



**HILLS INDUSTRIES LIMITED**  
ABN 35 007 573 417

## **NOTICE OF 2010 ANNUAL GENERAL MEETING**

Notice is hereby given that the 53<sup>rd</sup> Annual General Meeting of Shareholders of Hills Industries Limited ABN 35 007 573 417 (**Company**) will be held at The Grainger Studio, 91 Hindley Street, Adelaide, South Australia, on Friday 5 November 2010 at 2.00 pm.

### **ORDINARY BUSINESS**

#### **1. Consideration of Reports**

To receive and consider the Financial Report, the Directors' Report and the Auditor's Report for the Company for the financial year ended 30 June 2010.

#### **2. Election of Directors**

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

- (a) "That Mr Geoffrey Hill, being a Director of the Company who retires by rotation in accordance with the Rule 17.2 of the Company's Constitution and, being eligible for re-election, is re-elected as a Director of the Company."
- (b) "That Ms Fiona Bennett, being a Director of the Company who retires in accordance with the Rule 16.5 of the Company's Constitution and, being eligible for election, is elected as a Director of the Company."
- (c) "That Mr David Spence, being a Director of the Company who retires in accordance with the Rule 16.5 of the Company's Constitution and, being eligible for election, is elected as a Director of the Company."

Separate resolutions will be considered in respect of each of the above directors.

#### **3. Adoption of Remuneration Report**

To consider and, if thought fit pass the following resolution as an ordinary resolution:

"That the Remuneration Report for the year ended 30 June 2010 be adopted."

#### **Note**

Section 250R of the Corporations Act requires a resolution that the Remuneration Report be adopted and be put to a vote. The vote on the resolution is advisory only, and does not bind the Directors or the Company.

### **SPECIAL BUSINESS**

#### **4. Increase in Non Executive- Directors' Remuneration**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That the maximum annual aggregate amount of remuneration that may be paid to non-executive directors be increased by \$250,000 to \$1,200,000."

#### **Voting exclusion**

The Company will disregard any votes cast on this resolution by any director of the Company or an associate of any such Director. However, the Company need not disregard a vote if it is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form as to how to vote on this resolution; or
- (b) the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form as to how to vote on this resolution as the proxy decides.

#### **Note**

Members wishing to appoint the Chairman of the Meeting as their proxy should carefully read the instructions on the proxy form and mark the relevant box to ensure their vote is not disregarded.

5. **Approval of proposed issue of Performance Rights to Graham Lloyd Twartz under the Hills Industries Limited Long Term Incentive Share Plan**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, shareholders approve the issue to Graham Lloyd Twartz or his nominee of up to 118,926 Performance Rights under the Hills Industries Limited Long Term Incentive Share Plan on the terms and conditions set out in the Explanatory Statement to this notice of Annual General Meeting."

**Voting exclusion**

The Company will disregard any votes cast on this resolution by any director of the Company (except one who is ineligible to participate in the Plan) or an associate of any such Director. However, the Company need not disregard a vote if it is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form as to how to vote on this resolution; or
- (b) the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form as to how to vote on this resolution as the proxy decides.

**SPECIAL RESOLUTION**

6. **Change of Company Name**

To consider and, if thought fit, pass the following resolution as a special resolution:

"That the Company change its name from Hills Industries Limited to Hills Holdings Limited."

**Note**

Section 157 of the Corporations Act requires that if a company wants to change its name it must pass a special resolution adopting a new name. To be passed, this resolution requires at least 75% of the votes cast by members entitled to vote on the resolution voting being in favour of the resolution.

