HOUSEWARES INTERNATIONAL LTD
ANNUAL REPORT 2005

FINANCIAL SUMMARY

$millions except where indicated	Jun 05	Jun 04	Change
Sales Revenue	441.0	457.6	3.6%
Earnings Before Interest, Tax and Amortisation*	31.1	41.0	24.1%
Amortisation	1.8	1.7	
Earnings Before Interest and Tax*	29.3	39.3	25.3%
Net Interest	4.8	3.9	
Underlying Net Profit Before Tax*	24.5	35.4	30.8%
Specific Items	8.1	1.5	
Net Profit Before Tax	16.4	34.0	51.7%
Tax	3.2	11.1	
Net Profit After Tax	13.2	22.9	42.1%
Cents per share			
Earnings per share (EPS)	11.2	19.7	43.1%
Diluted EPS	10.9	19.2	
Underlying EPS*	15.3	20.6	25.8%
Dividend per share	13.0	10.5	23.8%

* Adjusted for specific items

Underlying EBIT by sub-segment	2005	% of Total	2004	% of Total	Change
Electrical	28.7	86.8%	26.7	62.2%	7.5%
Homewares	4.4	13.2%	16.2	37.8%	73.2%
Sub-total	33.1	100.0%	42.9	100.0%	
Corporate	-3.8		-3.6		
Total underlying EBIT	**29.3**		**39.3**		**25.3%**
Australia	22.2	67.1%	30.5	71.1%	27.3%
International	10.9	32.9%	12.4	28.9%	12.4%
Sub-total	33.1	100.0%	42.9	100.0%	
Corporate	-3.8		-3.6		
Total underlying EBIT	**29.3**		**39.3**		**25.3%**

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Annual General Meeting

Thursday 24 November 2005 at 10am,
Housewares International (showroom)
437 Plummer Street, Port Melbourne.

Housewares International Ltd

ACN 086 933 431

Products shown on front cover are Australian Design Award winners 2005.

refocus

This is my first occasion to write to you as a fellow shareholder, a new director, and your new chairman. When joining Housewares International as chairman in November 2004, I was aware that significant change was needed and inevitable. What wasn't entirely clear was the exact nature of that change.

This review will attempt to give to you a perspective of what is happening in our market and our company, and describe to you the challenges and opportunities.

Major shifts have been taking place in our industry, both in Australia and globally.

In addition, we currently have slack short-term retail demand in our dominant home (Australian) market; yet quite buoyant demand in our increasingly important international branded market. Quite a dichotomy.

The view of your board and management team is that if we execute our strategy of professionally and straightforwardly dealing with our domestic challenges, whilst aggressively capitalising on the international opportunities that are with us now, HWI will emerge as a very strong global participant in our industry, with a significantly strengthened position relative to our competitors.

" This is an exciting but challenging and crucial point in history for the company both in Australia and in international markets"

These include:

> relocation of most productive capacity to China, and with that, price deflation

> a global trend by major retailers to source a proportion of their purchases, mainly non-differentiated product, direct from overseas manufacturers thereby bypassing wholesalers

> sharper niche definition by retailers, with more rapid market feedback to those retailers in terms of success or failure, and increasingly exclusive alignment of retailers with brands and ranges.

William Wavish
Executive Chairman

So much for the overview. What has happened on the ground?

