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 2018**

Previous corresponding period: 6 months to 31 March 2017

		CURRENT PERIOD 31 MAR 18	PREVIOUS PERIOD 31 MAR 17
Revenues from ordinary activities of Continuing Operations($000's)	DOWN 2% TO	21,017	21,393
Profit from ordinary activities of Continuing Operations after tax attributable to members ($000's)	UP 20% TO	2,201	1,827
Net profit for the period attributable to members ($000's)	DOWN 56% TO	741	1,697
Earnings per share from Continuing Operations (cents per share)	UP 17% TO	3.81	3.25
Net tangible assets per share (cents per share)		26.8	29.4

Comments on above results

- Continuing Operations delivers profit growth and improved cash generation
- Acquisition of POSM Solutions during period, positive contribution from Intralux acquisition
- Results from Continuing Operations excludes any impact of the disposed entities Biante and Leutenegger
- Completion of Pegasus acquisition on 1 April 2018

For more detailed information please refer to Operating and Financial Review in Director's report

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 24 July 2018)	**1.50**	**1.50**	878	0.0
Record date for determining entitlements to the dividend			**4 JULY 2018**	
Previous corresponding period	1.25	1.25	708	0.0

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 5 July 2018.

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

HGL Limited
ABN 25 009 657 961
Financial report for the
half-year ended 31 March 2018

Directors' report

Your directors submit their report for the half-year ended 31 March 2018.

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 (Ceased: 18 April 2018)
Kevin Eley
Julian Constable
Cheryl Hayman

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

It was with great sadness that we note the passing of Dr Frank Wolf OAM on 18 April 2018 following a short battle with cancer. Frank had been a valuable member of HGL's board of directors since 2000, helping guide the company through some challenging times. Most recently, he also fulfilled the role of Chair of the Audit Committee. Frank's intelligence and undeniable business acumen was supplemented by his sense of humour, particularly around the board table. HGL is deeply saddened at the passing of one of its own.

Operating and financial review

Continuing operations deliver profit growth and improved cash generation; disposal of non-core assets

Trading Overview

HGL Limited (ASX: HNG) announces a Net Profit After Tax from Continuing Operations of $2.2 million for the six months ended 31 March 2018, up 20.5% on the prior corresponding period. Statutory Net Profit After Tax, after including a $1.5 million loss on the disposed businesses (Biante and Leutenegger, classified as "Discontinued Operations"), was $0.7 million (2017 $1.7 million).

Continuing Operations
[Continuing Operations excludes any impact of the disposed entities Biante and Leutenegger]

Underlying Earnings Before Interest and Tax (EBIT) from Continuing Operations of $2.1 million was up 12.9% on the prior corresponding period.

Total revenue of the wholly owned subsidiaries was flat at $21.0 million, with an additional $10.9 million revenue from our 50% owned associate Mountcastle. Total combined revenue is up 1.7% on the prior year.

The acquisition of Intralux in September 2017 helped drive an increase in revenue in JSB Lighting of 1.7%. Intralux provides an opportunity to source a portion of JSB's pre-existing product range internally rather than from third party suppliers. JSB's Underlying EBIT contribution was in line with the prior period.

Nido Interiors revenue was up 79.5% on the prior period, as the continued focus on private label sales gains momentum. This resulted in a much improved Underlying EBIT performance, with Nido approaching a break even position.

SPOS Group experienced declining revenues in the six months, however the addition of POSM in December 2017 has improved the six month result. With an improved Gross Margin percentage and good operating cost control, SPOS was still able to record a 20.6% increase in Underlying EBIT despite the lower sales.

Revenue in BLC Cosmetics was down 16.7%, with continuing structural decline in Thalgo sales and the discontinuation of the Issada make-up brand. The organisational changes implemented during the second half of FY17 are expected to reverse the current sales trend but are yet to return the required sales growth, and despite operating costs being well below the prior period, the business incurred an Underlying EBIT loss.

