

Appendix 4B (rule 4.13(b))

Half yearly/preliminary final report

Introduced 1/7/2000. Amended 30/9/2001.

Name of entity

Hills Industries Limited

ABN	Half yearly (tick)	Preliminary final (tick)	Half year ended ('current period')
35 007 573 417	<input checked="" type="checkbox"/>	<input type="checkbox"/>	31 December 2001

For announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A'000

Revenues from ordinary activities (<i>item 1.1</i>)	up	15.3%	to	287,234
Profit (loss) from ordinary activities after tax (before amortisation of goodwill) attributable to members (<i>item 1.20</i>)	up	7.3%	to	12,231
Profit (loss) from ordinary activities after tax attributable to members (<i>item 1.23</i>)	up	7.0%	to	12,166
Profit (loss) from extraordinary items after tax attributable to members (<i>item 2.5(d)</i>)				Nil
Net profit (loss) for the period attributable to members (<i>item 1.11</i>)	up	7.0%	to	12,166
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend (<i>Prelim. final report only - item 15.4</i>)		10.0¢		10.0¢
Interim dividend (<i>Half yearly report only - item 15.6</i>)				
Previous corresponding period (<i>Preliminary final report - item 15.5; half yearly report - item 15.7</i>)				
Interim dividend		7.0¢		7.0¢
Special dividend		5.0¢		5.0¢

+Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (*see item 15.2*)

11 March 2002

Brief explanation of omission of directional and percentage changes to profit in accordance with Note 1 and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

N/A

Consolidated profit and loss account

+ See chapter 19 for defined terms.

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	Current period - \$A'000	Previous corresponding period - \$A'000
1.1 Revenues from ordinary activities	287,234	249,114
1.2 Expenses from ordinary activities (<i>see items 1.24 + 12.5 + 12.6</i>)	265,909	229,860
1.3 Borrowing costs	2,480	1,634
1.4 Share of net profit (loss) of associates and joint venture entities (<i>see item 16.7</i>)	-	-
1.5 Profit (loss) from ordinary activities before tax	18,845	17,620
1.6 Income tax on ordinary activities (<i>see note 4</i>)	5,851	5,641
1.7 Profit (loss) from ordinary activities after tax	12,994	11,979
1.8 Profit (loss) from extraordinary items after tax (<i>see item 2.5</i>)	-	-
1.9 Net profit (loss)	12,994	11,979
1.10 Net profit (loss) attributable to outside +equity interests	828	609
1.11 Net profit (loss) for the period attributable to members	12,166	11,370

Consolidated retained profits

1.12 Retained profits (accumulated losses) at the beginning of the financial period	67,480	63,068
1.13 Net profit (loss) attributable to members (<i>item 1.11</i>)	12,166	11,370
1.14 Net transfers to and from reserves	-	-
1.15 Net effect of changes in accounting policies	-	-
1.16 Dividends and other equity distributions paid or payable	10,348	12,513
1.17 Retained profits (accumulated losses) at end of financial period	69,298	61,925

+ See chapter 19 for defined terms.

Profit restated to exclude amortisation of goodwill		Current period \$A'000	Previous corresponding period \$A'000
1.18	Profit (loss) from ordinary activities after tax before outside equity interests (<i>items 1.7</i>) and amortisation of goodwill	13,059	12,004
1.19	Less (plus) outside +equity interests	828	609
1.20	Profit (loss) from ordinary activities after tax (before amortisation of goodwill) attributable to members	12,231	11,395

Profit (loss) from ordinary activities attributable to members

		Current period \$A'000	Previous corresponding period \$A'000
1.21	Profit (loss) from ordinary activities after tax (<i>item 1.7</i>)	12,994	11,979
1.22	Less (plus) outside +equity interests	828	609
1.23	Profit (loss) from ordinary activities after tax, attributable to members	12,166	11,370

Revenue and expenses from ordinary activities

AASB 1004 requires disclosure of specific categories of revenue and AASB 1018 requires disclosure of expenses from ordinary activities according to either their nature of function. Entities must report details of revenue and expenses from ordinary activities using the layout employed in their accounts. See also items 12.1 to 12.6.

