

FOUNDATIONS

INTEGRITY

ENHANCEMENT

DEVELOPMENT

COMPETITIVE BUSINESSES

CULTURE

ELECTRONIC SECURITY
AND ENTERTAINMENT

TEAMWORK

TRUSTED

HOME, HARDWARE AND ECO

LEADERSHIP

SAFETY

STABILITY

BUILDING AND INDUSTRIAL

INNOVATION RESOURCES

VALUE
ICONIC

STRENGTH

DIVERSITY
INTEGRATION





Contents

Hills Industries Limited
Concise Annual Report 2009

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Share Registry

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Telephone (outside Australia): +61 3 9415 4000
Facsimile: (08) 8236 2305
Email: web.queries@computershare.com.au
Internet address: www.computershare.com

Shareholder enquires/change of address

Shareholders wishing to enquire about their shareholdings, dividends or change their address should contact the Company's share registry.

Relationship of the Concise Annual Financial Report to the full Annual Financial Report

The Concise Annual Financial Report is an extract from the full Annual Financial Report for the year ended 30 June 2009. The financial statements and specific disclosures included in the Concise Annual Financial Report have been derived from the full Annual Financial Report.

The Concise Annual Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Hills Industries Limited and its subsidiaries (the Group) as the full Annual Financial Report. Further information can be obtained from the full Annual Financial Report.

A copy of the Group's 30 June 2009 full Annual Financial Report, including the independent audit report, is available to all shareholders and will be sent to shareholders without charge upon request or can be downloaded from www.hills.com.au.

The 30 June 2009 full Annual Financial Report can be requested by telephone:
Australia: (08) 8301 3200
Overseas: +61 8 8301 3200
Or via email at info@hills.com.au.

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Overview

The Hills Industries Group achieved a profit after tax (excluding unusual and significant items) attributable to shareholders of \$28.052 million (statutory profit of \$9.506 million). This was a reduction of 41.6% compared to the previous year and was struck on record revenues of \$1.211 billion.

Overview 2009

While the growth in revenue to a record level was pleasing, the general slowdown in economic activity around the world, and in Australia and New Zealand in particular, saw the Group record its first reduced operating profit for many years. As a result of the reduced profitability, the Group undertook a number of restructuring initiatives, which resulted in the closure of some operations, a reduction in headcount, some improvements in our supply chain and changes to our product offering. While these initiatives were implemented across the Group, they were most prevalent in the Home, Hardware and Eco division, which produced an extremely poor result.

Cash flows from operations were very strong during the period as improvements were made to the management of our working capital. The cash flow from operations was a record for the Group.

Our gearing (measured as debt divided by equity) was below our stated target of 45%. Since the balance date, the company has undertaken some important initiatives to strengthen the balance sheet. On August 5 we completed a placement to institutional shareholders of around \$40 million. At the same time we announced a Share Purchase Plan, which gave existing shareholders an entitlement to purchase additional shares at the placement price. The institutional raising introduces a number of new shareholders to the company's register and in the directors' view brings a better balance to the share register between private and institutional investors.

The second initiative was the extending of the term of the majority of our debt facilities to November 2011.

With the support of our shareholders and bankers Hills is well placed to capitalise on improving economic conditions and acquisition opportunities that may arise.

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 mitigate the impact of short-term changes to individual markets and economies. We aim to be product innovators and market leaders.

Our overall objective is to grow revenue and earnings through a combination of organic growth and acquisitions. We aim to produce superior returns on the funds invested in our businesses. 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

The impact of the global financial crisis and the resultant volatility in commodity prices and exchange rates saw generally subdued and difficult trading conditions in Australia and in particular in New Zealand. Steel prices rose quite sharply early in the year and then declined as economic activity decreased over the course of the year. The severe and rapid devaluation of the dollar in the first half of the year under review caused sharp increases in the cost of our imported product, which we were unable to pass on as effectively as we would have liked. As a result, our margins were reduced during the latter part of the year, which contributed to the lower operating profit.

Unusual / Significant Items

In the period under review we booked a number of non-trading losses as a result of restructuring initiatives referred to above, as well as the mark to market adjustment on our interest rate swaps and foreign exchange contracts. The bulk of these unusual items were non-cash, the largest two being the write off of the goodwill in our Alquip business and the mark to market adjustments. In addition, there were redundancy and closure costs as a result of the restructuring initiatives that we have undertaken.

Vision and Values

Hills is a diversified company operating mainly in Australia and New Zealand. We aim to be the market leader in the industries in which we operate, supplying innovative quality products to our customers and to achieve superior financial performance that provides strong shareholder value.

To achieve this we value and promote:

- A leadership style which 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.

Dividends

During the year we announced that our previous policy of paying 100% of our after tax profits to shareholders as dividends would be discontinued. The directors felt that in the environment of declining availability of capital this policy was not in the long-term interests of the company.

Over the course of the year shareholders will receive a total 10 cents per share in fully franked dividends in respect of the year ended 30 June 2009. Earnings per share from ordinary operations for the same period were 14.6 cents.

Shareholders

We value the support of our shareholders in a year that saw some significant reductions in our share price. The continued support of our Dividend Reinvestment and Share Purchase Plans helps to bolster the company's balance sheet.

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 for the employees, the company and our shareholders.

While the growth in revenue to a record level was pleasing, the general slowdown in economic activity around the world, and in Australia and New Zealand in particular, saw the Group record its first reduced operating profit for many years.

Likely Developments

There continues to be much public comment and debate about the state of global markets. Economic forecasters continue to have a wide range of views about the timing and speed of an economic recovery in Australia and New Zealand.

We expect trading conditions to remain subdued in the first half of the new financial year, however, we are forecasting improved trading conditions in the second half of the financial year. As a result of the cost reductions and restructuring initiatives previously referred to, we believe the company is well placed to improve profits when economic conditions return to more normal levels. The changes that we have made have been wide spread but have not undermined our commitment to customer service.

Based on all of the above, we expect a modest improvement in operating profit for the financial year ending 30 June 2010.

The Board of Directors:

Ian Elliot
Graham Lloyd Twartz
Peter William Stancliffe
Jennifer Helen Hill-Ling
Geoffrey Guild Hill
Roger Baden Flynn

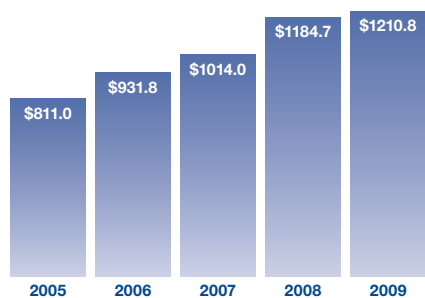




Five Year Summary

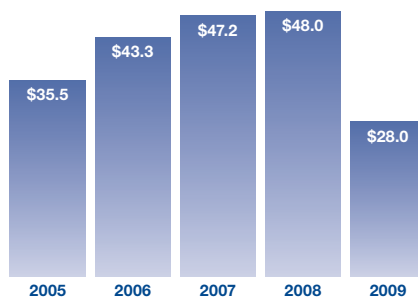
Total revenue

Amount in \$ millions



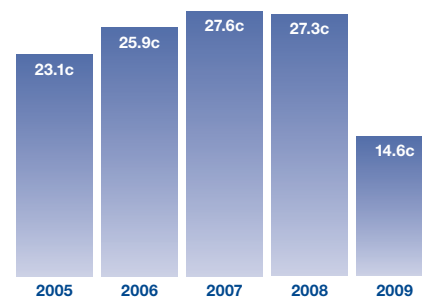
Net profit after tax attributable to members (before unusual items)

Amount in \$ millions



Earnings per share (before unusual items)

Amount in cents



In thousands of AUD

	2005	2006	2007	2008	2009
Total revenue	811,046	931,799	1,013,999	1,184,737	1,210,802
Net profit after tax attributable to members	35,510	43,261	47,173	46,807	9,506
Net profit after tax attributable to members (before unusual items)	35,510	43,261	47,173	48,036	28,052
Net profit after tax and before minority interest	41,720	48,210	52,042	52,360	15,655
Depreciation, impairment and amortisation	20,585	17,566	18,988	21,784	23,107
Net borrowing costs (before unusual items)	3,308	5,880	9,105	14,374	12,531
Shareholders' equity	292,528	309,952	331,726	408,219	402,535
Operating profit attributable to members					
—as a % of shareholders' equity	15.7%	12.1%	14.0%	11.5%	2.4%
Net profit after tax and before minority interest					
—as a % of total revenue	5.3%	5.1%	5.2%	4.4%	1.3%
Earnings per share (cents)	23.1	25.9	27.6	26.6	4.9
Earnings per share (before unusual items) (cents)	23.1	25.9	27.6	27.3	14.6
Dividends per share (cents)	24.0	26.0	27.5	27.5	10.0
Employees at year end	2,694	2,956	2,999	3,140	2,608
Shareholders at year end	20,270	21,748	22,837	23,841	23,716



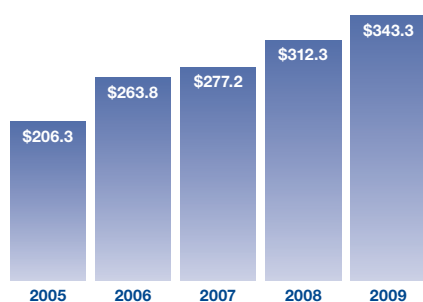
Group Profile

Electronic Security and Entertainment

- Electronic security systems
- Closed circuit television systems
- Home and business automation and control systems
- Satellite dishes
- Consumer electronic equipment
- Communications-related products and services
- Domestic and commercial antennas
- Professional audio equipment
- Communications antennas
- Subscription TV installation services
- Master antenna television systems
- Fibre optic transmission solutions
- Fibre to the home / Fibre to the node

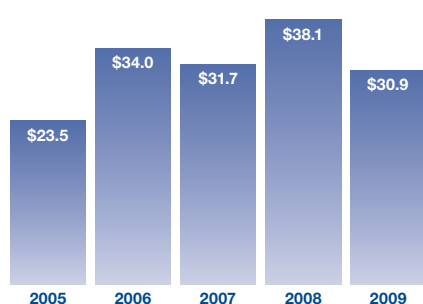
Revenue

Amount in \$ millions



EBIT*

Amount in \$ millions

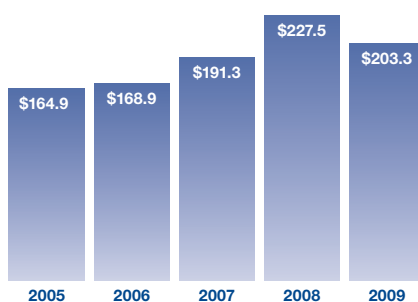


Home, Hardware and Eco

- Outdoor clothes dryers
- Laundry trolleys
- Ironing boards
- Barrier doors
- Garden sprayers
- Wheelbarrows
- Ladders
- Rehabilitation and mobility products
- Water storage solutions
- Plumbing products

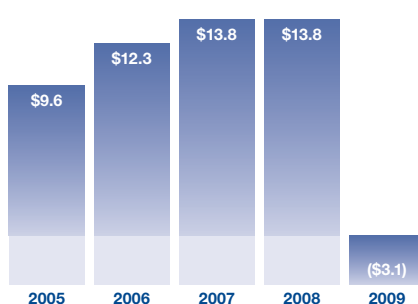
Revenue

Amount in \$ millions



EBIT*

Amount in \$ millions

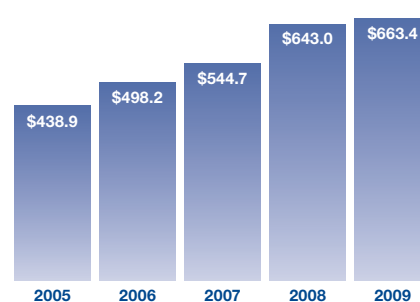


Building and Industrial

- Structural, precision and large steel tubing
- Metal roofing, flooring and fencing
- Carports and shed systems
- Steel door frames
- Cable and pipe support systems
- Hot-dip galvanising

