

Appendix 4E

Hills Industries Limited ABN 35 007 573 417 and its Controlled Entities

Preliminary Final Report Financial Year Ended 30 June 2008

Results for announcement to the market:

\$A'000

<i>Revenues from ordinary activities</i>	Up	16.8%	to	1,184,737
<i>Profit from ordinary activities after tax attributable to members</i>	Down	0.8%	to	46,807
<i>Profit from ordinary activities after tax attributable to members before unusual items</i>	Up	1.8%	to	48,036
<i>Earnings per share before unusual items</i>	Down	1.1%	to	27.3¢
<i>Earnings per share after unusual items</i>	Down	3.6%	to	26.6¢
Dividends	Amount per security		Franked amount per security	
<i>Final dividend (#)</i>				
- current reporting period	14.0¢		14.0¢	
- previous corresponding period	14.0¢		14.0¢	
<i>Interim dividend</i>				
- current reporting period	13.5¢		13.5¢	
- previous corresponding period	13.5¢		13.5¢	
<i># Final dividend proposed in respect of the current reporting period. The financial effect of this dividend will be recognised in the next reporting period.</i>				
<i>Record date for determining entitlements to the dividend</i>	15 September 2008			
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
Refer attached press release.				

This financial report is the preliminary final report provided to the Australian Securities Exchange under listing rule 4.3A.

Hills Industries Limited and its consolidated entities
Consolidated Preliminary Income statement

For the year ended 30 June 2008

	Consolidated	
	2008	2007
<i>In thousands of AUD</i>		
Continuing operations		
Revenue	1,184,737	1,013,999
Other income	10,384	2,372
	1,195,121	1,016,371
Expenses excluding net financing costs	(1,112,247)	(934,098)
	82,874	82,273
Results from operating activities		
Finance income	781	716
Finance expenses	(15,155)	(9,821)
Net finance expense	(14,374)	(9,105)
Profit before income tax	68,500	73,168
Income tax expense	(16,140)	(21,126)
	52,360	52,042
Profit for the period		
Attributable to:		
Equity holders of the Company	46,807	47,173
Minority interest	5,553	4,869
Profit for the period	52,360	52,042
Earnings per share:		
Basic and dilutive earnings per share	26.6¢	27.6¢
Dividends per Share		
Dividends per share in respect of the current reporting period	27.5¢	27.5¢

The income statement is to be read in conjunction with the discussion and analysis in the attached press release and the notes to and forming part of the preliminary financial statements set out on pages 6 to 17.

Hills Industries Limited and its consolidated entities
Preliminary statement of recognised income and expense
For the year ended 30 June 2008

	Consolidated	
	2008	2007
<i>In thousands of AUD</i>		
Foreign currency translation differences for foreign operations	(2,318)	1,442
Gain on revaluation of land and buildings	40,590	-
Deferred income tax on revaluation	(12,177)	-
Income and expense recognised directly in equity	26,095	1,442
Profit for the period	52,360	52,042
Total recognised income and expense for the period	78,455	53,484
Attributable to:		
Equity holders of the Company	71,711	48,615
Minority interest	6,744	4,869
Total recognised income and expense for the period	78,455	53,484

The Statement of Recognised Income and Expense is to be read in conjunction with the discussion and analysis in the attached press release and the notes to and forming part of the preliminary financial statements set out on pages 6 to 17.

Hills Industries Limited and its consolidated entities

Consolidated Preliminary Balance Sheet

As at 30 June 2008

	Consolidated	
	2008	2007
<i>In thousands of AUD</i>		
Current Assets		
Cash and cash equivalents	21,308	27,434
Trade and other receivables	262,046	172,655
Inventories	180,341	175,507
Non-current assets classified as held for sale	-	15,946
Total current assets	463,695	391,542
Non-current Assets		
Investments	4	2
Deferred tax assets	16,607	30,811
Property, plant and equipment	226,425	173,157
Intangible assets	114,161	111,369
Total non-current assets	357,197	315,339
Total assets	820,892	706,881
Liabilities		
Bank overdraft	-	511
Trade and other payables, including derivatives	139,923	133,947
Loans and borrowings	5,952	1,593
Employee benefits	26,716	25,741
Current tax payable	4,317	12,742
Provisions	5,560	7,099
Total current liabilities	182,468	181,633
Non-current Liabilities		
Loans and borrowings	203,497	171,582
Employee benefits	4,961	4,574
Provisions	263	328
Total non-current liabilities	208,721	176,484
Total liabilities	391,189	358,117
Net assets	429,703	348,764
Equity		
Share capital	224,053	178,031
Reserves	50,499	26,077
Retained earnings	133,759	127,618
Total equity attributable to equity holders of the Company	408,311	331,726
Minority interest	21,392	17,038
Total equity	429,703	348,764

