



ANNUAL REPORT › SEPTEMBER

2012

**Supplying market
leading branded
products**



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

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ANNUAL GENERAL MEETING

The one hundred and nineth 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 30 January 2013.

FINANCIAL CALENDAR

dates are subject to change

Final Dividend

- › 14 December 2012

Annual General Meeting

- › 30 January 2013

Half Year End

- › 31 March 2013

Half Year Report

- › May 2013

Interim Dividend

- › July 2013

Year End

- › 30 September 2013

Annual Report

- › November 2013

**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 2012 HGL reports a loss of \$5.1 million (2011: \$2.4 million) and an underlying loss of \$0.5 million (2011: profit \$7.2 million). The underlying loss is in line with the August 2012 trading update.

The reported loss of \$5.1 million includes:

- \$3.6 million after tax charge in SPOS;
- \$0.7 million after tax non cash impairment charge to reflect the decline in the HGL share price on the carrying value of the non recourse interest bearing employee share scheme loans; and
- \$0.3 million after tax loss on the sale of business units.

Trading summary

HGL continues as a supplier of market leading branded products and services into specialist Australian markets.

Sales from operations excluding Biante, which was restructured at the end of 2011, fell 14% from \$132.3 million to \$113.5 million. The performance of several of the business units has shown resilience in spite of the fact that most businesses in markets that are largely dependent on consumer activity have found the 2012 financial year to have been very challenging. The underlying loss of \$0.5 million reflects the difficult trading conditions and a number of specific circumstances:

- SPOS provides solutions for marketing at the point of purchase and has significant revenue from project business. The company was structured at the commencement of the year to deliver substantial sales growth. A number of factors and in particular the postponement of projects by major clients resulted in sales decreasing by 25% over last year and 50% compared to budget. We are confident that some of the postponed client projects will occur in the near future. SPOS accounted for 72% of the fall in underlying profit excluding the contribution of Aarque which was sold in November 2011.

To combat this result, action has been taken to refocus on the core sales and reduce overheads to match. Actions have included closing our operations in the UK and scaling back in China. Operating costs will reduce by 20% and the resources are now aligned to likely future sales.

- The sales of Anitech are 20% lower than last year largely due to the loss of a major service contract late last financial year. Anitech provides consumables, printers and technical support to the CAD printing, design, graphic arts and sign industries. Anitech also provides technical support and maintenance services to a wider market. The Anitech business unit accounted for 13% of the fall in underlying profit excluding the contribution of Aarque.

SUMMARY OF RESULTS

	2012 \$millions	2011 \$millions
Underlying (loss)/profit	(0.5)	7.2
Other	(4.6)	(9.6)
Reported loss	(5.1)	(2.4)
Net cash	5.0	6.6

	cents per share	cents per share
Underlying (loss)/profit	(0.9)	13.9
Other	(9.0)	(18.6)
Reported loss	(9.9)	(4.7)

DIVIDENDS

	cents per share	cents per share
Interim	4.0	6.0
Final	2.0	5.5
Total	6.0	11.5

**UNDERLYING (LOSS)/PROFIT
EXCLUDING AARQUE**

	2012 \$millions	2011 \$millions
Sales	118.2	140.3
Cost of goods sold	(66.5)	(71.4)
Gross margin	51.7	68.9
Expenses	(51.4)	(56.7)
EBIT	0.3	12.2
Net interest	-	(0.1)
Underlying profit before tax	0.3	12.1
Taxation	(0.2)	(3.6)
Minorities	(0.6)	(1.7)
Underlying (loss)/profit after tax	(0.5)	6.8
Gross margin %	43.7	49.1

Underlying profit in 2011 excludes Aarque which was sold in November 2011. The contribution of Aarque in 2011 is found in note 25.

Sadly the CEO of Anitech, Chris Wagstaff, passed away in September 2012. We are in the final stages of recruiting a successor. The strategies of Anitech are being reassessed and the initial findings indicate there are organic growth opportunities.

- The sales of JSB which supplies architectural lighting are down 17% on an exceptional performance last year. The decline follows a slowdown of building fitouts, especially in New South Wales. The JSB business unit accounted for 14% of the fall in underlying profit excluding the contribution of Aarque.

JSB is investing in Melbourne and Perth providing an opportunity to make a further presence in these major commercial markets.

Collectively SPOS, Anitech and JSB comprise the majority of the decline in underlying profitability excluding the contribution of Aarque. In other business units:

- Leutenegger increased sales by 8% as it follows the strategy of expanding into markets adjacent to its traditional sewing and craft heartland. The development of the cushion product portfolio is progressing well.
- Mountcastle continues to increase its market share in the school uniform and bag markets.
- Biante successfully returned to profitability following the restructuring which occurred this time last year. Last year a \$9.6 million restructuring charge was taken in respect of this business unit. During the year Biante was refocused on its core area of operations. This strategy has been successful and with the sale of surplus stock generated cash in excess of its profit. This strong cash flow enabled the business unit to invest for the future by the development of new moulds. Last year, our stated financial goal for Biante was to ensure it did not incur losses it is pleasing to note this was achieved in very difficult retail conditions.
- XLN and BOC both performed creditably.
- At BLC, after the acquisition of our Partners's shares, a plan was put in place to create a more clearly focussed and higher profit generating operation. BLC has been refocussed on its area of strength, the salon and spa market, and has ceased distributing a number of loss making brands into the retail market during the year to enable it to concentrate on its core brands.

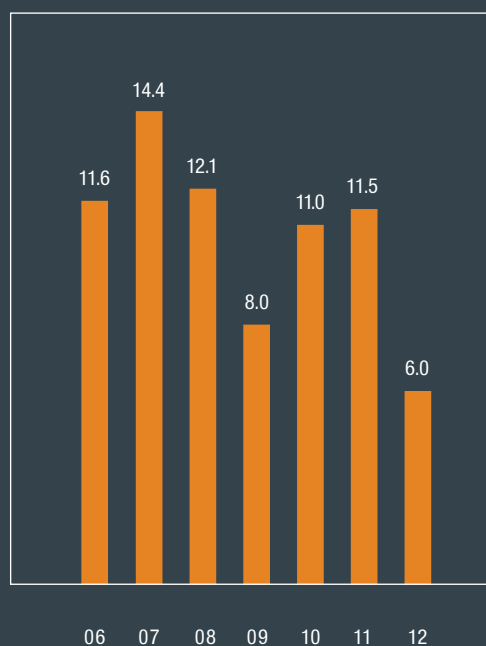
The AUD traded within a narrower band this year and averaged 1.03 (2011: 1.02). A higher AUD reduces the cost of imported products. As our competitors receive the same benefit market forces tend to result in these lower product costs being passed through to customers. Lower selling prices necessitate the sale of more units to maintain sales. When the USD exchange rate weakens market forces tend to allow price increases to customers and price reductions to be negotiated with suppliers.

The two key financial performance measures are the underlying EBIT to sales ratio and the underlying 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. These ratios are negative as they are adversely impacted by the loss in SPOS. Excluding SPOS from the current year the EBIT to sales ratio was 4.2% (2011: 8.5%) and the EBIT to capital employed ratio was 9.5% (2011: 22.1%).

**UNDERLYING EARNINGS
PER SHARE - CENTS**



**DIVIDENDS
PER SHARE - CENTS**



Chief Executive Officer

On 1 November 2012 due to ill health Michael Mahoney resigned as the Chief Executive Officer and a Director. From this date Andrew Whittles the Chief Financial Officer has acted as Chief Executive Officer whilst the company searches for a suitable replacement.

Financial Summary

The financial performance for the year ended 30 September 2012 is summarised as follows:

- A reported loss of \$5.1 million (2011: \$2.4 million) being a loss of 9.9 cents per share (2011: 4.7 cents per share)
- An underlying loss of \$0.5 million (2011: profit of \$7.2 million) being a loss of 0.9 cents per share (2011: profit of 13.9 cents per share)
- Underlying loss is the reported loss and adjustments totalling \$4.6 million. These adjustments comprise three significant items; \$3.6 million of charges in SPOS, a \$0.7 million non cash impairment charge for employee share loans and a \$0.3 million loss on the sale of business units. The SPOS charge largely comprises \$1.4 million of inventory write offs, \$0.6 million of other asset write offs, \$0.5 million of restructuring, \$0.4 million of doubtful debt provisions and \$0.3 million of additional depreciation. The inventory write offs together with the other asset write offs arose due to the reassessment of estimated recoverable amounts in the light of sales being 25% lower than last year and 50% lower than budget.