HGL's 50% owned joint venture company Mountcastle continues to show strong sales growth, up 9.0% from the ongoing distribution relationship with The School Locker and increased private school uniform sales. Margin pressure and an increase in operating costs led to an Equity Accounted Profit contribution comparable to the prior period.

Directors' report (continued)

Operating and financial review (continued)

Working Capital and Cash Flow

Working capital employed decreased, with significant reductions in trade debtor and inventory levels offset by smaller reductions in trade creditors and provisions.

The combination of disciplined working capital management and improved profits generated positive operating cash flows from Continuing Operations of $1.3 million, up from $1.1 million in the prior period. Net Cash on Hand at 31 March 2018 of $5.2 million was significantly higher than the 30 September 2017 position of $2.1 million.

Corporate Strategy and Company Portfolio Changes

The implementation of operational improvement initiatives in our business units is delivering positive results, aided by strategic acquisitions to further drive future growth and profit performance.

HGL is well underway in repositioning its company portfolio, expanding its representation in selected industry sectors with longer term growth prospects, with investments in Intralux, POSM Solutions and Pegasus Healthcare and disposals of Biante and Leutenegger.

HGL's subsidiary SPOS completed its acquisition of POSM (Point of Sale Material) Pty Ltd in December 2017, for $0.7 million cash plus a maximum earn-out of $0.65 million. This bolt on acquisition provided access to customers and products which were complimentary to the existing SPOS business, and the integration of the businesses is progressing well, with synergies from the combined businesses being gradually realised.

Biante model cars was disposed in December 2017 and incurred a net loss of $0.7 million, including the write-downs on disposal of the business. Cash released from remaining working capital along with the disposal proceeds, reached $2.0 million, with a further $0.5 million net cash expected to be received over the period to December 2018.

The Leutenegger arts and crafts business was sold in February 2018 for $2.0 million. Leutenegger incurred a net loss of $0.6 million for the half year, however provided $1.2 million in cash including sale proceeds. Further net cash in excess of $0.5 million is expected to be received over the second half of FY18 with a final payment in February 2019 subject to conditions.

HGL was delighted to announce the completion of its 70% investment in the Pegasus Healthcare Group effective 1 April 2018. HGL is partnering with the existing CEO Scott Nowland, who will continue with 30% equity in the business. Pegasus Healthcare was established in 1991 and is a leading supplier of high quality, clinically supported alternating pressure devices (pressure relieving beds and mattresses) sold or rented to hospitals and aged care facilities. Hospital-at-Home was established in 1998 and specialises in supplying assistive technology devices, medical equipment, consumables and services to patients being nursed at home. Both businesses are recognised as first-class service providers, offering medical equipment with competitive rental programs and unsurpassed service capabilities.

The opportunity to reinvest the funds from the two divestments into the attractive healthcare sector is an exciting step in the expansion of the industry footprint of HGL, and consistent with the strategy to develop organically and enter faster growing and higher returning markets. HGL's access to capital will allow Pegasus to continue its recent strong growth trajectory, funding opportunities into new markets.

Management remains fully focused on successfully executing the Growth, Profit and Sustainability (GPS) strategy plan delivering operational efficiency and expansion, while pursuing strategic investment opportunities.

Dividend

An interim dividend of 1.5 cents per share fully franked (2017: 1.25 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 record date for the dividend will be 4 July 2018, with a payment date of 24 July 2018. The dividend reinvestment plan (DRP) will continue to be available to Australian and New Zealand shareholders holding more than 1,000 shares, with no discount.

Directors' report (continued)

Operating and financial review (continued)

Outlook

The financial results for the period ended 31 March 2018 culminating in improved profitability and materially increased cash flow generation in HGL, reflects the combination of stronger operational performance, early signs of positive contribution from the recent acquisitions and reduced capital employed after the divestment of the non-core assets.

The acquisition of Pegasus Healthcare effective from 1st April 2018 will improve the Group result, and the Board supports the positive outlook for HGL for the remainder of the year.

