



PRESS RELEASE

PROFIT & DIVIDEND IMPROVEMENT FOR HILLS SHAREHOLDERS

The Chairman, Mr. Bob Ling, today announced the following record operating results for the 12 months ended 30 June 2003 for the Hills Group. These results exclude the individually significant items set out later in this release.

	12 MONTHS TO 30/6/03 \$'000	12 MONTHS TO 30/6/02 \$'000	% CHANGE
Total Revenue from Ordinary Activities	669,410	585,308	+ 14.4
Profit from Ordinary Activities before Tax	46,688	39,208	+ 19.1
Profit from Ordinary Activities attributable to Owners	27,315	23,864	+ 14.5
Earnings per share	20.8 cents	19.4 cents	+ 7.4

Mr Ling said that the improvement in operating profit after tax attributable to Hills Shareholders was very pleasing. The results for individual business units were as follows:

ELECTRONICS

	12 MONTHS TO 30/6/03 \$'000	12 MONTHS TO 30/6/02 \$'000	% CHANGE
Total Revenue	163,572	165,412	- 1.1
Operating profit before interest and tax	14,610	15,269	- 4.3

- ◆ Security revenues were maintained notwithstanding a major restructuring of the Australian and New Zealand Security industries. The slow down in the “zero cost” domestic alarm market (where alarms are installed at heavily subsidised prices if customers sign long term monitoring contracts) impacted revenues during the period.

A decision taken a number of years ago to diversify the product range within our Security business enabled us to maintain revenues in what would otherwise have been a difficult year.

- ◆ The Antenna & TV Systems business increased its market share in the free to air antenna market due to the ready acceptance of the new range of Engineered For Digital (EFD) antenna products.
- ◆ The Hills Antenna Installation business and the Pacific Communications Transport Surveillance Systems business (based in Europe) were both sold during the year.
- ◆ By collaborating with a number of Australia's major home builders we were able to increase the market penetration of the Hills Home Hub system, which enables new home buyers to access our modular range of home security, lighting and other control systems by installing cost effective structured cabling systems.
- ◆ Further product range diversification is planned within the Electronics segment in the coming 12 months. There will also be an increased focus on supplying integrated electronic solutions to developers of multiple dwelling units such as highrise apartment blocks, gated communities and the like.

HOME & HARDWARE PRODUCTS

	12 MONTHS TO 30/6/03 \$'000	12 MONTHS TO 30/6/02 \$'000	% CHANGE
Total Revenue	167,335	151,812	+ 10.2
Operating profit before interest and tax	13,562	13,423	+ 1.0

- ◆ The K-Care Group was acquired effective 1st October 2002 and performed in line with expectations during the period. Before tax and interest the acquisition contributed \$1,187K to the segment result. The growing market for mobility and rehabilitation products gives us confidence that this business can continue to grow.
- ◆ The new range of Oldfields branded domestic and industrial ladders were released to the market during the last six months. Marketed as "Australia's Strongest Ladders" we are confident that this new range will enable us to continue to grow this important product segment.
- ◆ The joint venture formed with Freudenberg Household Products in the United Kingdom performed below expectations due to a number of manufacturing and other difficulties experienced during the peak selling season. As a result of these issues, the joint venture contributed an EBIT loss of \$1,600K to the segment. Corrective action has been taken to enable us to improve productivity and rapidly expand sales of our unique products into continental Europe.

- ◆ Triton released a number of new woodworking products during the year including a powered respirator. We are confident that we will achieve increased export success in the coming year, even given the current level of the Australian dollar. New export opportunities exist in the United Kingdom and the USA.
- ◆ We were pleased with the increase in sales achieved for the new ClosetMaid storage solutions product range and believe that this trend will continue.