Our response to the challenges and "plate shifts" has been to align our strategy with those global challenges, and to align our Homewares strategy with the successful Electrical strategy. We are focusing upon:

> the quality and differentiation of our design, product development and innovation, not just in the successful Breville 800 series, but across the entire Electrical and Homewares businesses

> building "Breville", and certain other brands, both globally and in Australia, in order to maximise value

> increasing the skills of our China sourcing teams in Shanghai and the Pearl River Delta

> consciously and professionally developing our relationships with major retailers in Australia, USA and across the globe

At a macro level a number of outcomes can be seen:

> successful retailers are sourcing undifferentiated product (e.g. cups and saucers) direct from China. This has been an oscillating feature in the past, but is undoubtedly here to stay. On the other hand inexperienced buyers within retailers have at times extended this to more risky product (e.g. fashion, returnable complex goods) and over-enthusiasm has led to high returns from customers, clogged supply chains, out of stocks through low tendering factories failing to supply, valuable retail high volume selling points being used to quit mistakes, and poor return on investment to the retailer

> cost price deflation has been a feature of the China sourcing market. This has disrupted outcomes and contradicted traditional experience. There are strong signs that deflation has already, or will soon, cease or even reverse

> after a period of price and volume focus, successful retailers are showing more innovation, brand consciousness, quality consciousness and differentiation, and more focus upon delivery reliability

> some major global wholesale suppliers in difficulties

> Australian consumer sentiment being depressed for a period that may be longer than most would expect, by the dollar-in-the-wallet effect of higher variable interest rates and high petrol prices, and by the psychological result of negative wealth effect occasioned by falling Australian residential housing prices.

So at the practical level, what has your company done?

> we have decisively addressed the retail conditions in Australia, as announced in our April 2005 Homewares restructure, by reducing our range, in deleting undifferentiated product, in reducing our staff numbers, reducing the number of smaller customers, cutting our warehouse space and cost, and in reducing the number of factories we deal with in China

> refocused our major customer relationship teams and aligned them with our product development team

> kicked goals with major retailers:

– Federated May Department Stores, USA's largest department store chain, will now (starting before Christmas this year) list a comprehensive Breville range in what their Executive Chairman, Terry Lundgren has publicly described as a "key relationship in repositioning Federated electrical further up market."

– Williams-Sonoma, the icon USA homewares retailer has showcased Breville with off-location displays and will soon carry the entire 800 range

– Myer Department Stores, in Australia, have committed to "Breville Home" as a store-within-a-store in their chain. This colourful collaboration with HWI was launched across Australia in September 2005.

> focused our China sourcing, quality control and supply chain team upon continuous improvement

> further upskilled and extended our Sydney based design teams, with input from each of our international markets, to build upon the Breville 800 series thinking, disciplines and success

Specifically in respect of the Homewares changes announced in April 2005, we have:

> reduced excess Australian Homewares inventory at June 2005 by 15%, by 30% by late September, with firm retailer commitments for a further 10%. By December 2005 we anticipate having quit two-thirds of excess Australian Homewares inventory

> reduced product count in Australian Homewares by 15% as at late September. By the end of the program we anticipate to have reduced Australian Homewares sku's by 50%

“ This highlights the fact that major parts of our business continued to perform well, whilst other parts needed (and got) significant change.”

> reduced Australian Homewares customer count by 30% by June 2005, with the full 40% reduction now complete

> reduced Homewares China factory count by 15% by June 2005 with the full 30% reduction now achieved

> reduced Australian Homewares staff head-count by 15% by June 2005 with a minor amount of redundancies yet to be effected to complete a 20% reduction

> commenced a repositioning of the Australian SABCO business with major management, ranging and inventory changes from September 2005

> executed similar but lesser parallel changes to the USA Homewares business that are already more than 50% complete.

The changes flowing from the redirection of the business are on plan.

The vision of your management and board team is that of a global branded goods wholesaler, with an aligned Electrical and Homewares business. We believe that such an outcome is within our grasp in the remaining six to 12 months of the 12 to 18 month restructure period, as announced six months ago in April.

Further detail on the restructure is included in the report that follows.

In April 2005 I took on the position of temporary part-time executive chairman. I look forward to relinquishing this role as soon as possible in 2006 when the changes are complete and permanent.