The balance sheet is to be read in conjunction with the discussion and analysis in the attached press release and the notes to and forming part of the preliminary financial statements set out on pages 6 to 17.

Hills Industries Limited and its consolidated entities

Preliminary statement of cash flows

For the year ended 30 June 2008

	Consolidated	
	2008	2007
<i>In thousands of AUD</i>		
Cash flows from operating activities		
Cash receipts from customers	1,232,835	1,132,806
Cash paid to suppliers and employees	(1,205,856)	(1,059,403)
Cash generated from operations	26,979	73,403
Interest received	781	716
Interest paid	(15,143)	(10,585)
Dividends received	1	-
Income taxes paid	(22,459)	(16,712)
Net cash from (used in) operating activities	(9,841)	46,822
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	840	4,502
Proceeds from disposal of asset held for sale	3,500	-
Disposal of subsidiaries	-	526
Acquisition of subsidiaries (net of cash acquired)	(356)	(86)
Acquisition of business operations	(7,097)	(11,422)
Acquisition of property, plant and equipment	(35,366)	(38,459)
Acquisition of intangible assets	-	(176)
Loans to other entities	(504)	(297)
Rent received	836	787
Net cash from (used in) investing activities	(38,147)	(44,625)
Cash flows from financing activities		
Proceeds from issue of share capital	45,079	10,206
Proceeds from borrowings	40,101	44,901
Repayment of borrowings	-	(3,469)
Dividends paid by the company	(40,611)	(37,322)
Dividends paid to minority interest	(2,387)	(2,343)
Net cash from (used in) financing activities	42,182	11,973
Net increase (decrease) in cash and cash equivalents	(5,806)	14,170
Cash and cash equivalents at 1 July	26,923	12,804
Effect of exchange rate fluctuations on cash held	191	(51)
Cash and cash equivalents at the end of the year	21,308	26,923

The statement of cash flows is to be read in conjunction with the discussion and analysis in the attached press release and the notes to and forming part of the financial statements set out on pages 6 to 17.

Hills Industries Limited and its consolidated entities

Notes to the preliminary financial report for the year ended 30 June 2008

1. Reporting entity

Hills Industries Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 944-956 South Road Edwardstown SA 5039. The consolidated financial statements of the Company as at and for the year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in manufacturing and distribution businesses as detailed in note 10.

2. Basis of preparation

(a) Statement of compliance

The preliminary financial report is a financial report that has been prepared in accordance with the recognition and measurement aspects of Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), the Corporations Act 2001 and Appendix 4E of the Australian Securities Exchange listing rules.

The preliminary financial report should be read in conjunction with the 2007 annual report, the December 2007 half year report and any announcement by Hills Industries Limited or its controlled entities in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The Board of Directors approved the preliminary financial report on 6 August 2008.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgements

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

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

Hills Industries Limited and its consolidated entities

Notes to the preliminary financial report for the year ended 30 June 2008

3. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated preliminary financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2007.

The Group has not elected to early adopt any accounting standards or amendments.

4. Financial risk management

The consolidated entity's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2007.

