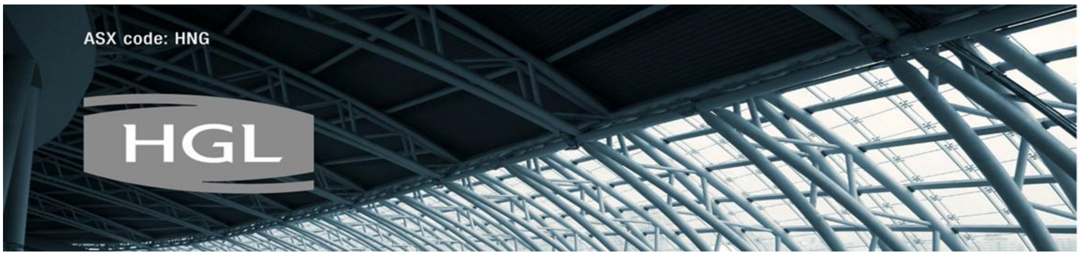

SUPPLYING MARKET LEADING BRANDED PRODUCTS

HGL Limited

Half Year Financial Report

31 March 2014

SUPPLYING MARKET LEADING BRANDED PRODUCTS

Result for six months ended 31 March 2014

The financial result for the half year ended 31 March 2014 is summarised below:

- Statutory loss of $2.4 million (2013: $0.2 million profit). Underlying profit of $0.1 million (2013: $0.2 million) before charges totalling $2.5 million arising from derecognising tax assets and impairment charges

- Underlying EBIT of $0.4 million (2013: $0.4 million)

- Significant improvement in operating cash flow to $2.0 million (2013: $0.6 million outflow) with $nil HGL borrowing facilities being utilised (2013: $2.0 million)

Trading overview

Early indications of the financial benefit of the strategy are emerging. Despite continuing unfavourable trading conditions the EBIT of wholly owned companies increased to $0.4 million (2013: $0.1 million loss). Sales of these companies declined by $4 million, approximately half the decline was due to the discontinuation of unprofitable product lines. In line with the decrease in sales gross margin of the wholly owned companies fell by $2 million, however the gross margin % remained strong at 45% (2013: 46%) this decline is largely attributable to increased clearance activity in Leutenegger and Biante. Expenses were reduced by $2.7 million or 20%. Operating cash flow of these companies improved to $2.0 million (2013: $0.4 million outflow). The improvement in EBIT and cash flows are a direct consequence of executing stage one of the change programs outlined in the strategy plan. Working capital reduced by $2.0 million or 19% through ongoing improvement in debtor collections, enhanced procurement management and general stock clearance activity.

The $0.5 million improvement in EBIT was largely due to the improved performance of SPOS following significant business model changes enacted over the last year. As highlighted in my address at the Annual General Meeting SPOS is targeting its key markets of grocery, pharmacy and global brand owners with bespoke design solutions and proprietary security and shelving solutions. Exiting large retail technology projects has reduced revenue but enabled a 30% reduction in costs. SPOS generated improved operating cash flows as it reduces its working capital levels.

In November 2013 Leutenegger was relocated into the same premises occupied by SPOS in Macquarie Park, Sydney. This enabled business model changes to be accelerated as it facilitated a redesigned warehouse with materially lower operating costs. Leutenegger continues to reduce its inventory levels and has generated positive operating cash flows despite the relocation interruption and costs and a small EBIT loss. Leutenegger continues with its extensive change program and its expansion into the Homewares sector is ongoing. Further inventory reductions are anticipated.

BLC Cosmetics is expanding its product portfolio to the salon and spa market to capitalise on its market position. In March 2014 Perron Rigot waxing products were launched with the initial uptake exceeding our expectations. We have increased new client acquisitions expanding the customer base in recent months. The company is launching two additional product ranges in the second half of the year. BLC Cosmetics increased its EBIT compared to the same period last year. Further inventory reductions are anticipated in the second half of the year.

JSB Lighting has delivered a strong EBIT. The forward order pipeline is expanding in line with recent increased building industry activity indicating positive growth opportunities going forward. JSB Lighting continues to expand outside its historically strong Sydney presence. Market share is growing in both Melbourne and Perth. JSB Lighting continues to look for complimentary brands to expand its premium interior and exterior product range.

