



Welcome to the 108th Annual General meeting of HGL.

The Annual Accounts and the twelve page review sent to shareholders in December contain extensive coverage of the 2011 year and can be summarised as follows:

Underlying Earnings

- Underlying profit increased by 6% to \$7.2 million.
- Fully Franked dividend per share increased by 4.5% from 11 cents to 11.5 cents.
- The operational cash flow resulted in a net cash position of \$6.6 million at 30 September 2011 compared with \$2.0 million a year earlier.
- Underlying profit return on equity rose to 11.4% from 9.7% in the prior year and EBIT to capital employed increased to 22.1% from 20.2% in 2010.

The full year increase in underlying profit was driven by increased sales of higher margin products and substantially reduced sales of low margin printers and eye testing equipment. The profit benefitted through the successful implementation of our strategy of broadening product offering through entering adjacent markets. We facilitate this strategy through continual staff training and through employing talented new people in our business units. Michael Mahoney will talk more about this at the conclusion of my formal address.

The largest contributors to sales and profit growth were three of our larger business units; JSB Lighting, SPOS and Mountcastle. These business units have broadened their product offering and developed their management teams.

The increase in underlying profit and liquidity were commendable achievements in what was a very challenging year. The increase was boosted through the second six months underlying profit being 14% up on the corresponding period last year.

Reported Profit

Non cash write downs of \$9.6 million associated with the Biente business were recorded leading to a reported loss of \$2.4 million against a profit of \$13.4 million last year which included \$6.6 million profit from the sale of listed shares.

In August the Chief Executive of Biente resigned. Following his departure a full review of Biente was undertaken. After three years of losses and continuing sustained weakened demand the business needed restructuring and has been scaled back, simplified and focussed on cash generation. During the course of this review Biente's largest supplier, a Chinese manufacturer unexpectedly went into insolvency.

Following the restructure and in the knowledge that the largest supplier was in insolvency, we concluded that it was prudent to make the non-cash write down against the Biante assets.

Since year end Biante with new management has made profits each month.

NON CORE ASSETS

Shortly after year end we sold our investments in Aarque and Amcla and are currently negotiating the sale of our small shareholding in Safilo. The proceeds from Aarque and Amcla were \$4.4million and we expect to realise about the \$1.4m book value from the sale of Safilo. The average price earnings multiple on the sale of these business units is about 9 times.

FIRST QUARTER TRADING

2011 was a very challenging year for all of our businesses and 2012 is to date proving to be at least equally challenging.

The unaudited underlying profit for the first quarter 2012 is \$1.0 million. This is lower than the \$2.0 million in last year's comparison quarter.

Excluding Biante, which as noted earlier was restructured at the end of 2011, sales from continuing businesses fell by 9% from \$34.3m to \$31.4m.

This disappointing result, following a very strong final quarter to 30 September 2011, reflects reduced demand experienced by many of the business units and the timing delay of some major customer projects in the SPOS business unit. We expect the delayed SPOS projects to be completed this year.

Major components of the fall were Anitech where sales fell due to the loss of a major service contract last year and JSB where we experienced lower sales of architectural lighting following a slowdown in building fit outs.

In response to lower sales we have implemented cost savings. Expenses in continuing businesses, excluding Biante, were 10% lower in the first quarter than in the corresponding quarter last year.

Further expense reduction programmes have been implemented since 31 December 2011. Throughout HGL we continue to reduce the costs whilst seeking to increase market share.

Despite difficult and unfavourable external conditions, the work undertaken by management over the past year to boost sales through diversification into adjacent markets and products is increasing our sales footprint. This not only serves to mitigate the effects of weakened external economic conditions but also builds HGL for the future.

CAPITAL MANAGEMENT

Following the sale of Aarque and payment of the final dividend we have a net cash position of \$10 million. This cash is available to support growth in the HGL business units.

Our dividend policy is to pay no less than 75% of underlying profit as fully franked dividend.

OUTLOOK

External conditions remain very challenging and unpredictable. We are responding to these conditions through vigorous management of our market leading brands, expansion into adjacent markets and tight overhead and working capital control.

My report to you for the 6 months to March 2012 should give clearer insight as to trading.

Our management team is focussed on increasing profitability and dividend. With \$10m cash (18 cents per share) and a defined strategy the Board remains confident about the long term prospects.

I, on behalf of the Board thank our employees for their resolve and efforts in these tough times and thank our shareholders for their continuing support.

This completes my address. Our CEO Michael Mahoney will now address you and following that I invite your questions and comments.

PG Miller
Chairman
31 January 2012