Hills Industries Limited
ABN 35 007 573 417

Annual Report
30 June 2008

Contents

Hills Industries Limited 30 June 2008 Annual Financial Report

Directors' report

For the year ended 30 June 2008

The directors present their report together with the financial report of Hills Industries Limited ("the Company") and of the Group, being the Company and its subsidiaries, and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2008 and the auditor's report thereon.

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Directors' report

For the year ended 30 June 2008

1. Operating and financial review

HILLS GROUP ACHIEVES 16TH CONSECUTIVE RECORD PROFIT

The Hills Industries Group achieved a Group profit after tax from ordinary operations attributable to shareholders of $48.036 million. This was an increase of 1.8% over the previous year and represents the 16th consecutive year of record profits for the Group. In a year of difficult economic settings the Company was able to maintain its fully franked dividend at record levels.

OVERVIEW 2008

The growth in sales and improvement in results for the Hills Group this year were achieved primarily through organic growth of existing businesses rather than acquisition of new businesses. Following a more difficult first half, the second half EBIT result was an improvement of 9% on the same period in the previous year and a 5.7% increase on the first half of this year. Notwithstanding this, profits were adversely affected in the year due to the higher costs of freight and distribution. The continued strong performance of Electronic Security and Entertainment more than offset the reduction in Building and Industrial Products, while the Home, Hardware and Eco Products result was flat.

Our cash flows were below our targets as we funded the increased working capital requirements of the second half. Despite this our balance sheet gearing remains under our target levels, we have adequate banking facilities, which have long-term tenure, and we comfortably exceed all of our banking covenants.

This year was one of great change at Hills. After 15 years as Managing Director, David Simmons announced his retirement in March. Under David's leadership Hills achieved an unbroken record of growth in sales and profit. Over his time as our Managing Director the company transformed itself from a company with a high reliance on hardware products to a major diversified company. David will continue as a consultant to the company for a further 12 months.

GROUP STRATEGY

Our strategy is to develop competitive businesses in three main industry segments being Electronic Security and Entertainment; Building and Industrial Products and Home, Hardware and Eco Products. We are committed to diversification in order to minimise the impact of short-term changes to individual markets and economies. We aim to be product innovators and market leaders.

Our objective overall is to grow revenue and earnings through a combination of organic growth and acquisitions. We aim to be good corporate citizens in all aspects of our business dealings. We look to provide a safe working environment for all of our employees in which they can develop to their potential.

TRADING CONDITIONS

Trading conditions in the year under review were mixed. As the year progressed there was more evidence of a slow down in the Australian economy and the New Zealand economy performed poorly. Strong economic activity in Western Australia, Queensland and South Australia was somewhat offset by subdued activity in New South Wales and Victoria. Steel prices began to rise late in the period under review and the Australian dollar strengthened over the course of the year. Further information on each division is contained later in this report.

Hills Industries Limited 30 June 2008 Annual Financial Report

Directors' report

For the year ended 30 June 2008

1. Operating and financial review

VISION AND VALUES

Hills Industries Limited is a diversified company operating in three industry segments namely, Electronic Security and Entertainment; Home, Hardware and Eco and Building and Industrial Products.

We aim to be market leaders in the industries in which we operate, supplying innovative quality products to our customers to achieve superior financial performance that provides strong shareholder value. To achieve this we value and promote:

- A leadership style that encourages autonomy and initiative;
- Commercial acumen with a focus on profitability and value;
- A never ending process of continuous improvement;
- Being open, ethical and earning the trust of those we deal with; and
- A culture of individual development, personal growth and safety

SHAREHOLDERS

We value the consistent support of our shareholders in a year that saw some significant fluctuations in our share price. The very good support for our Dividend Reinvestment Plans and Share Purchase Plans enabled us to continue our policy of paying 100% of our profits as dividends.

We continue to offer our Dividend Reinvestment Plans to shareholders at discount levels that Directors feel are attractive for reinvestment.

We also continue our practice of ensuring that employees who meet the relevant criteria participate in our Employee Share Scheme. We believe that widespread share ownership by our employees has many positive benefits to the employees, the Company and our shareholders.

LIKELY DEVELOPMENTS

There has been much publicity regarding the uncertain macro-economic settings, including higher interest rates, higher fuel and steel costs and the uncertainty surrounding capital markets. Many of our business units operate in markets that still exhibit growth despite these factors. We expect some improvements in businesses that have underperformed this year and the diversity of our businesses further mitigates the risks associated with these economic settings. Hills are not heavily exposed to the domestic housing cycle and as such we expect a satisfactory result in the year ahead.

Directors' report

For the year ended 30 June 2008

2. Directors

The directors of the Company at any time during or since the end of the financial year are:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Jennifer Helen Hill-Ling LLB(Adel) Chairman Non-Independent Non-Executive Director	Appointed Director in August 1985. Appointed Deputy Chairman in June 2004. Appointed Chairman 28 October 2005. Member of the Nomination Committee and Chairman of the Remuneration Committee. Former Director of Tower Trust Ltd. Jennifer Hill-Ling has extensive experience in corporate and commercial law. She specialises in corporate and business structuring, mergers and acquisitions, joint ventures and related commercial transactions. She has practiced law for 25 years.
Graham Lloyd Twartz BA (Adel) DipAcc (Flinders) Group Managing Director	Joined the Company in 1993. Appointed Director in July 1993. Appointed as Group Managing Director 1 July 2008. Director of Korvest Ltd and Fielders Australia Pty Ltd. Graham Twartz is the Group Managing Director and is responsible for group operations, including business strategy and acquisitions. He was formerly the Finance Director and Company Secretary and has over 23 years experience in his field. Mr Twartz held senior management positions in diversified companies before joining Hills in 1993.
David James Simmons BA (Accountancy) Former Group Managing Director	Joined the Company in 1984. Appointed Finance Director in July 1987. Appointed Managing Director in December 1992. Resigned as Group Managing Director 30 June 2008. Chairman of Korvest Ltd. Resigned as Chairman of Fielders Australia Pty Ltd 27 July 2008. As Group Managing Director David Simmons was responsible for group operations, including business strategy and acquisitions. Mr Simmons has extensive financial and general management experience and was Chairman of the SA Government Economic Development Board until 30 June 2008. He also became a Director of Codan Limited in May 2008 and is a Board member of Thomson Playford lawyers.
Ian Elliot GAICD Independent Non-Executive Director	Appointed Director in August 2003. Member of the Remuneration Committee and Chairman of the Nomination Committee. Director of Salmat Limited. Former Chairman of Promentum Limited, Zenith Media Pty Ltd, Allied Brands Limited and Artist & Entertainment Group Limited. Ian Elliot has spent 35 years in marketing. His speciality is brand building, with extensive involvement in a number of icon brands. Mr Elliot is a fellow of the AICD and graduate of the Harvard Business School Advanced Management Program.
Roger Baden Flynn BEng (Hons) MBA FIE(Aust) Independent Non-Executive Director	Appointed Director in November 1999. Member of the Audit and Compliance Committee. Executive Chairman of Coventry Group Limited. Previously Managing Director of ION Limited, Non-Executive Director of Wattyl Limited and Director of Longreach Group Limited.

Name, qualifications and independence status	Experience, special responsibilities and other directorships
	Roger Flynn has 40 years experience working in a range of technical and commercial roles in manufacturing and distribution industries in Australia and the United States, including 38 years of Board experience in ASX listed companies.
Geoffrey Guild Hill FCPA FAICD F.S.I BEc (Syd) MBA (NSW) Independent Non-Executive Director based in Hong Kong	Appointed Director in February 1999. Appointed as a Director of Fielders Australia Pty Ltd 27 July 2008. Member of the Audit and Compliance, Remuneration and Nomination Committees. Chairman of International Pacific Securities (Group) Limited. Director Brickworks Investments Limited, Huntley Investments Limited, Metals Finance Limited, Asian Property Investments Limited and Heritage Gold (NZ) Limited Former Director of Biron Corporation Limited, Undercoverwear limited, Pitt Capital Partners and Pacific Strategic Investments Limited. Geoffrey Hill is a merchant banker, based in Hong Kong, with over 33 years experience in the securities industry. He has worked both in Europe and the United States and has managed merchant banks in Australia since 1989. Mr Hill specialises in mergers and acquisitions and corporate reconstructions and has been active in Merchant Banking field since 1979.
Peter William Stancliffe BE(Civil) FAICD Independent Non-Executive Director	Appointed Director in August 2003. Chairman of the Audit and Compliance Committee. Non-executive Director of Automotive Holdings Group Limited and Chairman of View Resources Limited. Former Chairman of Deck Guardrail Australia Pty Ltd, Victorian Regional Executives Group and Xtract Technologies Limited. Peter Stancliffe has over 38 years experience in the management of large industrial companies both in Australia and overseas and has held various senior management positions, including Chief Executive Officer. He has extensive experience in strategy development and a detailed knowledge of modern company management practices. Mr Stancliffe is a graduate of the MIT Senior Management Program and the AICD Company Directors' Course.

Directors' report

For the year ended 30 June 2008

3. Company secretary

Mr Andrew Muir, B.Ec, MBA (Adelaide) was appointed to the position of Company Secretary in July 2008. Mr Muir is the Company's General Manager of Finance and was formerly the General Manager of Business Development for 5 years.

Mr Paul Blewett, LLB, was appointed to the position of Company Secretary in April 2008 and held this position until July 2008. Mr Blewett previously held the role of General Counsel and Company Secretary with another listed public company for several years and prior to that worked as Legal Counsel for other large corporations, and as a lawyer for a major commercial legal practice.

Mr Graham Twartz, B.A, Dip Acc was Company Secretary from 1 July 2007 to 31 March 2008. Mr Twartz previously held the role of Finance Director and has over 23 years experience in his field.

4. Officers who were previously partners of the audit firm

There were no persons who were officers of the Company during the financial year and were previously partners of the current audit firm, KPMG.

5. Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Non-executive directors Meetings		Nomination Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
J H Hill-Ling	15	15	-	-	4	4	7	7	2	2
G L Twartz	15	15	-	-	-	-	-	-	-	-
D J Simmons	11	15	-	-	-	-	-	-	-	-
I Elliot	15	15	-	-	4	4	7	7	2	2
R B Flynn	15	15	3	3	-	-	7	7	-	-
G G Hill	14	15	2	3	3	4	6	7	2	2
P W Stancilffe	15	15	3	3	-	-	7	7	-	-

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

6. Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

The ASX Principles are set out below, along with information provided in accordance with the Guide to Reporting for Annual Reports included in the ASX Recommendations.

Further details of the corporate governance practices of the Company are available in the Corporate Governance section of the Company website at www.hills.com.au.

Principle 1: Lay solid foundations for management and oversight

The Company complies with the ASX recommendation of recognising and publishing the respective roles and responsibilities of Board and management.

Principle 2: Structure the Board to add value

ASX recommends the Company has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

The Company has substantially complied with this Principle during the reporting period. There has been a departure from the ASX Recommendation 2.2 in that the Chairman Ms Jennifer Hill-Ling is not considered an independent Chairman. The Company considers this departure is appropriate however given:

- The Hill-Ling family's interest in the Hills Group; and
- Ms Hill-Ling's considerable experience within the Hills Group.

a) Composition of the Board

The names, experience and term of the Directors of the Company in office at the date of this report are set out in section 2 of the Directors' Report above.

b) Independent professional advice and access to company information

There is a procedure agreed by the Board whereby each Director is able to obtain independent professional advice at the expense of the Company should the Director require.

c) Nomination Committee

Membership of the Nomination Committee of the Company and details of meetings for the reporting period are set out in Section 5 of the Director's Report above.

Principle 3: Promote ethical and responsible decision-making

The Company complies with the ASX recommendation that the Company actively promote ethical and responsible decision-making.

Principle 4: Safeguard integrity in financial reporting

The Company complies with the ASX recommendation that a structure be in place to independently verify and safeguard the integrity of the Company's financial reporting.

Details of the members and qualifications of the Audit and Compliance Committee of the Company, and of its meetings during the reporting period are set out in Section 2 and 5 of the Directors Report above.

For the year ended 30 June 2008

Principle 5: Make timely and balanced disclosure

The Company complies with the ASX recommendation that the Company should promote timely and balanced disclosure of all material matters concerning the Company.

Principle 6: Respect the rights of shareholders

The Company complies with the ASX recommendation that the Company should respect the rights of shareholders and facilitate the effective exercise of those rights.

Principle 7: Recognise and manage risk

The Company complies with the ASX recommendation that the Company should establish a sound system of risk oversight and management and internal control.

The Audit and Compliance Committee oversees the operation of the risk management controls established by the Company.

Principle 8: Encourage enhanced performance.

The Company complies with the ASX recommendation that the Company should fairly review and actively encourage enhanced Board and management effectiveness.

A performance evaluation for the Board and its members has taken place in the reporting period. Each Director meets individually with the Chairman annually to discuss their individual performance and the overall performance of the Board.

Principle 9: Remunerate fairly and responsibly

The ASX Recommendation is that the Company should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

The Company has complied with this Principle during the reporting period. For further information, see the Remuneration Report at section 7 of this Directors' Report

Principle 10: Recognise the legitimate interests of stakeholders

The Company complies with the ASX recommendation that the Company should recognise legal and other obligations to all legitimate stakeholders.

7 Remuneration report

7.1 Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives of the Company and the Group including the five most highly remunerated Company and Group executives.

Compensation levels for key management personnel of the Company, and key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration committee obtains independent advice on the appropriateness of compensation packages of both the Company and the Group given trends in comparative companies both locally and internationally, and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control the relevant segment/s' performance
- the Group's performance including:
  - the Group's earnings
  - the growth in share price and delivering constant returns on shareholder wealth

Compensation packages include a mix of fixed and variable compensation, and short-term and long-term performance-based incentives.

In addition to their salaries, the Group also provides non-cash benefits to its key management personnel, and contributes to a post-employment superannuation plan on their behalf.

Directors receive their statutory superannuation entitlements. In addition, certain non-executive Directors are entitled to receive benefits on retirement under a scheme that has been discontinued.

Under the scheme, Directors are entitled to a maximum retirement benefit of twice their annual Directors' fees (calculated as an average of their fees over the last three years) accumulated over a period of eight years of service.

Since the scheme was discontinued, no new Directors have become entitled to any benefit and the benefit multiple for existing Directors (up to a maximum of two times fees) remains fixed.

These benefits have been fully provided for in the financial statements.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

The remuneration committee, through a process that considers individual, segment and overall performance of the Group, reviews compensation levels annually. In addition external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Executive Share Option Plan (see note 26 to financial statements).

7 Remuneration report

7.1 Principles of compensation (continued)

Key management personnel may receive bonuses based on the achievement of agreed outcomes relating to the performance of the Group (including operational results). Bonuses earned are measured on a number of factors, the most common of which is based on the achievement of the Earnings before interest and tax (EBIT) result of the relevant business. EBIT is the chosen determinant upon which to measure bonus payments, as it is indicative of the businesses financial achievement, which has a direct correlation to shareholder value and successful operational business performance.

Shares issued to key management personnel are a result of the Employee Share Bonus Plan under which shares are issued to all employees with more than a nominated period of service. Options issued to key management personnel are a result of the Executive Share Plan. Non-executive Directors do not receive any performance related remuneration.

The remuneration structures take into account:
- the overall level of remuneration for each key management personnel;
- the executive's ability to control performance; and

The key management personnel receive performance-based remuneration primarily based on a percentage of divisional EBIT. The bonuses received by DJ Simmons and GL Twartz are discretionary, decided by the Remuneration Committee annually and based on a wide range of factors including the financial performance of the Group.