Consolidation of our **Australian** operations

Au

Electrical

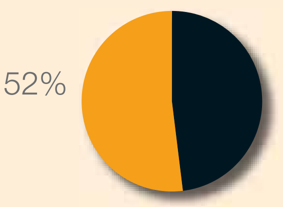
Australian Electrical had a difficult year with the retail environment deteriorating from November 2004. Thus sales fell 1% in the first half year, but fell 9% in the second half to give a full year sales result of $A227.7 mil down 4.5%. This represented 52% (LY52%) of group sales.

Whilst price deflation from China played a part in this outcome, the major factor was the general weakness in Australian retail spending brought about by higher fuel and higher interest costs leaving less money in the consumer's wallet, as well as the psychological "negative wealth effect" of lower home prices. Our Australian Electrical sales reflected the same outcomes as those of our major customers.

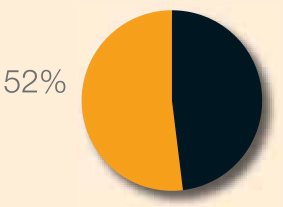
The Australian Electrical business made modest profit contribution gains in 2004/5.

In the new 2005/6 financial year, we have a number of new product launches and initiatives, but it is too soon to predict an upturn in the Australian retail environment.

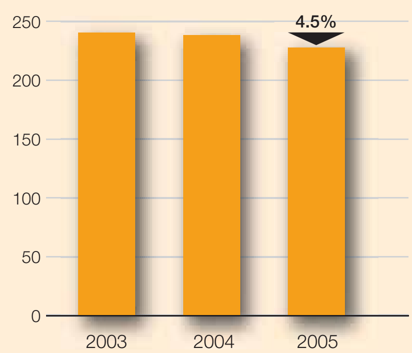
% of total group sales 2005



% of total group sales 2004



Australian Electrical sales ($m)



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Homewares

As already discussed, the Australian Homewares business needed to respond decisively to reposition itself away from the lower end less differentiated products that retailers have or will be able to source directly from China. We considered it better to exit this business now, rather than to wait for our customers to gradually take this business from us.

This gave us the opportunity to align the Homewares business approach more closely with that of the Electrical business. That is, rather than being an "item house" buying products from factories and fairs in China, to being a design and innovation led business developing our own ranges at our own facilities, often in response to, or in collaboration with, our larger customers, such products to be sourced from higher quality partner factories in China. In so doing, this mirrors our successful Electrical approach, moves to align the Homewares and Electrical teams and cultures, and differentiates us from our Australian competitors.

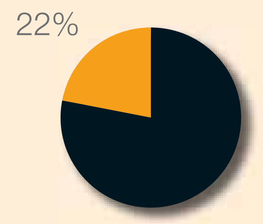
Australian Homewares sales fell 15.5% to $95.6 mil. This represented 22% (LY 25%) of group sales. Profit contribution fell sharply.

The SABCO cleaning business involves different sales channels and a different management approach. The acquisition has not to date been well enough executed and a new management team has been installed reporting directly to myself from September 2005. Significant improvement may not be achieved until the second half of the new financial year.

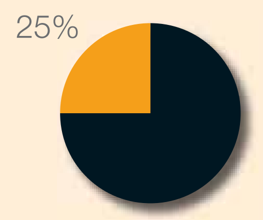
The 2005/6 financial year for Australian Homewares will be one of transition as the changes discussed above are executed. Sales will reduce as a result of the product deleted from our ranges. We have previously announced that as a result of the change program, $1.3 to $1.8 mil will be added to pre-tax profitability in 2005/6 and $3.8 to $4.3 mil cumulatively by 2006/7. These gains will come roughly equally from lower staff costs and reduced warehousing expenses, and to a lesser degree from other general savings. These improvements are on track.

That is not to imply that our Australian Homewares business lacks the potential to grow. The new design and innovation centres are already in place and the first initiative can now be announced. This is an integrated range of Homewares and Electrical items under the "Breville" brand for Myer Department Stores. The colourful range has just been launched from September 2005 in a "Breville Home" store-within-a-store across the Myer chain. We are very proud and pleased with the design of the range and the new collaboration it represents between HWI and Myer, as well as the collaboration between our Homewares and Electrical teams based side by side in Botany, Sydney.