		Current period \$A'000	Previous corresponding period \$A'000
1.24	Details of revenue and expenses		
	Sales revenue	285,089	247,222
	Other revenue	<u>2,145</u>	<u>1,892</u>
	Revenues from ordinary activities	287,234	249,114
	Cost of goods sold	188,609	159,913
	Sales and marketing expenses	37,500	35,089
	Distribution expenses	20,630	16,517
	Administration expenses	12,710	11,683
	Occupancy expenses	2,484	1,962
	Other expenses	<u>3,976</u>	<u>4,696</u>
	Expenses from ordinary activities	265,909	229,860
	Borrowing costs	<u>2,480</u>	<u>1,634</u>
		<u>268,389</u>	<u>231,494</u>
	Profit from ordinary activities before tax	<u>18,845</u>	<u>17,620</u>

+ See chapter 19 for defined terms.

Intangible and extraordinary items

		<i>Consolidated - current period</i>			
		Before tax \$A'000	Related tax \$A'000	Related outside +equity interests \$A'000	Amount (after tax) attributable to members \$A'000
		(a)	(b)	(c)	(d)
2.1	Amortisation of goodwill	65	-	-	65
2.2	Amortisation of other intangibles	464	139	-	325
2.3	Total amortisation of intangibles	529	139	-	390
2.4	Extraordinary items (details)	Nil	Nil	Nil	Nil
2.5	Total extraordinary items	Nil	Nil	Nil	Nil

Comparison of half year profits

(Preliminary final report only)

		Current year - \$A'000	Previous year - \$A'000
3.1	Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the <i>1st</i> half year (item 1.23 in the half yearly report)	N/A	N/A
3.2	Consolidated profit (loss) from ordinary activities after tax attributable to members for the <i>2nd</i> half year	N/A	N/A

+ See chapter 19 for defined terms.

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Consolidated balance sheet		At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000
Current assets				
4.1	Cash	7,084	2,301	17,907
4.2	Receivables	104,617	89,542	88,527
4.3	Investments	-	-	-
4.4	Inventories	70,079	74,146	68,485
4.5	Other (provide details if material)	-	-	-
4.6	Total current assets	181,780	165,989	174,919
Non-current assets				
4.7	Receivables	-	-	-
4.8	Investments (equity accounted)	-	-	-
4.9	Other investments	1,163	1,163	1,205
4.10	Inventories	-	-	-
4.11	Exploration and evaluation expenditure capitalised (see para .71 of AASB 1022)	-	-	-
4.12	Development properties (+mining entities)	-	-	-
4.13	Other property, plant and equipment (net)	125,477	116,067	109,011
4.14	Intangibles (net)	7,107	6,647	6,369
4.15	Other (provide details if material) Deferred tax assets	14,336	13,512	15,003
4.16	Total non-current assets	148,083	137,389	131,588
4.17	Total assets	329,863	303,378	306,507
Current liabilities				
4.18	Payables	74,362	66,929	67,591
4.19	Interest bearing liabilities	20,012	12,868	16,219
4.20	Provisions	29,700	25,611	32,209
4.21	Other (provide details if material) Current tax liabilities	2,543	2,639	5,924
4.22	Total current liabilities	126,617	108,047	121,943
Non-current liabilities				
4.23	Payables	-	-	-
4.24	Interest bearing liabilities	51,227	49,972	46,179
4.25	Provisions	6,063	5,912	6,236
4.26	Other (provide details if material) Deferred tax liabilities	1,293	1,290	997
4.27	Total non-current liabilities	58,583	57,174	53,412
4.28	Total liabilities	185,200	165,221	175,355
4.29	Net assets	144,663	138,157	131,152

+ See chapter 19 for defined terms.

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Consolidated balance sheet continued

	Equity			
4.30	Capital/contributed equity	33,102	30,751	29,206
4.31	Reserves	25,875	25,195	24,672
4.32	Retained profits (accumulated losses)	69,298	67,480	61,925
4.33	Equity attributable to members of the parent entity	128,275	123,426	115,803
4.34	Outside +equity interests in controlled entities	16,388	14,731	15,349
4.35	Total equity	144,663	138,157	131,152
4.36	Preference capital included as part of 4.33	-	-	-

Exploration and evaluation expenditure capitalised

To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit.