The key management personnel are not currently entitled to contractual termination payments other than those generally applicable to all staff.

Options are issued under the Executive Share Plan, to executive Directors, made in accordance with thresholds approved by shareholders at the AGM. The plan provides for 21 executives (22 executives in 2007) to receive options over ordinary shares for no consideration. The ability to exercise the options is conditional on the Company achieving certain performance outcomes. Non-executive Directors do not receive any options.

Key management personnel who acquire shares through the exercise of options are provided with 20-year interest free loans by the Company in accordance with the rules of the Executive Share Plan approved by the Shareholders. These loans are of a non-recourse nature. For accounting purposes these 20-year, non-recourse loans are treated as part of options to purchase shares, until the loan is extinguished at which point the shares are recognised.

A small number of shares are issued to executive Directors and specified executives as a result of the Employee Share Bonus Plan under which shares are issued to all employees with more than a nominated period of service.

The Board considers that the above performance-linked remuneration structure is generating the desired outcome.

For the year ended 30 June 2008

7 Remuneration report

7.2 Directors' and executive officers' remuneration (Company and Consolidated)

Details of the nature and amount of each major element of remuneration of each director of the Company, each of the five named Company executives and relevant Group executives who receive the highest remuneration and other key management personnel are:

in AUD		Short-term				Post-employment	Other long term		Share-based payments			Proportion of remuneration on performance related %	Value of options as proportion of remuneration %
		Salary & fees $	*STI cash bonus $(A)*	*Non-monetary benefits $*	*Other short-term benefits $*	*Super-annuation benefits $*	*$*	*Termination benefits $*	*Options $ (B)*	*Shares $*	*Total $*		
Directors													
Non-executive directors													
J H Hill-Ling –Chairman **	2008	150,994	-	-	-	13,589	-	-	-	-	164,583	-	-
	2007	123,807	-	-	-	11,143	-	-	-	-	134,950	-	-
I Elliot **	2008	78,937	-	-	-	7,104	-	-	-	-	86,042	-	-
	2007	69,427	-	-	-	6,248	-	-	-	-	75,675	-	-
R B Flynn **	2008	78,937	-	-	-	7,104	-	-	-	-	86,041	-	-
	2007	69,427	-	-	-	6,248	-	-	-	-	75,675	-	-
G G Hill **	2008	78,937	-	-	-	7,104	-	-	-	-	86,041	-	-
	2007	69,427	-	-	-	6,248	-	-	-	-	75,675	-	-
P W Stancliffe **	2008	88,589	-	-	-	7,973	-	-	-	-	96,562	-	-
	2007	79,587	-	-	-	7,163	-	-	-	-	86,750	-	-
Executive Directors													
D J Simmons - Group Managing Director**	2008	579,526	160,000		11,952	42,813	-	-	38,491	1,000	833,782	19%	4.62%
	2007	444,599	100,000	17,447	10,409	36,203	-	-	37,911	1,000	647,569	15%	5.85%
G L Twartz – Group Finance Director**	2008	513,236	50,000		8,611	38,698	-	-	25,728	1,000	637,272	8%	4.04%
	2007	342,548	-	32,895	7,718	30,829	-	-	25,639	1,000	440,629	0%	5.82%

For the year ended 30 June 2008

7 Remuneration report

7.2 Directors' and executive officers' remuneration (Company and Consolidated)

		Short-term				*Post-employment*	*Other long term*		*Share-based payments*			*Proportion of remuner-ation perfor-mance related %*	*Value of options as proportion of remuner-ation %*
in AUD		*Salary & fees $*	*STI cash bonus $(A)*	*Non-monetary benefits $*	*Other short-term benefits $*	*Super-annuation benefits $*	*$*	*Termination benefits $*	*Options $ (B)*	*Shares $*	*Total $*		
Executives													
L Andrewartha - Managing Director - Orrcon Group	2008	320,000	34,884	-	-	28,800	-	-	19,134		402,818	9%	4.75%
	2007	320,000	-	-	-	28,800	-	-	16,402	-	365,202	0%	4.49%
A Oliver - Group General Manager** - Antenna and TV Systems	2008	211,837	113,268		12,290	23,664		-	19,048	1,000	381,107	31%	5.01%
	2007	197,324	101,973	21,500	12,276	17,775	-	-	20,265	1,000	372,113	27%	5.45%
A Muir – General Manager – Finance**	2008	239,966				21,597		-	8,110	1,000	270,673	0%	3.01%
	2007	215,023	-	-	-	19,352	-	-	6,236	1,000	241,611	0%	2.58%
J Easling - Managing Director – Fielders	2008	259,145				23,323		-	10,978	1,000	294,446	0%	3.74%
	2007	263,669	-	-	-	23,344	-	-	9,736	1,000	297,749	0%	3.27%
R Meachem General Manager – Pacom**	2008	148,048	112,597			20,045		-	6,429	1,000	288,119	40%	2.24%
	2007	148,196	89,845	-	-	10,073	-	-	4,554	1,000	253,668	35%	1.80%
D Walker – Managing Director - Team Poly**	2008	191,686	48,148			19,564		-	3,500	1,000	263,898	19%	1.33%
	2007	190,839	75,790	-	-	17,176	-	-	2,734	1,000	253,668	26%	1.00%
S Cope – Group General Manager - Electronics, Security and Entertainment**	2008	190,000	120,000			27,900		-	9,565	1,000	348,465	36%	2.75%
	2007	39,206	25,077	-	-	5,785	-	-	3,882	1,000	73,950	34%	5.25%
R Gros – Group General Manager – Home, Hardware & Eco Products **	2008	190,117	120,000			27,911		-	9,565	1,000	348,593	36%	2.75%
	2007	171,508	87,833	-	-	23,341	-	-	3,882	1,000	253,668	31%	1.35%
D Salvaterra – General Manager - EzyStrut	2008	140,002	146,504	-	-	23,150	-	-	-	1,000	310,656	90%	0.00%
	2007	218,026	29,084			21,508		-	-	1,000	269,618	12%	0.00%
Total compensation: key management personnel (consolidated)	2008	3,459,959	905,401	-	32,853	340,340	-	-	150,549	10,000	4,899,098		
	2007	2,962,613	509,602	71,842	30,403	271,236	-	-	131,241	10,000	3,918,170		
Total compensation: key management personnel (company**)	2008	2,740,811	724,013	-	32,853	265,067	-	-	120,437	9,000	3,891,179		
	2007	2,160,918	480,518	71,842	30,403	197,584	-	-	105,103	8,000	2,985,601		

7 Remuneration report

7.2 Directors' and executive officers' remuneration (Company and Consolidated)

Notes in relation to the table of directors' and executive officers remuneration

A. The short-term incentive bonus is for performance during the respective financial year using the criteria set out in section 7.1

B. The options granted during the year expire on 31 January 2011 and each option entitles the holder to purchase one ordinary share in the Company. The ability to exercise the options is conditional on the Group achieving certain performance hurdles. For all options granted prior to 2008, once the option is exercised, the holder was restricted from selling the shares for a period of three years.

   The fair value of options granted to executive Directors and senior executives included above is calculated at the grant date using the valuation methodology set out in Division 13A of the Income Tax Assessment Act, 1936. This method has been adopted, as other methods do not reflect the number of conditions that must be met under the plan, including those applying after the shares have been allocated. Further details of options granted during the year are set out below.

Details of performance related remuneration

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed in section 7.1

7.3 Analysis of bonuses included in remuneration

Short-term benefits are generally based on a percentage of the relevant business unit earnings before interest and tax. Short-term incentive cash bonuses awarded as remuneration to any Director of the Company and each of the five named Company executives and relevant group executives are detailed in the remuneration tables above.

For the year ended 30 June 2008

7 Remuneration report

7.4 Equity instruments

All options refer to options over ordinary shares of Hills Industries Limited, which are exercisable on a one-for- one basis under the Executive Share plan.

7.4.1 Options and rights over equity instruments granted as compensation

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that were vested during the reporting period are as follows:

	Number of options granted during 2008	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2008
Directors						
DJ Simmons	100,000	28/2/2008	0.1867	5.49	31 Jan 2031	-
GL Twartz	60,000	28/2/2008	0.1867	5.49	31 Jan 2031	-
Executives						
L Andrewartha	60,000	28/2/2008	0.1867	5.49	31 Jan 2031	-
S Cope	60,000	28/2/2008	0.1867	5.49	31 Jan 2031	-
R Gros	60,000	28/2/2008	0.1867	5.49	31 Jan 2031	-
J Easling	30,000	28/2/2008	0.1867	5.49	31 Jan 2031	-
A Muir	25,000	28/2/2008	0.1867	5.49	31 Jan 2031	-

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable three years from grant date for the options issued in 2008, or two years from grant date for options issued prior to 2008. In addition to a continuing employment service condition, the ability to exercise options is conditional on the Group achieving certain performance hurdles. Details of the performance criteria are included in the long-term incentives discussion in section 6.1. For options granted in the current year, the earliest exercise date is 31 January 2011.

7.4.2 Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

7.4.3 Exercise of options granted as compensation

During the reporting period, no shares were issued on the exercise of options previously granted as compensation to key management personnel.

7 Remuneration report

7.4 Equity instruments

7.4.4 Analysis of options over equity instruments granted as compensation

Details of vesting profile of the options granted as remuneration to each key management person of the Group and each of the five named Company executives and Group executives are detailed below.

	Options granted				Financial years
			% vested	% forfeited in	in which option
Directors	Number	Date	in year	year (A)	vests
D J Simmons	80,000	Feb 06	-	100%	30 June 2008
	100,000	Feb 07	-	100%	30 June 2009
	100,000	Feb 08	-	100%	30 June 2011
G L Twartz	60,000	Feb 06	-	100%	30 June 2008
	60,000	Feb 07	-	-	30 June 2009
	60,000	Feb 08	-	-	30 June 2011
Executives					
A R Oliver	45,000	Feb 06	-	100%	30 June 2008
	45,000	Feb 07	-	-	30 June 2009
	25,000	Feb 08	-	-	30 June 2011
L Andrewartha	60,000	Feb 06	-	100%	30 June 2008
	60,000	Feb 07	-	-	30 June 2009
	60,000	Feb 08	-	-	30 June 2011
J Easling	30,000	Feb 06	-	100%	30 June 2008
	30,000	Feb 07	-	-	30 June 2009
	30,000	Feb 08	-	-	30 June 2011
A Muir	25,000	Feb 06	-	100%	30 June 2008
	25,000	Feb 07	-	-	30 June 2009
	25,000	Feb 08	-	-	30 June 2011
D Walker	10,000	Feb 06	-	100%	30 June 2008
	10,000	Feb 07	-	-	30 June 2009
	20,000	Feb 08	-	-	30 June 2011
R Meachem	10,000	Feb 06	-	100%	30 June 2008
	25,000	Feb 07	-	-	30 June 2009
	25,000	Feb 08	-	-	30 June 2011
R Gros	60,000	Feb 07	-	-	30 June 2009
	60,000	Feb 08	-	-	30 June 2011

(A) The % forfeited in the year represents the reduction from the maximum number of options available to vest due to the highest-level performance criteria as well as options that have lapsed due to termination of employment.

7 Remuneration report

7.4 Equity instruments

7.4.5 Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person, and each of the five named Company executives and Group executives is detailed below.

	Value of Options		
	Granted in year $ (A)	Exercised in year $ (B)	Lapsed/forfeited in year $ (C)
D J Simmons	18,670	-	115,324
G L Twartz	11,202	-	33,618
A R Oliver	11,202	-	25,214
L Andrewartha	11,202	-	33,618
J Easling	5,601	-	16,809
D Walker	3,734	-	5,603
R Meachem	4,668	-	5,603
R Gros	11,202	-	-
A Muir	4,668	-	14,008
	82,149	-	249,797

(A) The value of options granted in the year is the fair value of the options calculated at grant date using the method described above. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

(B) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(C) The value of the options that lapsed/forfeited during the year represents the benefit forgone and is calculated at the date the option lapsed using the method described above assuming the performance criteria had been achieved. The options issued in February 2006 lapsed during the year.

7.5 Payments to persons before taking office

There were no payments to persons before taking office.

For the year ended 30 June 2008

8. Principal activities

The principal activities of the Group during the course of the year are outlined in section 1 of the Directors' Report within the Overview of the Group.

Objectives

The Group's objectives are to:

- increase net profit available to shareholders;
- increase earnings per share;
- maintain the current dividend policy; and
- improve the retention rate of our outstanding people resources.

In order to meet theses objectives the following targets have been set for the 2009 financial year and beyond:

- increase revenue and operating activities;
- reduce operating costs;
- consider further strategic acquisitions;
- continue to improve our safety performance;
- continue to source cost effective supplies; and
- further develop our employees.

9 Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Declared and paid during the year 2008				
Interim 2008 ordinary	13.5	23,579	Franked	31 March 2008
Interim dividend forgone for Share Investment Plan		(3,390)		
Final 2007 ordinary	14.0	24,201	Franked	24 September 2007
Final dividend forgone for Share Investment Plan		(3,779)		
Total amount		40,611		

Franked dividends declared as paid during the year were franked at the rate of 30 per cent.

Declared after end of year

After the balance sheet date the directors proposed the following dividends. The dividends have not been provided and there are no income tax consequences.

In thousands of AUD	Cents per share	Total amount	Franked/ un-franked	Date of payment
Final ordinary	14.0	26,154	Franked	29 September 2008
Total amount		26,154		

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2008 and will be recognised in subsequent financial reports. For more information regarding dividends please refer to note 22.

For the year ended 30 June 2008

11 Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

12. Likely developments

For likely developments please refer to the review of operations in section 1 of the Directors' report.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

13. Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Hills Industries Limited	
	Ordinary shares	**Options over ordinary shares**
J H Hill-Ling *	15,336,811	-
DJ Simmons	369,898	-
I Elliot	1,000	-
RB Flynn	26,296	-
GG Hill	76,056	-
PW Stancliffe	12,121	-
GL Twartz	207,100	120,000

* Includes 1,057,001 shares owned by Hills Associates Ltd & Poplar Pty Ltd and 12,454,632 owned by Hills Associates Ltd of which J H Hill-Ling is a Director

14. Share options

Options granted to directors and officers of the Company

During the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and to the following of the five most highly remunerated officers of the Company as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
Directors			
DJ Simmons	100,000	5.49	31 Jan 2031
GL Twartz	60,000	5.49	31 Jan 2031
Executives			
L Andrewatha	60,000	5.49	31 Jan 2031
J Easling	30,000	5.49	31 Jan 2031
A Muir	25,000	5.49	31 Jan 2031
S Cope	60,000	5.49	31 Jan 2031
R Gros	60,000	5.49	31 Jan 2031

All options were granted during the financial year. No options have been granted since the end of the financial year.

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option in accordance with the accounting standards are:

Expiry date	Exercise price	Number of shares
January 2023	$2.50	120,000
January 2024	$2.90	133,000
January 2025	$3.23	210,000
January 2026	$3.66	260,000
January 2027	$4.16	340,000
January 2028	$4.83	-
January 2029	$5.53	465,000
January 2031	$5.49	515,000
		2,043,000

All options expire on the earlier of their expiry date or termination of the employee's employment. In addition, the ability to exercise the options is conditional on the Group achieving certain performance hurdles. The performance hurdles comprise two components, relative total shareholder return and growth in earnings per share. Further details are included in the Remuneration Report.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options

During or since the end of the financial year, the Company has not issued ordinary shares as a result of the exercise of options.