Biante performed well with EBIT in line with last year. Its transition to a new IT platform has enabled increased productivity and will facilitate an improved internet presence.

Mountcastle continues to perform well with an EBIT in line with last year. The school uniform business continues to perform to expectations. Due to lower government defence orders the capacity of the Brisbane factory was reduced with more production moved to offshore facilities.

With ongoing industry contraction due to major structural decline in the printing sector, Anitech is increasingly affected by less product differentiation, lower customer activity and increasing pricing pressures. The intensified competition and decreasing industry profit margins is expected to continue. In the six months ended 31 March 2014 the financial performance of Anitech was materially less than budget. In the half year Anitech derecognised tax assets with an effect of $1.0 million to HGL. The board of Anitech is conducting a wide ranging strategic review. In light of market conditions and recent performance the Board of HGL has undertaken an impairment analysis of Createc, an impairment charge of $1.5 million was recognised.

Dividend

The Directors have declared an interim dividend of 2.0 cents fully franked (2013: 2.0 cents fully franked) to be paid on 11 July 2014. The dividend reinvestment plan will continue to be available to all shareholders with no discount.

Outlook

With the exception of Anitech, the GPS strategy is producing the projected results. Phase one of the GPS (Growth, Profit and Sustainability) strategy is to rebuild the foundations; we are well advanced into this phase. The next element of the rebuilding phase is to develop organic revenue growth.

Our cash flow is positive and we are improving our working capital management with further improvements anticipated over the second half year. The GPS strategy is expected to deliver continuous EBIT improvement.

Peter Miller
Chairman
28 May 2014

For further information:
Henrik Thorup
Chief Executive
Office: 02 9221 7155
Mobile:0419 268 560

28 May 2014

HGL Limited – Half Year Report (Appendix 4D)
for the half year ended 31 March 2014

The Directors of HGL Limited announce the results for the half year ended 31 March 2014 as follows:

Final results for announcement to the market:

Extracted from the 2014 Half Year Report:

	% change	$A'000
Revenue from ordinary activities	down 26%	25,672
Net loss from ordinary activities after tax attributable to members	down 1,429%	(2,365)
Net loss after tax attributable to members	down 1,429%	(2,365)

Dividends per share:

	Amount per security	Franked amount per security
Interim dividend – ex date 23 June 2014, record date 25 June 2014, payable 11 July 2014 and DRP discount rate of nil, last day for election for the DRP is 26 June 2014. The DRP share price will be the weighted average share price of trades on the ASX over the 5 trading day period 23 June 2014 to 27 June 2014. There is no conduit foreign income attributable to the dividend. DRP shares will rank, from the date of allotment, equally in all respects with existing shares.	2.0 cents	2.0 cents
Final dividend in respect of prior financial year	2.0 cents	2.0 cents
Interim dividend – previous corresponding period	2.0 cents	2.0 cents

Net Tangible Assets per share:

	31 March 2014	31 March 2013
Net Tangible Assets per share	43.4 cents	61.9 cents

The remainder of the information requiring disclosure to comply with the Listing Rules is contained in this 2014 Half Year Financial Report.

DIRECTORS' REPORT
The Directors submit the financial report of HGL Limited for the half year ended 31 March 2014.

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

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

Review of Operations
The Directors report a consolidated loss before tax and non controlling interests of $2,169,000 (2013: $298,000 profit).

The Chairman's report on pages 1-2 contains the review of operations. The sale of two investments together with derecognising tax assets and impairment charges are explained in more detail below.

In the six months ended 31 March 2014 the financial performance of Createc trading as Anitech was materially less than budget. In the half year Anitech derecognised tax assets with an effect of $1,036,000 to HGL. The board of Anitech is conducting a wide ranging strategic review. In light of market conditions and recent performance the Board of HGL has undertaken an impairment analysis of Createc, an impairment charge of $1,427,000 was recognised in the profit and loss at the half year.

In October 2013 HGL disposed of its 50% interests in Kinsole Pty Limited and BOC Ophthalmic Instruments Unit Trust. The total proceeds were $1,560,000 received in cash. A profit of $53,000 was recognised.