ABOUT HGL

**first choice
distributor
in our markets**

**market leading
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**focus sharpened
by a business unit
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- Fully franked dividends per share of 6.0 cents (2011: 11.5 cents)
- At 30 September 2012 capital employed was \$49.2 million (2011: \$62.9 million). The EBIT to capital employed ratio was 0.5% (2011: 22.1%). Excluding SPOS the EBIT to capital employed ratio was 9.5% (2011: 20.0%)
- Operational cash outflow of \$3.4 million (2011: inflow \$13.2 million)

Sale of non core assets

During the year three non core business units were sold:

- In October 2011 Amcla was sold for cash proceeds of \$0.5 million;
- In November 2011 Aarque Group in New Zealand was sold for cash proceeds of \$3.9 million; and
- In July 2012 Safilo was sold for cash proceeds of \$1.6 million. This was the result of Safilo S.p.A. exercising its option to acquire the HGL interest in the partnership.

These disposals were foreshadowed in 2011. In total the after tax loss from these disposals, excluded from underlying loss, was \$0.3 million.

In June 2012 the property owned and occupied by BLC Cosmetics was sold for \$1.5 million. It is part of the strategy not to own freehold land and buildings as this more freely allows the business unit to move location as required by the demands of the business.

Purchase of minority

In July 2012 \$0.7 million was paid to buy the 40% minority in BLC Cosmetics. Additional payments totalling \$0.7 million are payable contingent upon the attainment of profits for period to 30 June 2013. Mr Sol Caganoff resigned as a Director and Mr Gavin Caganoff remains as CEO.

Foreign exchange management

HGL continues to sell products where most of the medium and long term effects of exchange fluctuations are borne by our customers and suppliers. Foreign currency bank accounts and foreign currency exchange contracts are utilised to afford sufficient time for the necessary operational adjustments to occur.

People and the environment

The Board acknowledges and thanks our 315 employees for their effort and contribution. Our people are integral to our future success. We will continue to recruit with the objective of improving human resource skills in our business.

Our activities have a relatively low environmental impact. We embrace technologies that further reduce the impact on the environment.

Balance sheet

The total net assets of the group have decreased by \$14.3 million during the year. Net cash has decreased by \$1.6 million to \$5.0 million. The majority of the reduction in net assets was a result of the sale of business units and the SPOS charges. Net tangible assets are 64.2 cents per share.

Dividends

As a result of the underlying loss and the uncertain future economic conditions the Board has decided it should preserve cash balances, consequently the final dividend has been reduced to 2.0 cents per share fully franked (2011: 5.5 cents per share fully franked). The final dividend will be paid on 14 December 2012. An interim dividend of 4.0 cents per share fully franked (2011: 6.0 cents fully franked) was paid on 13 July 2012.

Outlook

With continuing weak business confidence and subdued consumer spending, the outlook for the Australian economy is uncertain. The Board anticipates the Group will return to profitability in 2013. Whilst the result for 2012 is disappointing, particularly SPOS, we continue to believe in organic growth and to further improve profits by acquisition where appropriate. With cash in the bank, the Board remains confident about the underlying strength of the group and its longer term prospects.

At the Annual General Meeting on 30 January 2013 a review of the first quarter's trading will be presented.

21 November 2012



Peter Miller
Chairman



Andrew Whittles
Acting Chief Executive Officer

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



Retail Marketing

Sales \$23m

SPOSgroup

SPOS Group - 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 and Hong Kong. The Chief Executive is Mr David Evans.

www.sposgroup.com
www.icandycreative.com.au

www.spos.com.au
www.propelinteractive.com.au



Architectural Lighting

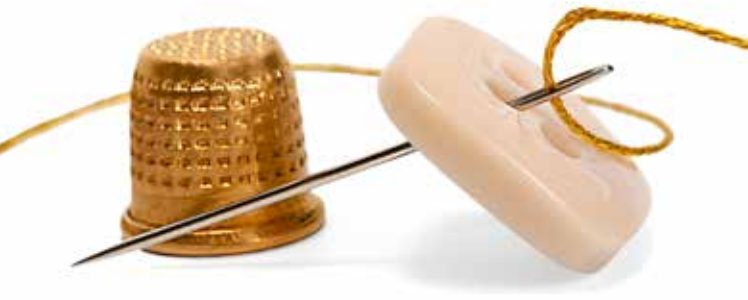
Sales \$15m



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

www.jsblighting.com.au





LEUTENEGGER

ESTABLISHED 1891

Home Sewing and Craft

Sales \$17m

Leutenegger - a market leading supplier in the craft and textile industry distributing its own design driven collections and internationally recognised global ranges. Beutron, DMC, Zwigart and Prym 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



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





Large Format Printing

Sales \$29m

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. The management team own 50% of the business.

www.anitech.com.au





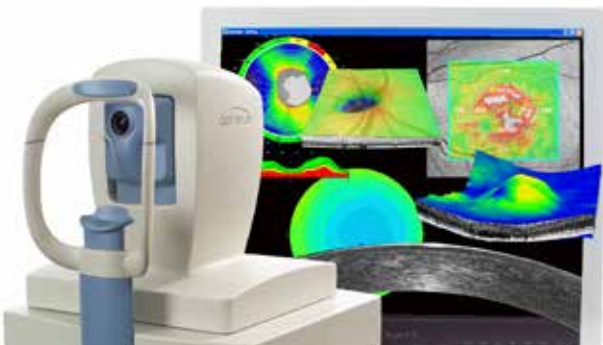
Specialist Headwear and Uniforms

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

www.trutex.com.au



Eye Testing Instruments

Sales \$7m

BOC - imports and distributes ophthalmic equipment to retail optometrists, ophthalmologists and laboratories. Agencies include Nidek, Optovue, Righton, Reichert and Welch Allyn. BOC continues to develop 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



Advancing Frontline Care™



Beauty

Sales \$10m

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. 2012 has seen the development of the Kerstin Florian brand into the hotel spa segment. The business is based in Sydney and distributes Australia wide. Mr Gavin Caganoff is the Chief Executive.

www.blccosmetics.com

essie

 **GEHWOL**

KERSTIN
FLORIAN

THALGO
LA BEAUTE MARINE



TERRAKE



Collector Model Cars

Sales \$5m

BIANTE™

MODEL CARS

Biante - one of Australia's leading distributors of diecast collector model cars. The cars are scale replicas designed in Australia. The design centre is located in Perth with sales offices in Sydney and Perth. The General Manager is Mr William Hall.

www.biante.com.au





Statutory Reports and Financial Statements

30 SEPTEMBER

2012

Statutory Reports and Financial Statements

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The Directors of HGL Limited (the Company or Consolidated entity) present their annual financial report for the year ended 30 September 2012.

Directors

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

Name	Particulars
PG Miller FCA	Chairman, 65, 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.
MP Mahoney ACA (England and Wales), CA	Chief Executive, 52, Resigned as director and Chief Executive Officer 1 November 2012. Over 25 years broad experience in a range of industries. Appointed Chief Executive Officer 28 October 2010.
JD Constable	Non executive director since 2003, 53. 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 27 years experience in the stockbroking industry. Director of Hunter Hall Global Value Limited since May 2010.
KJ Eley CA, F FIN	Non executive director 63, 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 Po Valley Energy since June 2012. Director of Kresta Holdings Limited since April 2011. Director of Milton Corporation Limited since December 2011. Director of Equity Trustees Limited since November 2011.
FM Wolf BA (Hons), PhD	Non executive director since 2000, 59. Chairman of the Audit Committee. Current Managing Director of Abacus Property Group (appointed December 1997), with over 30 years experience in strategic planning, financing and corporate advice.

From 1 November 2012 AJ Whittles has acted as Chief Executive Officer. Mr Whittles is not a director.

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	17	17	4	4	2	2
MP Mahoney	17	17	–	–	–	–
JD Constable	17	17	–	–	2	2
KJ Eley	17	17	4	4	–	–
FM Wolf	17	17	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	3,415,724	–
FM Wolf	600,000	–
JD Constable	44,000	625

Company secretaries

Andrew Whittles ACA (England and Wales) and Peter Caldelis CA act as joint company secretaries for the Company. Mr Whittles has been an employee of the Company for 12 years. From 1 November 2012 he has acted as Chief Executive Officer as well as Chief Financial Officer. Mr Caldelis has been an employee of the Company for 18 years and has been Company Secretary for 15 years.