For the year ended 30 June 2008

15. Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the Directors and officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current Directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums in respect of Directors' and officers' liability and legal expenses' insurance contracts, for current and former Directors and officers, including senior executives of the Company and Directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The Directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the Directors' and officers' liability and legal expenses' insurance contracts as such disclosure is prohibited under the terms of the contracts.

16. Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit and compliance committee, is satisfied that the provision of those non-audit services during the year by the auditor are compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Directors' report

For the year ended 30 June 2008

16. Non-audit services (continued)

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	Consolidated	
	2008	**2007**
	$	**$**
Audit services:		
***Auditors of the Company*:**		
Audit and review of financial reports (KPMG Australia)	377,000	350,000
Audit and review of financial reports (Overseas KPMG firms)	41,004	53,186
	418,004	403,186
***Other auditors*:**		
Audit and review of financial reports (non-KPMG firms)	3,030	12,383
	3,030	12,383
Services other than statutory audit:		
Other services		
Taxation compliance services (KPMG Australia)	134,020	122,022
Taxation compliance services (Overseas KPMG firms)	26,582	12,678
	160,602	134,700

17. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 99 and forms part of the directors' report for financial year ended 30 June 2008.

18. Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:

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J H Hill-Ling

Director

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G L Twartz

Director

Dated at Adelaide this 12th day of September 2008.

Income statements

For the year ended 30 June 2008

In thousands of AUD	*Note*	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Continuing operations					
Revenue	*8*	1,184,737	1,013,999	342,182	295,930
Other income	*9*	10,384	2,372	13,503	9,034
		1,195,121	1,016,371	355,685	304,964
Expenses excluding net financing costs	*10*	(1,112,247)	(934,098)	(285,695)	(271,741)
Results from operating activities	*6*	82,874	82,273	69,990	33,223
Finance income		781	716	4,898	3,923
Finance expenses		(15,155)	(9,821)	(15,733)	(10,671)
Net finance expense	*12*	(14,374)	(9,105)	(10,835)	(6,748)
Profit before income tax	*12*	68,500	73,168	59,155	26,475
Income tax expense	*13*	(16,140)	(21,126)	(5,397)	(5,418)
Profit for the period		52,360	52,042	53,758	21,057
Attributable to:					
Equity holders of the Company	*22*	46,807	47,173	53,758	21,057
Minority interest		5,553	4,869	-	-
Profit for the period		52,360	52,042	53,758	21,057
Earnings per share					
Basic earnings per share	*23*	26.6¢	27.6¢		
Diluted earnings per share	*23*	26.4¢	27.6¢		
Dividends per share					
Ordinary shares paid	*22*	27.5¢	26.5¢		
Final and interim dividend for the year ended 30 June	*22*	27.5¢	27.5¢		

The notes on pages 28 to 95 are an integral part of these consolidated financial statements.

Hills Industries Limited 30 June 2008 Annual Financial Report

Balance sheets

As at 30 June 2008

		Consolidated		Company	
In thousands of AUD	*Note*	2008	2007	2008	2007
Current Assets					
Cash and cash equivalents	21	21,549	27,434	1,000	3,177
Trade and other receivables	18	244,761	172,655	292,989	224,503
Inventories	17	180,341	175,507	41,559	37,565
Non-current assets classified as held for sale	20	-	15,946	-	6,209
Total Current Assets		446,651	391,542	335,548	271,454
Non-Current Assets					
Receivables	18	17,285	-	5,940	-
Investments	19	2	2	151,968	151,212
Deferred tax assets	16	16,403	30,811	2,518	13,849
Property, plant and equipment	14	226,424	173,157	88,322	55,076
Intangible assets	15	114,162	111,369	-	-
Total Non-Current Assets		374,276	315,339	248,748	220,137
Total Assets	6	820,927	706,881	584,296	491,591
Liabilities					
Bank overdraft	21	239	511	8,513	-
Trade and other payables, including derivatives	28	139,921	133,947	54,005	77,879
Loans and borrowings	24	5,952	1,593	10,292	4,125
Employee benefits	25	26,716	25,741	9,113	8,595
Current tax payable	16	4,317	12,742	2,957	11,833
Provisions	27	5,544	7,099	4,922	4,474
Total Current liabilities		182,689	181,633	89,802	106,906
Non-Current Liabilities					
Loans and borrowings	24	203,497	171,582	203,498	171,498
Employee benefits	25	4,961	4,574	4,371	4,300
Provisions	27	263	328	-	-
Total Non-Current Liabilities		208,721	176,484	207,869	175,798
Total Liabilities	6	391,410	358,117	297,671	282,704
Net Assets		429,517	348,764	286,625	208,887
Equity					
Share capital	22	223,091	178,031	223,091	178,031
Reserves	22	51,369	26,077	33,575	14,044
Retained earnings	22	133,759	127,618	29,959	16,812
Total Equity attributable to equity holders of the Company		408,219	331,726	286,625	208,887
Minority interest		21,298	17,038	-	-
Total Equity	22	429,517	348,764	286,625	208,887

The notes on pages 28 to 95 are an integral part of these consolidated financial statements.

Statements of recognised income and expense

For the year ended 30 June 2008

In thousands of AUD	*Note*	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Foreign currency translation differences for foreign operations		(2,340)	1,442	-	-
Gain on revaluation of land and buildings		40,561	-	28,877	-
Deferred income tax on revaluation		(11,966)	-	(9,418)	-
Income and expense recognised directly in equity		26,255	1,442	19,459	-
Profit for the period		52,360	52,042	53,758	21,057
Total recognised income and expense for the period	*22*	78,615	53,484	73,217	21,057
Attributable to:					
Equity holders of the Company	*22*	71,968	48,615	73,217	21,057
Minority interest	*22*	6,647	4,869	-	-
Total recognised income and expense for the period		78,615	53,484	73,217	21,057

The notes on pages 28 to 95 are an integral part of these consolidated financial statements.

Statements of cash flows

For the year ended 30 June 2008

In thousands of AUD	*Note*	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Cash flows from operating activities					
Cash receipts from customers		1,236,662	1,132,806	306,008	328,473
Cash paid to suppliers and employees		(1,205,856)	(1,059,403)	(276,757)	(299,784)
Cash generated from operations		30,806	73,403	29,251	28,689
Interest received		781	716	4,898	3,923
Interest paid		(15,143)	(10,585)	(15,733)	(11,441)
Dividends received		1	-	1	6,400
Income taxes paid		(22,459)	(16,712)	(16,289)	(8,730)
Net cash from (used in) operating activities	*21b*	(6,014)	46,822	2,128	18,841
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		840	4,502	84	309
Proceeds from disposal of asset held for sale		3,500	-	3,500	-
Proceeds from sale of investments		-	-	-	(8,603)
Disposal of subsidiaries	*7*	-	526	-	-
Acquisition of subsidiaries (net of cash acquired)	*7*	(356)	(86)	(356)	(86)
Acquisition of business operations (net of cash acquired)	*7*	(7,097)	(11,422)	-	-
Acquisition of property, plant and equipment		(35,366)	(38,459)	(10,018)	-
Acquisition of intangible assets		-	(176)	-	-
Loans to other entities		(285)	(297)	(285)	(297)
Loans to controlled entities		-	-	(50,095)	(11,613)
Rent received		836	787	3,103	2,498
Net cash from (used in) investing activities		(37,928)	(44,625)	(54,067)	(17,792)
Cash flows from financing activities					
Proceeds from issue of share capital	*22*	44,860	10,206	44,860	10,206
Proceeds from borrowings		40,101	44,901	37,000	41,502
Repayment of borrowings		(3,827)	(3,469)	-	(560)
Repayment of borrowings to controlled entities		-	-	-	(6,906)
Dividends paid by the company	*22*	(40,611)	(37,322)	(40,611)	(37,322)
Dividends paid to minority interest	*22*	(2,387)	(2,343)	-	-
Net cash from (used in) financing activities		38,136	11,973	41,249	6,920
Net increase (decrease) in cash and cash equivalents		(5,806)	14,170	(10,690)	7,969
Cash and cash equivalents at 1 July		26,923	12,804	3,177	(4,813)
Effect of exchange rate fluctuations on cash held		193	(51)	-	21
Cash and cash equivalents at 30 June	*21(a)*	21,310	26,923	(7,513)	3,177

The notes on pages 28 to 95 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Reporting entity

Hills Industries Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 944-956 South Road Edwardstown SA 5039. The consolidated financial statements of the Company as at and for the year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in manufacturing and distribution businesses as detailed in note 6.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The Board of Directors approved the financial statements on 12 September 2008.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value
- land and buildings are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- note 7 – business combinations
- note 15 – measurement of the recoverable amounts of cash-generating units containing goodwill
- note 26 – measurement of share-based payments
- note 27 and 32 – provisions and contingencies

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

The Company and Group have not elected to early adopt any accounting standards or amendments:

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the Company's financial statements, investments in subsidiaries are carried at cost, less any impairment charges.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity. Since 1 July 2004, the Group's date of transition to AASBs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

3. Significant accounting policies (continued)

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(n).

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Notes to the financial statements

3. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Land and Buildings

Land and buildings are stated at fair value. Land and buildings are independently valued at least every four years on basis of open market values, and in the intervening years are valued by the Directors based on the most recent independent valuation. Building improvements are carried at cost and depreciated over the life of the building.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognised in profit or loss, for an asset the increase is recognised in profit or loss. Decreases that reverse previous increases for the same asset are first charged against the asset revaluation reserve to the extent of the remaining reserve attributable to the asset; all other decreases are charged directly to the income statement.

(ii) Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in profit or loss as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit or loss over the estimated useful lives of each part of an item of property, plant and equipment, excluding land, taking into account estimated residual values. The diminishing value, straight line or units of production method is used as considered appropriate

The estimated rates of depreciation for the current and comparative periods are as follows:

• buildings	0.75%
• plant and equipment	5.00% to 33.33%
• leasehold improvements	20.00% to 33.33%

Depreciation methods, useful lives and residual values are reviewed at each reporting date. When changes are made, adjustments are reflected prospectively in current and future reporting periods only.

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and business operations.

Acquisitions prior to 1 July 2004

As part of its transition to AASBs, the Group elected to restate only those business combinations that occurred on or after 1 July 2004. In respect of acquisitions prior to 1 July 2004, goodwill represents the amount recognised under the Group's previous accounting framework, Australian GAAP.

3. Significant accounting policies (continued)

(e) Intangible assets (continued)

(i) Goodwill (continued)

Acquisitions on or after 1 July 2004

For acquisitions on or after 1 July 2004, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in profit or loss as incurred. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- patents and trademarks 10 to 20 years
- capitalised development costs 20 years

3. Significant accounting policies (continued)

(f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

3. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant accounting policies (continued)

(i) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(j) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Long-term employee benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates, including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

3. Significant accounting policies (continued)

(j) Employee benefits (continued)

(v) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(vi) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

Employee Share Bonus Plan

The Employee Share Bonus Plan allows Group employees to acquire shares of the Company. Shares are allotted to employees who have served a qualifying period. Up to $1,000 per year in shares is allotted to each qualifying employee. The fair value of shares issued is recognised as an employee expense with a corresponding increase in equity. The fair value of the shares granted is measured using a present value method.

Executive Share Plan

The Executive Share Plan allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The valuation method takes into account the exercise price of the option, the life of the option, the current price of the underlying shares, the expected volatility of the share price, the dividends expected of the shares and the risk-free interest rate for the life of the option.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Claims

A provision for claims is the estimated future liability of the Group's self-insurance arrangements. The value of the provision is determined in consultation with the company's actuaries or legal advisers as appropriate. Claims estimate is based on historical claims data and a weighting of the possible outcomes against their associated probabilities. Outstanding claims are recognised for incidences that have occurred that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims, discounted using a Commonwealth government bond rate with a maturity date approximating the terms of the Group's obligations.

3. Significant accounting policies (continued)

(k) Provisions (continued)

(ii) Provision for contingent consideration

Provision is made for contingent consideration payable on the acquisition of businesses and controlled entities where the consideration is payable in the future subject to certain performance measures and those measures are considered likely to be met. The estimated consideration payable is discounted and the expiration of the discount is recognised as interest expense. Subsequent changes to estimates of contingent consideration are adjusted against the purchase price and goodwill in the period identified.

(l) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(v) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(m) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Notes to the financial statements

3. Significant accounting policies (continued)

(n) Finance income and expense

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss and dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions and foreign currency losses. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3. Significant accounting policies (continued)

(o) Income tax (continued)

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2003. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Hills Industries Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable/(receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement that sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivable/(payable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(p) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

3. Significant accounting policies (continued)

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(s) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

3. Significant accounting policies (continued)

(s) New standards and interpretations not yet adopted (continued)

- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 6). Under the management approach, the Group will present segment information in respect of Home, Hardware and Eco, Building and Industrial and Electronic, Security and Entertainment.

- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.

- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

- AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

- AI 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. AI 13, which becomes mandatory for the Group's 30 June 2009 financial statements, is not expected to have any impact on the financial report.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Land and Buildings

Fair value of land and buildings at 30 June 2008 is a based on an independent valuation of all freehold land and buildings carried out during March 2008. The valuation process was managed by AON Risk Services Australia Limited with the individual valuations being performed by various certified valuers. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The valuations were determined having regard to the highest and best use of the assets for which market participants would be prepared to pay.

Fair value at 30 June 2007 is a Directors' valuation as at that date based on an independent valuation of all freehold land and buildings dated 15 September 2003.

The costs of additions since the valuations are deemed to be the fair value of those assets. The Directors are of the opinion that these bases provide a reasonable estimate of fair value.

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values.

(b) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(e) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(g) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(i) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(j) Share-based payment transactions

For information regarding the fair-value of share-based payments please refer to note 26.

5. Financial risk management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, ie not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, aging analysis for credit risk.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Company it also arises from receivables due from subsidiaries.

Trade and other receivables

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings and trade references. Purchase limits are established for each customer, which represent the maximum open amount without requiring further approval. These limits are reviewed monthly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in note 29. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or incorporated legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

5. Financial risk management (continued)

Trade and other receivables (continued)

In most cases goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a priority claim. The Group does not require collateral in respect of trade and other receivables.

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic and diversified nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

The Group has a financing facility of $264,388,000 that has been approved until November 2010. For more information please refer to Note 24.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

5. Financial risk management (continued)

Currency risk

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using cash flow forecasting.

Management and group treasury manage the group companies' foreign exchange risk against their functional currency. The group companies are required to hedge their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts transacted with Group Treasury.

The Group Treasury's risk management policy is to hedge between 3 months of anticipated cash flows (mainly purchases of inventory) in US dollars.

External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Group policy is to maintain approximately 50 to 75% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2008 and 2007, the Group's borrowings at variable rate were denominated in Australian Dollars and NZ Dollars.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Other market price risk

The Group has no material financial exposure to other market price risk as it is not exposed to either commodity price risk or equity securities price risk.

5. Financial risk management (continued)

Capital management

The Group and the company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group and the Company monitor capital on the basis of the gearing ratio in conjunction with its review of the Group and Company's banking covenants. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings in the balance sheet less cash and cash equivalents. Total equity is 'equity' as shown in the balance sheet (including minority interest).