Dividends
The Directors have declared an interim fully franked dividend of 2.0 cents per share (2013: 2.0 cents fully franked interim dividend) to be paid on 11 July 2014. The record date will be 25 June 2014.

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

Auditor's Independence Declaration
The auditor's independence declaration is included on page 20.

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

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

On behalf of the Directors:

PG Miller
Chairman
Sydney 28 May 2014

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ABN: 25 009 657 961

Consolidated statement of profit or loss for the half year ended 31 March 2014

	Note	**Half year ended 31 March 2014 $'000**	Half year ended 31 March 2013 $'000 (Restated)
Sales revenue		**25,601**	34,447
Cost of sales		**(14,147)**	(18,838)
Gross profit		**11,454**	15,609
Other income	2	**71**	102
Share of associates' (loss)/profit	9	**(1,037)**	373
Impairment of associate	11	**(1,427)**	-
Sales, marketing and advertising expenses		**(3,691)**	(4,435)
Freight and distribution expenses		**(883)**	(1,612)
Administration expenses		**(5,501)**	(7,976)
Occupancy expenses		**(1,049)**	(1,514)
Profit on disposal of controlled entities	10	**53**	-
Finance costs		**(159)**	(249)
(Loss)/profit before tax		**(2,169)**	298
Income tax expense	3	**(196)**	(38)
(Loss)/profit for the period		**(2,365)**	260
Attributable to:			
Equity holders of the parent		**(2,365)**	178
Non controlling interests		**-**	82
		(2,365)	260
Earnings per share		**Cents**	Cents
Basic earnings per share		**(4.4)**	0.3
Diluted earnings per share		**(4.4)**	0.3

The notes to the financial statements are included on pages 10 to 18

Consolidated statement of profit or loss and other comprehensive income for the half year ended 31 March 2014

	Half year ended 31 March 2014	Half year ended 31 March 2013 (restated)
	$'000	$'000
(Loss)/profit for the period	**(2,365)**	260
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations, net of tax	**33**	(12)
Other comprehensive income/(loss) for the period	**33**	(12)
Total comprehensive (loss)/income for the period	**(2,332)**	248
Total comprehensive (loss)/income attributable to:		
Equity holders of the parent	**(2,332)**	166
Non controlling interests	**-**	82
	(2,332)	248

The notes to the financial statements are included on pages 10 to 18

Consolidated statement of financial position as at 31 March 2014

	Note	31 March 2014 $'000	30 September 2013 $'000 (Restated)	1 October 2012 $'000 (Restated)
Current Assets				
Cash and cash equivalents		**2,591**	4,796	6,881
Trade and other receivables		**9,736**	13,152	15,372
Inventories		**7,116**	9,885	12,287
Current tax assets		**-**	28	1,055
Total Current Assets		**19,443**	27,861	35,595
Non Current Assets				
Other financial assets		**648**	666	975
Investment in associates		**4,018**	6,907	9,106
Property, plant and equipment		**3,027**	3,491	3,144
Intangible assets		**15,682**	15,682	19,182
Deferred tax assets		**6,878**	7,429	6,098
Total Non Current Assets		**30,253**	34,175	38,505
Total Assets		**49,696**	62,036	74,100
Current Liabilities				
Trade and other payables		**8,381**	10,940	11,436
Borrowings		**267**	4,580	5,283
Provisions		**1,511**	2,271	1,906
Total Current Liabilities		**10,159**	17,791	18,625
Non Current Liabilities				
Borrowings		**-**	75	82
Provisions		**222**	1,013	1,620
Total Non Current Liabilities		**222**	1,088	1,702
Total Liabilities		**10,381**	18,879	20,327
Net Assets		**39,315**	43,157	53,773
Equity				
Issued capital	5	**37,042**	36,624	36,027
Reserves	7	**1,457**	1,424	1,344
Retained earnings	6	**816**	4,254	15,292
Equity attributable to the parent entity		**39,315**	42,302	52,663
Non controlling interests	8	**-**	855	1,110
Total Equity		**39,315**	43,157	53,773

The notes to the financial statements are included on pages 10 to 18

Consolidated statement of changes in equity for the half year ended 31 March 2014

