



HGL Limited
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Welcome to the 107th Annual General meeting of HGL.

Before I briefly comment on the results for the year end September 2010 let me update you on the effects of the devastating floods in Queensland where we have 60 staff. Our business locations were fortunately not seriously physically affected by the floodwater and all our employees to the best of our knowledge have escaped significant personal property damage. The disruption in the Brisbane area will have an effect and it will take some time for our operations to return to normal. We wish well to all those affected.

Now to our results.

The extensive coverage in the Annual Accounts and the 12 page review sent to shareholders can be summarised as follows:

- Underlying profit increased by \$1.8 million or 36% to \$6.8 million. Underlying earnings per share increased by 33% to 13.3 cents per share.
- The profit on items excluded from underlying profit was \$6.6 million. This was largely the profit on the sale of listed shares. All listed shares have now been sold. These sales finalised the strategy changes I referred to last year.
- The fully franked dividend was 11 cents per share compared with 8 cents in 2009.
- Sales increased by 3% to \$170.1 million.
- Underlying business EBIT increased by \$4.0 million or 36% to \$15.1 million.
- The operational cash flow combined with the sale of listed shares resulted in net cash of \$2.0 million at 30 September 2010 compared with net debt of \$13.4 million a year earlier.

These figures I believe demonstrate that the year was a commendable achievement and the strategies put into place to concentrate on market leading branded products are yielding positive results. The aim is to continue growth in this area and this is constantly being addressed.

supplying market leading branded products



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As an importer we acknowledge the need to manage foreign exchange risk. We principally manage this risk by selling products where most of the medium and long term exchange rate fluctuations are borne by our customers and suppliers. Foreign currency bank accounts and foreign exchange contracts are used to create a breathing space for operational adjustments to occur when exchange rates move.

Our capital management policy remains unaltered from last year which is to retain the funds made available from investment sales and together with prudent borrowings grow HGL through funding both organic expansion and acquisitions.

CHIEF EXECUTIVE

In October 2010 Mr Kevin Eley who had been our chief executive for 24 years resigned and Mr Michael Mahoney was appointed to replace him. I would again like to thank Kevin for the valuable contribution he has made to HGL. Kevin has every reason to feel proud of his achievements and I am pleased he remains as a director.

FIRST QUARTER TRADING

The unaudited underlying profit of \$2.0 million for the quarter is only marginally less (\$0.3m) than that of last year's comparison quarter and as I referred to in the Annual Accounts the comparison quarter benefited from the government stimulus measures.

Sales for the quarter were down by 4% or \$1.9 million to \$42.7 million however this decrease was largely the result of a decrease in sales of large format printing equipment and eye testing instruments which suffered from the absence of the stimulus measures. Excluding these two product categories sales increased by 5% (\$1.7 million).

Gross margin percentage improved over the 45% achieved last year.

OUTLOOK

External conditions remain challenging and unpredictable, however if customer sentiment remains at the improved level experienced in the final quarter of last calendar year we believe our annual underlying profit shall exceed that of last year. Our management team is focussed on the defined strategy and improving earnings and with no net debt the Board continues to remain confident about the long term future.

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I, on behalf of the Board congratulate our employees on achieving these results. I also wish to thank our shareholders for their continuing support.

This completes my address. Our newly appointed CEO Michael Mahoney will now address you and formally introduce himself. Michael was our previous Chief Operating Officer for many years and in that role he was responsible for the business units and helped drive the refocusing of HGL.

PG Miller
Chairman