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain a target gearing ratio less than 45%. The gearing ratios at 30 June 2008 and 30 June 2007 were as follows:

	Note	Consolidated		Company	
In thousands of AUD		**2008**	**2007**	**2008**	**2007**
Total borrowings	*24*	209,449	173,175	213,790	175,623
Less: cash and cash equivalents	*21*	(21,310)	(26,923)	7,513	(3,177)
Net debt		188,139	146,252	221,303	172,446
Total equity	*22*	429,517	348,764	286,625	208,887
Gearing ratio		43.8%	41.9%	77.2%	82.6%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. Segment reporting

Business segments

The Group comprises the following main business segments:

- Electronic Security and Entertainment: Communications related products and services, domestic and commercial antennas, master antenna television systems, communications antennas, amplifiers, electronic security systems, closed circuit television systems, home and commercial automation and control systems, professional audio products, fibre optic transmission solutions and subscription TV installation services.

- Home, Hardware and Eco: Outdoor clothes driers, ladders, ironing boards, laundry trolleys, security doors, playtime equipment, garden sprayers, wheelbarrows, scaffold systems, rehabilitation and mobility products, water tanks and other rotationally moulded products, solar hot water products, stainless steel products and plumbing products.

- Building and Industrial: Structural, precision and large steel tubing, galvanising, cable tray and pipe systems, steel doorframes, roll-formed metal building products, carports and shed systems.

During the current year Woodroffe Industries Pty Ltd has been reclassified for business segment reporting purposes from Building and Industrial to Home, Hardware and Eco. The comparative numbers have also been adjusted to reflect this change.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The Group's business segments operate geographically as follows:

- Australia: Manufacturing facilities and sales offices and customers in all states and territories.

- Overseas: Manufacturing facilities and sales offices in New Zealand.

6. Segment reporting (continued)

Business Segments

	Electronic, Security and Entertainment		Home, Hardware and Eco		Building and Industrial		Eliminations		Consolidated	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
External revenues	312,322	277,174	227,558	201,914	643,060	534,124	-	-	1,182,940	1,013,212
Inter-segment revenue	-	-	-	-	5,353	7,457	(5,353)	(7,457)	-	-
Segment revenue	312,322	277,174	227,558	201,914	648,413	541,581	(5,353)	(7,457)	1,182,940	1,013,212
Rentals									1,797	787
Total Revenue									1,184,737	1,013,999
Segment result	38,098	31,726	13,806	13,783	23,891	36,059	-	-	75,795	81,568
Unallocated/corporate result									7,079	705
Results from operating activities									82,874	82,273
Net finance costs									(14,374)	(9,105)
Profit before income tax									68,500	73,168
Income tax expense									(16,140)	(21,126)
Profit for the period									52,360	52,042

6. Segment reporting (continued)

Business segments (continued)

	Electronic, Security and Entertainment		Home, Hardware and Eco		Building and Industrial		Consolidated	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Segment assets	127,940	117,506	157,189	130,374	401,814	337,095	686,943	584,975
Unallocated/corporate assets							133,984	121,906
Total assets							820,927	706,881
Segment liabilities	32,239	32,312	24,235	29,344	96,287	90,113	152,761	151,769
Unallocated/corporate liabilities							238,649	206,348
Total liabilities							391,410	358,117
Capital expenditure	3,908	4,597	7,965	10,004	19,148	22,125	31,021	36,726
Unallocated/corporate assets							4,170	1,909
							35,191	38,635
Depreciation	2,897	3,098	6,574	5,738	10,952	9,020	20,423	17,856
Unallocated/corporate assets							1,361	1,132
							21,784	18,988

Geographical segments

	Australia		Overseas		Unallocated/corporate		Consolidated	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Revenue from external customers	1,127,552	954,953	55,388	58,259	1,797	787	1,184,737	1,013,999
Segment assets	665,359	566,134	21,584	18,841	133,984	121,906	820,927	706,881
Capital expenditure	30,828	36,490	193	236	4,170	1,909	35,191	38,635

7. Acquisitions of subsidiaries and business operations

Acquisition of subsidiaries

On 5 October 2007 the Company acquired 50% of the shares in Opticomm Co Pty Ltd (Opticomm), for consideration of $756,000. The Company controls Opticomm by virtue of conditions contained in the shareholders agreement. Aside from this acquisition, the Group did not acquire any other subsidiaries during the current reporting period.

In the prior reporting period the Group paid $86,000 deferred payment in respect of the Alquip Group acquired in January 2006. No other acquisitions of subsidiaries or payments in respect of subsidiaries were made in the prior reporting period.

Company Name *In thousands of AUD*	Date of Control	Consideration Net of Cash	Nature of Business	% Acquired
2008				
• Opticomm	05/10/2007	356*	Provision of fibre networks and infrastructure	50
Total		356		
2007				
• Alquip Group – deferred payment	01/01/2006	86		
Total		86		

* Excludes contingent consideration payable of $400,000 that is payable subject to certain performance criteria being met.

Opticomm operates in the provision of fibre infrastructure to deliver high-speed voice, data and video to homes and multi-residential developments. The acquired business contributed revenues of $1,851,000 and net loss of $80,000 for the period from 5 October 2007 to 30 June 2008. As Opticomm was not actively trading prior to acquisition, had the acquisition occurred on 1 July 2007, the profit for the year ended 30 June 2008 would have been the same.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

In thousands of AUD	*Note*	Pre - acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Net identifiable assets and liabilities*		-	-	-
Goodwill on acquisition	*15*			756
Consideration paid, satisfied in cash**				356
Cash acquired				-
Net cash outflow				356

* Opticomm was not trading and as such there were no assets acquired as part of the acquisition.

** Includes legal fees of $6,000

In the prior reporting period the difference between the actual and estimated contingent consideration for the Alquip Group resulted in a decrease of $914,000 in goodwill on consolidation.

7. Acquisitions of subsidiaries and business operations (continued)

Acquisition of business operations

Year ended 30 June 2008

On 1 March 2008 the Group acquired the business operations of L. W. Gemmell & Associates (Aust) Pty Ltd (Gemmell) for $5,938,000 in cash. Gemmell manufactures and distributes a range of specialised plumbing products including pressure reducing valves and backflow prevention devices. It is not practicable to estimate the effect on the income statement had the business been acquired at 1 July 2007 nor is it practicable to individually estimate the profit or loss since acquisition.

A deferred payment of $1,159,000 was made in respect of the Air Comfort Systems business acquired in the previous reporting period.

The details of the acquisitions are noted in the table below.

Name of business	Date of Control	Consideration Net of Cash	Nature of Business
In thousands of AUD			
2008			
Air Comfort Seating Systems	01/05/2007	1,159	Manufacturer of pressure care seating for the aged care sector.
LW Gemmell & Associates	01/03/2008	5,938	Distributor of specialised plumbing products.
		7,097	

The acquisition of Gemmell had the following effect on the Group's assets and liabilities on acquisition date:

In thousands of AUD	*Note*	Pre - acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	*14*	212	-	212
Inventories		2,520	-	2,520
Trade and other payables		(118)	-	(118)
Net identifiable assets and liabilities		2,614	-	2,614
Goodwill on acquisition	*15*			3,324
Consideration paid, satisfied in cash				5,938
Cash acquired				-
Net cash outflow				5,938

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values).

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the company into the Group's existing Home, Hardware and Eco business (see note 15).

7. Acquisitions of subsidiaries and business operations (continued)

Year ended 30 June 2007

During the prior reporting period the Group acquired two business operations. A contingent payment of $261,000 was also made in respect of the Australian Audio Supplies business acquired in the previous reporting period. Provision for future contingent payments for the Australian Audio Supplies business was increased by $839,000. This resulted in an increase in goodwill of $1,100,000. Results for the businesses since the date of their respective acquisitions have been included in the consolidated results.

The details of the acquisitions are noted in the table below.

Name of business	**Date of Control**	**Consideration Net of Cash**	**Nature of Business**
In thousands of AUD			
2007			
• Air Comfort Seating Systems	01/05/2007	*6,536	Manufacturer of pressure care seating for the aged care sector.
• Impressive Steel	01/05/2007	4,625	Steel distribution business based in Bunbury in Western Australia.
• Australian Audio Supplies – contingent consideration		**261	
Total		11,422	

* Excludes deferred payment payable of $859,000

** Excludes deferred payment payable of $839,000

Details of the individual businesses acquired in the prior period are detailed below.

In thousands of AUD	**Air Comfort Seating Systems**	**Impressive Steel**	**Total**
Fair value of assets acquired			
Inventories	568	2,214	2,782
Trade and other receivables	981	-	981
Property, plant and equipment	65	1,168	1,233
Patents	87	-	87
Goodwill purchased	5,772	1,300	7,072
Employee benefits	(48)	(57)	(105)
Trade and other payables	(30)	-	(30)
Fair value of assets and liabilities acquired	7,395	4,625	12,020
Less contingent consideration	(859)	-	(859)
Cash flow on acquisition net of cash acquired	6,536	4,625	11,161

At acquisition, due diligence procedures, applying applicable AASBs, identified no difference between fair values and the acquiree's book values. The goodwill recognised on the acquisition is attributable mainly to management expertise, work force, distribution channels and geographic presence.

The consideration for Air Comfort Seating Systems includes a contingent consideration of $859,000. The amount is payable provided certain performance criteria are met. The contingent consideration of $839,000 in respect of Australian Audio Supplies is payable provided certain performance criteria are met.

8. Revenue

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Sales Revenue				
Sales	1,130,531	967,435	309,078	287,032
Services	53,369	45,777	-	-
	1,183,900	1,013,212	309,078	287,032
Other Revenue				
Property rentals	836	787	3,103	2,498
Dividends received	1	-	30,001	6,400
Revenue	1,184,737	1,013,999	342,182	295,930

9. Other income

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Net gain on sale of property, plant and equipment	113	-	-	108
Net gain on disposal of asset held for sale	6,751	-	2,416	-
Net gain on disposal of a controlled entity	-	526	-	-
Other income	3,520	1,846	11,087	8,926
	10,384	2,372	13,503	9,034

10. Expenses

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Cost of goods sold	782,404	646,161	185,097	180,106
Cost of services provided	44,259	37,503	-	-
Sales and marketing expenses	133,324	117,450	56,333	53,207
Distribution expenses	82,338	69,490	21,989	19,712
Administration expenses	49,063	44,760	17,578	15,145
Occupancy expenses	20,727	17,561	4,567	3,499
Net loss on disposal of property, plant and equipment	64	347	1	-
Other expenses	68	826	130	72
	1,112,247	934,098	285,695	271,741

11. Personnel expenses

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Wages and salaries	160,328	152,780	48,110	46,502
Other associated personnel expenses	35,252	32,064	9,167	9,191
Increase in liability for annual leave	9,524	8,687	3,730	2,357
Increase in liability for long-service leave	3,206	3,530	1,450	1,356
Equity-settled share-based payment transactions	369	471	353	419
	208,679	197,352	62,810	59,825

12. Profit from Ordinary Activities

Profit from ordinary activities is arrived after charging the following items

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Depreciation of buildings	1,034	731	411	368
Depreciation of plant and equipment	20,176	17,650	5,155	5,364
Total depreciation	21,210	18,381	5,566	5,732
Amortisation of patents and trademarks	574	607	-	-
Total depreciation, impairment and amortisation	21,784	18,988	-	5,732
Interest paid or payable	15,155	9,821	15,733	10,671
Interest received or receivable	(781)	(716)	(4,898)	(3,923)
Net financing costs	14,374	9,105	10,835	6,748
Impairment of trade receivables	2,103	291	850	300
Impairment of loans receivable	-	705	-	-
Impairment of intangible assets	176	-	-	-
Impairment (reversal of impairment) of inventory	2,174	3,544	(2,893)	643
Increase in provisions	253	60	63	-
Decreases in provisions	-	(1,007)	-	-
	19,080	12,698	8,855	7,691

The above finance income and expense include the following in respect of assets (liabilities) (not at fair value through profit or loss):

Total interest income on financial assets	15,155	9,821	15,733	10,671
Total interest expense on financial liabilities	(781)	(716)	(4,898)	(3,923)

12. Profit from Ordinary Activities (continued)

Profit for the year includes the following items that are unusual because of their nature size or incidence:

		Consolidated	
In thousands of AUD	*Note*	**2008**	**2007**
Gains			
Gain on sale of asset held for sale	*(a)*	6,750	-
Less: Applicable income tax expense/benefit		174	-
		6,924	-
Expenses			
Impairment of Inventory – Orrcon	*(b)*	11,649	-
Less: Applicable income tax benefit		(3,495)	-
		8,154	-

(a) Gain on sale of Asset held for sale

During the period a contract was entered into for the sale of the land and building at the Hills manufacturing site in Edwardstown South Australia. The impact of the sale of this property was a decrease in assets held for sale of $15,946,000 and an increase in profit after tax of $6,924,000.

Tax payable on this gain was calculated after absorbing certain capital tax losses.

(b) Impairment of Inventory - Orrcon

As part of a review of the large pipe and tube business of Orrcon it was determined that certain inventory on hand was impaired. A contract to supply water pipe to a major customer in Queensland was cancelled due to the quality of the pipe received from our overseas supplier. Directors consider it prudent to write down the value of the pipe to expected recoverable value. In addition, all other costs that are related to this contract have been expensed. All of these costs are included in the impairment charge.

Since 1 July 2007, a quantity of the pipe has been sold and the remaining pipe on hand as at 30 June 2008 has been revalued to realisable value.