	Issued Capital	Reserves: Foreign Currency	Reserves: Employee Share Scheme	Reserves: Other	Retained Earnings	Total	Non Controlling Interests	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 September 2013 (restated)	**36,624**	**(117)**	**2,442**	**(901)**	**4,254**	**42,302**	**855**	**43,157**
Loss for the period	**-**	**-**	**-**	**-**	**(2,365)**	**(2,365)**	**-**	**(2,365)**
Other comprehensive income for the period								
Translation of overseas controlled entity	**-**	**33**	**-**	**-**	**-**	**33**	**-**	**33**
Total comprehensive (loss)/income for the period	**-**	**33**	**-**	**-**	**(2,365)**	**(2,332)**	**-**	**(2,332)**
Dividend paid	**-**	**-**	**-**	**-**	**(1,073)**	**(1,073)**	**-**	**(1,073)**
Disposal of controlled entities	**-**	**-**	**-**	**-**	**-**	**-**	**(855)**	**(855)**
Shares issued under employee share scheme	**35**	**-**	**-**	**-**	**-**	**35**	**-**	**35**
Shares issued under dividend reinvestment plan	**383**	**-**	**-**	**-**	**-**	**383**	**-**	**383**
Balance at 31 March 2014	**37,042**	**(84)**	**2,442**	**(901)**	**816**	**39,315**	**-**	**39,315**
Balance at 1 October 12 (as reported)	36,027	(197)	2,442	(901)	16,236	53,607	10,741	64,348
Adjustments (see note 1)	-	-	-	-	(944)	(944)	(9,631)	(10,575)
Balance at 1 October 12 (restated)	36,027	(197)	2,442	(901)	15,292	52,663	1,110	53,773
Profit for the period	-	-	-	-	178	178	82	260
Other comprehensive (loss) for the period								
Translation of overseas controlled entity	-	(12)	-	-	-	(12)	-	(12)
Total comprehensive (loss)/income for the period	-	(12)	-	-	178	166	82	248
Dividend paid	-	-	-	-	(1,050)	(1,050)	(180)	(1,230)
Shares issued under employee share scheme	94	-	-	-	-	94	-	94
Shares issued under dividend reinvestment plan	360	-	-	-	-	360	-	360
Balance at 31 March 2013 (restated)	**36,481**	**(209)**	**2,442**	**(901)**	**14,420**	**52,233**	**1,012**	**53,245**

The notes to the financial statements are included on pages 10 to 18

Consolidated statement of cash flows for the half year ended 31 March 2014

	Note	**Half year ended 31 March 2014 $'000**	Half year ended 31 March 2013 $'000 (restated)
Cash flows from operating activities			
Receipts from customers		**31,672**	40,036
Payments to suppliers and employees		**(29,534)**	(40,582)
Income tax refund		**-**	86
Interest received		**19**	112
Interest paid		**(158)**	(271)
Net cash inflow/(outflow) from operating activities		**1,999**	(619)
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		**(252)**	(1,016)
Proceeds from sale of property, plant and equipment		**7**	91
Dividends from associate		**425**	275
Loan from associates		**-**	699
Loan repaid to associates		**(1,533)**	(22)
Proceeds from disposal of controlled entities	10	**1,560**	-
Cash in disposed entities	10	**(850)**	-
Net cash (outflow)/inflow from investing activities		**(643)**	27
Cash flows from financing activities			
Proceeds from borrowings		**-**	19
Repayment of borrowings		**(2,855)**	(159)
Dividends paid:			
Members of the parent entity	4	**(690)**	(690)
Non controlling interests	8	**-**	(180)
Net cash outflow from financing activities		**(3,545)**	(1,010)
Net decrease in cash held		**(2,189)**	(1,602)
Cash and cash equivalents at the beginning of the period		**4,796**	6,881
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(16)**	(2)
Cash and cash equivalents at the end of the period		**2,591**	5,277

The notes to the financial statements are included on pages 10 to 18

1. Basis of preparation of the half year financial statements

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

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

The half year financial report should be read in conjunction with the annual financial report of HGL Limited as at 30 September 2013 and any public announcements made by HGL Limited during the half year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the HGL Limited 30 September 2013 annual report, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Application of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half year.

New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Group include:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 12 'Disclosures of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

Impact of the application of AASB 10

AASB 10 replaces the parts of AASB 127 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and Interpretation 112 "Consolidation – Special Purpose Entities". AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee.