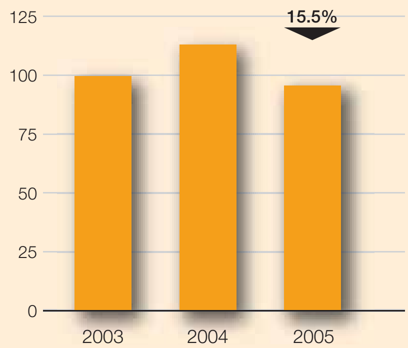
% of total group sales 2005



% of total group sales 2004



Australian Homewares sales ($m)



Growing in our International markets

Electrical

The International Electrical business had a very satisfactory year, and the base has been set for further growth and gains in coming years. Sales rose 38.3% to $A80.1 mil. This represented 18% (LY 13%) of group sales.

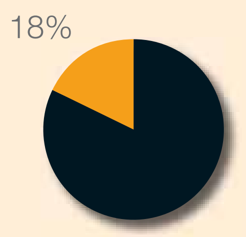
New Zealand performed well in a tightening retail market, with sales up 25% on last year.

USA sales more than doubled on last year, reaching $A16.8 mil. “Breville” brand ‘best-in-class’ products have been very well received in the USA market, where there is growing recognition and acceptance as an upscale brand.

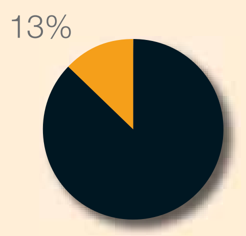
Export sales have continued to grow strongly, 28% up on last year. Our markets in United Kingdom, Germany, Switzerland and South Africa continued to grow, with new markets opened in France and Russia.

During FY2005/6 a full range of Breville 800 Class products will be stocked by leading US retailers, Federated Group and Williams-Sonoma. This should result in another year of double-digit increases in sales and contribution from International Electrical.

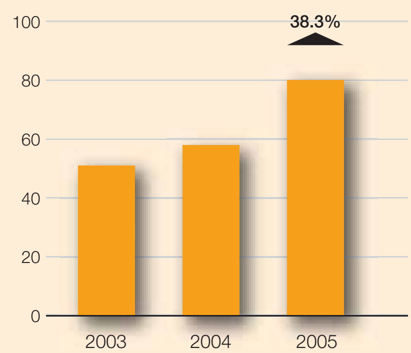
% of total group sales 2005



% of total group sales 2004



International Electrical sales ($Am)



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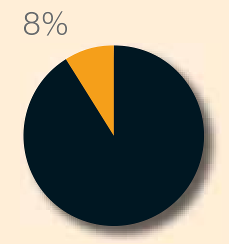
Homewares

International Homewares had a mixed year. In the first half sales fell 32% due to lost customers and listings, and then due to the need to restructure the sales team and the business approach. Consequently in the second half the sales decline was cut to 3%.

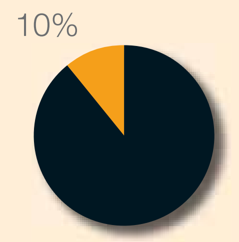
Sales for the year were $A37.6 mil, an overall decline of 22.0%. This represented 8% (LY10%) of group sales.

A significant improvement is anticipated in the new financial year. The major part of this business is written in the USA, although the positioning is not as far up market as our Electrical business in the USA. For the full 2005/6 year, double digit sales and contribution increases are forecast. The first two months have been very pleasing.