	Current period \$A'000	Previous corresponding period - \$A'000
5.1	Opening balance	
5.2	Expenditure incurred during current period	
5.3	Expenditure written off during current period	
5.4	Acquisitions, disposals, revaluation increments, etc.	
5.5	Expenditure transferred to Development Properties	
5.6	Closing balance as shown in the consolidated balance sheet (item 4.11)	

Development properties

(To be completed only by entities with mining interests if amounts are material)

	Current period \$A'000	Previous corresponding period - \$A'000
6.1	Opening balance	
6.2	Expenditure incurred during current period	
6.3	Expenditure transferred from exploration and evaluation	
6.4	Expenditure written off during current period	
6.5	Acquisitions, disposals, revaluation increments, etc.	
6.6	Expenditure transferred to mine properties	
6.7	Closing balance as shown in the consolidated balance sheet (item 4.12)	

+ See chapter 19 for defined terms.

Consolidated statement of cash flows

		Current period \$A'000	Previous corresponding period - \$A'000
Cash flows related to operating activities			
7.1	Receipts from customers (inc. GST)	308,972	249,151
7.2	Payments to suppliers and employees (inc. GST)	(281,279)	(230,577)
7.3	Dividends received from associates	-	-
7.4	Other dividends received	15	-
7.5	Interest and other items of similar nature received	176	142
7.6	Interest and other costs of finance paid	(2,521)	(1,634)
7.7	Income taxes paid	(6,781)	(10,182)
7.8	Other (provide details if material)	-	-
7.9	Net operating cash flows	18,582	6,900
Cash flows related to investing activities			
7.10	Payment for purchases of property, plant and equipment	(15,192)	(8,266)
7.11	Proceeds from sale of property, plant and equipment	461	135
7.12	Payment for purchases of equity investments	-	(380)
7.13	Proceeds from sale of equity investments	-	481
7.14	Loans to other entities	(3,223)	-
7.15	Loans repaid by other entities	-	463
7.16	Other (provide details if material)		
	Payments for purchase of intangible assets	(989)	(169)
	Payments for purchase of business	-	(1,661)
	Property rentals	883	684
7.17	Net investing cash flows	(18,060)	(8,713)
Cash flows related to financing activities			
7.18	Proceeds from issues of +securities (shares, options, etc.)	2,351	2,151
7.19	Proceeds from borrowings	7,637	17,337
7.20	Repayment of borrowings	-	-
7.21	Dividends paid	(6,289)	(7,119)
7.22	Other (provide details if material)		
	Finance lease payments	(272)	12
7.23	Net financing cash flows	3,427	12,381
7.24	Net increase (decrease) in cash held	3,949	10,568
7.25	Cash at beginning of period (see Reconciliation of cash)	(1,696)	7,315
7.26	Exchange rate adjustments to item 7.25.	(28)	24
7.27	Cash at end of period (see Reconciliation of cash)	2,225	17,907

+ See chapter 19 for defined terms.

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Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

During the period the consolidated entity acquired plant and equipment with a capitalised value of \$163,000 (2000: Nil) by means of finance lease. These acquisitions are not reflected in the statement of cash flows.

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period \$A'000	Previous corresponding period - \$A'000
8.1 Cash on hand and at bank	4,953	17,907
8.2 Deposits at call	2,131	-
8.3 Bank overdraft	(4,859)	-
8.4 Other (provide details)	-	-
8.5 Total cash at end of period (item 7.27)	2,225	17,907

Ratios

	Current period	Previous corresponding period
9.1 Profit before tax / revenue Consolidated profit (loss) from ordinary activities before tax (item 1.5) as a percentage of revenue (item 1.1)	6.6%	7.1%
9.2 Profit after tax / +equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members (item 1.11) as a percentage of equity (similarly attributable) at the end of the period (item 4.33)	9.5%	9.8%

Earnings per security (EPS)

	Current period	Previous corresponding period
10.1 Calculation of the following in accordance with AASB 1027: Earnings per Share		
(a) Basic EPS	10.0¢	9.7¢
(b) Diluted EPS	10.0¢	9.7¢
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	121,571,000	117,391,000

+ See chapter 19 for defined terms.