The Group owns 50% of Mountcastle Pty Limited and 50% of Createc Pty Limited. The Board has made an assessment as the date of the initial application of AASB 10 (1 October 2013) as to whether or not the Group has control over Mountcastle Pty Limited and Createc Pty Limited in accordance with the new definition of control and the related guidance set out in AASB 10. The Directors concluded the Group does not control Mountcastle Pty Limited as HGL Limited does not have sufficient voting rights to control and is not able to demonstrate the ability to use its power to influence the amount of returns achieved.

The Directors concluded the Group does not control Createc Pty Limited as the agreements in place between HGL Limited and the other 50% shareholder require unanimous decision making and while HGL Limited has additional voting rights while at call borrowings are being utilised these are protective in nature and are not sufficient to demonstrate control under AASB 10.

Comparative amounts for 2013 and the related amounts as at 1 October 2012 have been restated in accordance with the relevant transitional provisions set out in AASB 10.

The effects of the restatements of are set out in the table below:

Impact on profit/(loss) for the year of application of AASB 10	**Half year ended 31 March 2013 $'000**
Decrease in sales	(19,848)
Decrease in cost of sales	10,372
Decrease in other revenue	(6)
Increase in share of profits of associates	373
Decrease in sales, marketing and advertising expenses	4,162
Decrease in freight and distribution expenses	894
Decrease in adminisation expenses	2,565
Decrease in occupancy expenses	863
Decrease in finance costs	(58)
Decrease in reorganisation and restructuring charges	-
Decrease in income tax expense	310
Decrease in profit for the year	(373)
Decrease in profit for the year attributable to:	
Owners of the Company	-
Non controlling interests	(373)
	(373)

The first time adoption of AASB 10 does not have an effect on the profit attributable to members of HGL.

	As at 1/10/12 as previously reported	AASB 10 Adjustments	As at 1/10/12 as restated
	$'000	$'000	$'000
Impact on assets, liabilities and equity			
Property, plant and equipment	4,326	(1,182)	3,144
Goodwill	19,896	(714)	19,182
Investments in associates	-	9,106	9,106
Inventories	24,034	(11,747)	12,287
Trade and other receivables	21,547	(6,175)	15,372
Current tax assets	1,779	(724)	1,055
Cash and bank balances	7,594	(713)	6,881
Deferred tax assets	7,401	(1,303)	6,098
Borrowings non current	(255)	173	(82)
Provisions non current	(2,412)	792	(1,620)
Trade and other payables	(15,602)	4,166	(11,436)
Borrowings current	(2,329)	(2,954)	(5,283)
Provisions current	(2,606)	700	(1,906)
Total effect on net assets	63,373	(10,575)	52,798
Non controlling interests	(10,741)	9,631	(1,110)
Retained earnings	(16,236)	944	(15,292)
Total effect on equity	(26,977)	10,575	(16,402)

	AASB 10 Adjustments	Total
	$'000	$'000
Impact on cash flows for the year ended 30 September 2013		
Net cash inflow from operating activities	739	739
Net cash outflow from investing activities	(864)	(864)
Net cash inflow from financing activities	514	514
Net cash inflow	389	389

	As at 30/09/13 as previously reported $'000	AASB 10 Adjustments $'000	As at 30/09/13 as restated $'000
Impact on assets, liabilities and equity			
Property, plant and equipment	4,347	(856)	3,491
Goodwill	16,396	(714)	15,682
Investments in associates	-	6,907	6,907
Inventories	19,172	(9,287)	9,885
Trade and other receivables	18,766	(5,614)	13,152
Current tax assets	30	(2)	28
Cash and bank balances	5,120	(324)	4,796
Deferred tax assets	10,776	(3,347)	7,429
Borrowings non current	(167)	92	(75)
Provisions non current	(1,284)	271	(1,013)
Trade and other payables	(15,385)	4,445	(10,940)
Borrowings current	(2,851)	(1,729)	(4,580)
Provisions current	(4,053)	1,782	(2,271)
Current tax payables			
Total effect on net assets	50,867	(8,376)	42,491
Non controlling interests	(8,287)	7,432	(855)
Retained earnings	(5,198)	944	(4,254)
Total effect on equity	(13,485)	8,376	(5,109)

Impact of the application of AASB 119

In the current year, the Group has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendment for the first time.