Hills Industries Limited and its consolidated entities

Notes to the preliminary financial report for the year ended 30 June 2008

5. Revenue

<i>In thousands of AUD</i>	Consolidated	
	2008	2007
<i>Sales Revenue</i>		
Sales	1,130,531	967,435
Services	53,369	45,777
	<u>1,183,900</u>	<u>1,013,212</u>
<i>Other Revenue</i>		
Property rentals	836	787
Dividends received	1	-
Revenue	<u>1,184,737</u>	<u>1,013,999</u>

6. Other income

<i>In thousands of AUD</i>	2008	2007
Net gain on sale of property, plant and equipment	113	-
Net gain on disposal of asset held for sale	6,751	-
Net gain on disposal of a controlled entity	-	526
Other income	3,520	1,846
	<u>10,384</u>	<u>2,372</u>

7. Expenses

<i>In thousands of AUD</i>	2008	2007
Cost of goods sold	782,404	646,161
Cost of services provided	44,259	37,503
Sales and marketing expenses	133,324	117,450
Distribution expenses	82,338	69,490
Administration expenses	49,063	44,760
Occupancy expenses	20,727	17,561
Net loss on disposal of property, plant and equipment	64	347
Other expenses	68	826
	<u>1,112,247</u>	<u>934,098</u>

Hills Industries Limited and its consolidated entities

Notes to the preliminary financial report for the year ended 30 June 2008

8. Ratios

	2008	2007
(a) Net tangible asset (NTA) Backing		
Net tangible assets per ordinary share	\$1.58	\$1.27
Calculated as net assets less intangible assets less outside equity interests in those assets over the total number of shares on issue		
(b) Other ratios		
Profit before tax/ revenue	5.8%	7.2%
Calculated as profit from ordinary activities before related income tax expense as a percentage of total revenues		
Profit after tax / equity interests	11.5%	14.2%
Calculated as net profit attributable to members of the Company as a percentage of equity attributable to members		

9. Earnings per share

	Number of Shares	
Basic and diluted earnings per share are the same in both years		
Weighted average number of shares on issue	175,927,430	170,822,904

Hills Industries Limited and its consolidated entities

Notes to the preliminary financial report for the year ended 30 June 2008

10. Segment reporting

Business segments

The Group comprises the following main business segments:

- Electronic Security and Entertainment: Communications related products and services, domestic and commercial antennas, master antenna television systems, communications antennas, amplifiers, electronic security systems, closed circuit television systems, home and commercial automation and control systems, professional audio products, fibre optic transmission solutions and subscription TV installation services.
- Home Hardware and Eco: Outdoor clothes driers, ladders, ironing boards, playtime equipment, garden sprayers, wheelbarrows, scaffold systems, rehabilitation and mobility products, water tanks and other rotationally moulded products, solar hot water products, stainless steel products and plumbing products.
- Building and Industrial: Structural, precision and large steel tubing, galvanising, cable tray and pipe support 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 Australian states and territories.
- Overseas: Manufacturing facilities and sales offices in New Zealand.

Hills Industries Limited and its consolidated entities

Notes to the preliminary financial report for the year ended 30 June 2008

10. Segment reporting (continued)

Business Segments

In thousands of AUD

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

Hills Industries Limited and its consolidated entities

Notes to the preliminary financial report for the year ended 30 June 2008

10. Segment reporting (continued)

Business segments (continued)

<i>In thousands of AUD</i>	Electronic Security and Entertainment		Home, Hardware and Eco		Building and Industrial		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Segment assets	127,940	117,506	157,189	130,374	401,814	337,095	686,943	584,975
Unallocated/corporate assets							133,949	121,906
Total assets							820,892	706,881
Segment liabilities	32,239	32,312	24,235	29,344	96,287	90,113	152,761	151,769
Unallocated/corporate liabilities							238,428	206,348
Total liabilities							391,189	358,117
Capital expenditure	11,108	4,597	4,935	10,004	19,148	22,125	35,191	36,726
Unallocated/corporate assets							-	1,909
							35,191	38,635
Depreciation	2,897	3,098	6,574	5,738	10,952	9,020	20,423	17,856
Unallocated/corporate assets							1,361	1,132
							21,784	18,988

Geographical segments

<i>In thousands of AUD</i>	Australia		Overseas		Unallocated/corporate		Consolidation	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from external customers	1,127,552	954,953	55,388	58,259	1,797	787	1,184,737	1,013,999
Segment assets	665,359	566,134	21,584	18,841	133,949	121,906	820,892	706,881
Capital expenditure	34,998	36,490	193	236	-	1,909	35,191	38,635