13. Income tax expense

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Current tax expense				
Current period	15,111	23,215	3,484	4,827
Adjustment for prior periods	(1,413)	650	-	-
	13,698	23,865	3,484	4,827
Deferred tax expense				
Origination and reversal of temporary differences	2,109	(2,277)	1,913	591
Change in tax rate	42	(57)	-	-
Expense of derecognised tax loss	-	240	-	-
Prior year adjustments	291	(645)	-	-
Income tax expense from continuing operations	16,140	21,126	5,397	5,418

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Profit for the period	52,360	52,042	53,758	21,057
Total income tax expense	16,140	21,126	5,397	5,418
Profit excluding income tax	68,500	73,168	59,155	26,475
Income tax using the Company's domestic tax rate of 30% (2007: 30%)	20,550	21,950	17,747	7,943
Non-deductible expenses	787	1,013	176	156
Tax exempt income	(1,288)	(1,829)	(9,879)	(2,681)
Recognition of previously unrecognised tax losses	(2,787)	(13)	(2,647)	-
Under (over) provided in prior periods	(1,122)	5	-	-
	16,140	21,126	5,397	5,418

Income tax recognised directly in equity

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Revaluation of land and buildings	11,966	-	9,418	-

14. Property, plant and equipment

	Consolidated				Company			
In thousands of AUD	Land - Fair Value	Buildings – Fair Value	Plant and equipment - cost	Total	Land - Fair Value	Buildings – Fair Value	Plant and equipment - cost	Total
Balance at 1 July 2006	27,213	51,889	185,505	264,607	15,156	32,131	61,414	108,701
Acquisitions through business combinations	-	-	1,232	1,232	-	-	-	-
Additions	1	1,929	36,529	38,459	1	504	8,098	8,603
Disposals	(1,710)	(3,134)	(7,644)	(12,488)	-	-	(5,848)	(5,848)
Transfer to assets held for sale	(9,585)	(6,532)	-	(16,117)	(4,305)	(1,945)	-	(6,250)
Effect of movements in exchange rates	121	381	337	839	-	-	-	-
Balance at 30 June 2007	16,040	44,533	215,959	276,532	10,852	30,690	63,664	105,206
Balance at 1 July 2007	16,040	44,533	215,959	276,532	10,852	30,690	63,664	105,206
Acquisitions through business combinations	-	-	212	212	-	-	-	
Additions	720	2,695	31,954	35,369	720	1,276	8,021	10,017
Revaluation to fair value	31,160	8,047	-	39,207	21,420	6,574	-	27,994
Disposals	-	(24)	(2,860)	(2,884)	-	-	(938)	(938)
Effect of movements in exchange rates	(419)	(527)	(433)	(1,379)	-	-	-	-
Balance at 30 June 2008	47,501	54,724	244,832	347,057	32,992	38,540	70,747	142,279

14. Property, plant and equipment (continued)

	Consolidated				Company			
In thousands of AUD	Land - Fair Value	Buildings - Fair Value	Plant and equipment	Total	Land - Fair Value	Buildings - Fair Value	Plant and equipment	Total
Depreciation and impairment losses								
Balance at 1 July 2006	-	(2,396)	(90,164)	(92,560)	-	(1,146)	(48,939)	(50,085)
Depreciation for the year	-	(731)	(17,650)	(18,381)	-	(368)	(5,364)	(5,732)
Disposals	-	256	7,384	7,640	-	-	5,647	5,647
Transfer to assets held for sale	-	171	-	171	-	40	-	40
Effect of movements in exchange rates	-	(11)	(234)	(245)	-	-	-	-
Balance at 30 June 2007	-	(2,711)	(100,664)	(103,375)		(1,474)	(48,656)	(50,130)
Balance at 1 July 2007	-	(2,711)	(100,664)	(103,375)	-	(1,474)	(48,656)	(50,130)
Depreciation for the year	-	(1,034)	(20,176)	(21,210)	-	(411)	(5,155)	(5,566)
Adjustment on revaluation to fair value	-	1,354	-	1,354	-	883	-	883
Disposals	-	16	2,252	2,268	-	-	856	856
Effect of movements in exchange rates	-	9	321	330	-	-	-	-
Balance at 30 June 2008	-	(2,366)	(118,267)	(120,633)	-	(1,002)	(52,955)	(53,957)

	Consolidated				Company			
In thousands of AUD	Land - Fair Value	Buildings – Fair Value	Plant and equipment - cost	Total	Land - Fair Value	Buildings – Fair Value	Plant and equipment - cost	Total
Carrying amounts								
At 1 July 2006	27,213	49,493	95,341	172,047	15,156	30,985	12,475	58,616
At 30 June 2007	16,040	41,822	115,295	173,157	10,852	29,216	15,008	55,076
At 1 July 2007	16,040	41,822	115,295	173,157	10,852	29,216	15,008	55,076
At 30 June 2008	47,501	52,357	126,565	226,424	32,992	37,538	17,792	88,322

15. Intangible assets

In thousands of AUD	Consolidated: Goodwill on consolidation	Consolidated: Purchased Goodwill	Consolidated: Patents and trademarks	Consolidated: Development costs	Consolidated: Total	Company: Goodwill	Company: Patents and trademarks	Company: Total
Costs								
Balance at 1 July 2006	96,570	11,412	8,051	-	116,033	3,149	50	3,199
Acquisitions – internally developed	-	-		176	176	-	-	-
Reduction arising from recognition of assets not previously recognised	(355)	-		-	(355)	-	-	-
Increase in provision for contingent consideration	186	-		-	186	-	-	-
Fully amortised eliminated against amortisation	(85)	(1,791)		-	(1,876)	(1,791)	-	(1,791)
Acquisition through business combination	-	7,072	87	-	7,159	-	-	-
Additions	-	-	1	-	1	-	-	-
Balance at 30 June 2007	96,316	16,693	8,139	176	121,324	1,358	50	1,408
Balance at 1 July 2007	96,316	16,693	8,139	176	121,324	1,358	50	1,408
Acquisitions through business combinations	754	3,623	-	-	4,377	-	-	-
Derecognised – contingent consideration not paid	-	(839)	-	-	(839)	-	-	-
Additions	-	-	5	-	5	-	-	-
Balance at 30 June 2008	97,070	19,477	8,144	176	124,867	1,358	50	1,408

15. Intangible assets (continued)

In thousands of AUD	Consolidated					Company		
	Goodwill on Consolidation	Purchased Goodwill	Patents and trademarks	Development costs	Total	Goodwill	Patents and trademarks	Total
Amortisation and impairment losses								
Balance at 1 July 2006	(4,314)	(3,223)	(3,687)	-	(11,224)	(3,419)	(50)	(3,199)
Amortisation for the year	-	-	(607)	-	(607)	-	-	-
Fully amortised against eliminated against cost	85	1,791	-	-	1,876	1,791	-	1,791
Balance at 30 June 2007	(4,229)	(1,432)	(4,294)	-	(9,955)	(1,358)	(50)	(1,408)
Balance at 1 July 2007	(4,229)	(1,432)	(4,294)	-	(9,955)	(1,358)	(50)	(1,408)
Amortisation for the year	-	-	(574)	-	(574)	-	-	-
Impairment loss	-	-	-	(176)	(176)	-	-	-
Balance at 30 June 2008	(4,229)	(1,432)	(4,868)	(176)	(10,705)	(1,358)	(50)	(1,408)
Carrying amounts								
At 1 July 2006	92,256	8,189	4,364	-	104,809	-	17	17
At 30 June 2007	92,087	15,261	3,845	176	111,369	-	-	-
At 1 July 2007	92,087	15,261	3,845	176	111,369	-	-	-
At 30 June 2008	92,841	18,045	3,277	-	114,162	-	-	-

Amortisation and impairment charge

The amortisation and impairment charge is recognised in operating expenses in the income statement.

15. Intangible assets (continued)

Impairment testing for cash-generating units containing goodwill

During the year ended 30 June 2008 the Group determined that there is no impairment of any of its cash generating units containing goodwill or intangible assets with indefinite useful lives. For the purpose of impairment testing, goodwill is allocated to the Group's operating units that represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Building and Industrial	60,383	56,760	-	-
Electronic Security and Entertainment	16,991	17,076	-	-
Home, Hardware and Eco	33,512	33,512	-	-
	110,886	107,348	-	-

The cash generating unit impairment tests are based on value in use calculations. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows have been extrapolated over periods consistent with useful lives of intangibles with finite useful lives in each cash generating unit, using a growth rate of 3% (2007: 3%) for periods past the three year strategic plan which is no greater than the long term average growth rate for the market to which the asset is dedicated.
- A post-tax discount rate of 11% (2007 11%), determined by reference to the Group's weighted average cost of capital was applied in determining the recoverable amount of the units.

A reasonably possible change in the key assumptions above would not have resulted in the carrying amount exceeding the recoverable amount for any of the Group's cash generating units.

16. Tax assets and liabilities

Current tax assets and liabilities

The current tax liability for the Group of $4,317,000 (2007: $12,742,000) and for the Company of $2,957,000 (2007: $11,833,000) represent the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability (asset) initially recognised by the members in the tax-consolidated group.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Capital tax losses	8,628	11,166	8,477	10,814
	8,628	11,166	8,477	10,814

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future capital gains will be available against which the Group can utilise the benefits from.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Property, plant and equipment	10,677	11,489	(15,007)	(2,828)	(4,330)	8,661
Inventories	3,414	5,386	(179)	(339)	3,235	5,047
Employee benefit plans	9,908	9,320	86	100	9,994	9,420
Receivables	1,752	1,956	-	-	1,752	1,956
Loans and borrowings	1,218	1,218	-	-	1,218	1,218
Provisions	2,100	1,627	(5)	-	2,095	1,627
Self insurance provisions	897	848	-	-	897	848
Other accruals	897	953	(281)	(25)	616	928
Software and prepayments	320	407	-	-	320	407
Other items	606	699	-	-	606	699
Tax assets/(liabilities)	31,789	33,903	(15,386)	(3,092)	16,403	30,811

Company	Assets		Liabilities		Net	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Property, plant and equipment	3,157	3,265	(10,967)	(1,352)	(7,810)	1,913
Inventories	1,239	2,812	-	-	1,239	2,812
Employee benefit plans	4,937	4,606	-	-	4,937	4,606
Receivables	645	750	-	-	645	750
Loans and borrowings	1,218	1,218	-	-	1,218	1,218
Provisions	973	938	-	-	973	938
Other accruals	438	634	-	-	438	634
Software and prepayments	132	205	-	-	132	205
Other items	746	773	-	-	746	773
Tax (assets)/liabilities	13,485	15,201	(10,967)	(1,352)	2,518	13,849

16. Tax assets and liabilities (continued)

Movement in temporary differences during the year

	Balance 1 July 2006	Recognised in profit or loss	Balance 30 June 2007	Recognised in profit or loss	Recognised in equity	Balance 30 June 2008
Consolidated						
In thousands of AUD						
Property, plant and equipment	8,220	441	8,661	(1,025)	(11,966)	(4,330)
Inventories	2,748	2,299	5,047	(1,812)	-	3,235
Employee benefit plans	9,094	326	9,420	574	-	9,994
Receivables	1,784	172	1,956	(204)	-	1,752
Loans and borrowings	1,218	-	1,218	-	-	1,218
Provisions	1,654	(27)	1,627	468	-	2,095
Self insurance provisions	1,118	(270)	848	49	-	897
Other accruals	521	407	928	(312)	-	616
Software and prepayments	815	(408)	407	(87)	-	320
Other items	660	39	699	(93)	-	606
Tax loss carry-forwards recognised	240	(240)	-	-	-	-
	28,072	2,739	30,811	(2,442)	(11,966)	16,403
Company						
In thousands of AUD						
Property, plant and equipment	2,201	(288)	1,913	(305)	(9,418)	(7,810)
Inventories	2,068	744	2,812	(1,573)	-	1,239
Employee benefit plans	5,201	(595)	4,606	331	-	4,937
Receivavles	750	-	750	(105)	-	645
Loans and borrowings	1,218	-	1,218	-	-	1,218
Provisions	1,376	(438)	938	35	-	973
Other accruals	528	106	634	(196)	-	438
Software and prepayments	554	(349)	205	(73)	-	132
Other items	544	229	773	(27)	-	746
Tax (assets)/liabilities	14,140	(291)	13,849	(1,913)	(9,418)	2,518

17. Inventories

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Raw materials and consumables	68,923	58,101	5,810	4,421
Work in progress	5,214	5,017	-	16
Finished goods	106,204	112,389	35,749	33,128
	180,341	175,507	41,559	37,565
Impairment losses included in inventory:				
Impairment losses related to raw materials	10	331	-	-
Impairment losses related to finished goods	10,796	10,495	1,350	4,243
	10,806	10,826	1,350	4,243

18. Trade and other receivables

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Trade receivables	227,964	171,590	61,767	46,607
Less impairment losses	(5,528)	(5,179)	(2,150)	(1,300)
	222,436	166,411	59,617	45,307
Other receivables and prepayments	38,921	5,811	6,517	802
Loans – other entities	689	433	528	433
Loans – controlled entities	-	-	236,327	182,021
Less impairment losses	-	-	(4,060)	(4,060)
	262,046	172,655	298,929	224,503
Current	244,761	172,655	292,989	224,503
Non-Current	17,285	-	5,940	-
	262,046	172,655	298,929	224,503

The Company and Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 29.

19. Investments

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Non-current investments				
Listed equity securities	2	2	2	2
Investments in controlled entities - at cost	-	-	151,966	151,210
Total non-current investments	2	2	151,968	151,212

20. Non-current assets classified as held for sale

During the period a contract was entered into for the sale of the land and building at the Hills manufacturing site in Edwardstown South Australia. In the prior year, the Land and buildings at the manufacturing site were reclassified from Property, Plant and Equipment to non-current assets classified as held for sale.

On 4 July 2007 a sale agreement of $24.3 million, excluding selling costs, was reached. In compliance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations the assets were measured at the lower of their carrying value and their fair value less costs to sell. These assets have been included in the unallocated/corporate segment.

The impact of the sale of this property was a decrease in assets held for sale of $15,946,000 and an increase in profit after tax of $6,924,000.

21a. Cash and cash equivalents

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Bank balances	19,397	20,349	-	-
Call deposits	2,152	7,085	1,000	3,177
Cash and cash equivalents	21,549	27,434	1,000	3,177
Bank overdrafts used for cash management purposes	(239)	(511)	(8,513)	-
Cash and cash equivalents in the statement of cash flows	21,310	26,923	(7,513)	3,177

The Company and Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 29.

21b. Reconciliation of cash flows from operating activities

In thousands of AUD	Note	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Cash flows from operating activities					
Profit for the period		52,360	52,042	53,758	21,057
Adjustments for:					
Depreciation	*14*	21,210	18,381	5,566	5,732
Amortisation of intangible assets	*15*	574	607	-	-
Impairment of trade receivables		2,103	291	850	300
Impairment (reversal of impairment) of inventory		2,174	3,544	(2,893)	643
Impairment of loans		-	705	-	-
Tax payable transferred to head entity of tax consolidated group		-	-	(3,931)	(12,193)
Foreign exchange (gains)/losses		5	(38)	-	(23)
Dilution of interest in controlled entity		-	24	-	-
(Gain)/loss on sale of asset held for sale		(6,751)	-	(1,641)	-
(Gain)/loss on sale of property, plant and equipment		(21)	347	-	(108)
(Gain)/loss on sale of entities		-	(526)	-	-
Rent received		(836)	787	(3,103)	(2,498)
Non-cash inter-company dividend		-	-	(30,000)	-
Equity-settled share-based payment transactions	*26*	369	471	353	419
Add/(less) amounts set aside to provisions:					
- Employee benefits		14,412	12,217	5,180	3,713
- Outstanding claims		103	(1,007)	63	-
- Other		235	60	271	-
Operating profit before changes in working capital and provisions		85,937	86,331	24,473	17,042
Change in trade and other receivables		(71,398)	(6,209)	(14,867)	561
Change in inventories		(3,755)	(41,210)	(1,102)	(4,483)
Change in deferred tax assets		1,205	(2,739)	2,146	591
Change in trade and other payables		5,128	16,402	6,061	2,619
Change in income taxes payable		(8,816)	7,085	(9,108)	8,391
Change in provisions and employee benefits	*25, 27*	(14,315)	(12,838)	(5,475)	(5,880)
Net cash from operating activities		(6,014)	46,822	2,128	18,841

22. Capital and reserves

Reconciliation of movement in capital and reserves attributable to equity holders

Consolidated

In thousands of AUD	Share Capital	Equity compensation reserve	Translation reserve	Asset Revaluation reserve	Asset realisation reserve	Retained earnings	Total	Minority Interest	Total equity
Balance at 1 July 2006	167,525	313	(1,183)	22,956	2,825	117,516	309,952	14,459	324,411
Total recognised income and expense	-	-	1,442	-		47,173	48,615	4,869	53,484
Shares issued under the executive Share Plan	80	124	-	-	-	-	204	-	204
Shares issued under the Employee Share Bonus Plan	300	-	-	-	-	-	300	-	300
Shares issued under the Dividend investment plan	10,126	-	-	-	-	-	10,126	-	10,126
Dividends to Shareholders	-	-	-	-	-	(37,322)	(37,322)	-	(37,322)
Minority interest in dividends paid or payable by controlled entities	-	-	-	-	-	-	-	(2,343)	(2,343)
Minority interest increase in controlled entities	-	-	-	-	-	-	-	53	53
Transfers from/to reserves	-	-	-	(400)	-	251	(149)	-	(149)
Balance at 30 June 2007	178,031	437	259	22,556	2,825	127,618	331,726	17,038	348,764