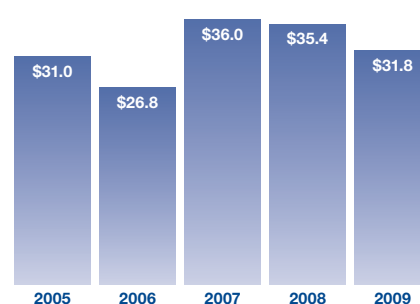
Revenue

Amount in \$ millions

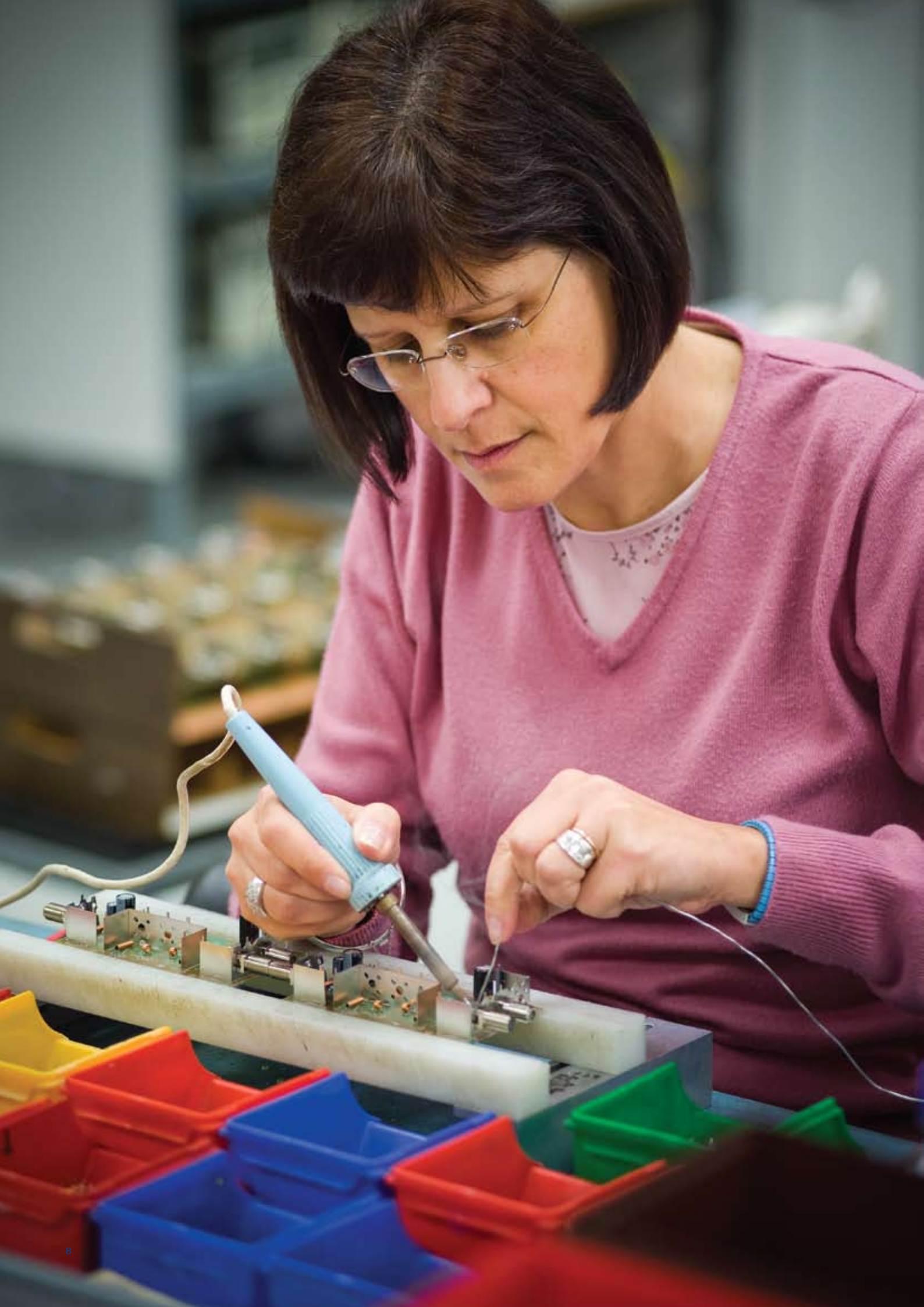


EBIT*

Amount in \$ millions



* EBIT – Earnings before interest and tax (before unusual / significant items).



Electronic Security and Entertainment

Hills Electronic Security

This business unit markets an extensive range of electronic security products ranging from simple domestic alarms to complex integrated surveillance and access control systems. We represent a number of the world's leading security companies, whose products we mix and match with our own products.

The market is characterised by reasonably predictable level of day-to-day business, supplemented by larger project opportunities. The overall level of activity in the project market declined during the second half of the year and our margins were reduced as a result of the Australian dollar devaluation. We have ensured that we have maintained market share and have set about improving our margins in future.

We secured the exclusive distribution of Panasonic CCTV products during the year, which complement our own EVO branded product range, which achieved market success during the year. The transition from a distributor of other people's products to a developer of our own range of products continued when we acquired the rights to the Intellectual Property for our core range of control panels. A number of new product launches are planned, including the recently launched VoiceNav product.

Hills Sound, Vision and Lighting

Hills Sound, Vision and Lighting (SVL) comprises Audio Telex, Lighthouse Distribution and Crestron Control Solutions in Australia and New Zealand. We are the leading supplier to the professional audio market and through Crestron we distribute a range of advanced control automation systems for integration control of audio, video and data.

The results for this business were also affected by subdued project demand, as well as a sharp fall off in demand for the company's products in our important European and American markets. Late in the year we were pleased to see the launch of a number of new Crestron products, particularly focussing on lighting control and energy management.

Our Australian Monitor brand still represents the best value for money products in the market and during the year we invested in the development of a new range of digital products to be released shortly.

Hills Antenna & TV Systems

This business unit provides a full range of reception and distribution equipment for subscription television, free to air television and the wireless voice and data markets as well as the DGTEC range of consumer electronics.

Sales to the subscription TV market continued at steady levels, and this business unit produced excellent results as it entered the consumer electronics market with a range of digital set top boxes and personal video recorders under the DGTEC name. Furthermore, sales of digital antennas were most pleasing as the government's intention to turn off the analogue free to air signal was announced.

The Electronic Security and Entertainment segment comprises Hills Electronic Security, Hills Antenna & TV Systems, Hills Sound, Vision and Lighting, Access Television Services, Step Electronics, UHS and Opticomm.

Revenue of \$343 million was 9.9% higher than the previous year, while underlying EBIT of \$30.9 million (statutory EBIT of \$30.6 million) was 19.0% lower than 2008.

Access Television Services

Access Television Services (ATS) is the exclusive supplier of installation services to AUSTAR Entertainment, the leading provider of subscription TV in rural and regional Australia. The ongoing success of AUSTAR's marketing campaigns and product offer saw steady volumes of work available to ATS. We continue to meet the KPIs set by AUSTAR. We were pleased during the year to successfully transition to be the supplier of installation services in far north Queensland.

Opticomm

Opticomm provides infrastructure and services to the Fibre to the Node and Fibre to the Home developments. The Government's announcement of its proposed structure for the national broadband network was confirmation of the business model adopted by Opticomm. During the year we were pleased to sign a number of further contracts with major developers, which will deliver improved results over the next five to ten years in this rapidly growing market.

Ultra High Speed

We were delighted to acquire a 51% interest in Ultra High Speed Pty Limited (UHS) late in the year. UHS is best known for its development of market leading products in the electronics and wireless communication markets, particularly in security, telemetry and monitoring. UHS products, when combined with our security division products, provide a compelling solution to our customers.





Home, Hardware and Eco

Consumer Products

This business unit distributes a range of predominantly metal-based branded hardware products to consumer trade customers and government utilities. Our market leading brands include Hills, Bailey and Oldfields Ladders.

The results from this part of the business were extremely poor during the year. As a result of this a complete review and restructure of the business unit was undertaken. A number of product categories were discontinued where it was established that these products could not meet our return on investment benchmarks. The closure of the Alquip business was a consequence of this process.

This business unit now has a reduced and focussed product range, improved supply chain and logistics, improved customer service and improved quality and product benchmarks. We believe that this business can return to making a contribution to the Hills results effective immediately.

Team Poly

The Team Poly business is one of Australia's largest manufacturers of rainwater tanks. For the first part of the year demand for rainwater tanks was quite low due to increased rainfall in eastern States and reductions in State rebate schemes in most States. Industry profitability was generally affected and several players in the market experienced financial difficulties and insolvency.

In response to these market changes Team Poly undertook a restructuring of its cost base and method of operations. Team Poly has returned to profitability after a disappointing performance in the first half of the year, despite the industry remaining characterised by subdued demand and over capacity.

The Home, Hardware and Eco segment comprises our branded Consumer Products operations in Australia and New Zealand, the Hills Healthcare rehabilitation and mobility business, LW Gemmell, Hills Solar and Team Poly.

During the year revenue decreased by 10.6% to \$203.3 million, and the division produced an underlying loss of \$3.1 million (statutory loss of \$16.0 million).

Hills Healthcare

This business unit comprises K-Care, Kerry Equipment and Air Comfort Seating Systems. The business unit manufactures a range of mobility, rehabilitation and aged care products for domestic and overseas markets. In the face of increasing competition from imports, sales and profits in this business held up quite well, although margins were difficult to maintain. We were pleased with the sales growth in our nursing bed offer, as well as our Air Comfort Seating Systems range of products.

LW Gemmell and Woodroffe

LW Gemmell is a specialist distributor of imported plumbing products. Although commercial building activity was lower towards the end of the year, LW Gemmell's performance was in line with our expectations. After many years of poor performance from our traditional Woodroffe business we reached the view that we could not achieve our benchmark returns and late in the year the closure of this business was announced.



BAILEY

Kelso

Hills Eco

TEAM POLY
Water Solutions For Life.

Hills Healthcare

LWG
WATERWORKS



Building and Industrial

Orrcon

This business unit manufactures and distributes a comprehensive range of steel tube and pipe. Orrcon's first six months was in line with our expectations, however, as a result of overstocking throughout the Australian steel industry and lower product demand from our plant at Unanderra, the second half performance was quite subdued.

The difficulties associated with the Australian steel industry in recent times have been well publicised. The year saw volatile steel prices, characterised by sharply increasing prices in the first half and steadily decreasing prices over the balance of the year.

We believe that the inventory reduction programme across the steel industry is now largely complete and so we expect improved results from Orrcon in the coming year.

Fielders

Fielders manufactures and distributes a range of rollformed metal building products (roof and gutter material, downpipes, steel flooring systems, carports, sheds and purlins) for commercial and domestic building markets throughout Australia. Fielders is a market leader in new and innovative products in a market that is generally not known for innovation.

Our Centenary carport and verandah business continues to expand and the Angle Cut roofing system also continues to grow market share. Commercial building activity was quite subdued during the second half and continues to be so.

Fielders continues to grow market share however the level of commercial building activity is currently low and is forecast to remain so. We are looking for improvements in our eastern states operations in the coming year.

The Building and Industrial segment comprises Orrcon, Korvest and Fielders.

Revenues improved by 3.2% to \$663.4 million, however underlying EBIT was \$31.8 million (statutory EBIT of \$30.9 million), a 10.4% reduction on the previous year.

Korvest

Korvest is a publicly listed company involved in the manufacture of cable and pipe support systems, guarding and walkway systems and galvanising. Hills holds 46% of the shares in Korvest. The results for this year for Korvest were very pleasing.





