

ASX Appendix 4D

Lodged with the ASX in accordance with Listing Rule 4.3A

HGL LIMITED (ASX code HNG)

A.B.N. 25 009 657 961

Half Year Report Results for announcement to the market

Reporting period: **6 months to 31 March 2017**

Previous corresponding period: **6 months to 31 March 2016**

		CURRENT PERIOD 31 Mar 17	PREVIOUS PERIOD 31 Mar 16
Revenues from ordinary activities (\$000's)	UP 4% TO	27,279	26,127
Net profit for the period attributable to members (\$000's)	UP 5% TO	1,696	1,613
Basic earnings per share (cents per share)	UP 2% TO	3.0	3.0
Net tangible assets per share (cents per share)	UP 26% TO	29.4	23.4

Comments on above results

- ** Total sales revenue increased by 6.7% to \$37.3 million
- ** Reported sales revenue for the wholly owned Group was \$27.3 million, up 4.7%
- ** Net profit after tax of \$1.7 million, up 5.3% on the prior period
- ** Positive operating cash flow of \$0.4 million compared to outflow of \$0.7 million last year
- ** Interim dividend of 1.25 cents per share fully franked

For more detailed information please refer to attached review of operations.

DIVIDENDS

Ordinary shares	Amount per security (cents)	Franked amount per security (cents)	Total amount paid / payable (\$000's)	Foreign source dividend per security (cents)
Proposed interim ordinary dividend (payable 19 July 2017)	1.25	1.25	708,398	0.00
Record date for determining entitlements to the dividend			5 JULY 2017	
Previous corresponding period	1.00	1.00	549,071	0.00

The existing HGL dividend reinvestment plan (DRP) remains in operation.
There is a nil discount attached to the DRP.
The last date for the receipt of an election notice for participation in the DRP is the business day following the record date, ie 6 July 2017

This report is based on accounts which have been reviewed. There has been no dispute or qualification in relation to these accounts or report.

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HGL Limited

ABN 25 009 657 961

Financial report for the
half-year ended 31 March 2017

Directors' report

Your directors submit their report for the half-year ended 31 March 2017.

Directors

The names and details of the Company's directors in office during the financial period and until the date of this report are as follows.

Peter Miller
Dr Frank Wolf
Kevin Eley
Julian Constable
Cheryl Hayman (Appointed: 1 December 2016)

Directors were in office for this entire period unless otherwise stated.

Operating and financial review

HGL improves operational performance and delivers revenue and profit growth

Trading Overview

HGL Limited (ASX: HNG) today announces Net Profit after Tax for the six months ended 31 March 2017 of \$1.7 million, up by 5.3% from \$1.6 million in the prior corresponding period.

Organic revenue growth contributed to improved earnings and positive operating cash flow. Group performance improved with JSB Lighting and Mountcastle continuing to perform well achieving both sales growth and improved EBIT margin.

Total revenue, including 100% of Mountcastle, increased by 6.7% to \$37.3 million compared to the prior corresponding period. Reported sales revenue of the wholly owned companies was \$27.3 million.

Strong sales momentum was achieved in Architectural Lighting, School wear and Homewares. Sales in retail marketing were in line with the prior period, but are expected to show growth across the full year.

Model car sales were adversely affected by a variance in production schedules impacting deliveries compared to last year. Whilst overall Health & Beauty sales continue to decline, there was strong sales uplift of cosmeceutical skincare products as the business continued to shift its product portfolio mix towards higher value items sold to salon, spas and skin clinics.

Overall gross margin remained firm at 44.6% for the Group.

Operating expenses increased by 6.4%, with recruitment of additional sales executives in JSB Lighting and promotional campaigns, offset in part by cost savings in SPOS Group, Biante and BLC Cosmetics.

Disciplined management of working capital assisted in achieving positive operating cash flow of \$0.4 million. This was a significant improvement over last year's outflow of \$0.7 million.

