



HGL Limited
Half Year Financial Report
31 March 2012

Results for the six months ended 31 March 2012

Summary

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

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

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

Commentary

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

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

- Sales of architectural lighting by JSB are down 34% on an exceptional performance last year. The decline follows a slowdown in building fit outs and generally softer business confidence. To further develop our sales footprint we are increasing our presence in the key Melbourne market.
- SPOS provides solutions for marketing at the point of purchase and is a project business. The timing of projects leads to variability of profits between periods. While the value of projects under development is higher than six months ago, the value of projects invoiced has been disappointing with domestic sales being 18% lower than last year.
- Anitech derives approximately 80% of its revenue from the sale of large format printers and consumables to the specialist CAD printing, design, graphic arts and sign industry. These sales increased by 9%. However Anitech's overall sales and earnings were reduced through the loss of a major service contract late last year.

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

In the other business units:

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

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

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

Peter Miller
Chairman
23 May 2012

For further information:
Michael Mahoney
Chief Executive
Office: 02 9221 7155
Mobile: 0410 285 318

23 May 2012

**HGL Limited – Half Year Report (Appendix 4D)
for the half year ended 31 March 2012**

The Directors of HGL Limited announce the results for the half year ended 31 March 2012 as follows:

Final results for announcement to the market:

Extracted from the 2012 Half Year Report:

	% change	\$A'000
Revenue	down 26%	60,764
Net profit from ordinary activities after tax attributable to members	down 72%	1,156
Net profit after tax attributable to members	down 72%	1,156

Dividends per share:

	Amount per security	Franked amount per security
Interim dividend – ex date 25 June 2012, record date 29 June 2012, payable 13 July 2012 and DRP discount rate of nil, last day for election for the DRP is 29 June 2012. The DRP share price will be the weighted average share price of trades on the ASX over the 5 trading day period 25 June 2012 to 29 June 2012. There is no conduit foreign income attributable to the dividend. DRP shares will rank, from the date of allotment, equally in all respects with existing shares.	4.0 cents	4.0 cents
Final dividend in respect of prior financial year	5.5 cents	5.5 cents
Interim dividend – previous corresponding period	6.0 cents	6.0 cents

Net Tangible Assets per share:

	31 March 2012	31 March 2011
Net Tangible Assets per share	80.7 cents	86.0 cents

The remainder of the information requiring disclosure to comply with the Listing Rules is contained in this 2012 Half Year Financial Report.

DIRECTORS' REPORT

The Directors submit the financial report of HGL Limited for the half year ended 31 March 2012.

Directors

The names and particulars of the Directors of the Company during the half year and until the date of this report are:

PG Miller	- Chairman
MP Mahoney	- Chief Executive
JD Constable	- Non Executive Director
KJ Eley	- Non Executive Director
FM Wolf	- Non Executive Director

Review of Operations

The Directors report a consolidated profit before tax and non controlling interests of \$2,375,000 (2011: \$7,894,000). Further details are in the Chairman's report on pages 1-2.

On 13 October 2011 the consolidated entity disposed of its interest in Amcla Pty Limited, cash of \$460,000 was generated resulting in an after tax loss of \$25,000. On 11 November 2011 the consolidated entity disposed of its interest in Aarque Group, cash of \$3.9 million was generated resulting in an after tax loss of \$70,000.

Dividends

The Directors have declared an interim fully franked dividend of 4.0 cents per share (2011: 6.0 cents fully franked interim dividend) to be paid on 13 July 2012. The record date will be 29 June 2012.

The dividend reinvestment plan continues. It offers shareholders the opportunity of reinvesting their dividends in ordinary shares of the company. The shares will be issued at the weighted average market price of shares sold on the ASX on the record date and the 4 trading days preceding that date. The Directors have resolved that there will be no discount for the dividend. Notices for the dividend reinvestment plan must be received by the share registry by no later than 5.00pm on the record date for a forthcoming dividend in order to take effect for that dividend.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 18.