Executive Management Group



Andrew Muir

BEd (Adel) MBA (Adel)
General Manager Finance
Age: 40

Joined the Company in July 2004 as General Manager Business Development responsible for the Mergers and Acquisitions activity for the Group. Andrew was appointed General Manager Finance in May 2008 and Company Secretary in July 2008.



Daniel Edgecombe

BComm (Adel) MBA (Adel) FCA
General Manager Business Development
Age: 36

Daniel joined the Group in April 2005 as CFO at Fielders before moving into a national sales operations role within the business. He commenced in his current role in January 2009. Daniel's role involves strategy development and execution, particularly relating to our portfolio of businesses. Daniel has previous experience in the consumer electronics industry and as an external auditor/accountant.



Keith Middleton

BA (Flinders), Dip Corporate Management
Chief Executive Officer, Fielders
Age: 47

Keith joined Fielders Steel Roofing in 2004, appointed Chief Operating Officer in March 2005. Keith has previously held overall responsibility for all sales and manufacturing activities undertaken at Fielders and was appointed Chief Executive Officer in April 2009. Keith has extensive experience at the Senior Executive level within large customer orientated FMCG companies.



Leon Andrewartha

BEng MBA
Age: 54

Appointed Managing Director Orrcon in May 2005. Previously Director, Manufacturing for Electrolux Australia and Executive General Manager Manufacturing for Email Major Appliances. Prior to these roles, Leon worked in the automotive industry for 11 years. Leon Andrewartha has over 35 years of experience working in a range of technical, commercial and engineering roles in product development, manufacturing and distribution industries in Australia.



Ric Gros

FAICD
Group General Manager – Home, Hardware and Eco
Age: 51

Joined the Company in June 2007 having previously been the Managing Director of Korvest Ltd for 2 years. A Fellow of the Australian Institute of Company Directors, Ric was born in Chile and educated in Australia, with extensive international commercial background in servicing industrial, mining and distribution related industries.



Stephen Cope

Group General Manager – Electronic Security and Entertainment
Age: 51

Joined the Company in April 2007 as Group General Manager, Electronic Security and Entertainment and is responsible for all of the diverse electronics businesses in the Hills portfolio. Stephen Cope has over 30 years experience in the management of large technology and contracting companies in Australia and overseas and has held various executive management positions. He has extensive experience in technology development and commercialisation strategy. He is a graduate of the University of Melbourne MBS LIB and MDP Programs.



Directors' Report

Information on Directors

Jennifer Helen Hill-Ling

LLB (Adel)
Chairman, Non-Independent Non-Executive Director
Age: 47

Experience and expertise
Appointed Director in August 1985. Appointed Deputy Chairman in June 2004. Appointed Chairman 28 October 2005.

Jennifer Hill Ling has extensive experience in corporate and commercial law, specialising in corporate and business structuring, mergers and acquisitions, joint ventures and related commercial transactions. She has practiced law for some 26 years.

Other current directorships
Hills Associates Limited, Argent Pty Ltd and Hills Industries NZ Limited.

Former directorships
Tower Trust Ltd.

Special responsibilities
Chairman of the Board.
Member of the nomination committee.
Chairman of the remuneration committee.

Interests in shares and options
at the date of this report
16,343,161 ordinary shares in Hills Industries Limited (including 1,174,550 shares owned by Hills Associates Limited and Poplar Pty Ltd (jointly held) and 13,313,300 shares owned by Hills Associates Limited of which JH Hill Ling is a Director). Nil options over ordinary shares in Hills Industries Limited.

Graham Lloyd Twartz

BA (Adel) DipAcc (Flinders)
Group Managing Director
Age: 52

Experience and expertise
Appointed Director in July 1993. Appointed as Group Managing Director 1 July 2008.

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 24 years experience in his field. Mr Twartz held senior management positions in diversified companies before joining Hills in 1993.

Other current directorships
Director of Korvest Ltd and Fielders Australia Pty Ltd.

Former directorships
None.

Special responsibilities
Managing Director.

Interests in shares and options
at the date of this report
211,486 ordinary shares in Hills Industries Limited and 29,115 ordinary shares in Korvest Ltd. 160,000 options over ordinary shares in Hills Industries Limited.

Ian Elliot

FAICD
Independent Non-Executive Director
Age: 55

Experience and expertise
Appointed Director in August 2003.

Ian Elliot has spent 36 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.

Other current directorships
Director of Salmat Limited.

Former directorships
Former Chairman of Promentum Limited, Zenith Media Pty Ltd, Allied Brands Limited, Artist & Entertainment Group Limited and Cordiant Communications Group and former Chairman and CEO of George Patterson Advertising.

Special responsibilities
Chairman of the nomination committee.
Member of the remuneration committee.

Interests in shares and options
at the date of this report
4,449 ordinary shares in Hills Industries Limited.
Nil options over ordinary shares in Hills Industries Limited.

Roger Baden Flynn

BEng (Hons) MBA FIE (Aust) FAICD
Independent Non-Executive Director
(Lead Independent Director)
Age: 59

Experience and expertise
Appointed Director in November 1999.

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.

Other current directorships
Executive Chairman of Coventry Group Limited.

Former directorships in last 3 years
None.

Special responsibilities
Member of the audit and compliance committee.

Interests in shares and options
at the date of this report
31,740 ordinary shares in Hills Industries Limited.
Nil options over ordinary shares in Hills Industries Limited.

Geoffrey Guild Hill

F CPA FAICD F.S.I BEc (Syd) MBA (NSW)
Independent Non-Executive Director based in Hong Kong
Age: 63

Experience and expertise
Appointed Director in February 1999.

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 the Merchant Banking field since 1979.

Other current directorships
Chairman of Fielders Australia Pty Ltd, International Pacific Securities (Group) Limited and Metals Finance Limited. Director of Brickworks Investments Limited, Asian Property Investments Limited, Heritage Gold (NZ) Limited, Centrex Metals Limited and HSW Capital. Appointed as a Director of Fielders Australia Pty Ltd on 27 July 2008.

Former directorships
Former Director of Biron Corporation Limited, Undercoverwear Limited, Pacific Strategic Investments Limited, Huntley Investments Limited, Nine Network Limited and Bell Resources Limited.

Special responsibilities
Member of the audit and compliance committee.
Member of the nomination committee.
Member of the remuneration committee.

Interests in shares and options
at the date of this report
87,953 ordinary shares in Hills Industries Limited.
Nil options over ordinary shares in Hills Industries Limited.

Peter William Stancliffe

BE (Civil) FAICD
Independent Non-Executive Director
Age: 61

Experience and expertise
Appointed Director in August 2003.

Peter Stancliffe has over 39 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.

Other current directorships
Chairman of Korvest Limited. Non executive Director of Automotive Holdings Group Limited and Harris Scarfe Pty Ltd.

Former directorships in last 3 years
Former Chairman of View Resources Limited.

Special responsibilities
Chairman of the audit and compliance committee.

Interests in shares and options
at the date of this report
17,115 ordinary shares in Hills Industries Limited and 1,000 ordinary shares in Korvest Limited.
Nil options over ordinary shares in Hills Industries Limited.

Directors' Report

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.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2009, and the numbers of meetings attended by each Director were:

Director	Board Meetings		Audit Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B
J Hill-Ling	17	17	-	-	1	1	2	2
G Twardz*	17	17	-	-	-	-	-	-
I Elliot^	12	17	-	-	1	1	2	2
R B Flynn	16	17	6	6	-	-	-	-
G G Hill	17	17	4	6	1	1	2	2
P W Stancliffe	16	17	6	6	-	-	-	-

A - Number of meetings attended

B - Number of meetings held during the time the Director held office or was a member of the committee during the year

* - An executive Director

^ - Granted a leave of absence as a consequence of serious illness

Remuneration report – audited

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share based compensation
- E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

A Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation. It ensures the framework is aligned with shareholders' and program participants' interests.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non financial drivers of value
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The Board has established a remuneration committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive Directors, other senior executives and non executive Directors. The Corporate Governance Statement provides further information on the role of this committee.

Non-executive Directors

Fees and payments to non executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non executive Directors' fees and payments are reviewed annually by the Board. The Board has also considered the advice of independent remuneration consultants to ensure non executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of her own remuneration.

Directors' fees

The current base remuneration was last reviewed in August 2008 and is inclusive of committee fees, except that non-executive Directors who chair a committee receive additional yearly fees.

Retirement allowances for Directors

Superannuation contributions required under the Australian superannuation guarantee legislation are made and are deducted from the Directors' overall fee 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.

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation
- short term performance incentives, and
- long term incentives through participation in the Hills Executive Share Option Plan.

Directors' Report

Remuneration report – audited (continued)

A Principles used to determine the nature and amount of remuneration (continued)

Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

Superannuation

Retirement benefits comprise employer contributions to superannuation funds.

Performance linked remuneration

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.

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, return on funds employed in the business, improvements in safety and increase in earnings per share for the Company.

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 Option 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; and
- the executive's ability to control performance.

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 Option Plan to executive Directors, in accordance with thresholds approved by shareholders at the AGM. The plan provides for 14 executives (21 executives in 2008) 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 Option 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.

B Details of remuneration Amounts of remuneration

Details of the remuneration of the Directors, the key management personnel of the Group as defined in AASB 124 *Related Party Disclosures* and specified executives of Hills Industries Limited and the Hills Industries Limited Group are set out in the following tables.

The key management personnel of Hills Industries Limited includes the Directors as per page 17 above and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity:

- S Cope, Group General Manager, Electronic Security and Entertainment
- G Daher, General Manager, Direct Alarm Supplies
- R Gros, Group General Manager, Home, Hardware & Eco
- R Meacham, General Manager, Pacific Communications
- A Muir, General Manager, Finance
- A Oliver, General Manager, Antenna and TV Systems

The key management personnel of the Group are the Directors of Hills Industries Limited (see page 17 above), those executives listed above and those other executives that report directly to the Managing Director being:

- L Andrewartha, Managing Director, Orrcon Operations Pty Ltd
- J Easling, Managing Director, Fielders Australia Pty Ltd (until 22 April 2009)
- A Kachellek, Managing Director, Korvest Ltd
- K Middleton, CEO, Fielders Australia Pty Ltd (from 22 April 2009)

In addition, the following persons must be disclosed under the *Corporations Act 2001* as they are among the 5 highest remunerated Group and/or Company executives:

- D Salvaterra, General Manager, EzyStrut, Korvest Ltd (until 11 February 2009)

Changes since year end

There have been no changes in key management personnel since year end.

Payments to persons before taking office

There were no payments to persons before taking office.

Directors' Report

Remuneration report – audited (continued)

B Details of remuneration (continued)

Amounts of remuneration (continued)

Key management personnel of the Group and other executives of the Company and the Group

	Short-term employee benefits				Post-employment benefits		Share-based payments (B)		Total
	Cash salary and fees	Cash bonus (A)	Non-monetary benefits	Other	Super-annuation benefits	Termination benefits	Options	Shares	
2009	\$	\$	\$	\$	\$	\$	\$	\$	\$
Non Executive Directors									
J Hill-Ling	181,957	–	–	–	16,433	–	–	–	198,390
I Elliot	94,801	–	–	–	8,532	–	–	–	103,333
R Flynn	88,685	–	–	–	7,982	–	–	–	96,667
G Hill*	157,585	–	–	–	7,982	–	–	–	165,567
P Stancliffe*	122,859	–	–	–	11,057	–	–	–	133,916
Sub-total non-executive Directors	645,887	–	–	–	51,986	–	–	–	697,873
Executive Director									
G Twartz	673,012	50,459	–	9,535	66,483	–	14,276	998	814,763
Other key management personnel (Group)									
L Andrewartha^	330,000	52,661	–	–	34,439	–	11,729	998	429,827
S Cope^#	280,833	67,954	–	–	31,448	–	8,884	998	390,117
J Easling	215,290	–	–	–	19,421	–	–	998	235,709
G Daher	185,115	82,285	–	–	24,066	–	2,583	998	295,047
R Gros#	273,359	33,770	–	–	27,642	–	8,884	998	340,653
A Kachellek	210,941	105,786	–	–	27,996	–	5,374	–	350,097
R Meecham#	188,139	80,129	–	–	24,201	–	4,600	998	298,067
K Middleton^	314,183	16,133	–	–	29,728	–	1,678	998	362,720
A Muir#	259,939	32,110	–	–	26,342	–	4,600	998	323,989
A Oliver^#	218,423	92,047	–	8,301	27,942	–	10,312	998	358,023
Total key management personnel compensation (Group)	3,795,121	613,334	–	17,836	391,694	–	72,920	9,980	4,900,885
Other Company and Group executives									
D Salvaterra^	88,390	100,849	–	–	24,288	154,074	–	500	368,101

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

(B) Share based payment remuneration comprises options in the Executive Share Option Plan and shares under the Employee Share Plan. The options granted during the year expire on 31 January 2012 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.

^ denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001*.

denotes one of the 5 highest paid executives of the Company, as required to be disclosed under the *Corporations Act 2001*.

* G Hill remuneration includes Board fees from Fielders Australia Pty Ltd and P Stancliffe remuneration includes Board fees from Korvest Limited.

Directors' Report

Remuneration report – audited (continued)

B Details of remuneration (continued)

Amounts of remuneration (continued)

Key management personnel of the Group and other executives of the Company and the Group

	Short-term employee benefits				Post-employment benefits	Share-based payments (B)		Total
	Cash salary and fees	Cash bonus (A)	Non-monetary benefits	Other	Super-annuation benefits	Options	Shares	
2008	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors								
J Hill-Ling	150,994	–	–	–	13,589	–	–	164,583
I Elliot	78,937	–	–	–	7,104	–	–	86,041
R Flynn	78,937	–	–	–	7,104	–	–	86,041
G Hill	78,937	–	–	–	7,104	–	–	86,041
P Stancliffe	88,589	–	–	–	7,973	–	–	96,562
Sub-total non-executive Directors	476,394	–	–	–	42,874	–	–	519,268
Executive Directors								
D Simmons	579,526	160,000	–	11,952	42,813	38,491	1,000	833,782
G Twartz	513,236	50,000	–	8,611	38,698	25,728	1,000	637,273
Other key management personnel (Group)								
L Andrewartha[^]	320,000	34,884	–	–	28,800	19,134	–	402,818
A Oliver[#]	211,837	113,268	–	12,290	23,664	19,048	1,000	381,107
A Muir[#]	239,966	–	–	–	21,157	8,110	1,000	270,673
J Easing	259,145	–	–	–	23,323	10,978	1,000	294,446
R Meacham[#]	148,048	112,597	–	–	20,045	6,429	1,000	288,119
D Walker	191,686	48,148	–	–	19,564	3,500	1,000	263,898
S Cope^{^#}	190,000	120,000	–	–	27,900	9,565	1,000	348,465
R Gros^{^#}	190,117	120,000	–	–	27,911	9,565	1,000	348,593
D Salvaterra[^]	140,002	146,504	–	–	23,150	–	1,000	310,656
Total key management personnel compensation	3,459,957	905,401	–	32,853	340,339	150,548	10,000	4,899,098

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration %		At risk – STI %		Value of options as proportion of remuneration %	
	2009	2008	2009	2008	2009	2008
Executive Directors of Hills Industries Limited						
D Simmons	–	81	–	19	–	4.62
G Twartz	94	92	6	8	1.75	4.04
Other key management personnel of Group						
L Andrewartha	88	91	12	9	2.73	4.75
S Cope	83	64	17	36	2.28	2.75
G Daher	72	–	28	–	0.88	–
J Easing	100	100	–	–	–	3.74
R Gros	90	64	10	36	2.58	2.75
A Kachellek	71	–	29	–	–	–
R Meacham	73	60	27	40	1.54	2.24
K Middleton	96	–	4	–	0.46	–
A Muir	90	100	10	–	1.42	3.01
A Oliver	74	69	26	31	2.88	5.01

Directors' Report

Remuneration report – audited (continued)

C Service agreements

G Twartz, Managing Director

- Term of agreement – on going, commencing 1 July 2008
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$800,000, to be reviewed annually by the remuneration committee.
- Payment of a termination benefit on termination by the Company in lieu of notice, other than for gross misconduct, equal to the three months base salary.

D Share based compensation

Options

All options refer to options over ordinary shares of the Company, which are exercisable on a one for one basis under the Executive Share Option Plan.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Date exercisable and vested	Expiry date	Exercise price	Value per option at grant date	Performance achieved	% vested
28/2/04	31/1/06 / 31/1/09	31/1/26	\$3.66	\$0.42	Yes	61%
28/2/05	31/1/07 / 31/1/10	31/1/27	\$4.16	\$0.48	Yes	0%
28/2/06	31/1/08 / 31/1/11	31/1/28	\$4.83	\$0.56	No	0%
28/2/07	31/1/09 / 31/1/12	31/1/29	\$5.53	\$0.64	No	0%
28/2/08	31/1/11	31/1/31	\$5.49	\$0.19	n/a	n/a
4/2/09	31/1/12	31/1/32	\$3.01	\$0.00	n/a	n/a

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 from 2008 onwards, 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 A. For options granted in the current year, the earliest exercise date is 31 January 2012.

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.

Details of options over ordinary shares in the Company provided as remuneration to each Director of Hills Industries Limited and each of the key management personnel of the Company and the Group are set out below. When exercisable, each option is convertible into one ordinary share of Hills Industries Limited. Further information on the options is set out in section A above and in note 26 to the full annual financial report.

	No. of options granted during the year		No. of options vested during the year	
	2009	2008	2009	2008
Directors of Hills Industries Limited				
D Simmons	–	100,000	–	240,000
G Twartz	100,000	60,000	60,000	40,000
Other key management personnel of the Group				
L Andrewartha	60,000	60,000	–	–
S Cope	60,000	60,000	–	–
G Daher	25,000	20,000	–	–
J Easling	–	30,000	10,000	10,000
R Gros	60,000	60,000	–	–
A Kachellek	–	–	–	–
R Meacham	25,000	25,000	10,000	–
K Middleton	25,000	20,000	–	–
A Muir	60,000	25,000	10,000	–
A Oliver	25,000	25,000	45,000	40,000

Shares provided on exercise of remuneration options

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

Directors' Report

Remuneration report – audited (continued)

E Additional information

Details of remuneration: cash bonuses and options

Name	Cash bonus		Options					
	Vested 2009 %	Forfeited 2009 %	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
G Twartz	18	82	2007	–	100	2009	–	–
			2008	–	–	2011	–	1,976
			2009	–	–	2012	–	–
L Andrewartha	45	55	2007	–	100	2009	–	–
			2008	–	–	2011	–	1,976
			2009	–	–	2012	–	–
S Cope	86	14	2007	–	100	2009	–	–
			2008	–	–	2011	–	1,976
			2009	–	–	2012	–	–
G Daher	75	25	2007	–	100	2009	–	–
			2008	–	–	2011	–	559
			2009	–	–	2012	–	–
J Easling	–	100	2007	–	100	2009	–	–
			2008	–	100	2011	–	–
			2009	–	–	2012	–	–
R Gros	28	72	2007	–	100	2009	–	–
			2008	–	–	2011	–	1,976
			2009	–	–	2012	–	–
J Easling	75	25	2007	–	100	2009	–	–
			2008	–	–	2011	–	823
			2009	–	–	2012	–	–
K Middleton	100	–	2007	–	100	2009	–	–
			2008	–	–	2011	–	659
			2009	–	–	2012	–	–
A Muir	75	25	2007	–	100	2009	–	–
			2008	–	–	2011	–	823
			2009	–	–	2012	–	–
A Oliver	79	21	2007	–	100	2009	–	–
			2008	–	–	2011	–	823
			2009	–	–	2012	–	–

The minimum value of options yet to vest is nil as the performance criteria may not be met and consequently the option may not vest.

The maximum value of options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

The % of options 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.

Directors' Report

Remuneration report – audited (continued)

E Additional information

Share-based compensation: 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		
	A Value at grant date \$	B Value at exercise date \$	C Value at lapse date \$
G Twartz	–	–	38,490
L Andrewartha	–	–	38,490
S Cope	–	–	38,490
G Daher	–	–	6,415
J Easling	–	–	22,209
R Gros	–	–	38,490
A Kachellek	–	–	–
R Meachem	–	–	16,038
K Middleton	–	–	6,415
A Muir	–	–	16,038
A Oliver	–	–	28,868

- (A) The value at grant date calculated in accordance with AASB 2 *Share based Payment* of options granted during the year as part of remuneration. 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 at exercise date of options that were granted as part of remuneration and were 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 at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied. 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 2007 lapsed during the year.

Principal activities

The principal activities of the Group during the course of the year are outlined within the Overview of the Group.

Objectives

The Group's objectives are to:

- provide a safe, challenging and rewarding workplace;
- deliver superior returns to shareholders;
- increase earnings per share;
- represent quality, reliable and value for money products; and
- improve the retention rate of our outstanding people resources.

In order to meet these objectives the following targets have been set for the 2010 financial year and beyond:

- increase revenue, operating activities, profits, earnings per share and return on funds employed;
- reduce operating costs;
- achieve strategic objectives;
- consider further strategic acquisitions;
- continue to improve our safety performance;
- continue to source cost effective supplies; and
- further develop our employees.

Dividends – Hills Industries Limited

Dividends paid to members during the financial year were as follows:

	2009 \$'000
Final ordinary dividend for the year ended 30 June 2008 of 14.0 cents per fully paid share paid on 29 September 2008	26,149
Final dividend foregone for Share Investment Plan	(3,993)
Interim ordinary dividend for the year ended 30 June 2009 of 8.0 cents per fully paid share paid on 7 April 2009	15,986
Interim dividend forgone for Share Investment Plan	(2,279)
Total Amount	35,863

In addition to the above dividends, since the end of the financial year the Directors have recommended the payment of a final ordinary dividend of approximately \$4,876,000 (2.0 cents per fully paid share) to be paid on 23 November 2009 out of retained profits at 30 June 2009. The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2009 and will be recognised in subsequent financial periods. For more information regarding dividends please refer to note 9.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

On 5 August 2009 the Company announced an underwritten share placement to institutional and sophisticated investors and subsequently raised \$39.3 million, issuing 28,113,259 shares at \$1.40 per share. In addition, on 21 August 2009 the Company announced the details of a Share Purchase Plan (SPP), offering eligible shareholders the opportunity to apply for up to \$5,000 of fully paid, ordinary shares at an issue price of \$1.40 per share. The Company reserves the right to scale the offer back. The SPP will open on 28 August 2009 and close on 11 September 2009. In total the Company plans to raise a maximum of around \$50 million.

Since the end of the financial year the Company has extended the term of the majority of its debt facilities to November 2011.

Apart from the above, there has not arisen in the interval between the end of the financial year and the date of this report any other 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.

Directors' Report

Dividends – Hills Industries Limited (continued)

Likely developments and expected results of operations

For likely developments please refer to the Review of Operations section of the Directors' report.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

Greenhouse gas and energy data reporting requirements

The Group is subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*.

The *National Greenhouse and Energy Reporting Act 2007* requires the Group to report its annual greenhouse gas emissions and energy use. The first measurement period for this Act is dependent upon productivity levels and at this stage is likely to run from 1 July 2009 to 30 June 2010. The Group has implemented systems and processes for the collection and calculation of the data required and expects to be able to prepare and submit its initial report to the Greenhouse and Energy data Officer by 31 October 2010.