Net cash at balance date was \$3.7 million which was in line with the balance at 30 September 2016 and after payment of the FY16 final dividend. Cash at bank was \$5.5 million with bank borrowings of \$1.8 million.

Corporate Strategy and Operational Priorities

HGL continues to make earnings progress with the implementation of the key initiatives outlined in the growth and development phase of the GPS Strategy Plan (Growth, Profit and Sustainability).

The management team remains focused on executing its plans to improve sales force efficiency, reduce operational complexity, integrate technology and increase employee engagement, securing ongoing improvement in both operational and financial performance.

Increased emphasis has been placed on making strategic acquisitions in selected markets to further drive growth and operate larger scale business units with expanded market share positions and improved earnings potential.

Directors' report (continued)

Operating and financial review (continued)

Dividend

An interim dividend of 1.25 cents per share fully franked (2016: 1.0 cents) has been declared after consideration of the underlying profit for the period and future working capital requirements to fund growth activities and potential strategic acquisitions. The Board's aim is to pay increasing dividends.

The record date for the dividend will be 5 July 2017, with a payment date of 19 July 2017. The dividend reinvestment plan (DRP) will be available to shareholders holding more than 1,000 shares. No discount will apply to the DRP.

Outlook

HGL has delivered a positive first half result that continues to build on the momentum established over the past 24 months, and the board believes there will be continued growth in the second half.

HGL has well-established foundations in place to drive organic growth across its businesses and is pursuing strategic acquisitions to contribute to increased future earnings and shareholder returns.

Auditor independence declaration

The directors have received a declaration for the auditor of HGL Limited. This has been included on page 3.

Rounding

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$000) under the option available to the Company under ASIC Corporations Instrument 2016/191. The Company is an entity to which the class order applies.

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



Peter Miller
Chairman
Sydney
23 May 2017



Dr Frank Wolf
Director

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23 May 2017

The Board of Directors
HGL Limited
Level 2, 68-72 Waterloo Road
MACQUARIE PARK NSW 2113

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 2017, 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

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Consolidated income statement

For the half-year ended 31 March 2017

	Consolidated entity	
	31 March 2017	31 March 2016
	\$000	\$000
Continuing operations		
Sales revenue	27,279	26,050
Cost of sales	(15,118)	(14,515)
Gross profit	12,161	11,535
Other income	32	131
Sales, marketing and advertising expenses	(4,847)	(4,493)
Occupancy expenses	(782)	(687)
Freight and distribution expenses	(1,068)	(1,215)
Administration and other expenses	(4,470)	(4,200)
Finance costs	(59)	(76)
Share of profit of associates	691	554
Profit before tax	1,658	1,549
Income tax benefit	39	63
Profit for the period	1,697	1,612
Attributable to:		
Equity holders of the parent	1,697	1,612
	Cents	Cents
Earnings per share		
Basic	3.0	3.0
Diluted	3.0	3.0

These statements should be read in conjunction with the accompanying notes

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Consolidated statement of comprehensive income

For the half-year ended 31 March 2017

	Consolidated entity	
	31 March 2017	31 March 2016
	\$000	\$000
Profit for the period	1,697	1,612
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Exchange differences on translation of foreign operations	(22)	(8)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(22)	(8)
Total comprehensive income for the year, net of tax	1,675	1,604
Total comprehensive income attributable to:		
Equity holders of the Parent	1,675	1,604
	1,675	1,604