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NTA backing <i>(see note 7)</i>	Current period	Previous corresponding period
11.1 Net tangible asset backing per +ordinary security	99¢	93¢

Details of specific receipts/outlays, revenues/ expenses

	Current period \$A'000	Previous corresponding period - \$A'000
12.1 Interest revenue included in determining item 1.5	177	142
12.2 Interest revenue included in item 12.1 but not yet received (if material)	-	-
12.3 Interest costs excluded from borrowing costs, capitalised in asset values	-	-
12.4 Outlays (except those arising from the +acquisition of an existing business) capitalised in intangibles (if material)	989	169
12.5 Depreciation and amortisation (excluding amortisation of intangibles)	5,989	4,442
12.6 Other specific relevant items not shown in item 1.24 <i>(see note 15)</i>	Nil	Nil

Control gained over entities having material effect

13.1 Name of entity (or group of entities)	N/A
13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) since the date in the current period on which control was +acquired	\$ N/A
13.3 Date from which such profit has been calculated	N/A
13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) for the whole of the previous corresponding period	\$ N/A

+ See chapter 19 for defined terms.

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Loss of control of entities having material effect

14.1	Name of entity (or group of entities)	N/A	
14.2	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) for the current period to the date of loss of control	\$	N/A
14.3	Date to which the profit (loss) in item 14.2 has been calculated		N/A
14.4	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) while controlled during the whole of the previous corresponding period	\$	N/A
14.5	Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$	N/A

Reports for industry and geographical segments

Information on the industry and geographical segments of the entity must be reported for the current period in accordance with AASB 1005: Financial Reporting by Segments. Because of the different structures employed by entities, a pro forma is not provided. Segment information should be completed separately and attached to this report. However, the following is the presentation adopted in the Appendices to AASB 1005 and indicates which amounts should agree with items included elsewhere in this report.

Segment	Total Revenue		Consolidated Profit Before Interest & Tax	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Electronics	78,276	72,471	6,946	7,264
Home & Hardware Products	81,394	75,087	7,376	6,772
Building & Industrial Products	126,199	100,030	6,590	4,854
Other	1,365	1,526	236	222
Total revenue	287,234	249,114		
Consolidated profit before interest and tax			21,148	19,112
Interest			2,303	1,492
Earnings before tax			18,845	17,620
Income tax attributable to operating profit			5,851	5,641
Consolidated profit after tax			12,994	11,979

+ See chapter 19 for defined terms.

Dividends (in the case of a trust, distributions)

15.1	Date the dividend (distribution) is payable	25 March 2002
15.2	+Record date to determine entitlements to the dividend (distribution) (ie, on the basis of registrable transfers received by 5.00 pm if +securities are not +CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved)	11 March 2002
15.3	If it is a final dividend, has it been declared? <i>(Preliminary final report only)</i>	N/A

Amount per security

		Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
15.4	<i>(Preliminary final report only)</i> Final dividend: Current year	N/A	N/A	N/A
15.5	Previous year	N/A	N/A	N/A
15.6	<i>(Half yearly and preliminary final reports)</i> Current year Interim dividend	10.0¢	10.0¢	-¢
15.7	Previous year Interim dividend	7.0¢	7.0¢	-¢
	Special dividend	5.0¢	5.0¢	-¢

Total dividend (distribution) per security (interim plus final)

(Preliminary final report only)

		Current year	Previous year
15.8	+Ordinary securities	N/A	N/A
15.9	Preference +securities	N/A	N/A

+ See chapter 19 for defined terms.