Principal activities

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

Review of operations

The Directors report a loss of \$5.1 million (2011: \$2.4 million) and an underlying loss of \$0.5 million (2011: profit \$7.2 million). Underlying loss is the reported loss and adjustments totalling \$4.6 million. These adjustments comprise three significant items; \$3.6 million of charges in SPOS, a \$0.7 million non cash impairment charge for employee share loans and a \$0.3 million loss on the sale of business units. The SPOS charge largely comprises \$1.4 million of inventory write offs, \$0.6 million of other asset write offs, \$0.5 million of restructuring, \$0.4 million of doubtful debt provisions and \$0.3 million of additional depreciation. The inventory write offs together with the other asset write offs arose due to the reassessment of estimated recoverable amounts in the light of sales being 25% lower than last year and 50% lower than budget. In 2011 \$9.6 million was excluded from underlying profit being goodwill impairment, fixed asset write downs and additional stock provisions in Biante.

For more detailed discussions on the operations of the company refer to the Chairman's and Chief Executive's review.

Dividends

The Directors have declared a final fully franked dividend of 2.0 cents per share (2011: 5.5 cents per share fully franked). Interim fully franked dividends of 4.0 cents per share were paid during the year (2011: 6.0 cents per share fully franked).

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

Ordinary Shares	2012 \$'000	2011 \$'000
Interim dividend paid 13 July 2012 (2011: paid 8 July 2011)	2,231	3,294
Final dividend payable 14 December 2012 (2011: paid 16 December 2011)	1,125	3,040
	3,356	6,334

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 14 December 2012, shares will be allotted to eligible shareholders participating in the DRP with nil discount (2011: 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 968,899 (2011: 668,680). This includes 237,522 (2011: 107,273) 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 no ordinary shares were acquired pursuant to the buy-back (2011: 55,886 shares were acquired at an average price of \$1.05).

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 33 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 18. The auditors of the Consolidated entity have not provided any non audit services in the years ended 30 September 2012 or 2011. 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.

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 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

2012	Short term employee benefits			Post employment benefits	Long term employee benefits	Total
	Salary/fees \$	Bonus \$	Non monetary and other benefits \$	Superannuation \$		
MP Mahoney	306,249	–	27,802	15,949	5,831	355,831
AJ Whittles	245,000	–	9,051	15,949	5,217	275,217
PS Caldelis	154,354	–	13,429	13,217	3,853	184,853
PG Miller	100,917	–	–	9,083	–	110,000
FM Wolf	70,000	–	–	–	–	70,000
KJ Eley	55,046	–	–	4,954	–	60,000
JD Constable	55,046	–	–	4,954	–	60,000
S Quilter	35,408	–	–	2,925	393	38,726
	1,022,020	–	50,282	67,031	15,294	1,154,627

2011	Short term employee benefits			Post employment benefits	Long term employee benefits	Total
	Salary/fees \$	Bonus \$	Non monetary and other benefits \$	Superannuation \$		
MP Mahoney	334,657	–	–	15,343	40,385	390,385
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
	1,161,450	–	23,360	73,299	50,283	1,308,392

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, listed below, are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. MP Mahoney resigned as Chief Executive Officer due to ill health on 1 November 2012. MP Mahoney will be paid \$183,012 being his annual leave and long service leave entitlements and \$175,000 in accordance with his employment agreement.

From 1 November 2012 AJ Whittles, the Chief Financial Officer, will act as Chief Executive Officer while the company searches for a suitable replacement. AJ Whittles total fixed remuneration of \$270,000 including superannuation was not changed as a result of this appointment. Terms of employment are formalised in employment letters to each of the executive key management personnel. There are no fixed term contracts in place. 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
MP Mahoney	HGL Chief Executive Officer and Director (Resigned 1 November 2012)
AJ Whittles	HGL Chief Financial Officer/Acting Chief Executive Officer (Appointed 1 November 2012)
S Quilter	HGL Sales and Marketing (Commenced 1 August 2012)
PS Caldelis	HGL Group Controller

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. In 2011 MP Mahoney's long term employee benefit reflected his pay increase on becoming Chief Executive Officer.

At risk remuneration

The Nomination and Remuneration Committee has reviewed the performance of AJ Whittles and PS Caldelis. A short term incentive scheme for AJ Whittles and PS Caldelis was not put in place for 2012. In 2011 no bonuses were paid under the group bonus scheme to MP Mahoney, AJ Whittles, PS Caldelis and KJ Eley. The underlying profit of \$7.2 million in 2011 was above the hurdle rate, however management recommended no bonuses be paid due to non cash write offs of \$9.6 million, this was accepted by the Company.

Relationship between the remuneration policy and company performance

Short term incentives 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. No portion of any incentive schemes are 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 table below sets out summary information about the Group's earnings and dividends for the 5 years to September 2012:

	30 September 2012 \$'000	30 September 2011 \$'000	30 September 2010 \$'000	30 September 2009 \$'000	30 September 2008 \$'000
Underlying profit/(loss)	(457)	7,150	6,767	5,003	8,447
Items excluded from underlying profit/(loss)	(4,692)	(9,575)	6,649	2,969	(15,908)
Underlying earnings per share (cents)	(0.9)	13.9	13.3	10.0	17.3
Dividend per share (cents)	6.0	11.5	11.0	8.0	12.1

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. The maximum number of shares in the Scheme is 10% of HGL's total issued shares. At 30 September 2012 Scheme Shares were 9.9% (2011: 9.8%) of total issued shares.

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 2012 there were 5,554,823 Scheme Shares (2011: 5,409,383) and Net Scheme Loans of \$7,463,398 (2011: \$8,357,682). The interest rate on the Scheme Loans is equal to the dividends paid by HGL on Scheme Shares. In 2012 and 2011 nil shares were issued or 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.

END OF REMUNERATION REPORT

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 98/100 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



FM Wolf
Director

Sydney 21 November 2012

Deloitte.

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

21 November 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 audit of the financial statements of HGL Limited for the financial year ended 30 September 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

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 2012. 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.

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 year 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 four non executive Directors. 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.

Diversity Policy

The Board recognises the of values a diverse workplace. A diverse workforce is one that recognises and embraces the value that different people can bring to a company through their gender, age, ethnicity, cultural background, marital status, sexual orientation and religious beliefs.

The Board believes that promoting a diverse workforce:

- Enables HGL to achieve improved outcomes by benefiting from the differing perspectives and expertise that people from diverse backgrounds bring to their roles;
- Better represents the diversity of the HGL shareholders; and
- Is consistent with HGL's broader responsibilities.

HGL, being a supplier of market leading branded products and services into specialist markets by nature requires a diverse workforce to enable the business units to service our diverse customer base. The Board believes that by having a workforce that is considered according to their skills, qualification, abilities and aptitudes without regard to factors that are irrelevant to the employees' skill or ability to perform the role will provide the business the best means of growth.

The diversity policy is available on the HGL website. The Board is responsible for setting specific gender diversity objectives and the metrics designed to measure the achievement of those objectives. Measurement of progress towards these diversity objectives is measured by the Board annually.

The objectives and progress made is detailed below:

Objectives	Progress in achieving objectives
Encourage a diverse workforce at all levels of the Company	<ul style="list-style-type: none"> The company supports the promotion of women to board and management roles. Currently there are no female board members. As at 30 September 44% of the workforce were female. 35% of employees who earn greater than \$100,000 are female.
Promote a safe work environment by taking action against inappropriate workplace and business behaviour	<ul style="list-style-type: none"> The board takes action against discrimination and harassment within the Company.
Ensure appointments are based on merit	<ul style="list-style-type: none"> The best person is appointed regardless of age, gender or ethnicity. During the financial year 46% of new employees were female.
Provide training and professional development opportunities to all employees	<ul style="list-style-type: none"> Appropriate training is provided and available to all employees.