These statements should be read in conjunction with the accompanying notes

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Consolidated balance sheet

As at 31 March 2017

	Notes	Consolidated entity	
		31 March 2017	30 September 2016
		\$000	\$000
Assets			
Current assets			
Cash and cash equivalents		5,499	5,626
Trade and other receivables		8,857	9,137
Inventories		6,077	5,813
Prepayments		1,619	1,180
Total current assets		22,052	21,756
Non-current assets			
Investment in associates		5,143	4,852
Property, plant and equipment		1,296	1,410
Intangible assets		10,166	10,166
Deferred tax assets		2,103	2,065
Total non current assets		18,708	18,493
Total assets		40,760	40,249
Liabilities			
Current liabilities			
Trade and other payables		8,222	8,386
Interest bearing loans and borrowings		1,800	1,800
Provisions		1,967	2,560
Total current liabilities		11,989	12,746
Non-current liabilities			
Provisions		1,095	1,188
Total non current liabilities		1,095	1,188
Total liabilities		13,084	13,934
Net Assets		27,676	26,315
Equity			
Issued capital	3	38,102	37,582
Other capital reserves		(1,068)	(1,046)
Accumulated losses		(9,358)	(10,221)
Total equity		27,676	26,315

These statements should be read in conjunction with the accompanying notes

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Consolidated statement of changes in equity

For the half-year ended 31 March 2017

Consolidated entity	Attributable to the equity holders of the parent					Total equity \$000
	Issued capital \$000	Foreign Currency Reserve \$000	Other Reserve \$000	Retained earnings \$000		
As at 1 October 2016	37,582	(145)	(901)	(10,221)		26,315
Profit for the year	-	-	-	1,697		1,697
Translation of overseas controlled entities	-	(22)	-	-		(22)
Total comprehensive income	-	(22)	-	1,697		1,675
Dividend paid (Note 2)	-	-	-	(835)		(835)
Shares issued under Dividend Reinvestment Plan	524	-	-	-		524
Costs associated with issues of shares	(4)	-	-	-		(4)
At 31 March 2017	38,102	(167)	(901)	(9,358)		27,676

These statements should be read in conjunction with the accompanying notes

HGL Limited

Consolidated statement of changes in equity (continued)

For the half-year ended 31 March 2016

Consolidated entity	Attributable to the equity holders of the parent					Total equity \$000
	Issued capital \$000	Foreign Currency Reserve \$000	Other Reserve \$000	Retained earnings \$000		
As at 1 October 2015	36,802	(177)	(901)	(13,175)		22,549
Profit for the year	-	-	-	1,612		1,612
Translation of overseas controlled entities	-	(8)	-	-		(8)
Total comprehensive income	-	(8)	-	1,612		1,604
Dividend paid (Note 2)	-	-	-	(810)		(810)
Shares issued under Dividend Reinvestment Plan	463	-	-	-		463
At 31 March 2016	37,265	(185)	(901)	(12,373)		23,806

These statements should be read in conjunction with the accompanying notes

HGL Limited

Consolidated statement of cash flows

For the half-year ended 31 March 2017

	Consolidated entity	
	31 March 2017	31 March 2016
Notes	\$000	\$000
Operating activities		
Cash receipts in the course of operations	30,878	29,544
Cash payments in the course of operations	(30,896)	(30,598)
Interest received	32	32
Interest paid	(59)	(76)
Dividends received from associates	400	350
Net cash flows from/(used in) operating activities	355	(748)
Investing activities		
Purchase of property, plant and equipment	(145)	(41)
Net cash flows used in investing activities	(145)	(41)
Financing activities		
Transaction costs on issue of shares	3 (4)	-
(Repayments)/Proceeds from borrowings	-	1,800
Dividends paid	2 (311)	(347)
Net cash flows (used in)/from financing activities	(315)	1,453
Net (decrease)/increase in cash and cash equivalents	(105)	664
Net foreign exchange difference	(22)	-
Cash and cash equivalents at 1 October	5,626	4,683
Cash and cash equivalents at 31 March	5,499	5,347

These statements should be read in conjunction with the accompanying notes

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Notes to the consolidated financial statements

For the half-year ended 31 March 2017

1 Basis of preparation

HGL Limited (the Company or the parent) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The interim financial statements of HGL Limited and its subsidiaries (collectively, the Group) for the half-year ended 31 March 2017 were authorised for issue in accordance with a resolution of the directors on 23 May 2017.

The half year financial report is a condensed general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, AASB 134: Interim Financial Reporting, and other mandatory professional reporting requirements.