BUILDING & INDUSTRIAL PRODUCTS

	12 MONTHS TO 30/6/03 \$'000	12 MONTHS TO 30/6/02 \$'000	% CHANGE
Total Revenue	331,902	263,436	+ 26.0
Operating profit before interest and tax	21,654	13,332	+ 62.4

- ◆ The Orrcon Precision and Structural Tube business continued to increase its market share in line with the business plan established when Hills and Welded Tube Mills of Australia merged their operations in October 2000.
- ◆ The Orrcon Pipe and Large Tube manufacturing facility established in Wollongong is now refining its production processes as we move to achieve American Petroleum Institute (API) accreditation for gas pipeline products.
- ◆ Sales and profitability in Fielders grew as a result of the strength in the building market but perhaps more importantly as a result of the introduction of new products.

A number of major new contracts have recently been won by Fielders, including supplying products to the high profile redevelopment of the MCG. Our unique roofing systems including WideKlip 760 (which can be rollformed on site by our mobile rigs) and our flooring systems including KingFlor 70 have enabled us to distinguish ourselves in the rollforming market.

- ◆ Korvest Ltd had an excellent result for the year with the strength of the commercial and industrial building market being the major influence.

INDIVIDUALLY SIGNIFICANT ITEMS

- ◆ During the year our 30% investment in Radio Frequency Systems was sold to the 70% shareholder Alcatel. The profit resulting from this sale was \$3,133K.
- ◆ As a result of our recent decision to close the business of ePic Australia we are not certain that the Future Income Tax Benefits recorded in earlier years can be recovered. It has been decided to write off \$1,195K in this regard. This amount is reflected in the Group Income Tax Expense.

- ◆ Late in the year we were advised that our US based 50% partner in ePic Australia had filed for bankruptcy protection. The minority interest in the accumulated losses of ePic Australia of \$2,005K has now been written off. This amount is included in the Outside Equity Interest.

Overall these items basically cancel each other out.

OTHER MATTERS

During the year our share price remained strong. There is no doubt that consistent fully franked dividends are well regarded by the investment community today. This is underlined by the fact that our shareholder base has increased from 6,000 in June 2000 to just over 14,000 at the end of June 2003.

DIVIDEND POLICY

The company will continue to pay the majority of its after tax profits to shareholders as interim and final dividends. This policy is subject to the same conditions as previously determined as follows:

- ◆ The Debt to Equity ratio remaining around 45% taking into account the funding required for growth (27.9% at 30.6.2003).
- ◆ No change in the law in connection with the distribution of accumulated franking credits.
- ◆ Continuing profitability at an acceptable level.

The Directors announced a fully franked final dividend of 10.5 cents per share bringing the total for the year to 21.0 cents per share (this compares with 20 cents last year). This dividend can be taken as cash, reinvested in Hills shares at a 7.5% discount or received as bonus shares at a 7.5% discount or any combination of the above. The dividend will be paid on 29th September 2003. The Record Date is 15th September 2003.

CURRENT YEAR

Business conditions in Australia and New Zealand are still favourable for a diversified company like Hills. There is a consensus view that the commercial and industrial building market will remain strong for the next 2 years. The domestic building market will decline under controlled conditions from its current record levels.

The strength of the Australian dollar is a positive for our importing activities but a negative for our manufacturing and exporting activities. On balance Hills has a natural internal hedge against currency movements due to our diversification.

A major advertising campaign will be launched in Australia in late August/early September 2003. This campaign will reinforce the diversity of the Hills product range across a number of business units.

There are key challenges ahead in the next 12 months but the Board believes that the plans and strategies in place should produce an improvement in sales and profitability in the coming year.



R.D.H. LING AO
CHAIRMAN

12 August 2003

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

Appendix 4E
Preliminary Final Report
for the Financial Year Ended 30 June 2003

Results for announcement to the market:

\$A'000

Revenues from ordinary activities	Up	15.1%	to	673,662
Profit (loss) from ordinary activities after tax attributable to members	Up	14.2%	to	27,248
Net profit (loss) for the period attributable to members	Up	14.2%	to	27,248
Dividends		Amount per security		Franked amount per security
Final dividend				
- current reporting period		10.5¢		10.5¢
- previous corresponding period		10.0¢		10.0¢
Interim dividend				
- current reporting period		10.5¢		10.5¢
- previous corresponding period		10.0¢		10.0¢
Record date for determining entitlements to the dividend:	15 September 2003			
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.				