Share options granted to Directors and the most highly remunerated officers

Options over unissued ordinary shares of Hills Industries Limited granted during the financial year for no consideration to the Directors and the five most highly remunerated officers of the Company and the Group as part of their remuneration were as follows:

Directors	Options granted
G Tartz, Group Managing Director	100,000
	100,000
Other Executives of Hills Industries Limited	
S Cope, Group General Manager - Electronic Security and Entertainment	60,000
R Gros, Group General Manager - Home, Hardware & Eco	60,000
R Meacham, General Manager, Pacific Communications	25,000
A Muir, General Manager, Finance	60,000
A Oliver, General Manager, Antenna and TV Systems	25,000
	230,000
Other Executives of Hills Industries Limited	
L Andrewartha, Managing Director - Orrcon Operations Pty Ltd	60,000
J Easling, Managing Director - Fielders Australia Pty Ltd (until 22 April 2009)	-
A Kachellek, Managing Director - Korvest Ltd	-
K Middleton, CEO - Fielders Australia Pty Ltd	25,000
D Salvaterra, General Manager - EzyStrut, Korvest Ltd (until 11 February 2009)	-
	85,000

The options were granted under the Hills Industries Limited Executive Share Option Plan during the financial year and have an exercise price of \$3.01 and an expiry date of 31 January 2032. Details of options granted to the Directors and the five most highly remunerated officers of the Company and the Group can be found in section D of the Remuneration Report on page 22. No options have been granted since the end of the financial year.

Shares under option

Unissued ordinary shares of Hills Industries Limited under option in accordance with accounting standards at the date of this report are as follows:

Date Options Granted	Expiry date	Issue price of shares	Number under option
February 2001	January 2023	\$2.50	55,000
February 2002	January 2024	\$2.90	58,000
February 2003	January 2025	\$3.23	90,000
February 2004	January 2026	\$3.66	145,000
February 2005	January 2027	\$4.16	215,000
February 2006	January 2028	\$4.83	-
February 2007	January 2029	\$5.53	-
February 2008	January 2031	\$5.49	455,000
February 2009	January 2032	\$3.01	525,000
			1,543,000

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 the 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.

Insurance of officers

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 liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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.

Indemnification of officers

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.

Directors' Report

Dividends – Hills Industries Limited (continued)

Indemnification of officers (continued)

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.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable 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.

The Board of Directors has considered the position and, in accordance with advice received from the audit and compliance committee, is satisfied that the provision of the non audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non audit services have been reviewed by the audit and compliance committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non related audit firms:

	Consolidated	
	2009	2008
Audit services:		
KPMG Australia:		
audit and review of financial reports	400,000	377,000
Overseas KPMG firms –		
audit and review of financial reports	36,458	41,004
Non-KPMG firms –		
audit and review of financial reports	–	3,030
Total remuneration for audit services	436,458	421,034
Taxation services		
KPMG Australia:		
Tax compliance services	157,048	134,020
Overseas KPMG firms –		
Tax compliance services	30,430	26,582
Total remuneration for taxation services	187,478	160,602
Other Advisory services		
KPMG Australia:		
Risk management consulting services	39,195	–
Hedge accounting consulting services	15,000	–
Total remuneration for other services	54,195	–
Total remuneration for non-audit services	241,673	160,602

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 27.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.



G Twartz
Director

J Hill-Ling
Director

Dated at Adelaide this 11th day of September 2009

Lead Auditor's Independence Declaration

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 2009 there have been:

- (a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



N Faulkner
Partner

Dated at Adelaide this 11th day of September 2009

Corporate Governance Statement

Hills Industries Limited (the Company) and its controlled entities (the Group) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. They comply with the August 2007 *ASX Principles of Good Corporate Governance and Best Practice 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 Board is responsible to shareholders for the performance of the Company in both the short and the longer term and it seeks to balance sometimes competing objectives in the best interests of the Group as a whole. Its focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The Board Charter, including a statement of the Board's roles and responsibilities, is available on the Company's website.

The Board remains responsible for overseeing the performance of the management team on behalf of shareholders, but delegates responsibility for the day to day management of the Company to the Group Managing Director and senior executives. The Board has formally delegated a range of authorities to management and a statement of matters delegated to management is available on the Company's website.

As part of overseeing the performance of senior executives, the Board has established a process of annual performance review and goal planning, whereby each executive is evaluated against a range of criteria, including achievement of strategic and financial goals, safety performance and business excellence. All senior executives participated in this evaluation, which was conducted in accordance with the prescribed process, during the year ended 30 June 2009.

Principle 2: Structure the Board to add value

Board composition

The Board is structured such that it comprises Directors from a variety of business and professional backgrounds who bring a range of commercial, operational, financial and legal skills and experience relevant to the Company. In addition, the Board seeks to ensure that, at any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external perspective.

Directors' independence

In assessing whether a Director is independent the Board considers whether there are any, or the extent of any business or other relationships, between the Director and the Company and whether such relationships could, or could reasonably be perceived to, materially interfere with the Director's independent exercise of their judgement.

In determining whether a relationship between a Director and the Company is considered to be material, the Board assesses a range of quantitative and qualitative matters including the proportion the transactions represent to both the Company and the Director and the value or strategic importance of the relationship to both the Company and the Director.

Board members

Details of the members of the Board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the Directors' Report under the heading "Information on Directors". At the date of signing the Directors' Report, there is one Executive Director and five Non Executive Directors, four of whom have no relationships adversely affecting independence and so are deemed independent under the principles set out above.

Ms Jennifer Hill-Ling is not defined as an independent Director as she is, or in her capacity as an officer of or associated directly with, a substantial shareholder of the Company.

Chairman and Managing Director

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 Company; and
- Ms Hill-Ling's considerable experience within the Company.

The Board charter specifies that the role of Chairman and the role of Managing Director are separate roles to be undertaken by separate people. The role of Managing Director is undertaken by Mr Graham Twartz.

Independent professional advice

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, subject to approval of cost by the Chairman.

Performance assessment

The Chairman undertakes a regular annual assessment of the performance of individual Directors, the Board as a whole and its Committees and meets privately with each Director to discuss this assessment. Descriptions of the process for performance assessment for the Board and senior executives are available on the Company website.

A performance evaluation for the Board and its members and committees has taken place in the reporting period. This was conducted in accordance with the process described above.

Nomination committee

The Board has established a Nomination Committee. Membership of the Nomination Committee of the Company and details of meetings for the reporting period are set out in the Directors' Report above.

When a new Director is to be appointed the Committee reviews the range of skills, experience and expertise on the Board, identifies its needs and prepares a short list of candidates with appropriate skills and experience.

The full Board then appoints the most suitable candidate who must stand for election at the next Annual General Meeting of the Company. The Committee's nomination of existing Directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the Board and Company. The Board and the Committee are also aware of the advantages of Board renewal and succession planning.

Details of the nomination, selection and appointment processes are available on the Company website.

Corporate Governance Statement

Principle 3: Promote ethical and responsible decision making

The Company has a formal Code of Conduct which supports a foundation of honesty and integrity and adopts a Corporate Creed which requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The Code encourages all staff and other stakeholders to report any breaches of the Code to the Chairman of the Board, who is required to investigate and report on all such matters.

The Board has adopted a share dealing policy that specifically precludes Directors and Officers from buying or selling shares within 45 days prior to the announcement of the Annual or Half Year results, the day of and the day after the announcement and if in possession of price sensitive information not generally available to the public.

A copy of the Code and the trading policy are available on the Company's website.

Principle 4: Safeguard integrity in financial reporting Audit committee

The Board has established an Audit and Compliance Committee which is responsible for reviewing the financial accounts and other financial information distributed externally, monitoring the adequacy of risk management and internal control systems and monitoring procedures in place to ensure compliance with statutory responsibilities. The Company has adopted an Audit and Compliance Committee Charter which is set out on the Company website.

The names of the members of the Audit and Compliance Committee together with details of their qualifications and attendance at meetings are set out in the Directors' Report. The Committee consists of three Directors, all of whom are non executive and independent.

External auditors

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually.

It is KPMG policy to rotate audit engagement partners on listed companies at least every five years. The Board requires that adequate handover occurs in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

Principles 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders Continuous disclosure and shareholder communication

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the Company's website.

The Managing Director and Company Secretary are responsible for compliance with the Company's continuous disclosure policy.

Principle 7: Recognise and manage risk

The Board, through the Audit Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems.

The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks and to report to it on whether those risks are being managed effectively. Management has reported to the Board as to the effectiveness of the Company's management of its material business risks.

In summary, the Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

The Company's policies in relation to oversight and management of material business risks are disclosed on the Company website.

The Board has received assurance from the Managing Director and CFO that, in their opinion:

- The Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards.
- The above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

The Board has established a Remuneration Committee which comprises three Non Executive Directors. Details of the names of the members of the Remuneration Committee and their attendance at Directors' meetings are set out in the Directors' Report.

The Remuneration Report, within the Director's Report, sets out the Company's policies for remunerating Directors, Executive Directors and senior executives.

Details of the existence and terms of any schemes of retirement benefits other than superannuation, for Non Executive Directors is set out in the Remuneration Report within the Directors' Report.

The following information is available on the Company's website:

- The Remuneration Committee charter; and
- The Company's security trading policy, which prohibits transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration scheme.

Income Statement

For the year ended 30 June 2009	Note	Consolidated	
<i>In thousands of AUD</i>			
		2009	2008
Revenue from continuing operations	4	1,210,802	1,184,737
Other income		2,983	10,384
		1,213,785	1,195,121
Expenses excluding net financing costs		(1,167,855)	(1,112,247)
Results from operating activities		45,930	82,874
Financial income		767	781
Financial expenses		(23,438)	(15,155)
Net finance expense		(22,671)	(14,374)
Profit before income tax		23,259	68,500
Income tax expense		(7,604)	(16,140)
Profit for the year	5	15,655	52,360
Profit is attributable to:			
Equity holders of Hills Industries Limited		9,506	46,807
Minority interest		6,149	5,553
Profit for the year		15,655	52,360
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	10	4.9¢	26.6¢
Diluted earnings per share	10	4.9¢	26.4¢
Dividends per share:			
Dividends paid on ordinary shares during the year ended 30 June	9	22.0¢	27.5¢
Final and interim dividend for the year ended 30 June	9	10.0¢	27.5¢

The above consolidated income statement should be read in conjunction with the accompanying notes.

Discussion and Analysis of the Income Statement

For the year ended 30 June 2009

The Group's total revenue (excluding financial revenues) for 2009 increased by 2.2% to \$1,210.8 million. Group underlying profit after tax (before unusual / significant items) attributable to shareholders decreased by 41.6% to \$28.1 million (statutory profit of \$15.7 million).