The condensed half year general purpose financial report does not include full disclosures of the type normally included in an annual financial report, and as such this financial report should be read in conjunction with the annual financial report for the year ended 30 September 2016, and any public announcements made by HGL Limited and its controlled entities during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the Group and are consistent with those of the most recent annual financial report for the year ended 30 September 2016.

The Group has considered the impact of new standards issued during the period and no material impact has been noted for the period.

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group. The directors have not early adopted any of these new or amended standards or interpretations. The directors have not yet fully assessed the impact of these new or amended standards (to the extent relevant to the Group) and interpretations.

2. Dividends paid and proposed

	Consolidated entity	
	31 March 2017	31 March 2016
	\$000	\$000
Declared and paid during the year:		
Dividends on ordinary shares:		
Final dividend for 2016: 1.5 cents per share (2015: 1.5 cents)	835	810
	<u>835</u>	<u>810</u>
Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan:		
Paid in Cash	311	347
Satisfied by issue of shares	524	463
	<u>835</u>	<u>810</u>
Dividends proposed not paid		
Proposed interim dividend of 1.25 cents per share (2016: 1.0 cents) not recognised as a liability at period end	708	549
	<u>708</u>	<u>549</u>

All dividends paid and proposed have been or will be fully franked at the rate of 30%.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2017

3. Issued capital

<i>Ordinary shares issued and fully paid</i>	2017 31 March		2016 30 September	
	Number	\$000	Number	\$000
Balance at the beginning of the financial year	55,657,919	37,582	53,956,011	36,802
Allotted pursuant to HGL dividend reinvestment plan	1,013,944	524	1,701,908	786
Costs associated with shares issued	-	(4)	-	(6)
Balance at the end of the financial year	56,671,863	38,102	55,657,919	37,582

4. Segment information

31 March 2017	Retail marketing \$000	Homewares \$000	Collectables \$000	Building products \$000	Health & beauty \$000	Aggregated segments \$000
Revenue from sales to external customers	5,223	4,277	2,452	12,106	3,221	27,279
Depreciation	4	5	23	107	18	157
Segment EBIT	384	(367)	50	2,194	101	2,362
31 March 2016	Retail marketing \$000	Homewares \$000	Collectables \$000	Building products \$000	Health & beauty \$000	Aggregated segments \$000
Revenue from sales to external customers	5,396	3,740	2,762	10,599	3,553	26,050
Depreciation	4	2	27	99	14	146
Segment EBIT	304	(211)	253	1,826	200	2,372

Reconciliation of profit	Consolidated entity	
	31 March 2017 \$000	31 March 2016 \$000
Segment profit	2,362	2,372
Share of profit from equity accounted investments	691	554
Finance costs	(27)	(44)
Other unallocated expenses	(1,368)	(1,333)
Profit before tax	1,658	1,549

- Retail marketing segment (SPOS) provides standard and customised shelving product solutions to brand owners and retailers
- Homewares segment (Leutenegger and Nido) distributes homewares and traditional sewing and crafts supplies
- Collectables segment (Biante) distributes collectable model cars
- Building product segment (JSB Lighting) distributes architectural lighting for the commercial market

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Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2017

4. Segment information (continued)

- Health & beauty segment (BLC Cosmetics) distributes cosmetics and skincare products through salon, spa and retail markets

5. Events after the reporting period

There have been no significant events occurring after the balance date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

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Directors' declaration

In accordance with a resolution of the directors of HGL Limited, I state that:

1. In the opinion of the directors:
 - (a) the interim financial statements and notes of HGL Limited for the half-year ended 31 March 2017 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2017 and of its performance for the half-year on that date; and
 - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



Peter Miller
Chairman
Sydney
23 May 2017



Dr Frank Wolf
Director

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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 condensed consolidated statement of financial position as at 31 March 2017, and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-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 end of the half-year or from time to time during the half-year as set out on pages 4 to 13.

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 2017 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.

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 2017 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, 23 May 2017

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