Significant events after the balance date

Effective 1 April 2018, HGL acquired a 70% interest in the Pegasus Healthcare Group. Further details can be found in Note 6 to the financial statements.

Auditor independence declaration

The directors have received a declaration for the auditor of HGL Limited. This has been included on page 4.

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
22 May 2018

Kevin Eley
Director

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22 May 2018

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 2018, 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

Carlo Pasqualini
Partner
Chartered Accountants

Consolidated income statement

For the half-year ended 31 March 2018

	Notes	Consolidated entity 31 March 2018 $000	Consolidated entity 31 March 2017 $000
Continuing operations			
Sales revenue		21,017	21,393
Cost of sales		(11,116)	(11,382)
Gross profit		**9,901**	**10,011**
Other income		42	32
Sales, marketing and advertising expenses		(3,486)	(4,119)
Occupancy expenses		(670)	(616)
Freight and distribution expenses		(658)	(666)
Administration and other expenses		(3,828)	(3,506)
Finance costs		(68)	(59)
Share of profit of associates		682	691
Profit before tax		**1,915**	**1,768**
Income tax benefit		286	59
Profit for the period from continuing operations		**2,201**	**1,827**
Loss after tax for the period from discontinued operations	8	(1,460)	(130)
Profit for the period		**741**	**1,697**
Attributable to:			
Equity holders of the parent		741	1,697
		Cents	**Cents**
Earnings per share			
Basic		1.3	3.0
Diluted		1.3	3.0
Earnings per share for continuing operations			
Basic, profit from continuing operations attributable to ordinary equity holders of the Parent		3.8	3.3
Diluted, profit from continuing operations attributable to ordinary equity holders of the Parent		3.8	3.3

These statements should be read in conjunction with the accompanying notes

Consolidated statement of comprehensive income

For the half-year ended 31 March 2018

	Consolidated entity	
	31 March 2018	31 March 2017
	$000	$000
Profit for the period	**741**	**1,697**
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	20	(22)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**20**	**(22)**
Total comprehensive income for the year, net of tax	**761**	**1,675**
Total comprehensive income attributable to:		
Equity holders of the Parent	761	1,675
	761	**1,675**

These statements should be read in conjunction with the accompanying notes

Consolidated balance sheet

As at 31 March 2018

		Consolidated entity	
		31 March 2018	30 September 2017
	Notes	$000	$000
Assets			
Current assets			
Cash and cash equivalents		5,157	4,381
Trade and other receivables		6,309	9,754
Inventories		3,434	6,950
Prepayments		636	1,445
Other current financial assets		1,850	-
Total current assets		**17,386**	**22,530**
Non-current assets			
Investment in associates		5,227	4,994
Property, plant and equipment		745	1,261
Intangible assets		13,117	12,066
Deferred tax assets		2,964	2,817
Total non current assets		**22,053**	**21,138**
Total assets		**39,439**	**43,668**
Liabilities			
Current liabilities			
Trade and other payables		5,980	7,687
Interest bearing loans and borrowings		-	2,250
Provisions		1,895	2,795
Other financial liabilities		555	-
Total current liabilities		**8,430**	**12,732**
Non-current liabilities			
Provisions		480	852
Other financial liabilities		1,702	1,702
Total non current liabilities		**2,182**	**2,554**
Total liabilities		**10,612**	**15,286**
Net Assets		**28,827**	**28,382**
Equity			
Issued capital	4	39,040	38,496
Other capital reserves		(1,057)	(1,077)
Accumulated losses		(9,156)	(9,037)
Total equity		**28,827**	**28,382**

These statements should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity

For the half-year ended 31 March 2018

Consolidated entity	Issued capital	Foreign Currency Reserve	Other Reserve	Accumulated losses	Total equity
	Attributable to the equity holders of the parent				
	$000	$000	$000	$000	$000
As at 1 October 2017	**38,496**	**(176)**	**(901)**	**(9,037)**	**28,382**
Profit for the year	-	-	-	741	741
Translation of overseas controlled entities	-	20	-	-	20
Total comprehensive income	-	20	-	741	761
Dividend paid (Note 3)	-	-	-	(860)	(860)
Shares issued under a Dividend Reinvestment Plan (Note 4)	548	-	-	-	548
Costs associated with issues of shares	(4)	-	-	-	(4)
At 31 March 2018	**39,040**	**(156)**	**(901)**	**(9,156)**	**28,827**