Details of revenue and results by segment are set out in Note 3. A brief summary of the performance of Hills key operating divisions for the year ended 30 June 2009 is as follows:

- Electronic Security and Entertainment revenue increased by 9.9% to \$343.3 million. Underlying profit before interest and tax (EBIT) of \$30.9 million (statutory profit of \$30.6 million) was 19.0% lower than 2008. These results are attributable to:
 - Margins reduced due to cost increases associated with a rapid devaluation of the Australian dollar late in the first half of the financial year;
 - Slowdown in the volume of projects awarded due to the general reduction in capital expenditure undertaken by Australian businesses;
 - Export markets for the Hills Sound, Vision and Lighting Group were subdued due to economic conditions in the UK and Europe; and
 - The Antenna and TV Systems business performed very well during the year with the progressive switching off of analogue television signals across Australia resulting in increased demand for digital antennas and digital set top boxes and demand for subscription TV remaining buoyant.
- Home, Hardware and Eco Products revenue decreased by 10.6% to \$203.3 million while underlying EBIT decreased by 122.5% to a loss of \$3.1 million (statutory loss of \$16.0 million). These results are attributable to:
 - Results for our traditional Home and Hardware Products business were very poor during the period. As a result of this poor performance a complete review and restructure of this business unit was undertaken. A number of product categories were discontinued where it was felt that these products could not meet our return on investment benchmarks and supply chain and logistics, customer service, quality and product benchmarks were improved. The restructure included the closure of the Alquip business;
 - Team Poly results were adversely affected by changes to government subsidies and rainfall in Queensland and New South Wales resulting in a dramatic reduction in industry volumes and demand for rainwater tanks. In response to these market changes, Team Poly undertook a restructuring of its cost base and method of operations, resulting in the closure of the Toowoomba branch operation;

- After many years of poor performance we reached the view that we could not achieve our benchmark returns in the Woodroffe business and the decision was taken to close this operation;
- The LW Gemmell business performed in line with expectations during the year; and
- The Hills Healthcare business unit performed reasonably well during the year, however the steel price increases and Australian dollar devaluation caused some margin compression during the period.
- Building and Industrial Products revenue increased by 3.2% to \$663.4 million while underlying EBIT decreased by 10.4% to \$31.8 million (statutory profit of \$30.9 million). These results are attributable to:
 - Results for the Orrcon steel tube and pipe business, after a very strong first half, were quite subdued. Steel prices, which had risen strongly in the first part of the financial year, declined steadily as world stockpiles increased and demand decreased. In the second half of the financial year the industry reacted to the falling level of demand by reducing inventory holdings, resulting in a reduction in the volume of product sold across the industry. In addition, volumes through the Unanderra Pipe and Tube Mill were reduced as there was less project work available;
 - The Fielders roll forming business performed strongly during the year. The Centenary Carport and Verandah business continues to expand and the Angle Cut roofing system continues to grow market share; and
 - The Korvest business, which comprises the market leading EzyStrut cable and pipe support business, Korvest Galvanisers and Indax, achieved increased sales and profits during the period.

Unusual / Significant Items

During the year the Group booked a number of non-trading items as a result of the restructuring initiatives referred to above as well as the mark to market adjustment for interest rate swaps and foreign exchange contracts. Further details of unusual / significant items are provided in Note 5 of the financial report.

Earnings per share before unusual / significant items decreased from 27.3¢ to 14.6¢.

Dividends per share decreased from 27.5¢ to 10.0¢.

Balance Sheet

As at 30 June 2009	Note	Consolidated	
<i>In thousands of AUD</i>			
		2009	2008
Current Assets			
Cash and cash equivalents	6	67,978	21,549
Trade and other receivables		197,480	244,761
Inventories		196,569	180,341
Total Current Assets		462,027	446,651
Non-Current Assets			
Receivables		–	17,285
Other financial assets		2	2
Property, plant and equipment		227,494	226,424
Deferred tax assets		25,828	16,403
Intangible assets		114,326	114,162
Derivative financial instruments		333	–
Total Non-Current Assets		368,983	374,276
Total Assets		830,010	820,927
Current Liabilities			
Trade and other payables		120,902	139,921
Borrowings		3,852	6,191
Current tax liabilities		8,816	4,317
Provisions		33,835	32,260
Derivative financial instruments		5,924	–
Total Current Liabilities		172,699	182,689
Non-Current Liabilities			
Borrowings		218,498	203,497
Provisions		5,975	5,224
Derivative financial instruments		4,318	–
Total Non-Current Liabilities		228,791	208,721
Total Liabilities		401,490	391,410
Net Assets		428,520	429,517
Equity			
Contributed equity	7	248,598	223,091
Reserves	8(a)	46,495	51,369
Retained profits	8(b)	107,442	133,759
Capital and reserves attributable to equity holders of Hills Industries Limited		402,535	408,219
Minority interest		25,985	21,298
Total Equity		428,520	429,517

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Discussion and Analysis of the Balance Sheet

As at 30 June 2009

During the year the Group's net assets decreased by 0.2% to \$428.5 million.

The increase in the Group's total assets of \$9.1 million to \$830.0 million principally comprises:

- An increase in cash of \$46.4 million due to the implementation of a number of working capital initiatives in the second half of the financial year and the receipt of proceeds from the sale of the Edwardstown property;
- A decrease in total receivables of \$64.6 million of which \$20.8 million related to the receipt of proceeds on the sale of the Edwardstown site. The remaining reduction resulted from a reduction in net trade receivables due to improved collections and declining sales volumes and a lack of project revenue in the later part of the year;
- An increase in the value of inventories of \$16.2 million due to general inflation particularly in relation to steel products; and
- An increase in net deferred tax assets of \$9.5 million due to the partial reversal of deferred tax liabilities associated with the revaluation of the Group's land and buildings, increase in provisions for inventory and receivables, and accruals generally and the recognition of a deferred tax asset in relation to derivatives.

The movement in intangibles related to acquisitions of \$6.1 million, the impairment of goodwill associated with the Alquip business of \$5.4 million and amortisation of patents and trademarks of \$0.6 million.

The increase in the Group's total liabilities of \$10.1 million to \$401.5 million principally comprises:

- An increase in loans and borrowings of \$12.7 million due to an increase in the Hills facility borrowings and borrowings in relation to the business acquired during the period;
- A decrease in trade and other payables of \$19.0 million due to lower volume of activity in the latter part of the year;
- An increase in current tax liabilities of \$3.9 million due to the timing of payments; and
- An increase in derivative financial instruments of \$10.2 million as a result of recording the mark to market adjustment on interest rate swaps and foreign exchange contracts at the end of the financial year.

Issued capital increased by \$25.5 million owing to shares issued under the Dividend Investment Plan and shares issued under the Share Purchase Plan.

Reserves decreased by \$4.8 million primarily due to the decrease in the asset revaluation reserve from the revaluation of land and buildings to fair value, net of the deferred tax recognised directly in equity.

Statement of recognised income and expense

For the year ended 30 June 2009	Note	Consolidated	
<i>In thousands of AUD</i>		2009	2008
Revaluation of land and buildings, net of tax	8	(5,244)	28,595
Changes in the fair value of cash flow hedges, net of tax	8	230	–
Exchange differences on translation of foreign operations	8	110	(2,340)
Net income		(4,904)	26,255
Profit for the year		15,655	52,360
Total recognised income and expense for the year		10,751	78,615
Total recognised income and expense for the year is attributable to:			
Equity holders of Hills Industries Limited		4,602	71,968
Minority interest		6,149	6,647
		10,751	78,615

The above consolidated statement of recognised income and expense should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2009	Note	Consolidated	
<i>In thousands of AUD</i>			
		2009	2008
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,374,725	1,236,662
Payments to suppliers and employees (inclusive of goods and services tax)		(1,288,577)	(1,205,856)
Cash generated from operations		86,148	30,806
Interest received		763	781
Interest paid		(13,318)	(15,143)
Dividends received		–	1
Income taxes paid		(11,260)	(22,459)
Net cash inflow (outflow) from operating activities		62,333	(6,014)
Cash flows from investing activities			
Payment for purchase of business operations, net of cash acquired	12	(619)	(7,097)
Payments for acquisition of subsidiaries, net of cash acquired	12	(3,980)	(356)
Payments for property, plant and equipment		(32,047)	(35,366)
Loans to other entities		272	(285)
Proceeds from sale of property, plant and equipment		903	840
Proceeds from disposal of assets held for sale		20,850	3,500
Rent received		842	836
Net cash (outflow) inflow from investing activities		(13,779)	(37,928)
Cash flows from financing activities			
Proceeds from the issue of shares	7	25,238	44,860
Proceeds from borrowings		36,707	40,101
Repayment of borrowings		(26,865)	(3,827)
Dividends paid to the Company's shareholders	9	(35,863)	(40,611)
Dividends paid to minority interests in subsidiaries		(1,431)	(2,387)
Net cash inflow (outflow) from financing activities		(2,214)	38,136
Net increase/(decrease) in cash and cash equivalents		46,340	(5,806)
Cash and cash equivalents at the beginning of the financial year		21,310	26,923
Effects of exchange rate changes on cash and cash equivalents		–	193
Cash and cash equivalents at the end of the financial year	6	67,650	21,310

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Discussion and Analysis of the Statement of Cash Flows

For the year ended 30 June 2009

Cash flows provided by operating activities increased by \$68.3 million to \$62.3 million (2008: (\$6.0 million)). This is primarily due to working capital reduction initiatives in the second half of the financial year, a reduction in interest paid due to lower debt levels and lower interest rates and a reduction in tax paid.

The outflow of cash flows from investing activities decreased by \$24.1 million to \$13.8 million due to a combination of a reduction in payments for the acquisition of property, plant and equipment of \$3.3 million, a reduction in the amount spent to acquire businesses and subsidiaries of \$2.9 million and the receipt of the proceeds on sale of the Edwardstown site of \$20.8 million (increase on 2008 of \$17.3 million).

Cash flows from financing activities reduced by \$40.3 million due to a combination of a reduction in the proceeds received on share issues of \$19.6 million, a net increase in the repayment of borrowings of \$19.6 million, partially offset by a reduction in dividend payments of \$5.7 million.

Notes to the Financial Statements

1. Basis of preparation

The concise financial report has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 1039 Concise Financial Reports (AASB 1039). The financial statements and specific disclosures required by AASB 1039 have been derived from the Group's full financial report for the financial year. Other information included in the concise financial report is consistent with the Group's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The financial report is prepared on the basis of historical costs except the following assets are stated at their fair values: financial instruments at fair value through profit or loss and land and buildings at fair value.

A full description of the accounting policies adopted by the Group may be found in the Group's full financial report.

These accounting policies have been consistently applied by each entity in the Group to all periods presented.

The presentation currency is Australian dollars.

2. Critical accounting estimates

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 12 – business combinations
- Note 14 of the Full Financial Report – measurement of the recoverable amounts of cash generating units containing goodwill
- Note 26 of the Full Financial Report – measurement of share based payments
- Note 19 of the Full Financial Report and note 11 – provisions and contingencies

3. Segment Information

(a) Description of segments

The Group comprises the following main business segments:

Electronic Security and Entertainment

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

Home, Hardware and Eco

Outdoor clothes driers, ladders, ironing boards, laundry trolleys, security doors, garden sprayers, wheelbarrows, 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.

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.