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefits obligations and plan assets. The Group has evaluated the effect of this Standard on the amounts and disclosures reported in the financial statements and the impact of AASB 119 is not material.

2. Other Income

	Half year ended 31 March 2014 $'000	Half year ended 31 March 2013 (restated) $'000
Interest income	**71**	102

3. Income Tax Expense

	Half year ended 31 March 2014 $'000	Half year ended 31 March 2013 (restated) $'000
The prima facie income tax expense on pre-tax accounting (loss)/profit reconciles to the income tax expense in the accounts as follows:		
Prima facie income tax expense on the operating profit at 30% (2013: 30%)	**(651)**	89
Tax effect of:		
Equity accounted associates	**739**	(112)
Income on scheme loans recognised directly in equity	**15**	23
Tax effect on disposal of controlled entities	**77**	-
Non-allowable expenses	**48**	8
Prior period (over)/under provision	**(32)**	30
Income tax expense	**196**	38

4. Dividends

	Half year ended 31 March 2014 $'000	Year ended 30 September 2013 $'000
Final 2013 dividend paid 13 December 2013		
2.0 cents 100% franked at 30%	**1,073**	-
Interim 2013 dividend paid 12 July 2013		
2.0 cents 100% franked at 30%	**-**	1,067
Final 2012 dividend paid 14 December 2012		
2.0 cents 100% franked at 30%	**-**	1,050
	1,073	2,117
Paid in cash	**690**	1,389
Satisfied by the issue of shares	**383**	728
Dividends actually paid	**1,073**	2,117

Interim dividend

In accordance with AASB 110 Events after the Balance Sheet Date, HGL Limited has not provided for the interim dividend. The interim dividend of 2.0 cents 100% franked at 30% will be payable on 11 July 2014.

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

5. Issued Capital

	Half year ended 31 March 2014		Half year ended 31 March 2013	
	Number	**$'000**	Number	$'000
Balance at the beginning of the period	**53,647,751**	**36,624**	52,484,316	36,027
Allotment pursuant to HGL Dividend Reinvestment Plan	**763,969**	**383**	689,384	360
Shares issued to Employee Share Scheme participants	**63,152**	**35**	190,097	94
Balance at the end of the period	**54,474,872**	**37,042**	53,363,797	36,481

Reconciliation of Total Share Capital

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

	Half year ended 31 March 2014 Number	Half year ended 31 March 2013 Number
Issued capital at the end of the period	**54,474,872**	53,363,797
Shares issued to Employee Share Scheme participants after November 2002	**2,389,839**	3,574,983
Total share capital at the end of the period	**56,864,711**	56,938,780

6. Retained Earnings

	Half year ended 31 March 2014 (restated)	Half year ended 31 March 2013 (restated)
	$'000	$'000
Balance at the beginning of the period	**4,254**	15,292
Net (loss)/profit attributable to members of the entity	**(2,365)**	178
Dividends paid	**(1,073)**	(1,050)
Balance at the end of the period	**816**	14,420

7. Reserves

	Half year ended 31 March 2014 $'000	Half year ended 31 March 2013 $'000
Employee Share Scheme Reserve	**2,442**	2,442
Foreign Currency Translation Reserve	**(84)**	(209)
Other Reserve	**(901)**	(901)
	1,457	1,332

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

The other reserve arose when HGL increased its equity 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.

8. Non Controlling Interests

	Half year ended 31 March 2014 $'000	Half year ended 31 March 2013 (restated) $'000
Balance at the beginning of the period	**855**	1,110
Profit attributable to non controlling interests	**-**	82
Dividends paid to non controlling interests	**-**	(180)
Disposal of controlled entities	**(855)**	-
Balance at the end of the period	**-**	1,012

9. Segment Information

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

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

The consolidated entity operates under one segment, branded products. The wholly owned entities' products include home sewing and craft, point of sale, top end lighting, beauty and collector model cars. The associates products are within the large format printing and specialist headwear and uniform markets.