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 year 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, Company Secretary 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 to 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 2012

	NOTE	CONSOLIDATED	
		2012 \$'000	2011 \$'000
Sales revenue	2	118,237	163,431
Cost of sales	2	(66,579)	(85,811)
Gross profit		51,658	77,620
Other revenue	2	426	497
Share of associates' profit		302	254
Sales, marketing and advertising expenses		(19,219)	(26,792)
Freight and distribution expenses		(5,657)	(7,113)
Administration expenses		(22,401)	(25,561)
Occupancy expenses		(4,424)	(4,474)
SPOS charges	2	(5,217)	-
Impairment of loans to key management personnel	22	(1,022)	-
Loss on disposal of controlled entity and associates	6 and 25	(830)	-
Impairment of Biante goodwill	8	-	(6,358)
Biante write off of fixed assets and stock provisions		-	(4,596)
Finance costs		(359)	(865)
(Loss)/profit before tax		(6,743)	2,612
Income tax benefit/(expense)	3	2,142	(2,669)
Loss for the period		(4,601)	(57)
Attributable to			
Equity holders of the parent		(5,149)	(2,425)
Non controlling interests		548	2,368
		(4,601)	(57)
		CENTS	CENTS
Basic earnings per share	21	(9.9)	(4.7)
Diluted earnings per share	21	(9.9)	(4.7)

Notes to the financial statements are included on pages 27 to 53.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

	NOTE	CONSOLIDATED	
		2012 \$'000	2011 \$'000
Loss for the period		(4,601)	(57)
Other comprehensive income			
Revaluation gain recognised on land and buildings revaluation reserve, net of tax		-	358
Release of reserve on disposal of controlled entity, net of tax	25	567	-
Exchange differences arising on translation of foreign operations, net of tax		(157)	355
Other comprehensive income for the period		410	713
Total comprehensive income for the period		(4,191)	656
Total comprehensive income attributable to			
Equity holders of the parent		(4,739)	(2,075)
Non controlling interests		548	2,731
		(4,191)	656

Notes to the financial statements are included on pages 27 to 53.

BALANCE SHEET

AS AT 30 SEPTEMBER 2012

	NOTE	CONSOLIDATED	
		2012 \$'000	2011 \$'000
Current assets			
Cash and cash equivalents		7,594	11,762
Trade and other receivables	4	21,547	28,868
Inventories	5	24,034	32,424
Current tax assets	12	1,779	–
Total current assets		54,954	73,054
Non current assets			
Investments accounted for using the equity method	6	–	2,003
Other financial assets	7	975	2,003
Property, plant and equipment	9	4,326	9,542
Intangible assets	8	19,896	21,085
Deferred tax assets	13	7,401	4,988
Total non current assets		32,598	39,621
Total assets		87,552	112,675
Current liabilities			
Trade and other payables	10	15,602	20,921
Borrowings	11	2,329	3,244
Current tax liabilities	12	–	2,105
Provisions	14	2,606	3,647
Total current liabilities		20,537	29,917
Non current liabilities			
Borrowings	11	255	1,937
Provisions	14	2,412	2,124
Total non current liabilities		2,667	4,061
Total liabilities		23,204	33,978
Net assets		64,348	78,697
Equity			
Issued capital	16	36,027	35,249
Reserves	18	1,344	2,152
Retained earnings	17	16,236	25,383
Equity attributable to the parent entity		53,607	62,784
Non controlling interests	15	10,741	15,913
Total equity		64,348	78,697

Notes to the financial statements are included on pages 27 to 53.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

	RESERVES								
	ISSUED CAPITAL	LAND AND BUILDINGS	FOREIGN CURRENCY	EMPLOYEE SHARE SCHEME	OTHER	RETAINED EARNINGS	TOTAL	NON CONTROLLING INTEREST	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED 2012									
Balance at beginning of year	35,249	930	(607)	2,442	(613)	25,383	62,784	15,913	78,697
(Loss)/profit after income tax expense	-	-	-	-	-	(5,149)	(5,149)	548	(4,601)
Other comprehensive income for the period									
Transfer of reserves on disposal of land and buildings	-	(930)	-	-	-	930	-	-	-
Release of reserve on disposal (Note 25)	-	-	567	-	-	-	567	-	567
Translation of overseas controlled entities	-	-	(157)	-	-	-	(157)	-	(157)
Total comprehensive income for the period	-	(930)	410	-	-	(4,219)	(4,739)	548	(4,191)
Dividend paid (Note 15 and 19)	-	-	-	-	-	(4,928)	(4,928)	(1,359)	(6,287)
ESS shares issued (Note 16)	90	-	-	-	-	-	90	-	90
Shares issued under DRP (Note 16)	688	-	-	-	-	-	688	-	688
Disposal of non controlling interest (Note 25)	-	-	-	-	-	-	-	(3,946)	(3,946)
Purchase of non controlling interest (Note 26)	-	-	-	-	(288)	-	(288)	(415)	(703)
Balance at end of year	36,027	-	(197)	2,442	(901)	16,236	53,607	10,741	64,348
CONSOLIDATED 2011									
Balance at beginning of year	34,479	924	(810)	2,442	(613)	33,307	69,729	14,907	84,636
Loss/(profit) after income tax expense	-	-	-	-	-	(2,425)	(2,425)	2,368	(57)
Other comprehensive income for the period									
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
Total comprehensive income for the period	-	6	203	-	-	(2,284)	(2,075)	2,731	656
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
Balance at end of year	35,249	930	(607)	2,442	(613)	25,383	62,784	15,913	78,697

Notes to the financial statements are included on pages 27 to 53.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

	NOTE	CONSOLIDATED	
		2012 \$'000	2011 \$'000
Cash flows from operating activities			
Receipts from customers		133,619	185,041
Payments to suppliers and employees		(132,783)	(166,508)
Income tax paid		(4,346)	(4,930)
Interest received		425	497
Interest paid		(359)	(865)
Net cash (outflow)/inflow from operating activities	30	(3,444)	13,235
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		(3,095)	(3,551)
Proceeds from sale of property, plant and equipment		1,677	1,661
Proceeds from the sale of controlled entity and associates	25	5,959	-
Payment for purchase of non controlling interest	26	(704)	-
Cash in disposed entity	25	(49)	-
Net cash inflow/(outflow) from investing activities		3,788	(1,890)
Cash flows from financing activities			
Payment for share buy back		-	(58)
Proceeds from borrowings		1,376	1,278
Repayment of borrowings		(293)	(2,509)
Dividends paid			
Members of the parent entity		(4,240)	(4,875)
Non controlling interest		(1,359)	(1,870)
Net cash outflow from financing activities		(4,516)	(8,034)
Net (decrease)/increase in cash held		(4,172)	3,311
Cash and cash equivalents at the beginning of the financial year		11,762	8,432
Effects of exchange rate changes on the balance of cash held in foreign currencies		4	19
Cash and cash equivalents at the end of the financial year		7,594	11,762

Notes to the financial statements are included on pages 27 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 - Intangible assets. 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 21 November 2012.

(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) Intangible assets

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.

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 profit and loss 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 2012:

- (i) AASB 9 Financial Instruments - effective on or after 1 January 2015. Introduces new requirements for classifying and measuring financial assets. The proposed changes that may impact on the consolidated entity include 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 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.

- (ii) The following Standards on consolidation, joint arrangements and disclosures:

- AASB 10 'Consolidated Financial Statements'
- AASB 11 'Joint Arrangements'
- AASB 12 'Disclosure of Interests in Other Entities'
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'
- AASB 127 'Separate Financial Statements' (2011)
- AASB 128 'Investments in Associates and Joint Ventures' (2011)
- AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'

The initial application of these Standards is expected for the financial year ending 30 September 2014. While management are in the process of evaluating the effect of these Standards on the amounts and disclosures reported in the financial statements, the impact is not expected to be material.

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 not adopted any revised AASB Accounting Standards.