Notes to the Financial Statements

3. Segment Information (continued)

(b) Primary reporting format – business segments

2009	Electronic Security and Entertainment	Home, Hardware and Eco	Building and Industrial	Eliminations	Consolidated
<i>In thousands of AUD</i>					
Segment revenue					
Sales to external customers	343,279	203,313	663,368	–	1,209,960
Intersegment sales	–	–	3,475	(3,475)	–
Total sales revenue	343,279	203,313	666,843	(3,475)	1,209,960
Unallocated / corporate revenue	–	–	–	–	842
Total segment revenue	343,279	203,313	666,843	(3,475)	1,210,802
Segment result					
Segment result	30,572	(15,960)	30,920	–	45,532
Net finance expense					(22,671)
Unallocated/corporate revenue less unallocated/corporate expenses					398
Profit before income tax					23,259
Income tax expense					(7,604)
Profit for the year					15,655
Segment assets and liabilities					
Segment assets	145,299	152,544	404,495	–	702,338
Unallocated/corporate assets					127,672
Total assets					830,010
Segment liabilities	31,885	30,680	80,449	–	143,014
Unallocated/corporate liabilities					258,476
Total liabilities					401,490
Other segment information					
Acquisitions of property, plant and equipment, intangibles and other non current segment assets	3,678	4,400	22,545	–	30,623
Unallocated/corporate assets					1,424
Total acquisitions					32,047
Depreciation and amortisation expense	2,700	7,018	12,308	–	22,026
Unallocated/corporate expense					1,081
Total depreciation and amortisation					23,107
Impairment of goodwill	–	5,380	–	–	5,380

Notes to the Financial Statements

3. Segment information (continued)

2008	Electronic Security and Entertainment	Home, Hardware and Eco	Building and Industrial	Eliminations	Consolidated
<i>In thousands of AUD</i>					
Segment revenue					
Sales to external customers	312,322	227,558	643,060	–	1,182,940
Intersegment sales	–	–	5,353	(5,353)	–
Total sales revenue	312,322	227,558	648,413	(5,353)	1,182,940
Unallocated / corporate revenue	–	–	–	–	1,797
Total segment revenue	312,322	227,558	648,413	(5,353)	1,184,737
Segment result					
Segment result	38,098	13,806	23,891	–	75,795
Net finance expense					(14,374)
Unallocated/corporate revenue less unallocated/corporate expenses					7,079
Profit before income tax					68,500
Income tax expense					(16,140)
Profit for the year					52,360
Segment assets and liabilities					
Segment assets	127,940	157,189	401,814	–	686,943
Unallocated/corporate assets					133,984
Total assets					820,927
Segment liabilities	32,239	24,235	96,287	–	152,761
Unallocated/corporate liabilities					238,649
Total liabilities					391,410
Other segment information					
Acquisitions of property, plant and equipment, intangibles and other non current segment assets	3,908	7,965	19,148	–	31,021
Unallocated/corporate assets					4,170
Total acquisitions					35,191
Depreciation and amortisation expense	2,897	6,574	10,952	–	20,423
Unallocated/corporate expense					1,361
Total depreciation and amortisation					21,784

Notes to the Financial Statements

3. Segment information (continued)

2009	Electronic Security and Entertainment	Home, Hardware and Eco	Building and Industrial	Corporate / Unallocated	Consolidated
<i>In thousands of AUD</i>					
Segment result including unusual / significant items					
EBITDA (pre unusual / significant items)	33,552	3,912	44,142	1,479	83,085
Depreciation & amortisation	(2,700)	(7,018)	(12,308)	(1,081)	(23,107)
EBIT (pre unusual / significant items)	30,852	(3,106)	31,834	398	59,978
Unusual / significant items – restructuring costs	(280)	(12,854)	(914)	–	(14,048)
EBIT	30,572	(15,960)	30,920	398	45,930
Net finance expenses (pre unusual / significant items)				(12,531)	(12,531)
Unusual / significant items – financial expenses				(10,140)	(10,140)
Net finance expense				(22,671)	(22,671)
Profit before income tax					23,259
Income tax expense					(7,604)
Profit for the year					15,655

2008	Electronic Security and Entertainment	Home, Hardware and Eco	Building and Industrial	Corporate / Unallocated	Consolidated
<i>In thousands of AUD</i>					
Segment Result including unusual / significant items					
EBITDA (pre unusual / significant items)	40,995	20,380	46,492	1,690	109,557
Depreciation & amortisation	(2,897)	(6,574)	(10,952)	(1,361)	(21,784)
EBIT (pre unusual / significant items)	38,098	13,806	35,540	329	87,773
Unusual / significant items	–	–	(11,649)	6,750	(4,899)
EBIT	38,098	13,806	23,891	7,079	82,874
Net finance expenses (pre unusual / significant items)				(14,374)	(14,374)
Unusual / significant items – financial expenses				–	–
Net finance expense				(14,374)	(14,374)
Profit before income tax					68,500
Income tax expense					(16,140)
Profit for the year					52,360

Notes to the Financial Statements

3. Segment information (continued)

(c) Secondary reporting format – geographical segments

In thousands of AUD

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non current segment assets	
	2009	2008	2009	2008	2009	2008
Australia	1,168,373	1,127,552	695,776	665,359	30,367	30,828
Overseas	41,587	55,388	6,562	21,584	256	193
Unallocated/corporate	842	1,797	127,672	133,984	1,424	4,170
	1,210,802	1,184,737	830,010	820,927	32,047	35,191

4. Revenue

In thousands of AUD

	Consolidated	
	2009	2008
From continuing operations		
Sales revenue		
Sale of goods	1,140,920	1,130,531
Other revenue		
Services	69,040	53,369
Rents and sub-lease rentals	842	836
Dividends	–	1
	69,882	54,206
	1,210,802	1,184,737

5. Profit from Ordinary Activities

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

In thousands of AUD

	Consolidated	
	2009	2008
Financial expenses		
(a) Net fair value loss on interest rate swaps and forward exchange contracts	(10,140)	–
Less: Applicable income tax benefit	3,042	–
	(7,098)	–
Losses & Gains		
(b) Restructuring costs	(14,048)	–
Less: Applicable income tax benefit	2,600	–
(c) Gain on sale of asset held for sale	–	6,750
Less: Applicable income tax benefit	–	174
(d) Impairment of inventory – Orrcon	–	(11,649)
Less: Applicable income tax benefit	–	3,495
	(11,448)	(1,230)

Notes to the Financial Statements

5. Profit from Ordinary Activities (continued)

(a) Net fair value loss on interest rate swaps and forward exchange contracts

The Group manages its financial risk relating to interest rates and currency through the use of fixed interest rate swaps and forward exchange contracts respectively. In previous financial years the net fair value gains relating to these contracts have not been brought to account on the basis of materiality. The Group does not trade in these instruments and does not speculate on movements in rates. In the current financial year the significant movements in the Australian dollar resulted in a non cash fair value loss before tax on forward exchange contracts of \$5.822 million and the significant reduction in interest rates over the financial year resulted in a non cash fair value loss before tax on interest rate swaps of \$4.318 million.

(b) Restructuring costs

Over the course of 2009, the Company has undertaken a detailed review of operations with particular emphasis on the Home, Hardware and Eco Products division. A number of restructuring initiatives were implemented during the year, including a reduction in headcount in all businesses, the closure of the Alquip business and satellite manufacturing operations of Team Poly in Toowoomba. Furthermore, a number of non performing product lines were rationalised and discontinued. The total after tax cost of these restructuring initiatives was \$11.448 million, of which the cash cost was \$2.564 million. Included in the non cash costs was the impairment of the goodwill associated with the Alquip business. This totalled \$5.38 million.

(c) Gain on sale of Asset held for sale

During the previous financial year 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 million and an increase in profit after tax of \$6.924 million. Tax payable on this gain was calculated after absorbing certain capital tax losses.

(d) Impairment of Inventory – Orrcon

As part of a review in the previous financial year 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 considered 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 the impairment was recognised, a quantity of the pipe has been sold and the remaining pipe on hand as at 30 June 2009 has been valued at estimated realisable value.

6. Current assets – Cash and cash equivalents

In thousands of AUD

	Consolidated	
	2009	2008
Cash at bank and in hand	63,931	19,397
Deposits at call	4,047	2,152
	67,978	21,549

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

In thousands of AUD

	Consolidated	
	2009	2008
Balances as above	67,978	21,549
Bank overdrafts (note 17 of the Full Financial Report)	(328)	(239)
Balances per statement of cash flows	67,650	21,310

Notes to the Financial Statements

7. Contributed equity

	Company		Company	
	2009 Shares '000	2008 Shares '000	2009 \$'000	2008 \$'000
(a) Share capital				
Ordinary shares fully paid	204,601	185,789	248,598	223,091
(b) Movements in ordinary share capital			Number of shares '000	\$'000
Date	Details			
1 July 2007	Opening balance		172,827	178,031
	Issued under the Dividend Investment Plan		2,447	11,336
	Issued under the Share Investment Plan		1,548	–
	Issued under the Employee Share Bonus Plan		192	200
	Issued under the Executive Share Plan		67	74
	Issued under the Share Placement Plan		8,708	33,515
	Less: Transaction costs arising on share issue		–	(65)
30 June 2008	Balance		185,789	223,091
1 July 2008	Opening balance		185,789	223,091
	Issued under the Dividend Investment Plan		4,648	9,342
	Issued under the Share Investment Plan		3,006	–
	Issued under the Employee Share Bonus Plan		554	270
	Issued under the Executive Share Plan		320	1,022
	Issued under the Share Placement Plan		10,284	14,912
	Less: Transaction costs arising on share issue		–	(39)
30 June 2009	Balance		204,601	248,598

(c) Ordinary shares

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 the date prior to the closing date of 25 February 2009. The share issue price was \$1.45 per share.

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.

(d) Dividend investment plan and share investment plan

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.

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.

(e) Employee share scheme

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.

(f) Executive Shares and Options

Information relating to the Executive Share Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 27 of the Full Financial Report.

(g) Capital risk management

The Company's and the Group'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.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the Financial Statements

7. Contributed equity (continued)

(g) Capital risk management (continued)

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 as shown in the balance sheet less cash and cash equivalents. Total equity is equity as shown in the balance sheet (including minority interest).

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain a target gearing ratio less than 45%. The gearing ratios at 30 June 2009 and 30 June 2008 were as follows:

<i>In thousands of AUD</i>	Consolidated	
	2009	2008
Total borrowings (notes 17 and 20 of the Full Financial Report)	222,350	209,449
Less: cash and cash equivalents (note 6)	(67,978)	(21,310)
Net debt	154,372	188,139
Total equity	428,520	429,517
Gearing ratio	36.0%	43.8%

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

8. Reserves and retained profits

<i>In thousands of AUD</i>	Consolidated	
	2009	2008
(a) Reserves		
Asset revaluation reserve	44,828	50,112
Hedging reserve – cash flow hedges	230	–
Foreign currency translation reserve	(1,971)	(2,081)
Asset realisation reserve	2,825	2,825
Equity compensation reserve	583	513
	46,495	51,369
Movements		
<i>Asset revaluation reserve</i>		
Balance 1 July	50,112	22,556
Revaluation – gross (note 12 of the full Financial Report)	(7,407)	39,467
Deferred tax (note 13 of the full Financial Report)	2,163	(11,966)
Transfers to / from reserves	(40)	55
Balance 30 June	44,828	50,112
<i>Hedging reserve – cash flow hedges</i>		
Balance 1 July	–	–
Revaluation – gross (note 15 of the Full Financial Report)	329	–
Deferred tax (note 13 of the full Financial Report)	(99)	–
Balance 30 June	230	–
<i>Foreign currency translation reserve</i>		
Balance 1 July	(2,081)	259
Currency translation differences arising during the year	110	(2,340)
Balance 30 June	(1,971)	(2,081)
<i>Asset realisation reserve</i>		
Balance 1 July	2,825	2,825
Balance 30 June	2,825	2,825
<i>Equity compensation reserve</i>		
Balance 1 July	513	437
Executive share option plan expense	70	76
Balance 30 June	583	513

Notes to the Financial Statements

8. Reserves and retained profits (continued)

(b) Retained profits

Movements in retained profits were as follows:

In thousands of AUD

	Consolidated	
	2009	2008
Opening retained earnings	133,759	127,618
Net profit for the year	9,506	46,807
Dividends	(35,863)	(40,611)
Transfers to/from reserves	40	(55)
Balance 30 June	107,442	133,759

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non current assets, as described in note 1(p) of the Full Financial Report. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(o) of the Full Financial Report. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are taken to the foreign currency translation reserve, as described in note 1(d) of the Full Financial Report. The reserve is recognised in profit and loss when the net investment is disposed of.

(iv) 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.

(v) 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.