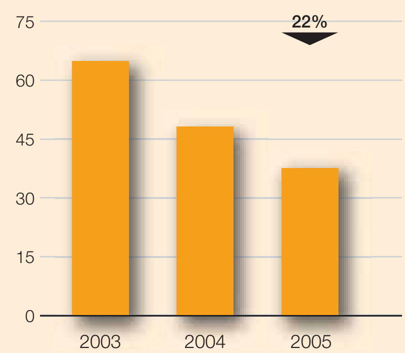
% of total group sales 2005



% of total group sales 2004



International Homewares sales ($Am)



Growing and managing brands

The success of "Breville" and its international progress, as well as the need to exit undifferentiated products in the face of direct importing by retailers, has highlighted the importance of well positioned and well supported brands. In some cases, e.g. Philips, we distribute important brands owned by other organisations where we believe we can add value.

Our ability to manage, position, support and grow brands is a key competency.

ARCOSTEEL

"Simply Essential"

Offering best basic, durable utility and aspirational design. Leverages Arcosteel's 25 year legacy of delivering quality products to the mass market.

" Brand building is evolutionary. Our mission is for our brands to become the brands of choice for consumers seeking effortless performance."

Our aim is to interconnect business and brand philosophies so that whatever we do, there is consistency in our execution.

In a competitive market, products need to offer more than price. Branded product must be part of a retail solution; the product itself needs to be true to its brand values.

Breville 800 Class and ikon series products are accepted as an 'upscale' brand in North America by leading retailers such as Williams-Sonoma, Macys/Bloomingdales and Crate and Barrel, and we are very comfortable with our niche marketing strategy.

HWI Homewares has also re-invented itself over the past year. Consumers will benefit from the efforts of a management team committed to brand marketing. Instead of 'items', they will see fully integrated solutions under household brands such as Arcosteel, Baccarat and Alex Liddy.

Joe Hersch
Executive Director

"Our ability to manage, position, support and grow brands is a key competency."

PHILIPS

Products and solutions that are designed around the consumer, easy to experience, and advanced.

Breville

That's the Idea.

Sets the agenda in design with products that give people more ideas and opportunities for good living, every day.

Design, development and innovation

State of the art 3D printers are used to transform the digital product concepts created by our designers into solid plastic parts suitable for use in working prototypes.

Our ability to design and innovate our products is already a key core competency, and the future of HWI rests upon our ability to continuously deliver on this score. Electrical has already demonstrated its skills in the area, and is increasingly recognised as a global market leader.

This is a relatively new priority for Homewares, and it comes at a time that there has been less industry focus around the world on this aspect. The Electrical and Homewares design teams are now alongside each other at Botany in Sydney. Input into product and packaging design, and the nuances of local markets, are received from the USA and around the world. In addition, the sales and marketing teams, in conjunction with our key customers, review and collaborate on this top priority.

NEW PRODUCTS SAMPLE PIPELINE – THE KEY IS SPEED TO MARKET

	CONCEPT	DESIGN	PROTOTYPE	MANUFACTURE	LAUNCH
HOMEWARES					
Breville Home	Mar 2005	May 2005	Jun 2005	Aug 2005	Sep 2005
Arcosteel	Apr 2005	Sep 2005	Nov 2005	Jan 2006	Feb 2006
Arcosteel Premium	Jun 2005	Sep 2005	Nov 2005	Feb 2006	Apr 2006
ELECTRICAL					
800ES Espresso Machine	Oct 2003	Jan 2004	Mar 2004	Sep 2004	Nov 2004
SK 500 Kettle	Jul 2003	Dec 2003	Jan 2004	Sep 2004	Oct 2004
800 GR Professional Grill	Jun 2003	Nov 2003	Jan 2004	Aug 2004	Oct 2004

In 2005 Housewares International received the following Australian Design Awards for consumer products:

Australian Design Award
Breville 800 Class Citrus Press-800CP

Australian Design Award
Alex Liddy Atria serving utensils

Powerhouse Museum Selection
Breville 800 Class Citrus Press-800CP

The Australian People's Choice Award
Breville ikon Kettle Range

Australian Design Mark
Breville Espresso Machine-800ES

Australian Design Mark
Breville ikon Kettle Range

Australian Design Mark
Breville ikon Toaster-CT70

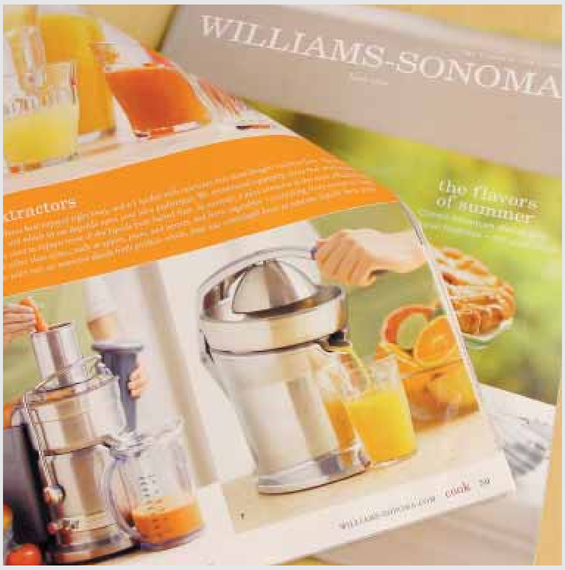
Building strong retail partnerships

It follows, that if design and innovation and brand management are key competencies, the ability to work with and partner major retailers must also be of critical importance. There has been a misunderstanding by some observers, that if retailers buy direct from China for lower end undifferentiated products, that they will have a lesser desire to work collaboratively with larger leading businesses like HWI at the other end of their ranges. This is neither the fact, nor our experience. Over the last six months, our professional relationships with virtually every major retailer we deal with has improved significantly. We are gradually talking to and dealing with a wider range of major international retailers. A number of initiatives are in the pipeline, and it is pleasing to be able to point to examples such as Federated, Williams-Sonoma and Myer.

Williams-Sonoma has embraced Breville as one of its core small appliance brands, carrying all four of Breville's new die-cast series products and looking to add more products in 2006. Williams-Sonoma's retailing strategy is quite unique in that it carries a comparatively small electrical assortment and dedicates significant merchandising and catalogue support to every item in the store. Of approximately 30 total small appliance products on range, Breville already makes up four of them, making it one of the most represented brands in the chain. Williams-Sonoma is the largest specialty retailer in America and the 6th largest housewares retailer in America with 552 stores and 2004 housewares sales of over US$2.4 billion. Their ongoing support of Breville will develop significant brand equity and sales opportunities now and in the future.

Bed Bath & Beyond are the largest big box specialty chain in the U.S. with 2004 housewares sales of over US$2.4 billion. Breville have cemented a strong relationship with this account with up to 4 items in some stores. Breville's best selling item, the Juice Fountain Plus, is one of two juicers carried in all 663 stores and is selling extremely well for the chain. Bed Bath & Beyond are growing quickly, having opened 72 new stores in 2004 alone, and present a significant opportunity for Breville.

Bed Bath & Beyond, USA.



Williams-Sonoma catalogue 2005.

Colour in the home is a global trend. Encouraged by Myer department store management, HWI Electrical and Homewares collaborated in developing a fully integrated, colour co-ordinated offer.

Improving our supply chain

Over recent years a sea-change has taken place in many industries as China sourcing has become the norm. This is obviously true in both Homewares and Electrical. In coming years this will continue and broaden, as the majority of the world's new productive capacity will be added in China. This has happened with a background of deflating prices. The ability to source efficiently and professionally in China is of necessity a requisite key competency for HWI. As the deflation appears to be running its course, we are seeing more emphasis on reliability of supply and quality control.