By Order of the Board



**David Lethbridge**  
Company Secretary

23 September 2010

**NOTES**

- (a) A member entitled to attend the meeting and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified portion of the member's voting rights. A proxy need not be a member.
- (b) Where a member has appointed an attorney, the form of proxy must be signed by the member's attorney duly authorised in writing or, if the member is a corporation, under its corporate seal or by its duly authorised attorney or representative.  
*If any attorney is to attend the meeting, please submit the relevant power of attorney for noting. If a representative of a corporation is to attend the meeting, the appropriate Letter of Representation should be produced prior to admission.*
- (c) In the case of joint holders, the proxy form may be signed by any one holder.
- (d) Proxies will only be valid and accepted by the Company if they are received by the Share Registry of the Company by electronic lodgement by visiting [www.investorvote.com.au](http://www.investorvote.com.au) or by forwarding a hard copy to GPO Box 242, Melbourne, Victoria 3001 or faxed to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia) so as to be received not later than 48 hours before the meeting. Instructions in regard to lodging your proxy vote are provided on the enclosed proxy form.
- (e) Should a member desire to direct the proxy how to vote, the member should place a mark in the appropriate box, otherwise the proxy form will be deemed to constitute a direction to vote as the proxy decides.
- (f) For Intermediary Online subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions.
- (g) The Company has determined in accordance with regulation 7.11.37 of the Corporations Regulations 2001 that for the purpose of voting at the meeting, shares of the Company will be taken to be held by the persons who hold them at 7.00pm on Wednesday, 3 November 2010.

2010  
Annual General Meeting  
Explanatory Statement



On the business to be conducted at the Hills Industries Limited 2010 Annual General Meeting

**ORDINARY BUSINESS**

**1. Consideration Of Reports**

A copy of the Company's 2010 Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report will be presented to the meeting. Shareholders may access a copy of the annual report on Hills Industries Limited's website at [www.hills.com.au](http://www.hills.com.au).

Shareholders will be given a reasonable opportunity to ask questions about or make comments on the management of the Company, The Chairman will also give shareholders a reasonable opportunity to ask the Auditor or the Auditor's representative questions relevant to the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

**2. Election Of Directors**

**(a) Mr Geoffrey Hill**

Mr Geoffrey Hill was appointed as a director in February 1999 and was last re-elected as a director of the Company at the 2007 Annual General Meeting of the Company. Mr Hill retires as a Director in rotation and offers himself for re-election in accordance with Rule 17 of the Company's Constitution.

Mr Hill has advised the Board that he will retire in April 2011. The Board recommends his re-election to enable the completion of projects that Mr Hill has been closely associated with.

Mr Hill is a member of the Company's Audit and Compliance Committee, Nomination Committee and Remuneration Committee.

Mr Hill is a merchant banker, based in Hong Kong, with over 33 years experience in the securities industry. He has worked both in Europe and the United States and has managed merchant banks in Australia since 1989. Mr Hill is Chairman of Metals Finance Limited, Heritage Gold NZ Limited, Centrex Metals Limited and a Director of Outback Metals Limited.

**Recommendation**

The Board (with Mr Hill abstaining) recommends that shareholders vote in favour of this Resolution, either by attending the meeting in person or by ticking the box marked "For" and submitting your proxy form in accordance with the instructions in the Note to the Notice of Meeting and the instructions contained in the proxy form.

**(b) Ms Fiona Bennett**

Ms Fiona Bennett was appointed by the Directors as a non-executive director of the Company on 31 May 2010 pursuant to Rule 16.5(a) of the Constitution, which allows the Board to appoint a person as an addition to the Directors. Ms Bennett retires as a Director and offers herself for election in accordance with Rule 16.5(b) of the Company's Constitution.

Ms Bennett is a Chartered Accountant with over 30 years experience in business and financial management, corporate governance, risk management and audit. She has previously held senior executive positions at BHP Billiton Limited and Coles Group Limited and has been a Chief Financial Officer at several organisations in the health sector. Ms Bennett is a director of Boom Logistics Limited.

**Recommendation**

The Board (with Ms Bennett abstaining) recommends that shareholders vote in favour of this Resolution, either by attending the meeting in person or by ticking the box marked "For" and submitting your proxy form in accordance with the instructions in the Note to the Notice of Meeting and the instructions contained in the proxy form.