Hills Industries Limited and its consolidated entities

Notes to the preliminary financial report for the year ended 30 June 2008

11. Profit for the period

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

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

(a) Gain on sale of Asset held for sale

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

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

(b) Impairment of Inventory - Orrcon

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

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

Hills Industries Limited and its consolidated entities

Notes to the preliminary financial report for the year ended 30 June 2008

12. Acquisitions of subsidiaries and business operations

Acquisition of subsidiaries

On the 5th of October 2007 Hills Industries Limited acquired 50% of the shares in Opticomm Co Pty Ltd, for consideration of \$756,000. Opticomm operates in the provision of fibre infrastructure to deliver high speed voice, data and video to homes and multi residential developments. Aside from this acquisition, the Group did not acquire any other subsidiaries during the current reporting period.

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

Company Name	Date of Control	Consideration Net of Cash \$'000	Nature of Business	% Acquired
2008				
• Opticomm	05/10/2007	356*	Provision of Fibre Networks and Infrastructure.	50
Total		<u>356</u>		
2007				
• Alquip Group – deferred payment	01/01/2006	86		
Total		<u>86</u>		

* Excludes contingent consideration payable of \$400,000

Hills Industries Limited and its consolidated entities

Notes to the preliminary financial report for the year ended 30 June 2008

12. Acquisitions of subsidiaries and business operations (continued)

Acquisition of business operations

On the 1st of March 2008 the Group acquired the business operations of LW Gemmell and Associates ("Gemmell"). Results for the Gemmell business since the date of acquisition have been included in the consolidated results.

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

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

Name of business	Date of Control	Consideration Net of Cash	Nature of Business
In thousands of AUD			
2008			
Air Comfort Seating Systems	01/05/2007	1,159	Manufacturer of pressure care seating for the aged care sector.
LW Gemmell & Associates	01/03/2008	5,938	Distributor of specialised plumbing products.
		<u>7,097</u>	
2007			
Air Comfort Seating Systems	01/12/2005	6,537*	Manufacturer of pressure care seating for the aged care sector.
Impressive Steel	01/05/2007	4,624	Steel distribution business based in Bunbury in Western Australia.
Australian Audio Supplies	01/04/2006	261**	Distribution of professional audio equipment.
		<u>11,422</u>	

* Excludes deferred payment payable of \$859,000

** Excludes deferred payment payable of \$839,000

Hills Industries Limited and its consolidated entities

Notes to the preliminary financial report for the year ended 30 June 2008

13. Capital and reserves

	Consolidated	
	2008	2007
Retained profits		
In thousands of AUD		
Balance at the beginning of the year	127,618	117,516
Net profit attributable to members of the Company	46,807	47,173
Transfer (to)/from reserves	(55)	251
Disposal of entities	-	-
Dividends recognised during the year	(40,611)	(37,322)
	<u>133,599</u>	<u>127,618</u>

Dividends

Dividends recognised in the current year by the Group are:

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

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

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

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

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

Hills Industries Limited and its consolidated entities

Notes to the preliminary financial report for the year ended 30 June 2008

13. Capital and reserves (continued)

Dividend and share reinvestment plans

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

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

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

Hills Industries limited and its controlled entities

Compliance statement

- 1 This report has been prepared in accordance with AASB Standards (including Australian Accounting Interpretations) and other AASB authoritative pronouncements.
- 2 This report, and the accounts upon which the report is based, use the same accounting policies.
- 3 This report gives a true and fair view of the matters disclosed.
- 4 This report is based on accounts which are in the process of being audited.
- 5 The accounts on which this report is based are not likely to be subject to dispute or qualification.

Dated at Edwardstown this 6th day of August 2008.

Signed in accordance with a resolution of the directors.

Graham L Twartz
Director

Annual General Meeting

The 51st Annual General Meeting of Hills Industries Limited will be held at Wayville Showgrounds, Goodwood Road, Goodwood, South Australia on Friday 31 October 2008 at 2.00 pm.

The Notice of Meeting and Proxy Form will be sent with the Concise Annual Report in early October 2008.