Hills Industries Limited and its Controlled Entities
Statement of Financial Performance for the Year Ended 30 June 2003
Condensed Financial Report

		Consolidated	
	Note	2003 \$'000	2002 \$'000
Revenues from ordinary activities	3a	673,662	585,308
Expenses from ordinary activities, excluding borrowing costs	3b	618,911	541,316
Borrowing costs	3f	<u>4,930</u>	<u>4,784</u>
Profit from ordinary activities before related income tax expense		49,821	39,208
Income tax expense relating to ordinary activities		<u>15,895</u>	<u>12,775</u>
Profit from ordinary activities after related income tax expense		33,926	26,433
Profit from extraordinary items after related income tax expense		<u>-</u>	<u>-</u>
Net profit		33,926	26,433
Net profit attributable to outside equity interests		<u>6,678</u>	<u>2,569</u>
Net profit attributable to members of the parent entity		27,248	23,864
Non-owner transaction changes in equity:			
- Increase in asset revaluation reserve		888	-
- Net exchange differences on translation of financial statements of self-sustaining foreign operations		(557)	481
- Increase in retained profits on adoption of a new accounting standard	2a	<u>12,600</u>	<u>-</u>
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		<u>12,931</u>	<u>481</u>
Total changes in equity from non-owner related transactions attributable to members of the parent entity		<u><u>40,179</u></u>	<u><u>24,345</u></u>
Basic earnings per share	9	20.7¢	19.4¢
Diluted earnings per share	9	20.7¢	19.3¢
Basic earnings per share excluding individually significant items		20.8¢	19.4¢

The statement of financial performance 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 5 to 15.

Hills Industries Limited and its Controlled Entities
Statement of Financial Position for the Year Ended 30 June 2003
Condensed Financial Report

		Consolidated	
		2003	2002
		\$'000	\$'000
	Note		
Current Assets			
Cash assets		6,297	6,500
Receivables		109,020	105,808
Inventories		<u>83,613</u>	<u>75,308</u>
Total current assets		<u>198,930</u>	<u>187,616</u>
Non-Current Assets			
Receivables		1,918	2,000
Investments		14	1,163
Property, plant and equipment		147,279	130,323
Intangibles		17,539	6,511
Deferred tax assets		<u>16,208</u>	<u>14,954</u>
Total non-current assets		<u>182,958</u>	<u>154,951</u>
Total assets		<u>381,888</u>	<u>342,567</u>
Current Liabilities			
Payables		71,865	69,169
Interest bearing liabilities		7,959	15,034
Current tax liabilities		8,048	5,648
Provisions		<u>21,600</u>	<u>33,101</u>
Total current liabilities		<u>109,472</u>	<u>122,952</u>
Non-Current Liabilities			
Interest bearing liabilities		55,742	58,196
Deferred tax liabilities		1,464	1,570
Provisions		<u>9,097</u>	<u>4,293</u>
Total non-current liabilities		<u>66,303</u>	<u>64,059</u>
Total liabilities		<u>175,775</u>	<u>187,011</u>
Net assets		<u>206,113</u>	<u>155,556</u>
Equity			
Contributed equity		60,109	39,728
Reserves		26,008	25,676
Retained profits	5	<u>89,752</u>	<u>70,696</u>
Total parent entity interest		<u>175,869</u>	<u>136,100</u>
Outside equity interests		<u>30,244</u>	<u>19,456</u>
Total equity		<u>206,113</u>	<u>155,556</u>

The statement of financial position 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 5 to 15.