22. Capital and reserves

Reconciliation of movement in capital and reserves attributable to equity holders

Consolidated

In thousands of AUD	Share Capital	Equity Compensation reserve	Translation reserve	Asset Revaluation reserve	Asset realisation reserve	Retained earnings	Total	Minority Interest	Total equity
Balance at 1 July 2007	178,031	437	259	22,556	2,825	127,618	331,726	17,038	348,764
Total recognised income and expense	-	-	(2,340)	27,501	-	46,807	71,968	6,647	78,615
Shares issued under the Executive Share Plan	74	76	-	-	-	-	150	-	150
Shares issued under the Employee Share Bonus Plan	200	-	-	-	-	-	200	-	200
Shares issued under the Dividend Investment plan	11,336	-	-	-	-	-	11,336	-	11,336
Shares issued under the Share Purchase plan	33,515	-	-	-	-	-	33,515	-	33,515
Dividends to Shareholders	-		-	-	-	(40,611)	(40,611)	-	(40,611)
Minority interest in dividends paid or payable by controlled entities	-	-	-	-	-	-	-	(2,387)	(2,387)
Share Issue costs	(65)		-	-	-	-	(65)	-	(65)
Transfers from/to reserves	-	-	-	55	-	(55)	-	-	-
Balance at 30 June 2008	223,091	513	(2,081)	50,112	2,825	133,759	408,219	21,298	429,517

22. Capital and reserves (continued)

Reconciliation of movement in capital and reserves

Company

In thousands of AUD

	Share Capital	Equity Compensation reserve	Asset Revaluation reserve	Asset realisation reserve	Retained earnings	Total equity
Balance at 1 July 2006	167,525	308	11,763	1,854	33,077	214,527
Total recognised income and expense	-	-	-	-	21,057	21,057
Shares issued under the Executive Share Plan	80	119	-	-	-	199
Shares issued under the Employee Share Bonus Plan	300	-	-	-	-	300
Shares issued under the Dividend investment plan	10,126	-	-	-	-	10,126
Dividends to equity holders		-	-	-	(37,322)	(37,322)
Balance at 30 June 2007	178,031	427	11,763	1,854	16,812	208,887
Balance at 1 July 2007	178,031	427	11,763	1,854	16,812	208,887
Total recognised income and expense	-	-	19,459	-	53,758	73,217
Shares issued under the Executive Share Plan	74	72	-	-	-	146
Shares issued under the Employee Share Bonus Plan	200	-	-	-	-	200
Shares issued under the Dividend investment plan	11,336	-	-	-	-	11,336
Shares issued under the Share purchase plan	33,515	-	-	-	-	33,515
Dividends to equity holders	-	-	-	-	(40,611)	(40,611)
Share issue costs	(65)	-	-	-	-	(65)
Transfers to/from reserves	-	-	-	-	-	-
Balance at 30 June 2008	223,091	499	31,222	1,854	29,959	286,625

22. Capital and reserves (continued)

Share capital

In thousands of AUD	Company Ordinary Shares 2008	Company Ordinary Shares 2007
On issue at 1 July	172,827	168,692
Issued under the Dividend Investment Plan	2,447	2,128
Issued under the Share Investment Plan	1,548	1,618
Issued under the Employee Share Bonus Plan	192	292
Issued under the Executive Share Plan	67	97
Issued under the Share Placement Plan	8,708	-
On issue at 30 June – fully paid	185,789	172,827

The Company made two issues of ordinary shares under the Employee Share Bonus Plan during the year. All employees meeting the service criteria were eligible to participate in the issue. The shares are issued at market value.

The Company issued ordinary shares under a Dividend Investment Plan and a Share Investment Plan during the year. Under the Dividend Investment Plan, participating shareholders elected to apply dividends in whole or in part to the purchase of ordinary shares at an issue price. Under the Share Investment Plan, participating shareholders elected to forgo dividends in whole or in part and to substitute shares issued out of the capital account. The issue price was at a 10% discount on the market price.

During the year the Company invited shareholders to participate in a Share Purchase Plan. Each shareholder was entitled to purchase up to $5,000 worth of shares. The price of the shares was at a 10% discount to the volume weighted average price of the Company's ordinary shares for the 10 days up to and including the closing date of 2 May 2008. The share issue price was $3.85 per share.

Shares under the Dividend Investment Plan are recognised in equity at the value of the dividends applied to purchase those shares. The value of shares issued slightly exceeds the value of the dividends applied due to the rounding up of shares issued to the nearest whole share. Shares issued under the Share Investment Plan are recognised in equity at nil value as the dividends are forgone and substituted for shares issued for no consideration.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings measured at fair value in accordance with applicable Australian Accounting Standards

Asset realisation reserve

Where a revalued asset is sold, that portion of the asset revaluation reserve that relates to that asset is transferred to the asset realisation reserve upon settlement.

Equity compensation reserve

The equity compensation reserve represents the value of shares held by an equity compensation plan that the Group is required to include in the consolidated financial statements. This reserve will be reversed against share capital when the underlying shares vest in the employee. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

22. Capital and reserves (continued)

Dividends

Dividends recognised in the current year by the Group are:

In thousands of AUD	Cents per share	Total amount	Franked / unfranked	Date of payment
2008				
Interim 2008 ordinary	13.5	23,579	Franked	31 March 2008
Interim dividend forgone for Share Investment Plan		(3,390)		
Final 2007 ordinary	14.0	24,201	Franked	24 September 2007
Final dividend forgone for Share Investment Plan		(3,779)		
Total amount		40,611		
2007				
Interim 2007 ordinary	13.5	23,059	Franked	26 March 2007
Interim dividend forgone for Share Investment Plan		(3,864)		
Final 2006 ordinary	13.0	21,930	Franked	25 September 2006
Final dividend forgone for Share Investment Plan		(3,803)		
Total amount		37,322		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

Subsequent to 30 June 2008 the directors proposed the following dividends for 2008. The dividends have not been provided. The declaration and subsequent payment of dividends has no income tax consequences.

In thousands of AUD	Cents per share	Total amount	Franked / unfranked	Date of payment
Final ordinary	14.0	26,154	Franked	29 September 2008
Total amount		26,154		

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2008 and will be recognised in subsequent financial reports.

Dividend and share reinvestment plans

The Dividend Investment Plan and Share Investment Plan will operate in respect of the proposed final dividend. Under the Dividend Investment Plan, participating shareholders elect to apply dividends in whole or in part to the purchase of ordinary shares at an issue price. Under the Share Investment Plan, participating shareholders elect to forgo dividends in whole or in part and to substitute shares issued out of the capital account.

A discount of 10.0% will apply under the rules of the plans.

Last date for receipt of election notice for the dividend plans: 15 September 2008

22. Capital and reserves (continued)

Dividend franking account

In thousands of AUD	Company 2008	Company 2007
Dividend franking account	29,091	41,103
30 percent franking credits available to shareholders of Hills Industries Limited for subsequent financial years	67,880	95,907

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $26,154 thousand (2007: 24,080 thousand) franking credits.

23. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2008 was based on the profit attributable to ordinary shareholders of $46.807 million (2007: $47.173 million) and a weighted average number of ordinary shares outstanding of 175,927 thousand (2007: 170,823 thousand), calculated as follows:

Profit attributable to ordinary shareholders

In thousands of AUD	Consolidated 2008	Consolidated 2007
Profit for the period	46,807	47,173

Weighted average number of ordinary shares

In thousands of shares		Consolidated 2008	Consolidated 2007
Issued ordinary shares at 1 July		172,827	168,692
Effect of Dividend Investment Plan	22	1,145	1,068
Effect of Share Investment Plan	*22*	722	851
Effect of Employee share scheme	22	83	174
Effect of Executive Share Plan	22	33	38
Effect of Share Purchase Plan	*22*	1,166	-
Weighted average number of ordinary shares at 30 June		175,976	170,823

23. Earnings per share (continued)

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2008 was based on profit attributable to ordinary shareholders of $46.807 million (2007: $47.173 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 177,066 thousand (2007: 171,729 thousand), calculated as follows:

Profit attributable to ordinary shareholders (diluted)

	Consolidated	
In thousands of AUD	2008	2007
Profit for the period	46,807	47,173

Weighted average number of ordinary shares (diluted)

		Consolidated	
In thousands of shares	***Note***	2008	2007
Weighted average number of ordinary shares (basic)		175,976	170,823
Effect of share options on issue	*26*	1,090	906
Weighted average number of ordinary shares (diluted) at 30 June		177,066	171,729

24. Loans and borrowings

This note provides information about the contractual terms of the Company's and Group's interest-bearing loans and borrowings. For more information about the Company's and Group's exposure to interest rate, foreign currency liquidity and risk, see note 29.

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Current liabilities				
Current portion of unsecured bank loans	5,952	1,593	5,000	-
Loans – controlled entities	-	-	5,292	4,125
	5,952	1,593	10,292	4,125
Non-current liabilities				
Unsecured bank loans	202,999	171,044	177,000	145,000
Other loans - secured	498	538	498	498
Loans – controlled entities	-	-	26,000	26,000
	203,497	171,582	203,498	171,498

Financing facilities

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Bank overdraft	1,897	2,945	1,000	1,000
Unsecured bank loans	264,388	199,903	225,000	160,000
Standby letters of credit	300	300	-	-
Short term money market	21,000	21,000	21,000	21,000
	287,585	224,148	247,000	182,000
Facilities utilised at reporting date				
Bank overdraft	239	511	8,513	-
Unsecured bank loans	208,952	172,637	182,000	145,000
	209,191	173,148	190,513	145,000
Facilities not utilised at reporting date				
Bank overdraft	1,658	2,434	(7,513)	1,000
Unsecured bank loans	55,436	27,266	43,000	15,000
Standby letters of credit	300	300	-	-
Short term money market	21,000	21,000	21,000	21,000
	78,394	51,000	56,487	37,000

24. Loans and borrowings (continued)

Bank overdrafts

Bank overdrafts are denominated in $A and $NZ. The bank overdraft of a controlled entity is secured by a guarantee from the Company. Interest on bank overdrafts is charged at prevailing market rates. The bank overdrafts are payable on demand and are subject to annual review. The Company and a number of its subsidiaries have a net bank overdraft facility of $1,897,000 (disclosed above). While at 30 June 2008 the Company overdraft was not within its limits, the overdrafts are provided as part of a financing arrangement that assesses the Group's overall cash position.

Unsecured bank loans

Bank loans are denominated $A and $NZ. The bank loans are Commercial Bills with interest charged at prevailing market rates. The Company and its wholly owned subsidiaries have provided an interlocking guarantee and indemnity to its financiers for these facilities. An assessment of the contractual maturities of financial liabilities is provided in Note 29.

Standby letter of credit

The standby letter of credit facility is a committed facility reviewed annually. No drawdowns against this facility had been made as at 30 June 2008.

Short term money market

Borrowings on the short-term money market are denominated in $A. Interest on the borrowings is charged at the prevailing market rates

25. Employee benefits

Current	**Consolidated**		**Company**	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Employee benefits	26,716	25,741	9,113	8,595
Non-Current				
Employee Benefits	4,961	4,574	4,371	4,300
	31,677	30,315	13,484	12,895

26. Share-based payments

In October 1997, the Group established a share option plan that entitles selected senior managers to acquire shares in the entity subject to the successful achievement of performance targets related to improvements in total shareholder returns.

Previously the options were exercisable if the total shareholder return (measured as share price growth plus dividends paid) over a two-year period from the grant date exceeds ten percent plus CPI per annum. Once exercised the shares were forfeited if the holder ceased to be an employee of the Group within a further three-year period.

The shareholders approved an amendment to this plan as part of the 2007 Annual General Meeting such that the option period over which the shareholder return must be achieved was extended to three years. The three-year period during which the shares were restricted has now been removed. This amendment is applicable for all share options granted after the resolution was passed. No changes were made to the rules governing options already granted.

The shares issued pursuant to these options are financed by an interest free loan from the holding company repayable within twenty years from the proceeds of dividends declared by the holding company. These loans are of a non-recourse nature. For accounting purposes these 20-year loans are treated as part of the options to purchase shares, until the loan is extinguished at which point the shares are recognised.

The options are offered only to selected senior managers. Details of the options are as follows:

Grant date	**Number of options**	**Number outstanding at balance date AIFRS**	**Number outstanding at balance date ASX**
February 2001	195,000	120,000	-
February 2002	245,000	133,000	-
February 2003	280,000	210,000	-
February 2004	370,000	260,000	-
February 2005	460,000	340,000	-
February 2006	510,000	-	-
February 2007	595,000	465,000	465,000
February 2008	625,000	515,000	515,000
Total share options	3,280,000	2,043,000	980,000

Options subject to a non-recourse loan for the purchase of shares are not recognised as shares exercised by International Financial Reporting Standards, until the loan is extinguished at which point the shares are then recognised.

26. Share-based payments (continued)

The number and weighted average exercise prices of share options is as follows:

Grant date	Exercise date	Expiry date	Exercise price	Number of Options at Beginning of Year	Options granted	Options lapsed	Options exercised	Number of options at end of year on issue
Consolidated and Company 2008								
Feb 01	Jan 2023	Jan 03	$2.50	120,000	-	-	-	120,000
Feb 02	Jan 2024	Jan 04	$2.90	133,000	-	-	-	133,000
Feb 03	Jan 2025	Jan 05	$3.23	210,000	-	-	-	210,000
Feb 04	Jan 2026	Jan 06	$3.66	270,000	-	-	(10,000)	260,000
Feb 05	Jan 2027	Jan 07	$4.16	360,000	-	-	(20,000)	340,000
Feb 06	Jan 2028	Jan 08	$4.83	420,000	-	(420,000)	-	-
Feb 07	Jan 2029	Jan 09	$5.53	595,000	-	(130,000)	-	465,000
Feb 08	Jan 2031	Jan 11	$5.49	-	625,000	(110,000)	-	515,000
				2,108,000	625,000	(660,000)	(30,000)	2,043,000
Weighted average exercise price				$4.35	$5.49	$5.08	$3.99	$4.47

Grant date	Exercise date	Expiry date	Exercise price	Number of Options at Beginning of Year	Options granted	Options lapsed	Options exercised	Number of options at end of year on issue
Consolidated and Company 2007								
Feb 01	Jan 2023	Jan 03	$2.50	155,000	-	-	(35,000)	120,000
Feb 02	Jan 2024	Jan 04	$2.90	195,000	-	-	(62,000)	133,000
Feb 03	Jan 2025	Jan 05	$3.23	270,000	-	(60,000)	-	210,000
Feb 04	Jan 2026	Jan 06	$3.66	360,000	-	(90,000)	-	270,000
Feb 05	Jan 2027	Jan 07	$4.16	450,000	-	(90,000)	-	360,000
Feb 06	Jan 2028	Jan 08	$4.83	510,000	-	(90,000)	-	420,000
Feb 07	Jan 2029	Jan 09	$5.53	-	595,000	-	-	595,000
				1,940,000	595,000	(330,000)	(97,000)	2,108,000
Weighted average exercise price				$3.83	$5.53	$4.04	$2.76	$4.35

26. Share-based payments (continued)

The fair value of services received in return for share options granted during the year was $117,000 (2007: $382,000), This amount is amortised over the life of the option (and the three year holding period for those options issued prior to 2008). The estimate of the fair value of the services received is based on a model that includes the length of the option period and the relationship between the market price at the date of the grant of the option and the strike price of the option. This method has been applied consistently.