For personal use only

**(c) Mr David Spence**

Mr David Spence was appointed by the Directors as a non-executive director of the Company on 1 September 2010 pursuant to Rule 16.5(a) of the Constitution, which allows the Board to appoint a person as an addition to the Directors. Mr Spence retires as a Director and offers himself for election in accordance with Rule 16.5(b) of the Company's Constitution.

Mr Spence has experience in a number of industries and more recently in the technology and communications industry. He has over 25 years of senior management experience, including as CFO of Freedom Furniture and OPSM, where he also assumed responsibility for manufacturing and logistics. He has been directly involved in many internet and communications companies including the building of Australia's first and largest dial up ISP, OzEmail.

**Recommendation**

The Board (with Mr Spence abstaining) recommends that shareholders vote in favour of this Resolution, either by attending the meeting in person or by ticking the box marked "**For**" and submitting your proxy form in accordance with the instructions in the Note to the Notice of Meeting and the instructions contained in the proxy form.

**3. Adoption of Remuneration Report**

In accordance with section 250R(2) of the Corporations Act, the Remuneration Report for the financial year ended 30 June 2010 is to put to shareholders for adoption.

The vote on this resolution is advisory only and does not bind the Directors of the Company. Shareholders will be given a reasonable opportunity to ask questions about, and make comments on, the Remuneration Report at the AGM.

**Recommendation**

The Board unanimously recommends that shareholders vote in favour of this Resolution, either by attending the meeting in person or by ticking the box marked "**For**" and submitting your proxy form in accordance with the instructions in the Note to the Notice of Meeting and the instructions contained in the proxy form.

**SPECIAL BUSINESS**

**4. Increase in Non-Executive Directors' Remuneration**

Currently the maximum annual aggregate amount of remuneration that may be paid to directors is \$950,000 which was approved by shareholders at the 2008 Annual General Meeting of the Company. This increase was sought to allow for the appointment of additional directors which has now occurred.

Shareholder approval is now sought for an increase of \$250,000, taking the maximum annual aggregate amount to \$1,200,000. This amount is considered necessary in order to allow the Company to continue to pay fees to non-executive directors at an appropriate market rate, and to meet additional payments which the Company is or may become obliged to pay to non-executive directors, including retirement benefits.

(In November 2000 the Board approved the establishment of a retirement benefit scheme for non-executive directors. Subsequently in September 2003 the Board determined to discontinue the scheme with the benefit multiple for those directors entitled to participate under the scheme at that time being fixed (to a maximum of two times annual fees). The only directors entitled to payment of a retirement benefit are Ms J Hill-Ling and Mr G Hill.)

**Recommendation**

The Board recommends that shareholders vote in favour of this Resolution, either by attending the meeting in person or by ticking the box marked "**For**" and submitting your proxy form in accordance with the instructions in the Note to the Notice of Meeting and the instructions contained in the proxy form.

## 5. Approval of proposed issue of Performance Rights

### Approval Sought

ASX Listing Rule 10.14 requires shareholder approval for the issue of securities, or the acquisition of securities, by a director under an employee incentive scheme.

Accordingly, the Company is seeking shareholder approval for the issue of 118,926 Performance Rights to Mr Graham Twartz, the Company's Managing Director, or his nominee, under the Hills Industries Limited Long Term Incentive Share Plan (**Plan**) pursuant to ASX Listing Rule 10.14.

### Background

The Company adopted the Plan in August 2010.

On 10 September 2010 the Board approved, subject to compliance with all applicable regulatory requirements, the proposed issue of 118,926 Performance Rights to its Managing Director Mr Graham Twartz or his nominee under the Plan.

The number of Performance Rights to be issued to Mr Twartz has been determined in conjunction with an analysis of his total target remuneration. The share price used to calculate the number of Performance Rights is \$2.31237, being the volume weighted average price of the Company's shares for the 10 trading days commencing on the day after the announcement of the Company's full year financial results for the year ended 30 June 2010 on the ASX.