Rounding of Amounts

The consolidated entity is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order amounts in this report, and the financial report, have been rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the Directors:



PG Miller
Chairman
Sydney 23 May 2012

Registered office and principal place of business:

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Consolidated Profit and Loss Statement

	Note	Half year ended 31 March 2012 \$'000	Half year ended 31 March 2011 \$'000
Sales revenue		60,527	81,818
Cost of sales		<u>(32,625)</u>	<u>(42,442)</u>
Gross profit		27,902	39,376
Other income	2	237	231
Share of associates' profit		252	316
Sales, marketing and advertising expenses		(9,438)	(14,408)
Freight and distribution expenses		(3,084)	(3,684)
Administration expenses		(10,724)	(11,375)
Occupancy expenses		(1,990)	(2,117)
Loss on disposal of controlled entity	10	(600)	-
Finance costs		<u>(180)</u>	<u>(445)</u>
Profit before tax		2,375	7,894
Income tax expense	3	<u>(442)</u>	<u>(2,425)</u>
Profit for the period		<u>1,933</u>	<u>5,469</u>
Attributable to:			
Equity holders of the parent		1,156	4,119
Non controlling interests		<u>777</u>	<u>1,350</u>
		<u>1,933</u>	<u>5,469</u>
Earnings per share			
		Cents	Cents
Basic earnings per share		2.2	8.0
Diluted earnings per share		2.2	8.0

The notes to the financial statements are included on pages 10 to 16.

Consolidated Statement of Comprehensive Income

	Half year ended 31 March 2012 \$'000	Half year ended 31 March 2011 \$'000
Profit for the period	<u>1,933</u>	5,469
Other comprehensive (loss)/income		
Non controlling interest, net of tax, on disposal of controlled entity	(3,946)	-
Exchange differences on disposal of controlled entity, net of tax	397	-
Exchange differences arising on translation of foreign operations, net of tax	<u>(10)</u>	(246)
Other comprehensive (loss) for the period	<u>(3,559)</u>	(246)
Total comprehensive (loss)/income for the period	<u><u>(1,626)</u></u>	5,223
Total comprehensive (loss)/income attributable to:		
Equity holders of the parent	1,543	3,982
Non controlling interests	<u>(3,169)</u>	1,241
	<u><u>(1,626)</u></u>	5,223

The notes to the financial statements are included on pages 10 to 16.

Consolidated Balance Sheet

	Note	31 March 2012 \$'000	30 September 2011 \$'000
Current Assets			
Cash and cash equivalents		10,989	11,762
Trade and other receivables		26,740	28,868
Inventories		24,444	32,424
Current tax assets		572	-
Total Current Assets		62,745	73,054
Non Current Assets			
Investments accounted for using the equity method		1,771	2,003
Other financial assets		1,981	2,003
Property, plant and equipment		4,638	9,542
Intangible assets		19,896	21,085
Deferred tax assets		4,441	4,988
Total Non Current Assets		32,727	39,621
Total Assets		95,472	112,675
Current Liabilities			
Trade and other payables		14,417	20,921
Borrowings		858	3,244
Provisions		3,265	3,647
Current tax liabilities		-	2,105
Total Current Liabilities		18,540	29,917
Non Current Liabilities			
Borrowings		653	1,937
Provisions		1,840	2,124
Total Non Current Liabilities		2,493	4,061
Total Liabilities		21,033	33,978
Net Assets		74,439	78,697
Equity			
Issued capital	5	35,739	35,249
Reserves	7	1,609	2,152
Retained earnings	6	24,627	25,383
Equity attributable to the parent entity		61,975	62,784
Non controlling interests	8	12,464	15,913
Total Equity		74,439	78,697

The notes to the financial statements are included on pages 10 to 16.