Employee expenses

	Consolidated		Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Share options granted in 2002 – equity settled	-	8	-	8
Share options granted in 2003 – equity settled	10	3	10	3
Share options granted in 2004 – equity settled	12	4	12	4
Share options granted in 2005 – equity settled	26	23	26	23
Share options granted in 2006 – equity settled	41	42	41	42
Share options granted in 2007 – equity settled	49	50	49	39
Share options granted in 2008 – equity settled	15	-	15	-
Expense arising from employee share scheme	216	341	200	300
Total expense recognised as employee costs	369	471	353	419

27. Provisions

In thousands of AUD	Outstanding claims	Contingent consideration	Site restoration	Total
Consolidated				
Balance at 1 July 2007	5,112	1,698	617	7,427
Acquired in a business combination	-			
Provisions made during the period	103	384	150	637
Provisions used during the period	(244)	(859)	(315)	(1,418)
Provisions reversed during the period	-	(839)	-	(839)
Balance at 30 June 2008	4,971	384	452	5,807
Non-current	-	-	263	263
Current	4,971	384	189	5,544
	4,971	384	452	5,807
Company				
Balance at 1 July 2007	4,474	-	-	4,474
Acquired in a business combination	-	-	-	-
Provisions made during the period	64	384	-	448
Provisions used during the period	-	-	-	-
Provisions reversed during the period	-	-	-	-
Balance at 30 June 2008	4,538	384	-	4,922
Non-current	-	-	-	-
Current	4,538	384	-	4,922
	4,538	384	-	4,922

Outstanding claims

The provision for claims is the estimated future liability of the Group's self-insurance arrangements. The value of the provision is determined in consultation with the company's actuaries or legal advisers as appropriate.

Contingent consideration

The contingent consideration provision represents present value of the component, on acquisition of subsidiaries or business operations, of consideration payable only if the acquiree meets certain performance criteria over a specified period of time.

Other

Other provisions comprise mainly a provision for site restoration.

28. Trade and other payables

		Consolidated		Company	
In thousands of AUD	**Note**	**2008**	**2007**	**2008**	**2007**
Trade payables		98,765	101,289	20,374	21,451
Other trade payables and accrued expenses		40,991	32,493	14,429	12,795
Loans from controlled entities		-	-	19,202	43,633
Other loans – secured		165	165	-	-
		139,921	133,947	54,005	77,879

The Company and Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 29.

The Company has entered into a Deed of Cross Guarantee with certain subsidiaries as described in note 37. Details of the consolidated financial position of the Company and subsidiaries party to the Deed are set out in note 37.

29. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of the Group and Company's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is summarised below:

		Consolidated		Company	
In thousands of AUD	***Note***	**2008**	**2007**	**2008**	**2007**
Cash and cash equivalents	*21*	21,310	26,923	(7,513)	3,177
Trade and other receivables	*18*	262,046	172,655	298,929	224,503
Investments at fair value	*19*	2	2	2	2
Investments in controlled entities - at cost	*19*	-	-	151,966	151,210

29. Financial instruments (continued)

Impairment losses

The aging of the Group and Company's trade receivables at the reporting date was:

Group

In thousands of AUD	Gross 2008	Impairment 2008	Gross 2007	Impairment 2007
Not past due	126,529	-	96,824	-
Past due 0-30 days	73,290	-	56,490	-
Past due 31-90 days	20,795	-	13,089	-
More than 91 days	7,350	(5,528)	5,187	(5,179)
	227,964	(5,528)	171,590	(5,179)

Company

In thousands of AUD	Gross 2008	Impairment 2008	Gross 2007	Impairment 2007
Not past due	32,787	-	25,615	-
Past due 0-30 days	17,657	-	16,005	-
Past due 31-90 days	7,473	-	3,687	-
More than 91 days	3,810	(2,150)	1,300	(1,300)
	61,727	(2,150)	46,607	(1,300)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Group

In thousands of AUD	2008	2007
Balance at 1 July	(5,179)	(4,888)
Impairment loss recognised	(349)	(291)
Balance at 30 June	(5,528)	(5,179)

Company

In thousands of AUD	2008	2007
Balance at 1 July	(1,300)	(1,000)
Impairment loss recognised	(850)	(300)
Balance at 30 June	(2,150)	(1,300)

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not yet past due, or loans to/ investments in Group companies.

29. Financial instruments (continued)

Liquidity risk

The following are the contractual maturities of financial assets and liabilities, including estimated interest payments. The amounts disclosed are the contractual undiscounted cash flows (inflows shown as positive, outflows as negative).

Consolidated
30 June 2008

In thousands of AUD	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial assets							
Non-interest bearing	262,046	262,046	244,761	-	17,285	-	-
Fixed rate	2,152	2,280	2,280	-	-	-	-
Variable rate	19,397	20,095	20,095	-	-	-	-
	283,595	284,421	267,136	-	17,285	-	-
Financial liabilities							
Non-interest bearing	(140,418)	(140,418)	(139,920)	-	-	-	(498)
Variable rate*	(209,191)	(263,167)	(15,632)	(16,311)	(16,393)	(214,830)	-
	(349,609)	(403,585)	(155,552)	(16,311)	(16,393)	(214,830)	(498)

* Variable rate financing consists of commercial bills that are drawn under a facility agreement entitling the Group and Company to financing until November 2010.

Consolidated
30 June 2007

In thousands of AUD	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial assets							
Non-interest bearing	172,655	172,655	172,655	-	-	-	-
Fixed Rate	7,085	7,292	7,292				
Variable rate	20,349	20,942	20,942	-	-	-	-
	200,089	200,889	200,889	-	-	-	-
Financial liabilities							
Non-interest bearing	(134,485)	(134,485)	(133,947)	-	-	-	(538)
Variable rate	(173,148)	(184,429)	(6,167)	(5,626)	(172,637)	-	-
	(307,633)	(318,914)	(140,114)	(5,626)	(172,637)	-	(538)

29. Financial instruments (continued)

Company
30 June 2008

In thousands of AUD	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial assets							
Non-interest bearing	66,662	66,662	60,722	-	5,940	-	-
Non-interest bearing - Loans to controlled entities	232,267	232,267	232,267	-	-	-	-
Fixed rate	1,000	1,072	1,072	-	-	-	-
	299,929	300,001	294,061	-	5,940	-	-
Financial liabilities							
Non-interest bearing	(54,503)	(54,503)	(54,005)	-	-	-	(498)
Variable rate – intercompany	(31,292)	(46,543)	(1,592)	(1,592)	(3,183)	(40,177)	-
Variable rate – external	(190,513)	(239,363)	(22,811)	(14,298)	(14,298)	(187,957)	-
	(276,308)	(340,409)	(78,408)	(15,890)	(17,481)	(228,134)	(498)

30 June 2007

In thousands of AUD	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial assets							
Non-interest bearing	46,542	46,542	46,542	-	-	-	-
Loans to controlled entities	177,961	177,961	177,961	-	-	-	-
Fixed rate	3,177	3,245	3,245	-	-	-	-
	227,680	227,748	227,748	-	-	-	-
Financial liabilities							
Non-interest bearing	(78,377)	(78,377)	(77,879)	-	-	-	(498)
Variable rate – intercompany	(30,125)	(43,798)	(1,341)	(5,466)	(2,314)	(6,942)	(27,736)
Variable rate – external	(145,000)	(154,367)	(4,684)	(4,684)	(145,000)	-	-
	(253,502)	(276,542)	(83,903)	(10,149)	(147,314)	(6,942)	(28,234)

29. Financial instruments (continued)

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows:

In thousands	USD	NZD	euro	JPY	USD	NZD	euro	JPY
	30 June 2008				30 June 2007			
Trade receivables	483	6,813	-	-	-	11,594	-	-
Secured bank loans	-	(1,200)	-	-	-	(2,520)	-	-
Trade payables	(2,078)	(2,894)	(67)	(14,809)	-	(5,541)	-	-
Gross balance sheet exposure	(1,595)	2,719	(67)	(14,809)	-	3,533	-	-

The Company's exposure to foreign currency risk was as follows:

In thousands	USD	NZD	euro	JPY	USD	NZD	euro	JPY
	30 June 2008				30 June 2007			
Trade receivables	435	-	-	-	-	-	-	-
Trade payables	(920)	-	(21)	(14,807)	-	-	-	-
Gross balance sheet exposure	(485)	-	(21)	(14,807)	-	-	-	-

Sensitivity analysis

A 5 percent strengthening/weakening of the Australian dollar against the above currencies at 30 June would not have materially increased/(decreased) equity and profit or loss in the current or prior year. This analysis assumes that all other variables, in particular interest rates remain constant.

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Consolidated Carrying amount		Company Carrying amount	
In thousands of AUD	2008	2007	2008	2007
Fixed rate instruments				
Financial assets	2,152	7,085	1,000	3,177
Variable rate instruments				
Financial assets	19,397	20,349	-	-
Financial liabilities	(209,191)	(173,148)	(221,805)	(175,125)
	(187,642)	(145,714)	(220,805)	(171,948)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging. Therefore a change in interest rates at the reporting date would not materially affect profit or loss.

29. Financial instruments (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

Group

	Profit or loss		Equity	
Effect in thousands of AUD	50bp increase	50bp decrease	50bp increase	50bp decrease
30 June 2008	(929)	929	(929)	929
30 June 2007	(725)	725	(725)	725

Company

	Profit or loss		Equity	
Effect in thousands of AUD	50bp increase	50bp decrease	50bp increase	50bp decrease
30 June 2008	(790)	790	(790)	790
30 June 2007	(709)	709	(709)	709

Fair values

Fair values versus carrying amounts

The carrying values of financial assets and liabilities as shown in the balance sheet are a reasonable approximation of fair value.

The basis for determining fair values is disclosed in note 4.

30. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Less than one year	14,010	13,785	1,208	1,904
Between one and five years	31,737	33,828	1,448	2,562
More than five years	3,156	5,814	-	-
	48,903	53,427	2,656	4,466

The Group leases a number of warehouse and factory facilities under operating leases.

The leases run for a period ranging from 1 to 15 years with the majority running for a period of 5 years, with an option to renew the lease after that date. Lease payments are increased each renewal period to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index.

31. Capital and other commitments

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Capital expenditure commitments				
Plant and equipment				
Contracted but not yet provided for and payable:				
Within one year	11,864	11,827	1,636	1,272

32. Contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Contingent liabilities not considered remote				
Guarantees				
(i) Under the terms of a Deed of Cross Guarantee the Company and its wholly owned subsidiaries, have guaranteed the bank facilities in each other's companies. The amounts shown are the bank guarantees. No material deficiency in net assets exists in these companies at reporting date.	-	-	276,420	193,168
(ii) Letters of credit established in favour of suppliers/creditors.	38	27,701		-
(iii) Bank guarantees in favour of customers and suppliers	18,493	18,170	9,892	8,514

There are no contingent assets where the probability of future receipts is not considered remote.

33. Related parties

Key management personnel

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive Directors

Jennifer Helen Hill-Ling (Chairman)

Ian Elliot

Roger Baden Flynn

Geoffrey Guild Hill

Peter William Stancliffe

Executive Directors

David James Simmons (Group Managing Director, resigned 30 June 2008)

Graham Lloyd Twartz (Group Finance Director, appointed Group Managing Director 1 July 2008)

Executives

L Andrewatha (Managing Director - Orrcon Group)

A Muir (General Manger - Business Development, appointed Group Finance Manager 28 March 2008)

J Easling (Managing Director - Fielders)

S Cope (Group General Manager – Electronics, Security and Entertainment)

R Gros (Group General Manger – Home, Hardware & Eco Products)

A Oliver - Group General Manager - Antenna and TV Systems

R Meachem General Manager – Pacom

D Salvaterra – General Manager - EzyStrut

Key management personnel compensation

The key management personnel (KMP) compensation included in ‘personnel expenses’ (see note 11) is as follows

	Consolidated		Company	
In AUD	**2008**	**2007**	**2008**	**2007**
Short-term employee benefits	4,398,212	2,930,011	3,497,677	2,087,001
Post-employment benefits	340,340	224,779	265,067	149,294
Termination benefits	-	291,068	-	291,068
Share-based payments	150,549	258,993	120,437	161,768
	4,889,101	3,704,851	3,883,181	2,689,131

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section 7 of the Directors’ Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors’ interests existing at year-end.

33. Related parties (continued)

Loans to key management personnel and their related parties

There were no loans outstanding at the reporting date to key management personnel and their related parties. Option loans detailed in prior year reports are no longer recognised as loans as they are included in the fair value of the options as required by AIFRS.

Other key management personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

			Transactions value year ended 30 June	
In AUD		***Note***	**2008**	**2007**
Key management person	**Transaction**			
J Easling	Property Rental	(i)	1,135,180	899,047

(i) The Group rents certain property from a company in which J Easling is a shareholder. Amounts were billed based on normal market rentals and were due and payable under normal payment terms.

There were no amounts receivable from and payable to key management personnel at reporting date arising from this transaction. (2007: $nil)

From time to time, key management personnel of the Company or its controlled entities, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

33. Related parties (continued)

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2007	Granted as compen-sation	Exercised	Other changes*	Held at 30 June 2008**	Vested during the year	Vested and exercisable at 30 June 2008
Directors							
D J Simmons	540,000	100,000	-	(280,000)	360,000	240,000	360,000
G L Twartz	323,000	60,000	-	(60,000)	323,000	40,000	83,000
Executives							
A Oliver	280,000	25,000	-	(45,000)	260,000	40,000	100,000
L Andrewatha	180,000	60,000	-	(60,000)	180,000	-	-
J Easling	110,000	30,000	-	(30,000)	110,000	10,000	10,000
A Muir	70,000	25,000	-	(25,000)	70,000	-	-
D Walker	30,000	20,000	-	(10,000)	40,000	-	-
R Meachem	55,000	25,000	-	(10,000)	70,000	-	-
S Cope	60,000	60,000	-	-	120,000	-	-
R Gros	60,000	60,000	-	-	120,000	-	-

	Held at 1 July 2006	Granted as compen-sation	Exercised	Other changes*	Held at 30 June 2007**	Vested during the year	Vested and exercise-able at 30 June 2007
Directors							
D J Simmons	440,000	100,000	-	-	540,000	80,000	120,000
G L Twartz	280,000	60,000	(17,000)	-	323,000	60,000	43,000
Executives							
M Canny	280,000	-	(60,000)	(220,000)	-	60,000	60,000
A Oliver	235,000	45,000	-	-	280,000	45,000	60,000
P Mellino	100,000	-	(20,000)	(80,000)	-	20,000	20,000
L Andrewatha	120,000	60,000	-	-	180,000	60,000	-
J Easling	80,000	30,000	-	-	110,000	25,000	-
S Cope	-	60,000	-	-	60,000	-	-
R Gros	-	60,000	-	-	60,000	-	-
A Muir	45,000	25,000	-	-	70,000	10,000	-

* Other changes represent options that lapsed or were forfeited during the year.

**Options are subject to a non-recourse loan for the purchase of shares. The shares are not recognised as exercised by International Financial Reporting Standards, until the loan is extinguished.

No options were held by key management person related parties.