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Half yearly report - interim dividend (distribution) on all securities *or*
Preliminary final report - final dividend (distribution) on all securities

	Current period \$A'000	Previous corresponding period - \$A'000
15.10 +Ordinary securities	12,250	14,200
15.11 Preference +securities	-	-
15.12 Other equity instruments	-	-
15.13 Total	12,250	14,200

The +dividend or distribution plans shown below are in operation.

The Dividend Investment Plan and Share Investment Plan will operate. A discount of 5% will apply under the rules of the plans.

The last date(s) for receipt of election notices for the
+dividend or distribution plans

11 March 2002

Any other disclosures in relation to dividends (distributions)

The directors intend to have the Dividend Reinvestment Plan underwritten to the extent of 50% of the total dividend declared.

Details of aggregate share of profits (losses) of associates and joint venture entities

	Current period \$A'000	Previous corresponding period - \$A'000
16.1 Profit (loss) from ordinary activities before income tax	N/A	N/A
16.2 Income tax on ordinary activities	N/A	N/A
16.3 Profit (loss) from ordinary activities after income tax	N/A	N/A
16.4 Extraordinary items net of tax	N/A	N/A
16.5 Net profit (loss)	N/A	N/A
16.6 Outside +equity interests	N/A	N/A
16.7 Net profit (loss) attributable to members	N/A	N/A

+ See chapter 19 for defined terms.

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from xx/xx/xx") or disposal ("to xx/xx/xx").

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (<i>item 1.9</i>)	
	Current period	Previous corresponding period	Current period - \$A'000	Previous corresponding period- \$A'000
17.1 Equity accounted associates and joint venture entities	N/A	N/A	N/A	N/A
17.2 Total				
17.3 Other material interests	N/A	N/A	N/A	N/A
17.4 Total				

Issued and quoted securities at end of current period

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

Category of +securities	Total number	Number quoted	Issue price per security (see note 14) (cents)	Amount paid up per security (see note 14) (cents)
18.1 Preference +securities (description)	N/A	N/A	N/A	N/A
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions				

+ See chapter 19 for defined terms.

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Category of +securities	Total number	Number quoted	Issue price per security (see note 14) (cents)	Amount paid up per security (see note 14) (cents)
18.3 +Ordinary securities	122,496,582	122,496,582	N/A	N/A
18.4 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks	1,950,532	1,950,532	N/A	N/A
18.5 +Convertible debt securities (description and conversion factor)	N/A	N/A	N/A	N/A
18.6 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
18.7 Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date (if any)</i>
	195,000	-	\$2.50	31/12/02
18.8 Issued during current period	-	-	-	-
18.9 Exercised during current period	-	-	-	-
18.10 Expired during current period	172,500	-	\$2.35	31/12/01
18.11 Debentures (totals only)	N/A	N/A		
18.12 Unsecured notes (totals only)	N/A	N/A		

+ See chapter 19 for defined terms.

Comments by directors

Comments on the following matters are required by ASX or, in relation to the half yearly report, by AASB 1029: Half-Year Accounts and Consolidated Accounts. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.

Basis of accounts preparation

If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Half-Year Accounts and Consolidated Accounts. It should be read in conjunction with the last +annual report and any announcements to the market made by the entity during the period. [Delete if preliminary final statement.]

Material factors affecting the revenues and expenses of the economic entity for the current period

Refer attached

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)

Refer attached

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

The directors expect that dividends will be fully franked for the foreseeable future.
The consolidated balance in the franking account at 31 December 2001 is \$69,229,782.

Changes in accounting policies since the last annual report are disclosed as follows.

(Disclose changes in the half yearly report in accordance with AASB 1029: Half-Year Accounts and Consolidated Accounts. Disclose changes in the preliminary final report in accordance with AASB 1001: Accounting Policies-Disclosure.)

Refer attached

+ See chapter 19 for defined terms.

Additional disclosure for trusts

19.1 Number of units held by the management company or responsible entity or their related parties.

N/A

19.2 A statement of the fees and commissions payable to the management company or responsible entity.

Identify:

- initial service charges
- management fees
- other fees

N/A

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place

N/A

Date

N/A

Time

N/A

Approximate date the ⁺annual report will be available

N/A

Compliance statement

1 This report has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 12).

Identify other standards used

N/A

2 This report, and the ⁺accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed (see note 2).

⁺ See chapter 19 for defined terms.