	NOTE	CONSOLIDATED	
		2012 \$'000	2011 \$'000
2 - Profit from operations			
a) Revenue			
Sales revenue		118,237	163,431
Interest			
Financial institutions		257	300
Employee share scheme - key management personnel		169	197
		118,663	163,928
b) Profit/(loss)			
Profit/(loss) before income tax has been arrived at after crediting/(charging) the following gains and losses:			
(Loss)/profit on sale of property, plant and equipment		(421)	259
SPOS charges		(5,217)	-
Loss on moulds in Biante		-	(2,543)
Foreign exchange gain		557	456
Impairment of interest bearing loans to key management personnel	22	(1,022)	-
The SPOS charge largely comprises \$2.0 million of inventory write offs, \$0.9 million of other asset write offs, \$0.7 million of restructuring, \$0.6 million of doubtful debt provisions and \$0.4 million of additional depreciation. The inventory write offs together with the other asset write offs arose due to the reassessment of estimated recoverable amounts in the light of sales being 25% lower than last year and 50% lower than budget.			
c) Expenses			
Cost of sales		66,579	85,811
Interest			
Associates		31	68
Financial institutions		267	718
Finance charges relating to finance leases		61	79
		359	865
Depreciation			
Buildings		5	70
Leased plant and equipment		194	228
Leasehold improvements		22	163
Plant and equipment		1,355	1,881
		1,576	2,342

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
2 - Profit from operations CONTINUED		
Employee benefits expense		
Salary and wages	30,499	37,953
Defined contribution superannuation plans	2,222	2,340
	32,721	40,293
Doubtful debts arising from customers	719	472
Writedown of inventory to net realisable value	2,340	1,640
Operating lease expenses - minimum lease payments	4,417	4,246

3 - Income tax

a) Income tax recognised in profit/(loss)

Tax expense/(benefit) comprises

Current tax (benefit)/expense	(164)	4,211
Prior year under/(over) provision	279	(207)
Deferred tax benefit	(2,257)	(1,335)
	(2,142)	2,669

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

Prima facie income tax (benefit)/expense on profit/(loss) from ordinary activities at 30% (2011: 30%)	(2,023)	784
Equity share of associates' profit	-	(20)
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	103	116
Amortisation and depreciation on buildings	2	21
Non allowable expenses	23	51
Non assessable income on sale of property	(193)	-
Non deductible loss on disposal of controlled entity	172	-
Tax effect on disposal of controlled entity	(505)	-
Prior year under/(over) provision	279	(207)
	(2,142)	2,669

b) Income tax recognised directly in equity

The following deferred amounts were recognised directly in equity during the period

Deferred tax - land and buildings	(156)	63
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	CONSOLIDATED	
	2012 \$'000	2011 \$'000
4 - Trade and other receivables		
Current		
Trade receivables	20,320	27,156
Allowance for doubtful debts	(1,033)	(682)
	19,287	26,474
Other debtors	2,260	2,394
	21,547	28,868
Movement in allowance for doubtful debts		
Opening balance	(682)	(795)
Additional provisions	(719)	(472)
Amounts written off	228	583
Disposal of controlled entity	139	–
Foreign currency exchange differences	1	2
	(1,033)	(682)
Age of trade receivables		
Not yet due	13,290	19,257
Past due 0-30 days	3,840	4,460
Past due 31-60 days	862	1,318
Past due 61-90 days	984	1,306
Past due greater than 90 days	1,344	815
	20,320	27,156

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

Current		
Raw materials	2,854	2,515
Work in progress	240	142
Finished goods	20,940	29,767
	24,034	32,424

6 - Investments accounted for using the equity method

NAME OF ENTITY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST CONSOLIDATED		CARRYING AMOUNT CONSOLIDATED	
		2012 %	2011 %	2012 \$'000	2011 \$'000
Safilo Australia Partnership	Optical Frame Distribution	-	19.5	-	1,489
Amcla Pty Limited	Pharmacy Product Distribution	-	36.6	-	484
Other immaterial associates				-	30
				-	2,003

On 1 July 2012 the consolidated entity disposed of its 19.5% interest in Safilo for proceeds of \$1,561,000 resulting in a loss of \$230,000.

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 \$25,000.

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Summarised financial position of associates		
Current assets	-	10,728
Non current assets	-	344
Total assets	-	11,072
Current liabilities	-	2,296
Non current liabilities	-	244
Total liabilities	-	2,540
Net assets	-	8,532
Revenue	7,524	13,106
Profit after tax	1,549	1,140
Share of associates' profit		
Share of profit before income tax expense	302	283
Income tax expense ¹	-	(29)
Share of associates' profit	302	254

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

	NOTE	CONSOLIDATED	
		2012 \$'000	2011 \$'000
7 - Other financial assets			
Non current at amortised cost			
Interest bearing loans advanced to key management personnel		1,997	2,003
Impairment of interest bearing loans to key management personnel	22	(1,022)	-
		975	2,003

8 - Intangible assets

Goodwill

Net book value at the beginning of the financial year		21,085	27,394
Impairment of Biante goodwill		-	(6,358)
Disposal of controlled entity		(1,189)	-
Net foreign currency exchange difference		-	49
Net book value at the end of the financial year		19,896	21,085

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

JSB	10,166	10,166
BLC	5,908	5,908
SPOS	2,815	2,815
Other ¹	1,007	2,196
	19,896	21,085

¹ Other comprises Mountcastle Pty Ltd and J Leutenegger Pty Ltd. In November 2011 the consolidated entity disposed of its interest in 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 businesses operate (growth rates range between 3% and 5%). The discount rate applied to the cash flow projections is 13.4% (2011: 11.7%). 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. As a result the reported loss 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.

Biante returned to profitability in 2012. During the year Biante was refocused on its core area of operations. This strategy has been successful as the business unit returned to profitability and with the sale of surplus stock generated cash in excess of its profit. In 2011 our stated financial goal for Biante was to ensure it did not incur losses, it is pleasing this was achieved in very difficult retail conditions.

	LAND & BUILDINGS \$'000	LEASEHOLD IMPROVEMENTS \$'000	CONSOLIDATED PLANT & EQUIPMENT \$'000	LEASED PLANT & EQUIPMENT \$'000	TOTAL \$'000
9 - Property, plant and equipment					
Gross carrying amount					
Balance at 30 September 2010	5,206	1,412	11,518	1,557	19,693
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
Balance at 30 September 2011	4,352	1,973	9,577	1,371	17,273
Additions	-	40	3,036	19	3,095
Disposals	(1,400)	(120)	(2,174)	(386)	(4,080)
Disposal of controlled entity	(2,952)	(1,382)	(2,015)	-	(6,349)
Net foreign currency exchange difference	-	-	3	-	3
Balance at 30 September 2012	-	511	8,427	1,004	9,942
Accumulated depreciation					
Balance at 30 September 2010	(112)	(718)	(6,313)	(708)	(7,851)
Disposals	28	62	1,992	270	2,352
Revaluations	86	98	-	-	184
Depreciation expense	(70)	(163)	(1,881)	(228)	(2,342)
Net foreign currency exchange difference	(3)	(6)	(65)	-	(74)
Balance at 30 September 2011	(71)	(727)	(6,267)	(666)	(7,731)
Disposals	76	120	1,491	295	1,982
Depreciation expense	(5)	(22)	(1,355)	(194)	(1,576)
Disposal of controlled entity	-	183	1,528	-	1,711
Net foreign currency exchange difference	-	-	(2)	-	(2)
Balance at 30 September 2012	-	(446)	(4,605)	(565)	(5,616)
Net book value					
As at 30 September 2012	-	65	3,822	439	4,326
As at 30 September 2011	4,281	1,246	3,310	705	9,542

In June 2012 the remaining property held by the consolidated entity was sold for \$1.5 million. In August 2011 a property was sold for \$1.4 million and the New Zealand property and leasehold improvements were revalued to their contracted sale price of \$4.0 million.

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
The carrying amount of land and buildings had they been recognised under the cost model	-	3,044

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

	NOTE	CONSOLIDATED	
		2012 \$'000	2011 \$'000
10 – Trade and other payables			
Trade payables and accruals		12,512	15,923
Deferred revenue		774	836
Other accruals		2,316	4,162
		15,602	20,921

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

Current

Secured at amortised cost

Fixed rate bank loans ^{2,3}	29	2,000	2,902
Lease liabilities ¹	28	329	342
		2,329	3,244

Non current

Secured at amortised cost

Floating rate bank loans ²	29	–	1,152
Fixed rate bank loans ^{2,3}	29	–	264
Lease liabilities ¹	28	255	521
		255	1,937

¹ Lease liabilities are secured by the respective assets acquired.

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

³ Bank facilities are secured by a mortgage over properties.