**Hills Industries Limited and its Controlled Entities
Statement of Cash Flows for the Year Ended 30 June 2003
Condensed Financial Report**

	Consolidated	
	2003	2002
Note	\$'000	\$'000
Cash Flows from Operating Activities		
Cash receipts excluding GST	657,793	572,836
GST receipts from customers and ATO	<u>73,926</u>	<u>66,060</u>
Cash receipts in the course of operations	731,719	638,896
Cash payments excluding GST	(591,428)	(526,611)
GST payments to suppliers and ATO	<u>(73,379)</u>	<u>(66,901)</u>
Cash payments in the course of operations	(664,807)	(593,512)
Interest received	587	491
Dividends received	-	551
Borrowing costs paid	(4,852)	(4,740)
Income taxes paid	<u>(14,991)</u>	<u>(10,855)</u>
Net cash provided by operating activities	47,656	30,831
 Cash Flows from Investing Activities		
Proceeds on disposal of property, plant and equipment	2,123	1,405
Payments for property, plant and equipment	(30,469)	(27,585)
Proceeds on disposal of investments	4,283	13
Payments for investments	(2)	(30)
Payments for intangible assets	(109)	(982)
Proceeds from sale of businesses	7,029	-
Payments for businesses (net of cash acquired)	(16,736)	(617)
Loans paid to other entities	(882)	(3,611)
Rent received	<u>815</u>	<u>851</u>
Net cash used in investing activities	(33,948)	(30,556)
 Cash Flows from Financing Activities		
Proceeds from borrowings	22,953	10,732
Repayment of borrowings	(25,999)	(4,000)
Finance lease payments	(699)	(654)
Proceeds from issue of shares by parent entity	20,381	8,977
Dividends paid by parent entity	(20,792)	(17,048)
Proceeds from equity contributed by outside equity interests	68	3,030
Dividends paid to outside equity interests	<u>(2,070)</u>	<u>(925)</u>
Net cash provided by / (used in) financing activities	(6,158)	112
Net increase in cash held	7,550	387
Cash at the beginning of the year	(1,279)	(1,696)
Effect of exchange rate fluctuations	<u>26</u>	<u>30</u>
Cash at the end of the year	<u>6,297</u>	<u>(1,279)</u>

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 5 to 15.

Hills Industries Limited and its Controlled Entities
Notes to the Financial Statements for the Year Ended 30 June 2003
Condensed Financial Report

1 Statement of Significant Accounting Policies

(a) Basis of Preparation of Condensed Financial Report

The condensed financial report has been prepared in accordance with the Corporations Act 2001, Appendix 4E of the Australian Stock Exchange Listing Rules and is based on Accounting Standard AASB1039 'Concise Financial Reports'. The condensed financial report also complies with other applicable Accounting Standards and applicable Urgent Issues Group Consensus Views.

The financial statements and specific disclosures required by AASB1039 have been derived from information that will be used to prepare the consolidated entity's full financial report for the financial year. Additional information included in the condensed financial report as a result of the specific requirements of Appendix 4E is consistent with the information that will be used to prepare the consolidated entity's full financial report.

The condensed 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 consolidated entity as the full financial report.

The condensed financial report has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy as set out in Note 2, are consistent with those of the previous year.

A full description of the accounting policies adopted by the consolidated entity will be included in the consolidated entity's full financial report.

(b) Details of Reporting Periods

The current reporting period is the financial year ended 30 June 2003. The previous corresponding period is the financial year ended 30 June 2002.

2 Changes in Accounting Policies

(a) Provisions, Contingent Liabilities and Contingent Assets

The consolidated entity has applied AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets' for the first time from 1 July 2002. Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the financial year to which they related, even though the dividends were announced after the end of that financial year.

The adjustments to the consolidated financial report as at 1 July 2002 as a result of this change are a \$12.6 million increase in opening retained profits and a corresponding decrease in provision for dividends. There was no impact on net profit for the reporting period to 30 June 2003.

Hills Industries Limited and its Controlled Entities
Notes to the Financial Statements for the Year Ended 30 June 2003
Condensed Financial Report

2 Changes in Accounting Policies (continued)

Restatement of Retained Profits

This restatement of retained profits shows the information that would have been disclosed had AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets' always been applied.