Each Performance Right entitles Mr Graham Twartz to be issued or transferred one ordinary share in the Company if the applicable performance conditions are satisfied.

The Company's remuneration strategy is designed to reward executives for performance against business plans and longer term shareholder returns to a level that is appropriate for the results delivered. The Company has adopted the Plan as part of this remuneration strategy and intends to use the Plan to incentivise senior executives by aligning long term incentives for senior executives with the interests of shareholders.

Under the Plan:

- eligible employees may be offered shares in the Company (which will be held in trust pending the satisfaction of specified performance conditions) (**Deferred Shares**) or a right to receive shares in the Company in the future (subject to the satisfaction of specified performance conditions) (**Performance Rights**);
- the Board will impose performance conditions on Deferred Shares or Performance Rights at the time at which an offer is made in respect of such Deferred Shares or Performance Rights;
- except in special circumstances, Deferred Shares or Performance Rights will not vest unless the performance conditions attaching to them have been satisfied within the prescribed period;
- Performance Rights or Deferred Shares which have not vested will lapse or be forfeited (respectively) if an eligible employee ceases to be employed by the Company before vesting has occurred (unless the Board determines otherwise), or in the Board's opinion, the eligible employee has acted fraudulently, dishonestly, or committed an act of harassment or discrimination or brought the Company into disrepute;
- with the Board's approval, the eligible employee may nominate someone else to hold the Deferred Share or Performance Right (generally a relative or dependant or entity under the eligible employee's control);
- the Board may impose disposal restrictions on trading Performance Shares (that is shares received by the eligible employee or their nominee on vesting of a Performance Right) or Deferred Shares for up to a maximum of seven years although this is not currently proposed;
- no payment is required for the grant of a Performance Right (unless the Board specifies otherwise) and the Board may determine the price (if any) at which Deferred Shares will be offered;
- an eligible employee will receive all dividends paid by the Company in respect of Deferred Shares which have not yet vested. However, the eligible employee will not be entitled to any dividends in respect of Performance Rights which have not yet vested.

For further detail relating to the operation of the Plan, see Annexure A.

## Performance Conditions

The performance conditions which will attach to the Performance Rights to be granted to Mr Graham Twartz or his nominee under the Plan will be measured over a three year period commencing at the beginning of the relevant financial year. If the relevant performance conditions at the end of that three year period have been met, in whole or in part, all or the relevant percentage of the Performance Rights (as applicable) will vest and Mr Graham Twartz or his nominee will be entitled to be issued or transferred one ordinary share in the Company for each Performance Right that has vested.

Vesting of the Performance Rights will be determined by reference to Earnings per Share (EPS) and Total Shareholder Return (TSR) performance conditions. These performance conditions have been chosen as EPS focuses attention on the Company's three year strategic and financial objectives and TSR measures growth in the price of the Company's shares and dividends against the ASX 200 Industrial Accumulation Index.

The principles used in setting the performance conditions are as follows:

- (a) the EPS hurdle – a compound annual growth rate in the Company's EPS which is applicable to 50% of the Performance Rights;
- (b) the TSR hurdle - the TSR performance achieved by the Company in comparison to the TSR of the ASX 200 Industrial Accumulation Index which is applicable to the other 50% of the Performance Rights.

The performance hurdles will be tested at 30 June 2013. No further testing will occur.

The percentage of Performance Rights that will vest will be determined as follows:

EPS Hurdle – Percentage of Performance Rights Vesting	Hills' EPS compound annual growth rate of less than 15% - <b>0% vested</b>	Hills' EPS compound annual growth rate of 15% or more - <b>25% vested</b>	Hills' EPS compound annual growth rate of 20% or more - <b>50% vested</b>
TSR Hurdle – Percentage of Performance Rights Vesting	Hills' TSR less than the ASX 200 Industrials Accumulation Index TSR - <b>0% vested</b>	Hills' TSR outperforms the ASX 200 Industrials Accumulation Index TSR - <b>25% vested</b>	Hills' TSR outperforms the ASX 200 Industrials Accumulation Index TSR by 15% or more - <b>50% vested</b>

No payment for the grant of the Performance Rights or any shares issued upon vesting will be required.