These statements should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity (continued)

For the half-year ended 31 March 2017

	Attributable to the equity holders of the parent				
Consolidated entity	**Issued capital**	**Foreign Currency Reserve**	**Other Reserve**	**Accumulated losses**	**Total equity**
	$000	**$000**	**$000**	**$000**	**$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 3)	-	-	-	(835)	(835)
Shares issued under a Dividend Reinvestment Plan (Note 4)	524	-	-	-	524
Costs associated with issues of shares	(4)	-	-	-	(4)
At 31 March 2017	**38,102**	**(167)**	**(901)**	**(9,359)**	**27,675**

These statements should be read in conjunction with the accompanying notes

Consolidated statement of cash flows

For the half-year ended 31 March 2018

	Notes	Consolidated entity 31 March 2018 $000	31 March 2017 $000
Operating activities			
Cash receipts in the course of operations		29,334	30,936
Cash payments in the course of operations		(28,471)	(30,954)
Interest received		36	32
Interest paid		(68)	(59)
Dividends received from associates		448	400
Net cash flows from operating activities		**1,279**	**355**
Investing activities			
Proceeds from sale of property, plant and equipment		9	-
Purchase of property, plant and equipment		(311)	(145)
Acquisition of subsidiaries, net of cash acquired	7, 6	(825)	-
Disposal of businesses within a subsidiary	8	3,167	-
Net cash flows from/(used in) investing activities		**2,040**	**(145)**
Financing activities			
Repayment of borrowings		(2,250)	-
Dividends paid		(313)	(314)
Net cash flows used in financing activities		**(2,563)**	**(314)**
Net increase/(decrease) in cash and cash equivalents		756	(104)
Net foreign exchange difference		20	(22)
Cash and cash equivalents at 1 October		4,381	5,625
Cash and cash equivalents at 31 March		**5,157**	**5,499**

These statements should be read in conjunction with the accompanying notes

Notes to the consolidated financial statements

For the half-year ended 31 March 2018

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 2018 were authorised for issue in accordance with a resolution of the directors on 22 May 2018.

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 2017, 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 2017.

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.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2018

2. Income and expenses

The following items are relevant to explaining the financial performance for the period:

2.1 Significant items

The board manages the business using underlying profit, which is a non-statutory measure designed to reflect statutory profit excluding the effect of irregular transactions that are not part of the core or ongoing business operations. Underlying profit is a key consideration used by the board when determining short term incentive payments for key management personnel, and also when determining the level of any dividends declared. A summary of the items considered to be non-underlying is as follows:

	Consolidated entity	
	31 March 2018	**31 March 2017**
	$000	**$000**
Underlying profit after income tax - continuing operations	1,729	1,631
Underlying profit after income tax - discontinued operations	(987)	(130)
Non-underlying items		
Other non-underlying items (1)	(109)	(21)
Loss on disposal of businesses	(473)	-
Total non-underlying items before tax	(582)	(21)
Recognition of deferred tax assets	581	216
Total non-underlying items after tax	(1)	195
Statutory profit after tax	741	1,697

(1) Disclosed in "administration and other expenses" in the income statement.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2018

3. Dividends paid and proposed

	Consolidated entity 31 March 2018 $000	31 March 2017 $000
Declared and paid during the year:		
Dividends on ordinary shares:		
Final dividend for 2017 : 1.5 cents per share (2016: 1.5 cents)	860	835
	860	**835**
Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan:		
Paid in cash	312	311
Satisfied by issue of shares	548	524
	860	835
Dividends proposed not paid		
Proposed interim dividend of 1.5 cents per share (31 March 2017: 1.25 cents) not recognised as a liability at period end	878	708

