowings and leases.  
 (d) Underlying profit divided by opening HGL shareholders' equity.  
 (e) Reported profit divided by opening HGL shareholders' equity.



## DIRECTORY

### Directors

PG Miller, FCA (Chairman)  
MP Mahoney, ACA (England and Wales), CA  
JD Constable  
KJ Eley, CA, F FIN  
FM Wolf, BA (Hons), PhD

### Chief Executive

MP Mahoney, ACA (England and Wales), CA

### Chief Financial Officer and Joint Company Secretary

AJ Whittles, ACA (England and Wales)

### Joint Company Secretary

PS Caldelis, CA

### Head Office and Registered Office

Level 11, 280 George Street,  
Sydney NSW 2000  
GPO Box 4406, Sydney NSW 2001  
Ph: (02) 9221 7155  
Fax: (02) 9233 2713  
Email: [hgl@hgl.com.au](mailto:hgl@hgl.com.au)  
Web site: [www.hgl.com.au](http://www.hgl.com.au)

### HGL Group web sites

**HGL Limited**  
[www.hgl.com.au](http://www.hgl.com.au)

**Anitech**  
[www.anitech.com.au](http://www.anitech.com.au)

**Biante**  
[www.biante.com.au](http://www.biante.com.au)

**BOC Instruments**  
[www.bocinstruments.com.au](http://www.bocinstruments.com.au)

**J Leutenegger**  
[www.leutenegger.com.au](http://www.leutenegger.com.au)

**JSB Lighting**  
[www.jsblighting.com.au](http://www.jsblighting.com.au)

**Mountcastle**  
[www.mountcastle.com.au](http://www.mountcastle.com.au)  
[www.trutex.com.au](http://www.trutex.com.au)

**Safilo Australia**  
[www.safilo.com](http://www.safilo.com)

**SPOS**  
[www.spos.com.au](http://www.spos.com.au)  
[www.icandycreative.com.au](http://www.icandycreative.com.au)  
[www.propelinteractive.com.au](http://www.propelinteractive.com.au)

**BLC Cosmetics**  
[www.blccosmetics.com](http://www.blccosmetics.com)

**XLN Fabrics**  
[www.xln.com.au](http://www.xln.com.au)

### Share Registry

Computershare Investor Services  
Pty Limited  
Level 4, 60 Carrington Street,  
Sydney NSW 2000  
Ph: toll free 1300 855 080  
Ph: international +61 3 9415 4000

### Auditors

Deloitte Touche Tohmatsu

### Bankers

ANZ Banking Group Limited

### Solicitors

Addisons

### Securities Exchange Listing

Australian Securities Exchange  
Code: HNG (not HGL)



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**HGL Limited** ASX CODE > **HNG** ABN 25 009 657 961 INCORPORATED IN QUEENSLAND

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