12 – Current tax assets and liabilities

Income tax (receivable)/payable attributable to Parent entity		1,431	(377)
Entities in the tax consolidated group		(2,378)	1,895
Other entities not in the tax consolidated group		(832)	587
		(1,779)	2,105

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	
	2012 \$'000	2011 \$'000
13 – Deferred tax assets and liabilities		
Deferred tax assets comprise		
Tax losses - capital	95	95
Tax losses - revenue	3,075	452
Temporary differences	4,231	4,441
	7,401	4,988

	CONSOLIDATED 2012				CONSOLIDATED 2011			
	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
Gross deferred tax assets								
Employee provisions	1,732	(227)	-	1,505	1,608	124	-	1,732
Other provisions	3,443	(717)	-	2,726	2,738	705	-	3,443
Tax losses – capital realised	-	95	-	95	-	-	-	-
Tax losses – capital unrealised	95	(95)	-	-	95	-	-	95
Tax losses – revenue realised	452	2,623	-	3,075	294	158	-	452
	5,722	1,679	-	7,401	4,735	987	-	5,722
Gross deferred tax liabilities								
Land and buildings	734	(578)	(156)	-	1,019	(348)	63	734
	734	(578)	(156)	-	1,019	(348)	63	734
	4,988	2,257	156	7,401	3,716	1,335	(63)	4,988

14 – Employee benefits

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Current		
Employee benefits	2,606	3,647
Non current		
Employee benefits	2,412	2,124
Total employee benefits	5,018	5,771

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
15 – Non controlling interests		
Balance at the beginning of financial year	15,913	14,907
Profit attributable to non controlling interests	548	2,368
Dividends attributable to non controlling interests	(1,359)	(1,970)
Increase in non controlling interest share capital	–	245
Land and buildings revaluation	–	211
Purchase of non controlling interest	(415)	–
Disposal of non controlling interest	(3,946)	–
Foreign exchange	–	152
Balance at the end of the financial year	10,741	15,913

16 – Issued capital

Issued share capital

52,484,316 (2011: 51,663,671) fully paid ordinary shares	36,027	35,249
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During the year the following changes occurred in fully paid ordinary shares:

	CONSOLIDATED		CONSOLIDATED	
	2012 NUMBER	2012 \$'000	2011 NUMBER	2011 \$'000
Balance at beginning of financial year	51,663,671	35,249	51,114,406	34,479
Allotted pursuant to HGL dividend reinvestment plan	731,377	688	561,407	765
Cancellation of capital pursuant to the on market share buy-back ¹	–	–	(55,886)	(58)
Shares issued to employee share scheme participants	89,268	90	43,744	63
Balance at end of financial year	52,484,316	36,027	51,663,671	35,249

¹ The company has an on market share buy back. During the year nil ordinary shares were purchased pursuant to the on market share buy back (2011: 55,886 ordinary shares were purchased at an average price of \$1.05).

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	
	2012 NUMBER	2012 \$'000	2011 NUMBER	2011 \$'000
Issued capital at end of financial year	52,484,316	36,027	51,663,671	35,249
Shares issued to employee share scheme participants after November 2002	3,765,080	6,488	3,616,826	6,355
Total share capital at end of financial year	56,249,396	42,515	55,280,497	41,604

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	
		2012 \$'000	2011 \$'000
17 – Retained earnings			
Balance at beginning of financial year		25,383	33,307
Net loss attributable to equity holders of the parent		(5,149)	(2,425)
Dividends paid	19	(4,928)	(5,640)
Transfers from reserves		930	141
Balance at the end of the financial year		16,236	25,383

18 – Reserves

Employee share scheme reserve		2,442	2,442
Land and buildings revaluation reserve		–	930
Foreign currency translation reserve		(197)	(607)
Other reserve		(901)	(613)
		1,344	2,152

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 Limited increased its equity interests in BLC Cosmetics Pty Limited and J Leutenegger Pty Limited, as these transactions were classified as common controlled transactions under AASB 3 Business Combinations. 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 2012 dividend paid 13 July 2012 (2011: 8 July 2011)			
4.0 cents per share 100% franked at 30% (2011: 6.0 cents 100% franked at 30%)		2,086	3,083
Final 2011 dividend paid 16 December 2011 (2011: 16 December 2010)			
5.5 cents per share 100% franked at 30% (2011: 5.0 cents 100% franked at 30%)		2,842	2,557
Total dividends paid		4,928	5,640

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

Paid in cash		4,240	4,875
Satisfied by issue of shares	31	688	765
Dividends paid		4,928	5,640

In accordance with Australian Tax Law the company maintains the franking account on a tax paid basis. At 30 September 2012 the consolidated entity has \$12,265,000 of franking credits (2011: \$8,781,000) sufficient to pay fully franked dividends of 50.1 cents per share (2011: 37.1 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 2.0 cents per share 100% franked at 30% will be payable on 14 December 2012.

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

	2012 \$'000	2011 \$'000
20 – Parent entity disclosures		
Balance sheet		
Assets		
Current assets	5,933	4,356
Non current assets	72,559	70,800
Total assets	78,492	75,156
Liabilities		
Current liabilities	16,468	11,698
Non current liabilities	41	1,019
Total liabilities	16,509	12,717
Net assets	61,983	62,439
Equity		
Issued capital	36,027	35,249
Reserves	2,822	2,822
Retained earnings	23,134	24,368
Total equity	61,983	62,439
Statement of comprehensive income		
Profit/(loss) after income tax expense	3,693	(4,973)
Other comprehensive income	–	–
Total comprehensive income	3,693	(4,973)

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

21 – Earnings per share

	CONSOLIDATED			
	2012 CENTS PER SHARE	2011 CENTS PER SHARE	2012 NUMBER '000	2011 NUMBER '000
Basic earnings per share	(9.9)	(4.7)		
Diluted earnings per share	(9.9)	(4.7)		
Basic earnings per share				
Earnings and weighted average number of ordinary shares for the purposes of basic earnings per share	(5,149)	(2,425)	52,106	51,394
Diluted earnings per share				
Earnings and weighted average number of ordinary shares for the purposes of diluted earnings per share	(5,149)	(2,425)	52,106	51,394

In the current year 3,765,080 shares (2011: 3,616,826) 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 2012 and 2011 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 2012 there were 5 Scheme Loans outstanding (2011: 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 Shares movements during the financial year

	NOTE	2012 SCHEME SHARES NUMBER	2012 SCHEME LOANS \$'000	2011 SCHEME SHARES NUMBER	2011 SCHEME LOANS \$'000
Balance at beginning of financial year		5,409,383	8,358	5,355,372	8,296
DRP participation and capitalised interest		279,959	263	126,440	157
Disposal of Scheme Shares		(134,519)	(136)	(43,744)	(63)
Repayment of Scheme Loans and release of Scheme Shares		–	–	(28,685)	(32)
Impairment of loans 1 and 2	7	–	(1,022)	–	–
Balance at end of financial year		5,554,823	7,463	5,409,383	8,358
Recognised as shares (loans 1 and 2)	7	1,789,743	975	1,792,557	2,003
Recognised as equity settled options (loans 3, 4 and 5)		3,765,080	6,488	3,616,826	6,355
		5,554,823	7,463	5,409,383	8,358

The market value of Loans 1 and 2 at 30 September 2012 was below the carrying value of the security. Accordingly, these loans were impaired and a provision of \$1,022,000 was raised to record them at their fair value.

22 – Employee share scheme CONTINUED

a) Details of loans recognised as shares

2012	KJ ELEY			MP MAHONEY			TOTAL		
	SCHEME SHARES NUMBER	NET SCHEME LOANS \$	MARKET VALUE 30.09.12 \$	SCHEME SHARES NUMBER	NET SCHEME LOANS \$	MARKET VALUE 30.09.12 \$	SCHEME SHARES NUMBER	NET SCHEME LOANS \$	MARKET VALUE 30.09.12 \$
Loan 1	848,193	462,266	462,266	342,221	186,510	186,510	1,190,414	648,776	648,776
Loan 2	494,540	269,524	269,524	104,789	57,110	57,110	599,329	326,634	326,634
	1,342,733	731,790	731,790	447,010	243,620	243,620	1,789,743	975,410	975,410

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
	1,377,896	1,526,794	1,419,233	414,661	476,290	427,101	1,792,557	2,003,084	1,846,334

The market value of HGL shares as at 30 September 2012 was \$0.545 (2011: \$1.03).

b) Details of loans recognised as equity settled options

2012	KJ ELEY			MP MAHONEY			AJ WHITTLES		
	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.12 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.12 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.12 \$
Loan 3	442,519	777,863	241,173	417,545	635,576	227,562	313,226	476,671	170,708
Loan 4	421,804	786,354	229,883	391,378	684,742	213,301	293,608	513,550	160,017
Loan 5	398,796	745,360	217,344	370,033	648,917	201,668	277,591	486,678	151,287
	1,263,119	2,309,577	688,400	1,178,956	1,969,235	642,531	884,425	1,476,899	482,012

2012	PS CALDELIS			TOTAL		
	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.12 \$	SCHEME SHARES NUMBER	SCHEME LOANS \$	MARKET VALUE 30.09.12 \$
Loan 3	156,589	238,248	85,341	1,329,879	2,128,358	724,784
Loan 4	143,217	250,769	78,053	1,250,007	2,235,415	681,254
Loan 5	138,774	243,260	75,632	1,185,194	2,124,215	645,931
	438,580	732,277	239,026	3,765,080	6,487,988	2,051,969

22 – Employee share scheme CONTINUED

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

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
	1,296,071	2,342,676	1,334,953	1,093,552	1,890,786	1,126,359	820,353	1,418,045	844,963

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
	406,850	703,091	419,056	3,616,826	6,354,598	3,725,331

The market value of HGL shares as at 30 September 2012 was \$0.545 (2011: \$1.03).