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

4. Issued capital

	2018 31 March		2017 30 September	
Ordinary shares issued and fully paid	**Number**	**$000**	**Number**	**$000**
Balance at the beginning of the financial year	57,359,581	38,496	55,657,919	37,582
Allotted pursuant to HGL dividend reinvestment plan	1,167,017	548	1,701,662	922
Costs associated with shares issued	-	(4)	-	(8)
Balance at the end of the financial year	**58,526,598**	**39,040**	**57,359,581**	**38,496**

Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2018

5. Segment information

The following is an analysis of the Group's revenue and results by reportable operating segment for the half-years under review:

Consolidated entity	Revenue 31 March 2018 $000	Revenue 31 March 2017 $000	Segment EBIT 31 March 2018 $000	Segment EBIT 31 March 2017 $000
Continuing operations				
Retail Marketing	4,508	5,223	463	384
Homewares	1,515	844	(59)	(207)
Building Products	12,311	12,105	2,204	2,194
Health & beauty	2,683	3,221	(23)	101
Continuing segment EBIT	21,017	21,393	2,585	2,472
Share of profit from equity accounted investments			682	691
Finance costs			(32)	(27)
Significant items (1)			(109)	-
Other unallocated expenses			(1,211)	(1,368)
Profit before tax from continuing operations			**1,915**	**1,768**

(1) Disclosed in "administration and other expenses" in the income statement.

Consolidated entity	Revenue 31 March 2018 $000	Revenue 31 March 2017 $000	Segment EBIT 31 March 2018 $000	Segment EBIT 31 March 2017 $000
Discontinued operations				
Homewares	1,609	3,433	(797)	(160)
Collectables	1,022	2,452	(56)	50
Total	2,631	5,885	(853)	(110)
Loss on disposal			(473)	-
Loss before tax from discontinued operations			**(1,326)**	**(110)**
Income tax benefit (continuing and discontinued operations)			152	39
Consolidated segment profit for the period			**741**	**1,697**

The revenue reported above represents revenue generated form external customers. There is no inter-segment sales during the half-year.

Continuing operations for the period include:

- Retail marketing segment (SPOS) provides standard and customised shelving product solutions to brand owners and retailers
- Homewares segment (Nido Interiors) distributes branded and private label homewares to retailers
- Building product segment (JSB Lighting) distributes architectural lighting for the commercial market
- Health & beauty segment (BLC Cosmetics) distributes cosmetics and skincare products through salon, spa and retail markets

Discontinued operations during the period were:

- Homewares segment (Leutenegger) distributes traditional sewing and crafts supplies
- Collectables segment (Biante) distributes collectable model cars

Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2018

6. Events after the reporting period

Acquisition of Pegasus Healthcare Group

Effective 1 April 2018, HGL acquired a 70% interest in the Pegasus Healthcare Group. Pegasus will be consolidated into HGL's accounts from that date, with no effect on the financial statements to 31 March 2018.

Up front consideration of $3.8 million was funded through an additional $1.9 million cash advance provided by HGL's bankers, with the balance through internal funding, including $0.15 million deposit paid prior to 31 March 2018. Further fixed deferred payments of $0.65 million cash are payable over 3 years. There are no contingent consideration amounts.

A detailed assessment of fair values of assets and liabilities acquired under the acquisition is incomplete, given the proximity of acquisition date to reporting date, however a preliminary assessment indicates major classes of assets and liabilities as follows:

	$000
Assets and liabilities	
Current Assets	3,032
Non-current Assets	4,582
Current Liabilities	(934)
Non-current Liabilities	(323)
Net assets	**6,357**
Outside equity interests	(1,907)
Consideration paid/payable	**4,450**

A portion of the Intangible assets acquired will be recognised as Goodwill, after separating any other identifiable intangibles. Goodwill is recognised as the acquisition of Pegasus gives HGL access to the strong growth sectors of acute, aged and primary care, providing an expansion of the industry footprint of HGL.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2018

7. Business combinations and acquisition of non-controlling interests

Acquisitions in 2018

POSM Solutions

On 4 December 2017, the Group acquired the business and assets of POSM (Point of Sale Materials) Pty Ltd, a supplier of quality shop fittings, display solutions, display accessories, signage and custom printed promotional products to large retailers and FMCG brands.