## Regulatory Requirements - ASX Listing Rule 10.14

In accordance with ASX Listing Rule 10.15A, the following information is provided in relation to Resolution 5:

- (a) the maximum number of Performance Rights to be granted to Mr Graham Twartz by the Company is 118,926;
- (b) all executive directors of the Company are eligible to participate in the Plan;
- (c) the Company will issue the Performance Rights to Mr Graham Twartz as soon as practicable after the date of the Annual General Meeting but in any event not later than 3 years following the date of the Annual General Meeting;
- (d) no loan will be provided by the Company in connection with the grant of Performance Rights to Mr Graham Twartz;
- (e) as at the date of this Notice of Meeting, no securities have been issued under the Plan;
- (f) details of any securities issued under the Plan will be published in each annual report of the Company relating to a period in which the securities have been issued and approval for the issue of securities was obtained under ASX Listing Rule 10.14;
- (g) any additional person to whom ASX Listing Rule 10.14 applies who becomes entitled to participate in the Plan after this resolution is approved and who is not named in this Notice of Meeting will not participate in the Plan until shareholder approval is obtained under ASX Listing Rule 10.14; and
- (h) the Performance Rights will be issued for no monetary consideration.

### **Recommendation**

The Board (with Mr Twartz abstaining) recommends that shareholders vote in favour of this Resolution, either by attending the meeting in person or by ticking the box marked “**For**” and submitting your proxy form in accordance with the instructions in the Note to the Notice of Meeting and the instructions contained in the proxy form.

### **SPECIAL RESOLUTION**

#### **6. Change of Company Name**

Hills Industries Limited has progressed from its initial manufacturing roots from which the “Hills Hoist” emerged, to become a diversified company investing in businesses spanning:

- the electronic security and entertainment segment (alarms and surveillance systems, sound, vision and lighting equipment, and communications equipment);
- the home, hardware and eco segment (the distribution of hardware products, rainwater tanks, solar products, hospital and aged care products, and plumbing products); and
- the building and industrial segment (manufacturing and supplying steel and tube products, rollformed metal building products and cabling and walkway systems).

The recommendation that the Company change its name to Hills Holdings Limited is in recognition of the evolution of the Company and more accurately describes the Company’s operations as an investor and operator in a variety of businesses.

This resolution must be passed as a special resolution of the Company. The resolution to change the Company’s name to Hills Holdings Limited will be passed if 75% of the shareholders entitled to vote, vote in favour of the resolution.

### **Recommendation**

The Board unanimously recommends that shareholders vote in favour of this Resolution, either by attending the meeting in person or by ticking the box marked “**For**” and submitting your proxy form in accordance with the instructions in the Note to the Notice of Meeting and the instructions contained in the proxy form.

## Annexure A

### Summary of the Hills Industries Limited Long Term Incentive Share Plan

#### Purpose of the Plan

Under the Plan, eligible employees (Participants) may be offered:

- shares in Hills Industries Limited which will be held in trust pending satisfaction of performance conditions attaching to those shares (Deferred Shares); and/or
- a right to receive future shares (Performance Shares) in Hills Industries Limited subject to the satisfaction of performance conditions (Performance Rights).

#### Offers of Deferred Shares and Performance Rights

A Performance Right or Deferred Share (Incentive) offered under the Plan must be subject to at least one performance condition relating to the continuing employment or performance of the Participant, the performance of Hills Industries Limited or the occurrence of specific events.

A Participant who receives an offer under the Plan may renounce that offer in favour of a nominee approved by the Board. Unless otherwise agreed by the Board, a nominee can only be a person who is related to, or a dependent of, the Participant or an entity that is related to, or under the control of, the Participant. The Participant must guarantee the performance by the nominee of its obligations under the Plan.