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 \$
2012	1,072,302	67,031	–	15,294	1,154,627
2011	1,184,810	73,299	–	50,283	1,308,392

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
2012							
PG Miller	9,513,518	–	–	–	–	9,513,518	9,473,795
FM Wolf	364,615	–	–	–	235,385	600,000	–
JD Constable	44,625	–	–	–	–	44,625	625
KJ Eley	809,872	–	–	–	–	809,872	–
MP Mahoney	124,927	–	–	12,936	–	137,863	–
AJ Whittles	49,951	–	–	5,175	–	55,126	–
PS Caldelis	24,673	–	–	2,555	–	27,228	–
2011							
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	–

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 no shares were bought back pursuant to the on market buy back. In 2011 HGL Limited bought back shares pursuant to the on market buy back through Bell Potter, the firm where JD Constable works as a broker. Brokerage paid in the ordinary course of business for the on market buy back in 2011 was \$292.

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 consolidated entity operates under one segment, branded products. 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.

Underlying profit is the measure by which the Board manages the business. Underlying profit is a non-statutory measure which is designed to assist users of the financial report in understanding the performance of the consolidated entity. The reconciliation of underlying (loss)/profit before interest, tax and non-controlling interests to reported loss after tax is as follows:

	CONSOLIDATED 2012			CONSOLIDATED 2011		
	UNDERLYING PROFIT/(LOSS) \$'000	OTHER \$'000	TOTAL \$'000	UNDERLYING PROFIT/(LOSS) \$'000	OTHER \$'000	TOTAL \$'000
Underlying profit before interest, tax and non controlling interests	259	-	259	13,934	-	13,934
SPOS charges	-	(5,217)	(5,217)	-	-	-
Impairment of loans to key management personnel	-	(1,022)	(1,022)	-	-	-
Loss on disposal of controlled entity and associates	-	(830)	(830)	-	-	-
Impairment of Biante goodwill	-	-	-	-	(6,358)	(6,358)
Biante write off of fixed assets and additional stock provisions	-	-	-	-	(4,596)	(4,596)
Interest income	426	-	426	497	-	497
Interest expense	(359)	-	(359)	(865)	-	(865)
Net profit/(loss) before tax	326	(7,069)	(6,743)	13,566	(10,954)	2,612
Income tax (expense)/benefit	(235)	2,377	2,142	(4,048)	1,379	(2,669)
Profit/(loss) after tax	91	(4,692)	(4,601)	9,518	(9,575)	(57)
Non controlling interests	(548)	-	(548)	(2,368)	-	(2,368)
(Loss)/profit after tax and non controlling interests	(457)	(4,692)	(5,149)	7,150	(9,575)	(2,425)

Revenue is predominately derived, in Australia, from supplying branded products into specialist markets. Approximately 5% (2011: 9%) of revenue is derived from providing maintenance and repair services. Revenue from no single customer is greater than 10% of the Group's revenues in the current or prior year.

25 – Disposal of interest in controlled entity and associates

On 11 November 2011, HGL disposed of its 50% interest in Aarque Group Limited, a New Zealand supplier of printing equipment. Proceeds of \$3,900,000 were received on the sale. The sale resulted in a pre tax loss of \$575,000 and an after tax loss of \$70,000, which is excluded from the underlying loss.

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:

	Year ended 30 September 2011 \$'000
Revenue	23,113
Cost of Sales	(14,415)
Gross Profit	8,698
Expenses	(6,951)
Earnings before interest and tax	1,747
Underlying profit contribution	409

The Balance Sheet at disposal was:

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
Intangible assets	1,189

Current liabilities

Trade and other payables	(2,859)
Borrowings	(2,902)
Provisions	(292)
Current tax liabilities	(278)

Non current liabilities

Borrowings	(152)
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Net assets disposed of

Non controlling interest	(3,946)
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	3,946
Less cash consideration	(3,938)

	8
Foreign exchange loss transferred from reserves	567

Loss on disposal	575
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Net cash inflow from sale of investment	
Cash consideration	3,938
Less cash balance disposed of	(49)
	3,889

25 – Disposal of interest in controlled entity and associates CONTINUED

Disposal of interest in associates

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, which is excluded from underlying profit. An unrecognised deferred tax asset of \$1,290,000 arose on the disposal. Other than the loss on sale, there is no contribution by Amcla Pty Limited in the current financial period.

On 1 July 2012 the consolidated entity disposed of its 19.5% interest in Safilo for proceeds of \$1,561,000 resulting in a pre tax loss of \$230,000. Refer to note 6. The contribution of Safilo during the current financial period is \$211,000.

26 – Investment in controlled entities

Company	COUNTRY OF INCORPORATION/FORMATION	OWNERSHIP INTEREST	
		2012 %	2011 %
HGL Limited	Australia	–	–
Subsidiaries			
Baker & McAuliffe Holdings Pty Limited (trading as JSB Lighting)	Australia	100	100
BLC Cosmetics Pty Limited	Australia	100	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

* 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 July 2012 \$704,000 was paid to acquire the 40% non controlling interest of BLC Cosmetics, which created an other reserve of \$288,000. Contingent consideration of \$700,000, has not been provided for as management believes it is not probable the required profit for the twelve month period to 30 June 2013 will be attained.

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

27 – Auditors' remuneration

	CONSOLIDATED	
	2012 \$	2011 \$
Auditor of the parent entity		
Audit and review of the financial reports	329,650	329,650
Other auditors		
Audit and review of the financial reports	16,000	57,787
Taxation services	7,083	22,411
	23,083	80,198

The auditor of HGL Limited is Deloitte Touche Tohmatsu.

	NOTE	CONSOLIDATED	
		2012 \$'000	2011 \$'000
28 – Lease commitments			
Finance leases			
Plant and equipment		646	996
Payable not later than one year		369	389
Payable later than one but not later than five years		277	607
		646	996
Future finance charges		(62)	(133)
Provided for in the financial statements		584	863
Representing lease liabilities			
Current	11	329	342
Non current	11	255	521
		584	863

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

Operating leases

Land and buildings		11,782	9,363
Motor vehicles		69	449
		11,851	9,812
Payable not later than one year		3,618	3,214
Payable later than one, not later than five years		7,901	6,230
Payable greater than five years		332	368
		11,851	9,812

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.

29 – 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	
		2012 \$'000	2011 \$'000
29 – Financial instruments CONTINUED			
Categories of financial instruments			
Financial assets			
Cash and cash equivalents		7,594	11,762
Trade receivables	4	19,287	26,474
Other financial assets	7	975	2,003
Financial liabilities			
Trade payables and accruals	10	15,602	20,921
Borrowings – Fixed rate loans	11	2,000	3,166
Borrowings – Floating rate loans	11	–	1,152
Borrowings – Finance lease liabilities	28	584	863

The consolidated entity groups its financial instruments into groups using the fair value hierarchy outlined in AASB 7 Financial Instruments: Disclosures. At 30 September 2012 the consolidated entity had \$2,910,000 (2011: \$1,649,000) of foreign currency forward contracts with a fair value of \$42,000 (2011: \$151,000) 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 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 \$4,615,000 (2011: \$1,930,000) of monetary liabilities mainly in USD and Japanese Yen. The consolidated entity has \$4,158,000 (2011: \$4,205,000) of monetary assets mainly in USD and EUR. In addition the consolidated entity has \$2,910,000 (2011: \$1,649,000) foreign currency forward contracts outstanding at 30 September 2012. The consolidated entity used a 10% sensitivity analysis and concluded there was no material impact on the 2012 and 2011 net outstanding foreign currency exposure.