Consolidated Statement of Changes in Equity

	Reserves					Retained Earnings	Total	Non Controlling Interests	Total Equity
	Issued Capital	Land and Buildings	Foreign Currency	Employee Share Scheme	Other				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated half year ended 31 March 2012									
Balance at the beginning of the period	35,249	930	(607)	2,442	(613)	25,383	62,784	15,913	78,697
Profit for the period	-	-	-	-	-	1,156	1,156	777	1,933
Other comprehensive (loss)/income for the period									
Transfer of reserves on disposal of land and buildings	-	(930)	-	-	-	930	-	-	-
Disposal of controlled entity	-	-	397	-	-	-	397	(3,946)	(3,549)
Translation of overseas controlled entity	-	-	(10)	-	-	-	(10)	-	(10)
Total comprehensive (loss)/income for the period	-	(930)	387	-	-	2,086	1,543	(3,169)	(1,626)
Dividend paid	-	-	-	-	-	(2,842)	(2,842)	(280)	(3,122)
Shares issued under employee share scheme	90	-	-	-	-	-	90	-	90
Shares issued under dividend reinvestment plan	400	-	-	-	-	-	400	-	400
Balance at the end of the period	35,739	-	(220)	2,442	(613)	24,627	61,975	12,464	74,439
Consolidated half year ended 31 March 2011									
Balance at the beginning of the period	34,479	924	(810)	2,442	(613)	33,307	69,729	14,907	84,636
Profit for the period	-	-	-	-	-	4,119	4,119	1,350	5,469
Other comprehensive (loss)/income for the period									
Translation of overseas controlled entity	-	-	(137)	-	-	-	(137)	(109)	(246)
Total comprehensive (loss)/income for the period	-	-	(137)	-	-	4,119	3,982	1,241	5,223
Dividend paid	-	-	-	-	-	(2,557)	(2,557)	(435)	(2,992)
Shares issued under employee share scheme	63	-	-	-	-	-	63	-	63
Shares issued under dividend reinvestment plan	344	-	-	-	-	-	344	-	344
Balance at the end of the period	34,886	924	(947)	2,442	(613)	34,869	71,561	15,713	87,274

The notes to the financial statements are included on pages 10 to 16.

Consolidated Cash Flow Statement

		Half year ended 31 March 2012	Half year ended 31 March 2011
	Note	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		65,568	89,549
Payments to suppliers and employees		(64,179)	(84,701)
Income tax paid		(2,757)	(3,544)
Interest received		138	141
Interest paid		(180)	(445)
Net cash (outflow)/inflow from operating activities		(1,410)	1,000
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		(639)	(1,665)
Proceeds from sale of property, plant and equipment		134	140
Proceeds from disposal of controlled entity	10	4,398	-
Cash in disposed entity	10	(49)	-
Net cash inflow/(outflow) from investing activities		3,844	(1,525)
Cash flows from financing activities			
Proceeds from borrowings		132	6,060
Repayment of borrowings		(615)	(1,575)
Dividends paid:			
Members of the parent entity	4	(2,442)	(2,213)
Non controlling interests	8	(280)	(435)
Net cash (outflow)/inflow from financing activities		(3,205)	1,837
Net (decrease)/increase in cash held		(771)	1,312
Cash and cash equivalents at the beginning of the period		11,762	8,432
Effects of exchange rate changes on the balance of cash held in foreign currencies		(2)	(14)
Cash and cash equivalents at the end of the period		10,989	9,730

The notes to the financial statements are included on pages 10 to 16.

1. Basis of preparation of the half year financial statements

The half year condensed financial statements are a general purpose financial report which have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 "Interim Financial Reporting" ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and investing activities of the entity as the full financial report.

The half year financial report should be read in conjunction with the annual financial report of HGL Limited as at 30 September 2011 and any public announcements made by HGL Limited during the half year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the HGL Limited's 30 September 2011 annual report.