No payment is required for the grant of a Performance Right (unless the Board specifies otherwise) and the Board may determine the price (if any) at which Deferred Shares will be offered.

Performance Rights will be granted to the Participant (or his nominee) or the Deferred Shares will be allocated to the Participant (or his nominee) by being transferred or issued to the trustee (Trustee) of the Hills Industries Limited Long Term Incentive Share Plan Trust (Trust) to be held on behalf of the Participant under the Trust.

#### Trading restrictions imposed on Deferred Shares, Performance Rights and Performance Shares

A Participant's Performance Rights may only be transferred with the consent of the Board or by force of law upon death to the Participant's legal personal representative or upon bankruptcy to the Participant's trustee in bankruptcy.

At the time of offer of Performance Rights or Deferred Shares, the Board may impose restrictions on a Participant trading Performance Shares or Deferred Shares without Board consent for up to a maximum of seven years.

#### Vesting of Incentives

Generally an Incentive will not vest unless the performance conditions attaching to the Incentive have been satisfied within the prescribed period or waived by the Board.

A Performance Right or Deferred Share which has not vested will also lapse or be forfeited (respectively) if the Participant ceases to be employed by a Hills Industries Limited group company.

The Performance Rights or Deferred Shares may also lapse or be forfeited (respectively) if the employee, in the Board's opinion, acts fraudulently, dishonestly, commits an act of harassment or discrimination or brings a Hills Industries Limited group company into disrepute.

#### Limitations on the Grants of Incentives

The number of shares in relation to which offers may be made under the Plan is set with regard to the limits prescribed by the Australian Securities and Investments Commission with respect to employee incentive plan offers made without a prospectus. Currently these limits broadly provide that the number of unissued shares the subject of the offer or any other outstanding offer when aggregated with the number of shares issued during the previous 5 years under all employee incentive plans established by Hills Industries Limited (including as a result of the exercise of options to acquire shares granted during the previous 5 years under any such employee incentive plan), but disregarding certain excluded offers, must not exceed 5% of the total number of shares on issue.

## Corporate actions affecting Incentives

### *Rights to dividends*

A Participant will receive all dividends paid by Hills Industries Limited in respect of Deferred Shares which have not yet vested. A Participant will not be entitled to any dividends in respect of Performance Rights which have not yet vested.

### *Bonus issues, rights issues and reconstructions*

#### *(a) Bonus issue*

The Trustee will hold all bonus shares issued by Hills Industries Limited in respect of Deferred Shares and will transfer the bonus shares to the Participant for no further consideration when the Deferred Shares are transferred to the Participant.

A Participant will not be entitled to any bonus shares in respect of Performance Rights which have not yet vested.

#### *(b) Rights issue*

In the event of a rights issue, the Trustee must seek instructions from the Participant as to how it should deal with the rights relating to Deferred Shares held by the Trustee on behalf of the Participant. If no instructions are given or the Participant has not provided sufficient funds to exercise all of the rights, the Trustee must endeavour to sell the rights or the balance of the rights and pay the proceeds (minus any transaction costs) to the Participant. If the Trustee acquires shares after taking up rights on behalf of a Participant, it must transfer those shares to the Participant.

A Participant will not be entitled to participate in a rights issue in respect of Performance Rights which have not yet vested.

#### *(c) Reorganisation of capital*

The performance conditions attaching to Incentives may, subject to the ASX Listing Rules, be varied as determined by the Board following any variation in the share capital of Hills Industries Limited arising from a reduction, buy-back, subdivision or consolidation of share capital, rights issue, re-organisation of share capital, or any issue of shares or other equity securities or instruments which convert into shares by way of capitalisation of profits or reserves, other than at market value.