	Consolidated	
	2003	2002
	\$'000	\$'000
Reported retained profits at the end of the previous year	70,696	67,480
Increase in retained profits due to change in accounting policy on adoption of AASB 1044	<u>12,600</u>	<u>9,000</u>
Restated retained profits at the beginning of the year	83,296	76,480
Net profit attributable to members of the parent entity	27,248	23,864
Dividends provided for or paid	<u>(20,792)</u>	<u>(17,048)</u>
Restated retained profits at the end of the year	<u><u>89,752</u></u>	<u><u>83,296</u></u>

3 Revenues, Expenses and Profit from Ordinary Activities

(a) Revenues from Ordinary Activities

Revenues from operating activities

Sales of goods and services	660,600	580,253
Interest received or receivable	582	493
Dividends received or receivable	-	551
Property rentals	815	851

Revenues from outside operating activities

Proceeds on disposal of non-current assets	7,238	1,418
Other income	<u>4,427</u>	<u>1,742</u>

Total revenues from ordinary activities	<u><u>673,662</u></u>	<u><u>585,308</u></u>
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(b) Expenses from Ordinary Activities

Costs of goods sold	435,866	388,075
Sales and marketing expenses	89,657	77,370
Distribution expenses	49,183	43,338
Administration expenses	31,175	25,339
Occupancy expenses	9,368	5,019
Other expenses	<u>3,662</u>	<u>2,175</u>

Expenses from ordinary activities, excluding borrowing costs	618,911	541,316
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Borrowing costs	<u>4,930</u>	<u>4,784</u>
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Total expenses from ordinary activities	<u><u>623,841</u></u>	<u><u>546,100</u></u>
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Hills Industries Limited and its Controlled Entities
Notes to the Financial Statements for the Year Ended 30 June 2003
Condensed Financial Report

		Consolidated	
		2003	2002
		\$'000	\$'000
3	Revenues, Expenses and Profit from Ordinary Activities (continued)		
	(c) Individually significant expenses / (revenues) included in profit from ordinary activities before income tax expense:		
	Proceeds on sale of investment	(4,252)	-
	Carrying amount of investment sold	<u>1,119</u>	<u>-</u>
	Net gain on sale of investment	<u>(3,133)</u>	<u>-</u>
	Resulting from sale of interest in Radio Frequency Systems Pty Ltd and non-recurring.		
	(d) Individually significant items included in income tax expense relating to ordinary activities:		
	Write off of future income tax benefit previously recognised on tax losses where recovery is no longer virtually certain	1,195	-
	Resulting from losses incurred by ePic Australia Pty Ltd (now ceased) in prior years and non recurring.		
	(e) Individually significant items included in net profit attributable to outside equity interests:		
	Write off of outside equity interest in losses previously recognised where recovery is unlikely	2,005	-
	Resulting from losses incurred by ePic Australia Pty Ltd (now ceased) in prior years and non recurring.		
	(f) Profit from ordinary activities before income tax has been arrived at after charging / (crediting) the following items:		
	Depreciation of buildings	595	615
	Depreciation of plant and equipment	<u>15,245</u>	<u>11,986</u>
	Total depreciation of property, plant and equipment	15,840	12,601
	Amortisation of goodwill	521	218
	Amortisation of patents and trademarks	<u>1,681</u>	<u>908</u>
	Total amortisation of intangibles	<u>2,202</u>	<u>1,126</u>
	Total depreciation and amortisation	<u>18,042</u>	<u>13,727</u>
	Write down in value of plant and equipment to recoverable amount	613	-
	Write down in value of intangibles to recoverable amount	1,492	-

Hills Industries Limited and its Controlled Entities
Notes to the Financial Statements for the Year Ended 30 June 2003
Condensed Financial Report