Underlying profit is the measure by which the Board manages the business. Underlying profit is the 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 share of associates (loss)/profit, interest, tax and non-controlling interests to reported (loss)/profit after tax is as follows:

	Half year ended 31 March 2014			Half year ended 31 March 2013		
	Underlying Profit $'000	**Other $'000**	**Consolidated $'000**	Underlying Profit (restated) $'000	Other (restated) $'000	Consolidated (restated) $'000
Underlying profit before share of associates (loss)/profit, interest, tax and non controlling interests	**383**	**-**	**383**	72	-	72
Share of associates (loss)/profit	**(1)**	**(1,036)**	**(1,037)**	373	-	373
Impairment of associate	**-**	**(1,427)**	**(1,427)**	-	-	-
Interest income	**71**	**-**	**71**	102	-	102
Interest expense	**(159)**	**-**	**(159)**	(249)	-	(249)
(Loss)/profit before tax	**294**	**(2,463)**	**(2,169)**	298	-	298
Income tax expense	**(196)**	**-**	**(196)**	(38)	-	(38)
(Loss)/profit after tax	**98**	**(2,463)**	**(2,365)**	260	-	260
Non controlling interests	**-**	**-**	**-**	(82)	-	(82)
(Loss)/profit after tax and non controlling interests	**98**	**(2,463)**	**(2,365)**	178	-	178

Other is Anitech derecognising tax assets with an effect of $1,036,000 to HGL and the impairment charge of $1,427,000. See note 11 for futher details.

10. Changes in the composition of the consolidated entity (excluding first time application of AASB 10)

Disposal of interests in Kinsole Pty Ltd and BOC Ophthalmic Instruments Unit Trust

In October 2013 HGL Limited disposed of its 50% interests in Kinsole Pty Ltd and BOC Ophthalmic Instruments Unit Trust. The total proceeds on disposal of $1,560,000 were received in cash. A profit of $53,000 was recognised.

	Year ended 30 September 2013 $000
Revenue	9,813
Cost of Sales	(5,987)
Gross Profit	3,826
Expenses	(3,437)
Earnings before interest and tax	389
Profit contribution	178

The Balance Sheets at disposal were:

	30 September 2013 $000
Current assets	
Cash	850
Trade and other receivables	1,417
Inventory	2,562
Current tax assets	28
Non current assets	
Property, plant and equipment	174
Deferred tax assets	341
Current liabilities	
Trade and other payables	(924)
Borrowings	(24)
Provisions	(500)
Non current liabilities	
Borrowings	(727)
Provisions	(183)
Net assets disposed of	3,014
Non controlling interest	(1,507)
	1,507
Less cash consideration	(1,560)
(Profit) on disposal	(53)

Net cash inflow from sale of investments	
Cash consideration	1,560
Less cash balance disposed of	(850)
	710

In the half year ended 31 March 2013 the earnings before interest and tax was $202,000.

11. Impairment of associate

With ongoing industry contraction due to major structural decline in the printing sector, Anitech is increasingly affected by less product differentiation, lower customer activity and increasing pricing pressures. The intensified competition and decreasing industry profit margins is expected to continue. In the six months ended 31 March 2014 the financial performance of Anitech was materially less than budget. In the half year Anitech derecognised tax assets with an effect of $1,036,000 to HGL. The board of Anitech is conducting a wide ranging strategic review. In light of market conditions and recent performance the Board of HGL has undertaken an impairment analysis of Createc, an impairment charge of $1,427,000 was recognised.

12. Contingent liabilities

The Company may provide limited funding to its equity accounted investment Createc trading as Anitech while Anitech's wide ranging strategic review is ongoing.

13. Subsequent events

There are no significant subsequent events.

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors:

PG Miller
Chairman

Sydney 28 May 2014

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

28 May 2014

Dear Board Members

HGL Limited

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

As lead audit partner for the review of the financial statements of HGL Limited for the half-year ended 31 March 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tara Hill
Partner
Chartered Accountants

Deloitte.

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

We have reviewed the accompanying half-year financial report of HGL Limited, which comprises the consolidated statement of financial position as at 31 March 2014, the consolidated statement of profit of loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half year ended on that date, selected explanatory notes, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 19.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of HGL Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Deloitte.

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tara Hill
Partner
Chartered Accountants
Sydney, 28 May 2014