The purchase price consisted of an up front payment of $662,000, with contingent amounts payable based on POSM's gross margin contribution over the 12 month period following completion. At balance date the fair value of the deferred consideration was $555,000.

The acquisition of POSM provides SPOS Group with an extended product offering and customer base delivering both growth opportunities and expense synergies, and will expand SPOS Group's market share in Australia and New Zealand.

	$000
Assets acquired and liabilities assumed	
Assets and liabilities	
Inventories	162
Deferred tax assets	4
Net assets acquired	**166**
Goodwill	1,051
Fair value of total consideration transferred	**1,217**

	$000
Purchase consideration	
Cash Paid	662
Contingent consideration	555
Total consideration	**1,217**

Upon acquisition the acquired business was integrated within the existing Retail Marketing segment, and an accurate EBIT contribution from POSM as a standalone business is therefore not possible. Sales for the period from acquisition to balance date totalled $583,000.

The Group incurred acquisition costs of $14,000. These costs have been included in administration and other expenses, and treated as non-underlying expenses for the purposes of Underlying EBIT calculations.

(a) Provisional Accounting

The acquisition accounting has been prepared on a provisional basis. The assets for which final accounting has not been completed include intellectual property intangible assets.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 March 2018

8. Discontinued operations

Biante Pty Ltd

On 4 December 2017, the group disposed of the business operations and assets of Biante Pty Ltd, being the whole of the Collectables segment of the business. The disposal was considered an opportunity to release cash from a non-core business unit, and at the same time removing the need for significant future cash investment in production opportunities.

Disposal proceeds of $1.75 million were received on completion, plus further payments of $1.5 million over the twelve months to December 2018 subject to future winding out of stock purchase commitments of $1.4 million over a similar period, plus any potential sale warranties. At balance date, a receivable of $1.1 million is recognised on the balance sheet in relation to deferred consideration receivable, with approximately $0.5 million additional cash outflows expected in relation to the stock purchase commitments.

Leutenegger

On 12 February 2018, the group disposed of the business operations and assets of Leutenegger Pty Ltd, a distributor of traditional sewing and craft supplies, and part of the Homewares segment. The disposal followed a strategic review of the business which identified it did not have sufficient scale to profitably compete in this sector.

Disposal proceeds of $1.2 million were received on completion, plus further payments of $0.75 million over the twelve months to February 2019 subject to any potential sale warranties. At balance date, a receivable of $0.75 million is recognised on the balance sheet in relation to deferred consideration receivable.

A summary of the financial performance of the two discontinued businesses for the period is shown below.

	Consolidated entity	
	31 March 2018	**31 March 2017**
	$000	**$000**
Profit / (Loss) for the year from discontinued operations		
Revenue	2,631	5,885
Expenses	(3,484)	(5,995)
Operating loss of discontinued operations	**(853)**	**(110)**
Loss on disposal of discontinued operations	(473)	-
Loss before tax from a discontinued operation	(1,326)	(110)
Tax expense related to current loss	(134)	(20)
Loss for the year from discontinued operations	**(1,460)**	**(130)**

	Consolidated entity	
	31 March 2018	**31 March 2017**
	$000	**$000**
Cash flows from discontinued operations		
Operating	(67)	(793)
Investing	3,163	(132)
Financing (1)	(2,934)	1,181
Net cash inflow	**162**	**256**

Note 1: Financing cash flows reflect transfer of funds between wholly owned Group entities

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 2018 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 2018 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
22 May 2018

Kevin Eley
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 consolidated statement of financial position as at 31 March 2018, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the 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.

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 2018 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.

Deloitte.

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 2018 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

Carlo Pasqualini
Partner
Chartered Accountants
Sydney, 22 May 2018