AASB Accounting Standards issued but not yet effective

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

2. Other Income

	Half year ended 31 March 2012 \$'000	Half year ended 31 March 2011 \$'000
Interest income	237	231

3. Income Tax Expense

	Half year ended 31 March 2012 \$'000	Half year ended 31 March 2011 \$'000
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The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the accounts as follows:

Prima facie income tax expense on the operating profit at 30% (2011: 30%)	713	2,368
Tax effect of:		
Equity share of associates' profit	-	(12)
Amortisation and depreciation on buildings	2	11
Income on scheme loans recognised directly in equity	60	53
Non assessable income on sale of property	(193)	-
Non deductible loss on disposal of controlled entity	172	-
Prior period provision for deferred tax no longer required	(505)	-
Non-allowable expenses	15	34
Prior period under/(over) provision	178	(29)
Income tax expense	442	2,425

4. Dividends

	Half year ended 31 March 2012 \$'000	Year ended 30 September 2011 \$'000
Final 2011 dividend paid 16 December 2011 5.5 cents 100% franked at 30%	2,842	-
Interim 2011 dividend paid 8 July 2011 6.0 cents 100% franked at 30%	-	3,083
Final 2010 dividend paid 16 December 2010 5.0 cents 100% franked at 30%	-	2,557
	2,842	5,640
Paid in cash	2,442	4,875
Satisfied by the issue of shares	400	765
Dividends actually paid	2,842	5,640

Interim dividend

In accordance with AASB 110 Events after the Balance Sheet Date, HGL Limited has not provided for the interim dividend. The interim dividend of 4.0 cents 100% franked at 30% will be payable on 13 July 2012.

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

5. Issued Capital

	31 March 2012		31 March 2011	
	Number	\$'000	Number	\$'000
Balance at the beginning of the period	51,663,671	35,249	51,114,406	34,479
Allotment pursuant to HGL Dividend Reinvestment Plan	375,937	400	221,453	344
Shares issued to Employee Share Scheme participants	89,268	90	43,744	63
Balance at the end of the period	52,128,876	35,739	51,379,603	34,886

Reconciliation of Total Share Capital

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

	31 March 2012 Number	31 March 2011 Number
Issued capital at the end of the period	52,128,876	51,379,603
Shares issued to Employee Share Scheme participants after November 2002	3,647,391	3,509,553
Total share capital at the end of the period	55,776,267	54,889,156

6. Retained Earnings

	Half year ended 31 March 2012 \$'000	Half year ended 31 March 2011 \$'000
Balance at the beginning of the period	25,383	33,307
Net profit attributable to members of the entity	1,156	4,119
Transfers between reserves	930	-
Dividends paid	(2,842)	(2,557)
Balance at the end of the period	24,627	34,869

7. Reserves

	Half year ended 31 March 2012	Half year ended 31 March 2011
	\$'000	\$'000
Employee Share Scheme Reserve	2,442	2,442
Land and Buildings Revaluation Reserve	-	924
Foreign Currency Translation Reserve	(220)	(947)
Other Reserve	(613)	(613)
	1,609	1,806

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

The other reserve arose when HGL increased its equity interest in J Leutenegger Pty Limited, this did not meet the definition of a business combination under AASB 3 Business Combinations as there was no change of control. Consequently, the excess of the purchase consideration over the share of net assets acquired was adjusted directly to reserves rather than recognised as an increase to goodwill.

8. Non Controlling Interests

	Half year ended 31 March 2012	Half year ended 31 March 2011
	\$'000	\$'000
Balance at the beginning of the period	15,913	14,907
Profit attributable to non controlling interests	777	1,350
Dividends paid to non controlling interests	(280)	(435)
Disposal of controlled entity	(3,946)	-
Foreign exchange loss	-	(109)
Balance at the end of the period	12,464	15,713

9. Segment Information

Operating segments are reported in a manner which is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

The internal reports reviewed by the Board, which are used to make strategic decisions, are categorised as Branded Products. Revenue is derived from supplying branded products into 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.