#### *(d) Takeovers, compromises and arrangements*

Where a change in control transaction arises in respect of Hills Industries Limited (including, for example, a takeover bid or a scheme of arrangement) or in the event of a resolution being proposed to wind up Hills Industries Limited (Control Event) or the Board determines that any other transaction should be treated as a Control Event, the Board may determine that all or a specified number of a Participant's Incentives immediately vest. If the Board does not make such a determination, a Participant's Incentives will continue on the same terms as applied immediately prior to the relevant Control Event. If only some of a Participant's Incentives vest, the remaining unvested Incentives will be immediately forfeited or lapse (as applicable).

Unless the Board determines otherwise, where a Control Event occurs all disposal restrictions in respect of vested Deferred Shares and all trading restrictions in respect of Performance Shares will cease to have effect.

### *Voting*

A Participant may direct the Trustee how to exercise the voting rights attaching to Deferred Shares held by the Trustee on the Participant's behalf. In the absence of such a direction, the Trustee will abstain from voting.

*Acquisition of shares in Acquiring Company*

If Hills Industries Limited is the subject of a takeover or any other business arrangement by or with another company (Acquiring Company), the Board may determine that:

- if Hills Industries Limited, the Acquiring Company and the Participant agree, a Participant may upon vesting of his Performance Rights be provided with shares in the Acquiring Company in lieu of Performance Shares subject to any appropriate amendments; or
- if the Trustee, the Participant, Hills Industries Limited and the Acquiring Company agree, a Participant that has Deferred Shares held on its behalf by the Trustee may be provided with shares of the Acquiring Company in lieu of any Deferred Shares subject to any appropriate amendments.

**Amendment of the rules of the Plan**

Hills Industries Limited may at any time amend all or any of the provisions of the rules of the Plan provided that the amendment does not reduce the rights of any Participant in respect of the Incentives acquired prior to the date of the amendment, other than an amendment agreed to in writing by the Participant or an amendment introduced primarily:

- for the purpose of complying with all applicable law relating to the Plan;
- to correct an error or mistake; or
- to enable Hills Industries Limited to comply with any applicable law.



**QUESTIONS FROM SHAREHOLDERS**

Your questions regarding any matter relating to the Company are important and we encourage you to raise them with us. We request that you use this question sheet to submit any questions that you would like answered at the 2010 Annual General Meeting.

Please return this question sheet in the reply paid envelope or fax it to +61 8 8371 1670 or email it to [info@hills.com.au](mailto:info@hills.com.au) by 2.00pm (Adelaide time) Wednesday 27 October 2010.

We will endeavour to answer as many of the frequently asked questions as possible at the meeting, both in the Chairman's and Managing Director's addresses, or alternatively in a specific reply to frequently raised issues by the Chairman.

Name: \_\_\_\_\_  
Security Reference Number (SRN) or Holder Identification Number (HIN): \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Questions**

Matter subject: \_\_\_\_\_  
Question: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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Hills Industries Limited  
ABN 35 007 573 417

## Lodge your vote:



**Online:**  
www.investorvote.com.au



**By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) www.intermediaryonline.com

**For all enquiries call:**  
(within Australia) 1300 556 161  
(outside Australia) +61 3 9415 4000

## Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

**www.investorvote.com.au**



**Cast your proxy vote**



**Access the annual report**



**Review and update your securityholding**

*Your secure access information is:*

**SRN/HIN:**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.



**For your vote to be effective it must be received by 2:00 pm (Adelaide time) on Wednesday 3 November 2010**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** →

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Hills Industries Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Hills Industries Limited to be held at The Grainger Studio, 91 Hindley Street, Adelaide, South Australia on Friday 5 November 2010 at 2:00 pm and at any adjournment of that meeting.

**Important for Item 4:** If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Item 4 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 4 and your votes will not be counted in computing the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of item 4 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

## STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

### ORDINARY BUSINESS

	For	Against	Abstain
2(a). Re-election of Mr Geoffrey Hill as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2(b). Election of Ms Fiona Bennett as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2(c). Election of Mr David Spence as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### SPECIAL BUSINESS

4. Increase in Non Executive Directors' Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Approval of proposed issue of Performance Rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date \_\_\_\_/\_\_\_\_/\_\_\_\_