- 4 This report is based on ⁺accounts to which one of the following applies.
(Tick one)
- | | | | |
|--------------------------|---|-------------------------------------|---|
| <input type="checkbox"/> | The ⁺ accounts have been audited. | <input checked="" type="checkbox"/> | The ⁺ accounts have been subject to review. |
| <input type="checkbox"/> | The ⁺ accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The ⁺ accounts have <i>not</i> yet been audited or reviewed. |
- 5 Details of any qualifications are attached * (*delete one*). (*Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.*)
- 6 The entity has a formally constituted audit committee.

Sign here: Date:
(Director/Company Secretary)

Print name: GRAHAM LLOYD TWARTZ

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show whether the change was up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section.
2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.
3. **Consolidated profit and loss account**
 - Item 1.1 The definition of "revenue" and an explanation of "ordinary activities" are set out in *AASB 1004: Revenue*, and *AASB 1018: Statement of financial performance*.
 - Item 1.6 This item refers to the total tax attributable to the amount shown in item 1.5. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg, fringe benefits tax).
4. **Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts.
5. **Consolidated balance sheet**

+ See chapter 19 for defined terms.

Format The format of the consolidated balance sheet should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029: Half-Year Accounts and Consolidated Accounts*, and *AASB 1040: Statement of Financial Position*. Banking institutions, trusts and financial institutions identified in an ASIC Class Order dated 2 September 1997 may substitute a clear liquidity ranking for the Current/Non-Current classification.

Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last ⁺annual report, the entity must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 1010: Accounting for the Revaluation of Non-Current Assets*. If the entity has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required. Trusts should also note paragraph 10 of *AASB 1029* and paragraph 11 of *AASB 1030: Application of Accounting Standards etc.*

6. **Consolidated statement of cash flows** For definitions of “cash” and other terms used in this report see *AASB 1026: Statement of Cash Flows*. Entities should follow the form as closely as possible, but variations are permitted if the directors (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 1026*. ⁺Mining exploration entities may use the form of cash flow statement in Appendix 5B.
7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ⁺ordinary securities (ie, all liabilities, preference shares, outside ⁺equity interests etc). ⁺Mining entities are *not* required to state a net tangible asset backing per ⁺ordinary security.
8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the ⁺accounts. Details must include the contribution for each gain or loss that increased or decreased the entity’s consolidated profit (loss) from ordinary activities and extraordinary items after tax by more than 5% compared to the previous corresponding period.
9. **Rounding of figures** This report anticipates that the information required is given to the nearest \$1,000. However, an entity may report exact figures, if the \$A’000 headings are amended. If an entity qualifies under ASIC Class Order 98/0100 dated 10 July 1998, it may report to the nearest million dollars, or to the nearest \$100,000, if the \$A’000 headings are amended.
10. **Comparative figures** Comparative figures are the unadjusted figures from the previous corresponding period. However, if there is a lack of comparability, a note explaining the position should be attached.

⁺ See chapter 19 for defined terms.

11. **Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the reports. The information may be an expansion of the material contained in this report, or contained in a note attached to the report. The requirement under the listing rules for an entity to complete this report does not prevent the entity issuing reports more frequently. Additional material lodged with the +ASIC under the Corporations Act must also be given to ASX. For example, a directors' report and declaration, if lodged with the +ASIC, must be given to ASX.
12. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if one) must be complied with.
13. **Corporations Act financial statements** As at 1/7/96, this report may be able to be used by an entity required to comply with the Corporations Act as part of its half-year financial statements if prepared in accordance with Australian Accounting Standards.
14. **Issued and quoted securities** The issue price and amount paid up is not required in items 18.1 and 18.3 for fully paid securities.
15. **Relevant Items** AASB 1018 requires the separate disclosure of specific revenues and expenses which are not extraordinary but which are of a size, nature or incidence that disclosure is *relevant* in explaining the financial performance of the reporting entity. the term "relevance" is defined in AASB 1018. For foreign entities, there are similar requirements in other accounting standards normally accepted by ASX.
16. **\$ Dollars** If reporting is not in A\$, all references to \$A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to "000" must be changed to the reporting value.