9. Segment Information (continued)

Half year ended 31 March 2012

	Branded Products \$'000	Consolidated \$'000
Sales Revenue	60,527	60,527
Underlying profit before interest, tax, depreciation and amortisation and non controlling interests	3,547	3,547
Depreciation and amortisation	(629)	(629)
Underlying profit before interest, tax and non controlling interests	2,918	2,918

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

	Underlying Profit \$'000	Other \$'000	Consolidated \$'000
Underlying profit before interest, tax and non controlling interests	2,918	(600)	2,318
Interest income	237	-	237
Interest expense	(180)	-	(180)
Profit before tax	2,975	(600)	2,375
Income tax expense	(947)	505	(442)
Profit after tax	2,028	(95)	1,933
Non controlling interests	(777)	-	(777)
Profit after tax and non controlling interests	1,251	(95)	1,156

Other is the disposal of Aarque Group Limited and Amcla Pty Limited, see note 10 for further details.

Half year ended 31 March 2011

	Branded Products \$'000	Consolidated \$'000
Sales Revenue	81,818	81,818
Underlying profit before interest, tax, depreciation and amortisation and non controlling interests	9,240	9,240
Depreciation and amortisation	(1,132)	(1,132)
Underlying profit before interest, tax and non controlling interests	8,108	8,108

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

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

10. Changes in the composition of the consolidated entity

Disposal of interest in Aarque Group Limited

On 11 November 2011, HGL disposed of its 50% interest in Aarque Group Limited, a New Zealand supplier of printing equipment. Proceeds of \$3.9 million were received on the sale. The sale resulted in a pre tax loss of \$0.575 million and an after tax loss of \$70,000, this is excluded from underlying profit.

Other than the loss on sale there is no contribution by Aarque Group in the current financial period.

The historical results for Aarque Group were as follows:

	Half year ended 31 March 2011	Year ended 30 September 2011
	\$'000	\$'000
Revenue	10,570	23,113
Cost of Sales	(6,564)	(14,415)
Gross Profit	4,006	8,698
Expenses	(3,346)	(6,951)
Earnings before interest and tax	660	1,747
Underlying profit contribution	190	409

The Balance Sheet at disposal was:

	30 September 2011 \$'000
Current assets	
Cash	49
Trade and other receivables	3,631
Inventory	4,573
Deferred tax assets	295
Non current assets	
Property, plant and equipment	4,638
Intangibles	1,189
Current liabilities	
Trade and other payables	(2,859)
Borrowings	(2,902)
Provisions	(292)
Current tax liabilities	(278)
Non current liabilities	
Borrowings	(152)
Net assets disposed of	7,892
Non controlling interest	(3,946)
Less cash consideration	(3,938)
	8
Foreign exchange loss transferred from reserves	567
Loss on disposal	575
Net cash inflow from sale of investment	
Cash consideration	3,938
Less cash balance disposed of	(49)
	3,889

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

Disposal of interest in Amcla Pty Ltd

On 13 October 2011, HGL Limited disposed of its 36.6% interest in Amcla Pty Limited. The proceeds on disposal of \$460,000 were received in cash. A pre and post tax loss on disposal of \$25,000 was recognised, this is excluded from underlying profit. An unrecognised deferred tax asset of \$1.29 million arose on the disposal.

Other than the loss on sale, there is no contribution by Amcla Pty Limited in the current financial period.

11. Subsequent events

There are no significant subsequent events.

DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors:

A handwritten signature in black ink, appearing to read 'PG Miller', written in a cursive style.

PG Miller
Chairman

Sydney 23 May 2012

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

23 May 2012

Dear Board Members

HGL Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of HGL Limited.

As lead audit partner for the review of the financial statements of HGL Limited for the half-year ended 31 March 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Stephen Holdstock
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Independent Auditor's Review Report to the Members of HGL Limited

We have reviewed the accompanying half-year financial report of HGL Limited, which comprises the consolidated balance sheet as at 31 March 2012, and the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 17.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of HGL Limited's financial position as at 31 March 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of HGL Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Auditor's Independence Declaration

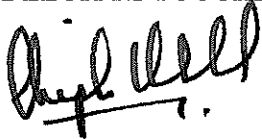
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of HGL Limited, would be in the same terms if given to the directors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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of HGL Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Stephen Holdstock
Partner
Chartered Accountants
Sydney, 23 May 2012