The following table details the forward foreign exchange contracts outstanding as at 30 September 2012:

	AVERAGE EXCHANGE RATE		FOREIGN CURRENCY		CONTRACT VALUE		FAIR VALUE	
	2012	2011	2012 FC'000	2011 FC'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Buy US Dollar								
Less than 3 months	1.00	1.04	2,193	902	2,182	864	(39)	77
Buy Euros								
Less than 3 months	0.83	0.76	335	200	403	264	(8)	15
Buy Japanese Yen								
Less than 3 months	80.88	82.25	26,305	42,852	325	521	5	59

29 – 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) are subject to an annual review process on 31 December each year. The Company has unrestricted access available at balance date to facilities totalling \$10 million (2011: \$10 million). At 30 September 2012 \$2,000,000 (2011: \$1,000,000) 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 (2011: \$70,000). This is calculated assuming the consolidated entity has fully utilized 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 2012 MATURING GROUPING			INTEREST RATE %	CONSOLIDATED 2011 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		15,602	–	–		20,921	–	–
Borrowings - fixed	–	–	–	–	9.02	288	–	–
Borrowings - floating	3.69	1,988	–	–	4.86	992	–	–
Finance lease liabilities	9.00	334	250	–	9.10	337	520	–
Total		17,924	250	–		22,538	520	–

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 25.

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
30 – Reconciliation of loss after income tax to net cash (outflow)/inflow from operating activities		
Loss from operations	(4,601)	(57)
Share of associates' profit	(302)	(254)
Depreciation expense	1,576	2,342
Impairment of Biante goodwill	–	6,358
Unrealised loss on foreign currency translation	167	291
	(3,160)	8,680
Impairment of loans to key management personnel	1,022	–
Loss/(profit) on sale of property, plant and equipment	421	(259)
Loss on sale of investments	830	–
Loss on moulds in Biante	–	2,543
	2,273	2,284
(Increase)/decrease in receivables and other assets	2,665	2,952
(Increase)/decrease in inventories	1,285	(46)
Increase/(decrease) in accounts payable and other liabilities	(4,094)	637
(Increase)/decrease in deferred tax provisions	(2,413)	(1,272)
	(2,557)	2,271
Net cash (outflow)/inflow from operating activities	(3,444)	13,235

31 – Non-cash financing and investing activities

Acquisition of plant and equipment by means of finance leases	19	152
Dividend satisfied by the issue of shares under the Dividend Reinvestment Plan	688	765

32 – Contingent liabilities and capital commitments

There are no significant contingent liabilities or capital commitments.

33 – Subsequent events

On 1 November 2012 due to ill health Michael Mahoney resigned as the Chief Executive Officer and Director. From this date Andrew Whittles the Chief Financial Officer has acted as Chief Executive Officer whilst the company searches for a suitable replacement.

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;
- (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 section 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



FM Wolf
Director

Sydney, 21 November 2012



Deloitte Touche Tohmatsu
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We have audited the accompanying financial report of HGL Limited, which comprises the balance sheet as at 30 September 2012, the profit and loss statement, 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 22 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 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 company's and consolidated entity's financial position as at 30 September 2012 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the 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 17 of the directors' report for the year ended 30 September 2012. 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 2012 complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Stephen Holdstock
Partner
Chartered Accountants

Sydney, 21 November 2012

SHAREHOLDER INFORMATION

On 9 November 2012 there were 2,403 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	713	221,569
1,001	- 5,000	704	2,024,549
5,001	- 10,000	382	2,995,406
10,001	- 100,000	536	14,487,503
100,001	- and over	68	36,520,369
		2,403	56,249,396

Number of shareholders holding less than a marketable parcel (1,000 shares) is 675.

Percentage of the total holdings of the 20 largest shareholders is 54.59%.

Twenty largest ordinary shareholders

	NAME	NUMBER OF SHARES HELD	% OF TOTAL ISSUED CAPITAL
1	Sery Pty Ltd	7,901,519	14.05
2	Constable Investments Group Limited	5,582,653	9.92
3	Kevin Eley	3,415,724	6.07
4	Michael Mahoney	1,763,829	3.13
5	LPO Investments Pty Ltd	1,534,085	2.73
6	ANZ Trustees Ltd (Queensland Common Fund A/C)	1,419,088	2.52
7	Andrew Whittles	939,551	1.67
8	Mr Robert Julian Constable + Mrs Janet Marie Constable (RJ Realty Provident Fund A/C)	931,964	1.66
9	JP Morgan Nominees Australia Limited	901,280	1.60
10	George Edward Curphey	868,587	1.54
11	Jennifer Anne Drummond	718,541	1.28
12	Extra Edge Pty Limited	660,000	1.17
13	National Nominees Limited	656,376	1.17
14	F M Wolf Pty Limited (F M Wolf Superfund A/C)	600,000	1.07
15	ANZ Trustees Limited (The JO & JR Wicking A/C)	515,000	0.91
16	Kitwood Pty Ltd	510,000	0.91
17	Citicorp Nominees Pty Limited	499,216	0.89
18	Peter Caldelis	465,808	0.83
19	F M Parker Pty Ltd (FMP & ORS A/C)	415,314	0.74
20	Mr Alister John Forsyth	409,690	0.73
		30,708,225	54.59

Substantial shareholders

The following information is extracted from the Company's Register of Substantial Shareholders as at 9 November 2012:

	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: +61 3 9473 2500

Level 4, 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: +61 2 9221 7155 Fax: +61 2 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.

		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Underlying profit/(loss) (\$'000)	(a)	(457)	7,150	6,767	5,003	8,447	9,309	7,438	7,033	5,580	2,386
Underlying earnings per share (cents)	(a)	(0.9)	13.9	13.3	10.0	17.3	19.2	15.5	14.7	11.3	5.1
Capital profit/(loss) and revaluations (\$'000)	(a)	(4,692)	(9,575)	6,649	2,969	(15,908)	6,344	1,613	343	4,953	7,552
Reported profit/(loss) (\$'000)		(5,149)	(2,425)	13,416	7,972	(7,461)	15,653	9,051	7,376	10,533	9,938
Reported earnings per share (cents)		(9.9)	(4.7)	26.3	16.0	(15.3)	32.4	18.9	15.4	21.4	21.2
Dividend per share (cents)		6.0	11.5	11.0	8.0	12.1	14.4	11.6	10.2	9.0	8.6
Shares on issue ('000)		52,484	51,664	51,114	50,447	49,091	48,577	48,108	47,682	50,443	47,213
Total shareholders' equity (\$'000)		64,348	78,697	84,636	82,552	79,540	106,076	87,265	77,090	80,132	65,744
HGL shareholders' equity (\$'000)		53,607	62,784	69,729	68,387	65,452	92,713	74,159	64,883	67,478	55,149
Net cash/(debt) (\$'000)	(b)	5,010	6,581	2,019	(13,367)	(34,120)	(27,486)	(1,239)	1,416	7,596	8,678
Underlying return on shareholders' funds (%)	(c)	(1)	10	10	8	9	13	12	11	10	5
Return on shareholders' funds (%)	(d)	(8)	(4)	20	12	(8)	21	14	11	19	21

Notes

- (a) Separately identified from 2003 following decision to build underlying profit.
- (b) Comprises cash, bank borrowings and leases.
- (c) Underlying profit divided by opening HGL shareholders' equity.
- (d) Reported profit divided by opening HGL shareholders' equity.



DIRECTORY

Directors

PG Miller, FCA (Chairman)
JD Constable
KJ Eley, CA, F FIN
FM Wolf, BA (Hons), PhD

Acting Chief Executive 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,
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Web site: www.hgl.com.au

HGL Group web sites

HGL Limited
www.hgl.com.au

Anitech
www.anitech.com.au

Biante
www.biante.com.au

BOC Instruments
www.bocinstruments.com.au

J Leutenegger
www.leutenegger.com.au

JSB Lighting
www.jsblighting.com.au

Mountcastle
www.mountcastle.com.au
www.trutex.com.au

SPOS
www.spos.com.au
www.sposgroup.com
www.icandycreative.com.au
www.propelinteractive.com.au

BLC Cosmetics
www.blccosmetics.com

XLN Fabrics
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)

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

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