+ See chapter 19 for defined terms.



PRESS RELEASE

PROFIT IMPROVEMENT FOR HILLS

The Chairman, Mr. Bob Ling, today announced the following operating results for the 6 months ended 31 December 2001 for the Hills group.

	6 MONTHS TO 31/12/01 \$'000	6 MONTHS TO 31/12/00 \$'000	% CHANGE
Total Revenue	287,234	249,114	+ 15.3
Operating profit before tax	18,845	17,620	+ 7.0
Operating profit after tax attributable to Hills Shareholders	12,166	11,370	+ 7.0
Earnings per share	10.0 cents	9.7 cents	+ 3.1

Mr Ling said that the 7% improvement in operating profit after tax attributable to Hills Shareholders was pleasing given the mixed economic conditions during the period.

The results for individual business units were as follows:

ELECTRONICS

	6 MONTHS TO 31/12/01 \$'000	6 MONTHS TO 31/12/00 \$'000	% CHANGE
Total Revenue	78,276	72,471	+ 8.0
Operating profit before interest and tax	6,946	7,264	- 4.4

- ◆ Security revenues continued to grow as a result of product range and geographic expansion initiatives.
- ◆ The Allguard Distribution business was acquired during the period. This business provides fibre optic solutions to high end security installations.
- ◆ Excellent progress was made by Pacom Europe who supply video surveillance solutions to public transport operators.
- ◆ Sales in the Antenna Division were flat with sales into the PayTV sector in particular below expectation.
- ◆ Start up losses were incurred in relation to the ePic Internet based video motion detection product range and the Integrated Systems (Home Automation) product range.



HOME & HARDWARE PRODUCTS

	6 MONTHS TO 31/12/01 \$'000	6 MONTHS TO 31/12/00 \$'000	% CHANGE
Total Revenue	81,394	75,087	+ 8.4
Operating profit before interest and tax	7,376	6,772	+ 8.9

- ◆ Consumer Products performed better than budget notwithstanding consumer uncertainty across global market places.
- ◆ The Triton DIY woodworking business performed well and released a number of innovative new products to the market place.
- ◆ The increased building activity was favourable for the Trade Products business and will have a flow on effect to Consumer Products as new houses are completed over the next six months.
- ◆ The European business returned reasonable results with a strong first 3 months followed by a relatively weak final 3 months.

BUILDING & INDUSTRIAL PRODUCTS

	6 MONTHS TO 31/12/01 \$'000	6 MONTHS TO 31/12/00 \$'000	% CHANGE
Total Revenue	126,199	100,030	+ 26.2
Operating profit before interest and tax	6,590	4,854	+ 35.8

- ◆ Sales in Metal Building Products improved as a result of the improved building activity.
- ◆ Market shares in Precision and Structural Tube increased in line with plan.
- ◆ Steel prices continued to decline and are expected to remain weak in the near term.
- ◆ Korvest Ltd sales and profit were slightly down on the previous corresponding period. This was partly due to the strong 6 months this business achieved to 31/12/00.
- ◆ Orrcon results were consolidated for the full 6 months (3 months last year).



DIVIDEND POLICY

The company will continue to pay all 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 below 45% taking into account the funding required for growth.
- ◆ 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 interim dividend of 10 cents per share. This dividend can be taken as cash, reinvested in Hills shares at a 5% discount or received as bonus shares at a 5% discount or any combination of the above. The dividend will be paid on 25th March, 2002. The Directors intend to have the Dividend Reinvestment plans underwritten to the extent of approximately 50% of the total dividend declared. The Record Date is 11th March 2002.

FULL YEAR FORECAST

Mr Ling said that there was still a deal of uncertainty in economies around the world. Notwithstanding this Hills has a number of new products and marketing initiatives currently in place and on this basis expects to achieve a satisfactory full year result.

R.D.H. LING AO
CHAIRMAN

13 February 2002