		Consolidated	
		2003	2002
		\$'000	\$'000
3	Revenues, Expenses and Profit from Ordinary Activities (continued)		
	Interest paid or payable	4,831	4,630
	Finance charges on capitalised leases	<u>99</u>	<u>154</u>
	Total borrowing costs	4,930	4,784
	Interest received or receivable	<u>(582)</u>	<u>(493)</u>
	Net borrowing costs	<u>4,348</u>	<u>4,291</u>
	Net bad and doubtful debts expense including movements in provision for doubtful debts	3,394	1,179
	Net bad and doubtful loans expense including movements in provision for doubtful loans	2,250	-
	(Profit) / loss on disposal of non-current assets:		
	- property, plant and equipment	(425)	77
	- investments	(3,133)	18
	- businesses	<u>(96)</u>	<u>-</u>
		(3,654)	95
4	Comparison of Half Year Profit		
	Net profit attributable to members of the parent entity reported for the first half year	13,977	12,166
	Net profit attributable to members of the parent entity for the second half year	<u>13,271</u>	<u>11,698</u>
		<u>27,248</u>	<u>23,864</u>
5	Retained Profits		
	Balance at the beginning of the year	70,696	67,480
	Net profit attributable to members of the parent entity	27,248	23,864
	Net effect on dividends from:		
	- initial adoption of AASB1044 'Provisions, Contingent Liabilities and Contingent Assets'	12,600	-
	- dividends recognised during the year	<u>(20,792)</u>	<u>(20,648)</u>
	Total dividends	<u>(8,192)</u>	<u>(20,648)</u>
	Balance at the end of the year	<u>89,752</u>	<u>70,696</u>

Hills Industries Limited and its Controlled Entities
Notes to the Financial Statements for the Year Ended 30 June 2003
Condensed Financial Report

6 Dividends

(a) Dividends recognised in the current year by the parent entity are:

	Cents per share	Total amount \$'000	<u>Date of payment</u>
2003			
Interim – ordinary	10.5	13,949	24 March 2003
Interim dividends forgone for Share Investment Plan		(3,043)	
2002 final dividend recognised when declared during the year, refer Note 2:			
- final – ordinary	10.0	12,586	30 September 2002
- final dividends forgone for Share Investment Plan		<u>(2,700)</u>	
		<u>20,792</u>	
2002			
Over provided in respect of previous financial year		(80)	
Dividends forgone for Share Investment Plan in respect of previous financial year		(1,823)	
Interim – ordinary	10.0	12,249	25 March 2002
Interim dividends forgone for Share Investment Plan		(2,298)	
Final – ordinary	10.0	<u>12,600</u>	30 September 2002
		<u>20,648</u>	

Subsequent events

Since the end of the financial year, the directors declared the following dividend:

- final – ordinary	10.5	14,200	29 September 2003
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The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2003 and will be recognised in subsequent financial years.

All dividends are fully franked at the tax rate of 30%, are on ordinary shares and do not include foreign sourced income.

Hills Industries Limited and its Controlled Entities
Notes to the Financial Statements for the Year Ended 30 June 2003
Condensed Financial Report

6 Dividends (continued)

(b) Dividend and Share Reinvestment Plans

The Dividend Investment Plan and Share Investment Plan will operate. A discount of 7.5% will apply under the rules of the plans.

Last date for receipt of election notice for the dividend plans: **15 September 2003**

The parent entity issued ordinary shares under the Dividend Investment Plan and 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.

	Consolidated	
	2003	2002
	\$'000	\$'000
(c) Dividend franking account		
30% franking credits available to shareholders of the parent entity for subsequent financial years	39,738	29,293

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

- (a) franking credits that will arise from the payment of the current tax liability
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the year-end
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

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

Change in measurement of dividend franking account

In accordance with the New Business Tax System (Imputation) Act 2002, the measurement basis of the dividend franking account changed on 1 July 2002 from an after-tax profits basis to an income tax paid basis. The change in the basis of measurement does not change the underlying value of franking credits or tax offsets available to shareholders from the dividend franking account.

The amounts of franking credits available to shareholders disclosed above (including the comparative as at 30 June 2002) have been measured under the new legislation and represent income tax paid amounts available to frank distributions.

Had the balance of the franking account been measured under the legislation existing at 30 June 2002 to represent after-tax profits able to be distributed fully franked at the current tax rate, the amounts would have been those shown below.