Notes to the Financial Statements

9. Dividends

In thousands of AUD

	Company	
	2009	2008
(a) Ordinary shares		
Final dividend for the year ended 30 June 2008 of 14.0 cents (2007: 14.0 cents) per fully paid share paid on 29 September 2008 (2007: 24 September 2007)		
Fully franked based on tax paid @ 30%	26,149	24,201
Final dividend foregone for Share Investment Plan	(3,993)	(3,779)
	22,156	20,422
Interim dividend for the year ended 30 June 2009 of 8.0 cents (2008: 13.5 cents) per fully paid share paid 7 April 2009 (2008: 31 March 2008)		
Fully franked based on tax paid @ 30%	15,986	23,579
Final dividend foregone for Share Investment Plan	(2,279)	(3,390)
	13,707	20,189
Total dividends provided for or paid	35,863	40,611

(b) Dividends and share reinvestment plan

The Dividend Investment Plan and Share Investment Plan will operate in respect of the proposed final dividend (refer (c) below). 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 5.0% will apply under the rules of the plans.

Last date for receipt of election notice for the dividend plans: 9 November 2009.

(c) Dividends not recognised at year end

In thousands of AUD

	Company	
	2009	2008
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 2.0 cents per fully paid ordinary share (2008: 14.0 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 23 November 2009 out of retained profits at 30 June 2009, but not recognised as a liability at year end, is	4,876	26,154

(d) Franked dividends

The franked portions of the final dividends recommended after 30 June 2009 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2010.

In thousands of AUD

	Company	
	2009	2008
Franking credits available for subsequent financial years based on a tax rate of 30% (2008: 30%)	19,505	29,091

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the Company if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$2,090,000 (2008: \$11,209,000).

Notes to the Financial Statements

10. Earnings per share

In cents

	Consolidated	
	2009	2008
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	4.9	26.6
Profit from continuing operations before unusual / significant items attributable to the ordinary equity holders of the Company	14.6	27.3
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	4.9	26.4
Profit from continuing operations before unusual / significant items attributable to the ordinary equity holders of the Company	14.6	27.3

(c) Reconciliations of earnings used in calculating earnings per share

In thousands of AUD

	Consolidated	
	2009	2008
<i>Basic Earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share from continuing operations	9,506	46,807
<i>Diluted Earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	9,506	46,807
<i>Basic Earnings per share before unusual / significant items</i>		
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	9,506	46,807
Adjusted for unusual / significant items		
Fair value loss on derivatives	7,098	–
Restructuring costs	11,448	–
Gain on sale of asset held for sale	–	(6,924)
Impairment of inventory – Orrcon	–	8,154
Profit attributable to the ordinary equity holders of the Company before unusual / significant items used in calculating basic earnings per share	28,052	48,037

(d) Weighted average number of shares used as the denominator

In thousands of shares

	Consolidated	
	2009	2008
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	192,623	175,956
Adjustments for calculation of diluted earnings per share:		
Effect of share options on issue	703	1,090
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	193,326	177,066

Notes to the Financial Statements

11. Contingencies

(a) Contingent liabilities

The Company and Group had contingent liabilities at 30 June 2009 in respect of:

Guarantees

- (a) Under the terms of a Deed of Cross Guarantee the Company and its wholly owned subsidiaries have guaranteed the debt in each other's companies. Guarantees amount to \$354,165,000 (2008: \$349,297,000). No material deficiency in net tangible assets exists in these companies at reporting date with net tangible assets amounting to \$257,504,000 (2008: \$276,420,000).
- (b) Letters of credit established in favour of suppliers / creditors amounting to \$331,000 (2008: \$38,000).
- (c) Bank guarantees in favour of customers and suppliers amounting to \$13,721,000 (2008: \$18,493,000) for the Group and \$7,949,000 (2008: \$9,892,000) for the Company.

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.

Claims

Certain legal claims for unspecified damages have been made against 413 King William Street Pty Ltd (a company in which Hills Industries Limited has a 50% interest) and Hills Industries Limited in relation to a property development for the new Hills head office in Adelaide. Both 413 King William Street Pty Ltd and Hills Industries Limited have received separate legal advice that these claims can be defended. These claims will be vigorously defended and the Directors believe no provision is required.

(b) Contingent assets

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

12. Business combinations

Acquisition of subsidiaries

(a) Summary of acquisition

On 1 April 2009 the Company acquired 51% of the issued share capital of UHS Systems Pty Ltd (UHS).

The acquired business contributed revenues of \$3,857,000 and net profit after tax of \$280,000 for the period from 1 April 2009 to 30 June 2009. Had the business been acquired at the beginning of the reporting period it would have contributed revenues of approximately \$10,500,000 and net profit of approximately \$1,500,000.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

In thousands of AUD

Purchase consideration	
Cash paid	5,100
Fair value of shares issued	–
Direct costs relating to the acquisition	107
Total purchase consideration	5,207
Fair value of net identifiable assets acquired (refer to (c) below)	(86)
Goodwill (refer to (c) below and note 14 of the Full Financial Report)	5,293

The goodwill recognised on the acquisition is attributable mainly to the skills, technical talent and product portfolio of the acquired business and its workforce and to the synergies expected to be achieved from integrating UHS into the Hills Group's existing Electronic Security and Entertainment business.

(b) Cash flow information

In thousands of AUD

Outflow of cash to acquire business, net of cash acquired	
Cash consideration	5,100
Less: Balances acquired	
Cash	1,120
Outflow of cash	3,980

Notes to the Financial Statements

12. Business combination (continued)

(b) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

In thousands of AUD

Cash and cash equivalents	1,120
Receivables	3,016
Inventories	1,111
Property, plant and equipment	73
Net deferred tax asset	28
Payables	(1,789)
Borrowings	(2,863)
Employee benefit liabilities, including superannuation	(221)
Current tax liability	(211)
Provisions	(550)
R&D capitalised	200
Net assets	(86)
Add: Goodwill	5,293
Net identifiable assets acquired	5,207

Acquisition of subsidiaries in the prior reporting period

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.

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.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

The purchase consideration was \$756,000 with cash consideration of \$350,000, contingent consideration of \$400,000 and acquisition costs of \$6,000.

Opticomm was not trading and as such there were no assets acquired as part of the acquisition. Accordingly, the entire acquisition price was attributable to goodwill.

Notes to the Financial Statements

12. Business combination (continued)

Acquisition of business operations

Summary of acquisition

There were no acquisitions of business operations in the current reporting period.

During the current reporting period an amount of \$619,000 was paid under a deferred payment arrangement for inventory in relation to the acquisition of the business of Impressive Steel. This business was acquired on 1 May 2007.

Acquisition of business operations in the prior reporting period.

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.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

The purchase consideration was \$5,938,000 and comprised cash consideration.

The fair value of net identifiable assets acquired was \$2,614,000 with goodwill of \$3,324,000

Net assets acquired, at fair value comprised inventory \$2,520,000, plant and equipment \$212,000 and trade payables \$118,000.

Preacquisition 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.

The goodwill recognised on the acquisition was 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.

13 Events occurring after the reporting period

On 5 August 2009 the Company announced an underwritten share placement to institutional and sophisticated investors and subsequently raised \$39,358,000, issuing 28,113,259 shares at \$1.40 per share. In addition, on 21 August 2009 the Company announced the details of a Share Purchase Plan (SPP), offering eligible shareholders the opportunity to apply for up to \$5,000 of fully paid, ordinary shares at an issue price of \$1.40 per share. The Company reserves the right to scale the offer back. The SPP will be open on 28 August 2009 and close on 11 September 2009. In total the Company plans to raise a maximum of around \$50 million.

Since the end of the financial year the Company has extended the term of the majority of its debt facilities to November 2011.

Apart from the matter noted above, no other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company or Group, the results of those operations or the state of affairs of the Company or Group in subsequent financial years.

Director's Declaration

1. In the opinion of the Directors of Hills Industries Limited ('the Company'):
 - (a) the concise financial statements and notes set out on pages 30 to 49, and the Remuneration report in the Directors' Report of the Group, comprising Hills Industries Limited and the entities it controlled during the financial year ended 30 June 2009, set out on pages 18 to 24, are in accordance with the *Corporations Act 2001*, including:
 - (i) have been derived from or is consistent with the full financial report for the financial year; and
 - (ii) complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

Signed in accordance with a resolution of the Directors:

A handwritten signature in black ink, appearing to read 'G Twartz', with a long horizontal stroke extending to the right.

G Twartz
Director

Dated at Adelaide on this 11th day of September 2009.

Independent Audit Report to the Members of Hills Industries Limited

Report on the concise financial report

The accompanying concise financial report of the Group comprising Hills Industries Limited (the Company) and its controlled entities comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expenses and statement of cash flows for the year then ended and related notes 1 to 13 derived from the audited financial report of Hills Industries Limited for the year ended 30 June 2009 and the discussion and analysis. The concise financial report does not contain all the disclosures required by Australian Accounting Standards.

Directors' responsibility for the concise financial report

The Directors of the Company are responsible for the preparation and presentation of the concise financial report in accordance with Australian Accounting Standard 1039 *Concise Financial Reports* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Hills Industries Limited for the year ended 30 June 2009. Our audit report on the financial report was signed on 11 September 2009 and was not subject to any modification. The Australian 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 for the year is free of material misstatement.

Our procedures in respect of the concise financial report include testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports* and whether the discussion and analysis complies with the requirements laid down in Australian Accounting Standard AASB 1039 *Concise Financial Reports*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion, the concise financial report, including the discussion and analysis, of Hills Industries Limited and its controlled entities for the year ended 30 June 2009 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

Report on the Remuneration Report

The following paragraphs are copied from our Report on the remuneration report for the year ended 30 June 2009.

We have audited the remuneration report included in pages 18 to 24 of the Directors' report for the year ended 30 June 2009. 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 2009, complies with section 300A of the *Corporations Act 2001*.

KPMG

N Faulkner
Partner

Dated at Adelaide on this 11th day of September 2009.

Shareholder Information



The shareholder information set out below was applicable as at 21 August 2009.

A Distribution of equity security holders

Analysis of numbers of equity security holders by size of holding:

Holding	Ordinary shares	
	Shares	Options
1 – 1,000	4,829	–
1,001 – 5,000	10,989	–
5,001 – 10,000	4,918	–
10,001 – 100,000	3,345	12
100,001 and over	85	6
	24,166	18

There were 1,464 holders of less than a marketable parcel of ordinary shares.

B Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
Poplar Pty Limited	19,007,978	8.14
Hills Associates Limited	13,313,300	5.70
HSBC Custody Nominees (Australia) Limited	8,094,226	3.47
J P Morgan Nominees Australia Limited	8,081,018	3.46
Jacaranda Pastoral Pty Limited	5,968,699	2.56
National Nominees Limited	4,972,427	2.13
RBC DEXIA Investor Services Australia Nominees Pty Limited (PIPOOLED A/C)	4,852,514	2.08
Australian Foundation Investment Company Limited	4,262,130	1.83
Argo Investments Limited	4,208,604	1.80
Citicorp Nominees Pty Limited	2,999,155	1.28
RBC DEXIA Investor Services Australia Nominees Pty Limited (PIIC A/C)	2,356,348	1.01
Donald Cant Pty Limited	1,979,060	0.85
Milton Corporation Limited	1,719,260	0.74
Colleen Sims Nominees Pty Limited	1,693,012	0.73
ANZ Nominees Limited	1,189,408	0.51
Hills Associates Limited & Poplar Pty Limited	1,174,550	0.50
Queensland Investment Corporation	1,130,577	0.48
AMP Life Limited	802,837	0.34
Choiseul Investments Limited	801,039	0.34
Citicorp Nominees Pty Ltd (CFSIL CFS WS Small Comp A/C)	724,292	0.31
	89,330,434	38.26

C Substantial Shareholders

Substantial holders in the Company are set out below:

Name	Number held	Percentage
Poplar Pty Limited	19,007,978	8.14
Hills Associates Limited	13,313,300	5.70

Shareholder Information

D Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

No voting rights.

E On market buy back

There is no current on market buy back.

F Direct payment to shareholder 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.

G Securities Exchange

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

H Other information

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

I 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
Email: info@hills.com.au

Locations of Share Registries

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
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



Hills Industries Limited
ABN 35 007 573 417