33. Related parties (continued)

Movement in shares

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows

	Held at 1 July 2007	Purchases	Received on exercise of options	Employee Share Bonus Plan	Sales	Held at 30 June 2008
Directors						
J H Hill-Ling*	14,782,908	553,903	-		-	15,336,811
D J Simmons	9,706	-	-	192	-	9,898
I Elliot	1,000	-	-	-	-	1,000
GG Hill	70,482	5,574	-	-	-	76,056
R B Flynn	24,407	1,889	-	-	-	26,296
P W Stancliffe	10,202	1,919	-	-	-	12,121
G L Twartz	2,609	1,299	-	192	-	4,100
Executives						
A Oliver	40,264	2,445	-	192	-	42,901
L Andrewatha	-	-	-	-	-	-
J Easling	5,383	330	-	192	-	5,905
A Muir	1,911	1,299	-	192	-	3,402
D Walker	1,416	4,421	-	192	-	6,029
R Meachem	6,315	387	-	192	-	6,894
S Cope	-	-	-	-	-	-
R Gros	-	1,299	-	92	-	1,391

	Held at 1 July 2006	Purchases	Received on exercise of options	Employee Share Bonus Plan	Sales	Held at 30 June 2007
Directors						
J H Hill-Ling*	14,289,414	541,494	-	-	(48,000)	14,782,908
D J Simmons	9,500	-	-	206	-	9,706
I Elliot	1,000	-	-	-	-	1,000
G G Hill	66,704	3,778	-	-	-	70,482
R B Flynn	23,098	1,309	-	-	-	24,407
P W Stancliffe	9,654	548	-	-	-	10,202
G L Twartz	12,403	-	17,000	206	(27,000)	2,609
Executives						
M Canny**	28,976	-	60,000	206	(49,678)	39,504
A Oliver	37,908	2,150	-	206	-	40,264
P Mellino**	5,306	-	20,000	131	-	25,437
L Andrewartha	-	-	-	-	-	-
J Easling	4,896	281	-	206	-	5,383
A Muir	1,705	-	-	206	-	1,911

* Includes 1,057,001 (2007: 996,714) shares owned by Hills Associates & Poplar Pty Ltd and 12,454,632 (2007: 11,970,195) owned by Hills Associates Ltd in which J H Hill-Ling is a Director

**Held at the date of cessation of classification of KMP.

33. Related parties (continued)

Movements in shares (continued)

The above analysis does not include options exercised as options subject to a non-recourse loan for the purchase of shares are not recognised as exercised by International Financial Reporting Standards, until the loan is extinguished at which point the shares are recognised.

No shares were granted to key management personnel during the reporting period as compensation in 2007 or 2008 aside from those issued to the executives as part of the employee share scheme.

Changes in key management personnel in the period after the reporting date and prior to the date when the financial report is authorised for issue

On the 30th of June 2008 David Simmons retired as Managing Director and as a Director of the Company. Graham Twartz was appointed Managing Director on 1 July 2008. David will continue as a consultant to the company for a further 12 months.

Subsidiaries

All transactions with partly owned controlled entities are on normal terms and conditions. Transactions with controlled entities are determined on a cost basis. Sales of goods and services that eliminated with cost of goods sold and services provided amounted to $14,117,000 (2007: $32,756,000). Loans and borrowings with Australian wholly owned controlled entities are interest free and payable on demand while loans to or from non-wholly owned subsidiaries are charged interest at rates no more favourable than current market rates. Inter entity interest paid and received during the year was $9,189,000 (2007: $7,978,000). Entities within the group rent properties to or from other entities within the group at rentals that are market related. Property rentals during the year were $2,299,000 (2007: $1,711,000). Group entities charge an administration fee for services rendered which during the year was $10,566,000 (2007: $8,296,000). Inter entity dividends paid and received during the year amounted to $35,713,000 (2007: $11,434,000).

Group entity trading transactions and borrowings result in balances arising in respect of current and non-current assets and liabilities. At 30 June 2008 the current assets and liabilities were $128,285,000 (2007: $150,592,000) and the non-current assets and liabilities were $184,914,000 (2007: $137,158,000).

Other related parties

Key management persons related parties

For details of these transactions refer to key management personnel related disclosures.

Other related parties

Contributions to superannuation funds on behalf of employees are disclosed in note 11.

34. Group entities

Parent and ultimate controlling party

The consolidated financial statement's incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 3(a).

	Note	Country of Incorporation	Ownership interest 2008	Ownership interest 2007
Parent entity				
Hills Industries Limited		Australia		
Subsidiaries				
Hills Finance Pty Ltd		Australia	100	100
Hills Industries Limited		New Zealand	100	100
Spraygen Sprayers Limited (*deregistered*)		United kingdom	-	100
Korvest Ltd	(a) (b)	Australia	46.4	46.4
Korvest NZ Limited	(a)	New Zealand	46.4	46.4
Hills Hoists Pty Ltd		Australia	100	100
Bailey Aluminium Products Pty Ltd		Australia	100	100
ACN 000195 951 Pty Ltd (Formerly Triton Manufacturing & Design Co Pty Ltd)		Australia	100	100
ACN 089 622 622 Pty Ltd (Formerly Triton Workshop Systems (UK) Pty Ltd)		Registered branch in United Kingdom	100	100
Woodroffe Industries Pty Ltd		Australia	100	100
Fielders Australia Pty Ltd		Australia	60	60
Fielders Mobile Mill Pty Ltd (Formerly Aveso Pty Ltd)		Australia	100	100
Zen 99 Pty Ltd		Australia	100	100
Orrcon Holdings Pty Ltd		Australia	100	100
Orrcon Operations Pty Ltd		Australia	100	100
Orrcon Tubing Pty Ltd		Australia	100	100
Precision Tube Company Ltd (*deregistered*)		Australia	-	100
Tube Specialist Pty Ltd (*deregistered*)		Australia	-	100
Access Television Services Pty Ltd (Formerly ATS 2005 Pty Ltd)		Australia	100	100
ATS 2004 Pty Ltd (*deregistered*)		Australia	-	100
Universal Communications Corp Pty Ltd (*deregistered*)		Australia	-	100
ACN 089 140 134 Pty Ltd (*deregistered*)		Australia	-	100
Techlife Solutions Pty Ltd (Formerly Access Television Services Pty Ltd (Shelved))		Australia	100	100
Audio Telex Communications Pty Ltd		Australia	100	100
Crestron Control Solutions Pty Ltd		Australia	100	100
Team Poly Pty Ltd		Australia	100	100
KDB Engineering Pty Ltd		Australia	100	100
Kerry Equipment (Aust) Pty Ltd		Australia	100	100
Step Electronics 2005 Pty Ltd	(a)	Australia	50	50
Greenwattle Investments Pty Ltd		Australia	100	100
Access Scaffolding (Aust) Pty Ltd		Australia	100	100
Greenwattle Equipment Pty Ltd		Australia	100	100
Alquip Holdings Pty Ltd		Australia	100	100
Alquip Pty Ltd		Australia	100	100
Pathfinder (Edwardstown) Pty Ltd		Singapore	100	100
Hills Nominees Pty Ltd		Australia	100	100
DAS Security Wholesalers Pty Ltd		Australia	100	100
Pacific Communications Pty Ltd		Australia	100	100
Pacom Security Pty Ltd		Australia	100	100

34. Group entities (continued)

		Country of Incorporation	Ownership interest	
			2008	2007
CBS Hardware Pty Ltd		Australia	100	100
Step Electronics Pty Ltd		Australia	100	100
Opticomm Co Pty Ltd	(a)	Australia	50	-

All shares are ordinary shares. Names inset indicate shares held by the company immediately above the inset. The percentage shown is the interest of Hills Industries Limited.

(a) These companies are controlled by virtue of the parent entity's control of the company's Board through the chairman's casting vote, effective management of the company and exposure to the risks and benefits of ownership, or control of voting rights through the dilution of the minority shareholders.

(b) During the year Korvest Ltd issued 15,604 (2007: 19,553) ordinary shares pursuant to its Employee Share Bonus Plan for no consideration. Hills Industries Limited does not participate in this plan. As a result of this transaction Hills Industries Limited decreased its interest in Korvest Ltd.

35. Subsequent event

There have been no events subsequent to balance date that would have a material effect on the Group's financial statements at 30 June 2008.

36. Auditors' remuneration

	Consolidated		Company	
In AUD	2008	2007	2008	2007
Audit services				
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	377,000	350,000	261,000	291,500
Overseas KPMG Firms:				
Audit and review of financial reports	41,004	53,186	-	-
	418,004	403,186	261,000	291,500
Other auditors				
Audit and review of financial reports	3,030	12,383	-	-
	421,034	415,569	261,000	
Other services				
Auditors of the Company				
KPMG Australia				
Taxation and other services	134,020	122,022	128,770	117,522
Overseas KPMG Firms:				
Taxation services	26,582	12,678	-	-
	160,602	134,700	128,770	117,522

37. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Hills Finance Pty Ltd
- Hills Hoists Pty Ltd
- Bailey Aluminium Products Pty Ltd
- KDB Engineering Pty Ltd
- Kerry Equipment (Aust) Pty Ltd
- Woodroffe Industries Pty Ltd
- ACN 000 195 951 Pty Ltd (Formerly Triton Manufacturing & Design Co Pty Ltd)
- Orrcon Operations Pty Ltd
- Orrcon Holdings Pty Ltd
- Greenwattle Investments Pty Ltd (Alquip)
- Audio Telex Communications Pty Ltd
- Team Poly Pty Ltd

All of the subsidiaries except KDB Engineering Pty Ltd, Orrcon Operations Pty Ltd and Orrcon Holdings Pty Ltd became a party to the deed on 15 April 2004 by virtue of a Deed of Assumption.

Orrcon Holdings Limited and Orrcon Operations Pty Ltd became parties to the deed on 23 June 2006, by virtue of a Deed of Assumption. Greenwattle Investments Pty Ltd (Alquip) and Audio Telex Communications Pty Ltd became parties to the deed on 25 June 2007. Team Poly Pty Ltd became a party to the deed on 14 May 2008.

Hills Industries Limited is the Holding Company and Pacom Security Pty Ltd is the Trustee under the Deed.

A consolidated income statement and consolidated balance sheet, comprising the Company and controlled entities that are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2008 is set out as follows:

Summarised income statement and retained profits

	Consolidated	
In thousands of AUD	**2008**	**2007**
Profit before tax	49,929	54,564
Income tax expense	9,656	11,590
Profit after tax	40,273	42,974
Retained profits at beginning of year	96,488	86,127
Transfers to and from reserves	135	251
Adjustment to retained profits at the beginning of the year on inclusion of addition company in the Class Order	3,115	4,458
Dividends recognised during the year	(40,611)	(37,322)
Retained profits at end of year	99,400	96,488
Attributable to:		
Equity holders of the Company	99,400	96,488
Minority interest	-	-
Profit for the period	99,400	96,488

37. Deed of cross guarantee (continued)

Balance sheet

In thousands of AUD	Consolidated 2008	2007
Assets		
Cash and cash equivalents	19,929	12,593
Trade and other receivables	260,152	179,774
Inventories	141,774	127,490
Assets classified as held for sale	-	15,946
Total Current Assets	421,855	335,803
Investments	9,514	21,046
Deferred tax assets	11,440	24,103
Property, plant and equipment	181,154	130,664
Intangible assets	95,888	86,986
Total Non-Current Assets	297,946	262,799
Total Assets	719,851	598,602
Liabilities		
Bank overdraft	10,271	-
Trade and other payables	94,404	84,766
Loans and borrowings	10,842	4,125
Employee benefits	17,292	15,977
Current tax payable	2,957	11,833
Provisions	5,176	6,209
Total Current Liabilities	140,942	122,910
Loans and borrowings	203,498	171,498
Employee benefits	4,677	4,319
Total Non-Current Liabilities	208,175	175,817
Total Liabilities	349,117	298,727
Net Assets	370,504	299,875
Equity		
Share capital	223,091	178,031
Reserves	48,013	25,356
Retained earnings	99,400	96,488
Total equity	370,504	299,875

Directors' declaration

1 In the opinion of the directors of Hills Industries Limited ('the Company'):

(a) the financial statements and notes set out on pages 24 to 95, and the Remuneration report in the Directors' report, set out on pages 11 to 18, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Company and the group entities identified in note 37 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors:

Dated at Adelaide on this 12th day of September 2008.

G L Twartz
Director

Independent audit report to the members of Hills Industries Limited 30 June 2008 Annual Financial Report

Report on the financial report

We have audited the accompanying financial report of Hills Industries Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes [x to y] and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent audit report to the members of Hills Industries Limited 30 June 2008 Annual Financial Report

Auditor's opinion

In our opinion:

(a) the financial report of Hills Industries Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in paragraphs 11 to 18 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Hills Industries Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

G Savage
Partner

Adelaide

Dated this the 12th day of September 2008

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Hills Industries Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

G Savage
Partner

Adelaide

Dated this the 12th day of September 2008

ASX additional information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 22 August 2008)

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number
Poplar Pty Limited	17,955,072
Hills Associates Limited	12,454,632

Voting rights

Ordinary shares

On a show of hands, every person present in one or more of the following capacities, namely, that of a member or the proxy attorney or representative of a member, shall have one vote.

On a poll, every member present in person or by proxy attorney or representative shall have one vote for every ordinary share held.

Direct payment to shareholders' accounts

Dividends may be paid directly to bank, building society or credit union accounts in Australia. Payments are electronically credited on the dividend date and confirmed by mailed payment advice. Shareholders who want their dividends paid this way should advise the Company's share register in writing.

Distribution of equity security holders

As at 13 August 2008

	Number of equity security holders	
Category	Ordinary shares	Options
1 - 1,000	4,730	-
1,001 - 5,000	11,516	-
5,001 - 10,000	4,712	-
10,000 - 100,000	2,816	15
100,000 and over	64	7
	23,838	22

The number of shareholders holding less than a marketable parcel of ordinary shares is 768.

Securities Exchange

The Company is listed on the Australian Securities Exchange. The Home exchange is Adelaide.

Other information

Hills Industries Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

ASX additional information (continued)

On-market buy-back

There is no current on-market buy-back.

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
Poplar Pty Limited	17,955,072	9.61
Hills Associates Limited	12,454,632	6.67
Jacaranda Pastoral Pty Ltd	5,665,250	3.03
Australian Foundation Investment Company Limited	4,262,130	2.28
Argo Investments Ltd	4,088,006	2.19
Donald Cant Pty Ltd	1,832,426	0.98
National Nominees Limited	1,733,223	0.93
Colleen Sims Nominees Pty Ltd	1,693,012	0.91
Milton Corporation Limited	1,615,648	0.86
J P Morgan Nominees Australia Limited	1,528,457	0.82
Hills Associates Limited & Poplar Pty Ltd	1,057,001	0.57
Choiseul Investments Limited	801,039	0.43
ANZ Nominees Limited	705,425	0.38
Citicorp Nominees Pty Limited	703,424	0.38
HSBC Custody Nominees (Australia) Limited	653,172	0.35
Tamarisk Pty Limited	571,062	0.31
Queensland Investment Corporation	477,978	0.26
Mr David James Simmons	360,000	0.19
RBC Dexia Investor Services Australia Nominees Pty Limited	307,858	0.16
S Kidman & Co Ltd	298,000	0.16
	58,762,815	31.47

Offices and officers

Company Secretary

Mr Andrew Muir, B.Ec, MBA

Principal Registered Office

944-956 South Road

Edwardstown SA 5039

Telephone: (08) 8301 3200

Facsimile: (08) 8297 4468

Web: www.hills.com.au

Locations of Share Registries

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Adelaide, SA 5000
Telephone (within Australia): 1300 556 161
Telephone (outside Australia): +61 3 9415 4000
Facsimile: (08) 8236 2305
Email: web.queries@computershare.com.au
Internet address: www.computershare.com