The amounts of retained profits that could be distributed as franked dividends using franking credits already in existence or which will arise from income tax payments after deducting franking credits to be used in the payment of the final dividend declared	78,002	68,350
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Hills Industries Limited and its Controlled Entities
Notes to the Financial Statements for the Year Ended 30 June 2003
Condensed Financial Report

7 Issued and Quoted Securities at End of Current Period

	<u>Total number</u>	<u>Number quoted</u>	<u>Exercise price</u>	<u>Expiry date</u>
Ordinary securities				
Balance at the beginning of the year	125,861,262	125,861,262	N/A	N/A
Increases through issues	<u>9,698,266</u>	<u>9,698,266</u>	N/A	N/A
Balance at the end of the year	<u>135,559,528</u>	<u>135,559,528</u>	N/A	N/A
Options				
Balance at the beginning of the year	195,000	-	2.50	31/12/02
	245,000	-	2.90	31/12/03
Issued during the year	300,000	-	3.23	31/12/04
Exercised during the year	(195,000)	-	2.50	31/12/02
Lapsed during the year	(50,000)	-	2.90	31/12/03
	<u>(20,000)</u>	<u>-</u>	3.23	31/12/04
Balance at the end of the year	195,000	-	2.90	31/12/03
	<u>280,000</u>	<u>-</u>	3.23	31/12/04

All options are subject to certain future performance measures. In respect of the balance of options outstanding at year end, at the date of this report these measures had not been met.

These options represent the total unissued ordinary shares of the parent entity under option at the date of this report. These options do not entitle the holder to participate in any share issue of the parent entity or any other body corporate.

Hills Industries Limited and its Controlled Entities
Notes to the Financial Statements for the Year Ended 30 June 2003
Condensed Financial Report

8 Segment Reporting

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest or dividend earning assets and revenues, interest bearing loans, borrowings and expenses and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Inter-segment pricing is determined on a cost basis for wholly owned entities and on an arms length basis for non-wholly owned entities.

Business Segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

	Products / Services
Electronics	Communications related products and services, domestic and commercial antennas, closed circuit television systems, master antenna television systems, communications antennas, amplifiers, electronic security systems, home automation systems and fibre optic transmission solutions.
Home & Hardware	Outdoor clothes driers, ladders, ironing boards, laundry trolleys, security doors, playtime equipment, garden sprayers, wheelbarrows, do-it-yourself woodworking equipment and rehabilitation and mobility products.
Building & Industrial	Structural and precision steel tubing, fence posts, galvanising, office storage systems, precision metal cabinets, sheet metal, steel door frames and metal building products.

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 consolidated entity's business segments operate geographically as follows:

Australia	Manufacturing facilities and sales offices and customers in all states and territories.
Overseas	Manufacturing facilities in the United Kingdom and sales offices and customers in the United Kingdom and New Zealand.

Hills Industries Limited and its Controlled Entities
Notes to the Financial Statements for the Year Ended 30 June 2003
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8 Segment Reporting (continued)

<u>Primary reporting by business segments</u>	Electronics		Home & Hardware		Building & Industrial		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue										
External segment revenue	163,572	165,412	167,335	151,812	331,902	263,436	0	0	662,809	580,660
Inter-segment revenue	0	0	0	0	10,101	9,675	(10,101)	(9,675)	0	0
Total segment revenue	163,572	165,412	167,335	151,812	342,003	273,111	(10,101)	(9,675)	662,809	580,660
Unallocated / corporate revenue									10,853	4,648
Total revenue									673,662	585,308
Result										
Segment result (before interest and tax)	14,610	15,269	13,562	13,423	21,654	13,332	0	0	49,826	42,024
Unallocated / corporate result									4,343	1,475
									54,169	43,499
Net interest									4,348	4,291
Profit from ordinary activities before income tax									49,821	39,208
Income tax expense									15,895	12,775
Net profit									33,926	26,433
Depreciation and amortisation	3,887	2,077	6,661	5,254	6,912	4,608	0	0	17,460	11,939
Unallocated / corporate depreciation and amortisation									1,656	1,788
									19,116	13,727
Other non-cash expenses	1,569	185	1,297	3,307	6,055	2,881	0	0	8,921	6,373
Unallocated / corporate other non-cash expenses									2,813	1,088
									11,734	7,461
Assets										
Segment assets	71,440	73,211	107,003	93,882	170,213	133,752	(1,866)	0	346,790	300,845
Unallocated / corporate assets									35,098	41,722
Consolidated total assets									381,888	342,567
Liabilities										
Segment liabilities	15,811	17,543	17,778	17,718	42,628	31,487	(1,866)	0	74,351	66,748
Unallocated / corporate liabilities									101,424	120,263
Consolidated total liabilities									175,775	187,011
Acquisitions of non-current assets	3,326	4,461	20,885	5,344	22,426	16,681	0	0	46,637	26,486
Unallocated / corporate assets									718	3,301
									47,355	29,787
<u>Secondary reporting by geographical segments</u>										
			Australia		Overseas		Eliminations		Consolidated	
			2003	2002	2003	2002	2003	2002	2003	2002
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue										
External segment revenue by location of customers			612,488	528,578	60,726	56,730	(10,405)	0	662,809	585,308
Unallocated / corporate revenue									10,853	0
Total revenue									673,662	585,308
Assets										
Segment assets by location of assets			317,259	299,999	31,046	42,568	(1,515)	0	346,790	342,567
Unallocated / corporate assets									35,098	0
Consolidated total assets									381,888	342,567
Acquisitions of non-current assets			45,542	27,725	1,095	2,062	0	0	46,637	29,787
Unallocated / corporate assets									718	0
									47,355	29,787

Hills Industries Limited and its Controlled Entities
Notes to the Financial Statements for the Year Ended 30 June 2003
Condensed Financial Report

9 Earnings per Share

Classification of securities as ordinary shares

The following securities have been classified as ordinary shares and included in basic earnings per share:

- ordinary shares

Classification of securities as potential ordinary shares

The following securities have been classified as potential ordinary shares and included in diluted earnings per share only:

- options outstanding under the Executive Share Plan

	Consolidated	
	2003	2002
	\$'000	\$'000
Earnings reconciliation		
Net profit	33,926	26,433
Net profit attributable to outside equity interests	<u>6,678</u>	<u>2,569</u>
Basic earnings	<u>27,248</u>	23,864
After tax effect of interest on options	<u>51</u>	<u>42</u>
Diluted earnings	<u><u>27,299</u></u>	<u><u>23,906</u></u>

	Number of Shares	
	2003	2002
Weighted average number of shares used as the denominator		
Ordinary shares	<u>131,335,734</u>	<u>123,217,896</u>
Number for basic earnings per share	<u>131,335,734</u>	123,217,896
Effect of Executive Share Plan options on issue	<u>475,000</u>	<u>440,000</u>
Number for diluted earnings per share	<u><u>131,810,734</u></u>	<u><u>123,657,896</u></u>

10 Net Tangible Asset (NTA) Backing

Net tangible asset backing per ordinary security	\$1.17	\$1.13 #
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Comparative adjusted for adoption of new accounting standard, refer Note 2

11 Other Ratios

Profit before tax / revenue (Calculated as profit from ordinary activities before related income tax expense as a percentage of revenue)	7.4%	6.7%
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Profit after tax / equity interests (Calculated as net profit attributable to members of the parent entity as a percentage of equity attributable to members)	15.5%	16.0% #
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Comparative adjusted for adoption of new accounting standard, refer Note 2

Hills Industries Limited and its Controlled Entities
Notes to the Financial Statements for the Year Ended 30 June 2003
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12 Details of Entities Over Which Control Has Been Gained

The economic entity gained control over the following entities:

The K-Care Group comprising:

KDB Engineering Pty Ltd and
Kerry Equipment (Aust) Pty Ltd

The date of the gain of control was 1 October 2002.

13 Events Subsequent to Reporting Date

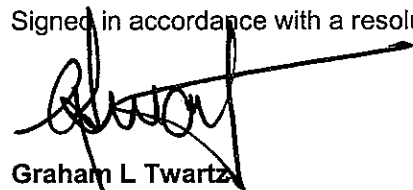
There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the parent entity, to affect significantly the operations of the consolidated entity, the results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

**Hills Industries Limited and its Controlled Entities
Preliminary Final Report (Appendix E) Compliance Statement**

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views.
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 12th day of August 2003.

Signed in accordance with a resolution of the directors.



Graham L Twartz
Director and Company Secretary