Our teams in Shanghai and the Pearl River Delta have been strengthened and expanded, and more is likely in the future. We are in the process of reducing the number of factories we deal with in China, as well as raising the overall quality and size of those factories. Our quality control teams will increasingly audit the factories' own QC, rather than being the first line and only line of defence. With the dictates of our own design requirements, we will work more in partnership with factories on a longer term basis. Our product tracking and supply chain skills will become more sophisticated.

With rising labour costs, increased commodity input prices, and the floating of the renminbi, we anticipate that the deflationary period is coming to an end, and in due course a degree of inflation is more likely.

Addressing change and the future

Recent events have underlined the fact that no business these days can stand still. We believe that your team has recognised and decisively responded to significant change in our industry. We believe that the necessary changes have been identified and made, although the housekeeping remains to be completed over the next six to twelve months, and the benefits delivered to shareholders.

It is of major importance that we can demonstrate to you the first installment of those benefits in the December 2005 half year.

The first two months of the new year have started well, with improved sales and profit results. New sales initiatives are moving through the pipeline. The desired New HWI culture is emerging as planned. Our key competencies, discussed earlier, are strengthening. We are confident that brand value and shareholder value are growing, and that we are gaining momentum relative to our competitors. The maintenance of the forecast final dividend is a signal of this confidence.

Our management team is growing in expectation, stature and excitement, be they based in Australia, Asia, New Zealand, Canada or the USA. I pass my thanks to Joe Hersch and all staff, as well as my board colleagues, for their support of both HWI and myself during what has been a tough but exciting year that must prove to be the turning point for the New HWI.

William Wavish
Executive **Chairman**

Directors' Report

The board of directors of Housewares International Limited has pleasure in submitting its report in respect of the financial year ended 30 June 2005.

BOARD OF DIRECTORS

William Wavish
Executive Chairman
CMA(NZ), CA(NZ), ACIS, ANZIM

Mr Wavish is a former director of Woolworths Limited, where he held numerous senior management and board positions, including being the director responsible for the Woolworths Supermarkets Group, and Finance Director. Mr Wavish has worked in Asia and Australia in the food, finance, property and general merchandise sectors. Mr Wavish has agreed to become executive chairman for an interim period as the group is refocused. During the last three years he has served as a director of the following other listed companies:

Woolworths Limited
Jun 2000 – May 2003
Babcock & Brown Capital Limited
Dec 2004 – Present
Atlas Group Holdings Limited
Dec 2004 – Present

Joseph Hersch
Executive Director
CA(SA)

Mr Hersch is an executive director chiefly responsible for all management aspects of the Electrical division, as well as overseeing new product development across both the Electrical and Homewares divisions. Mr Hersch has over twenty years experience in the consumer products industry in Australia. During the last three years he has not served as a director of any other listed company.

Mark Kirkby
Executive Director
B.ACC, CA(SA)

Mr Kirkby is an executive director chiefly responsible for the Finance and Administration functions and the Homewares division. Mr Kirkby has extensive financial and general management experience, including holding senior roles in South Africa, Italy, and France, before immigrating to Australia. During the last three years he has not served as a director of any other listed company.

Steven Fisher
Non-Executive Director
B.ACC, CA(SA)

Mr Fisher has more than 20 years experience in general management positions in the wholesale consumer goods industry and is currently general manager of the Voyager Group. During the last three years he has not served as a director of any other listed company.

John McConnell
Non-Executive Director
B.Com, FAICD, FAIM, FAIBF

Mr McConnell has had over 35 years experience in banking and finance with ANZ Banking Group in Australia, New Zealand, and the United Kingdom, and has held various board positions within that Group. During the last three years he has served as a director of the following other listed companies:

Equity Trustees Limited
Jan 2002 – Present
HarvestRoad Limited
Mar 2005 – Present

Steven Klein
Non-Executive Director
LLB, B.Com

Mr Klein has had extensive legal experience in mergers and acquisitions, capital raisings, and public company takeovers. Mr Klein has been a partner of Arnold Bloch Leibler since 1996. During the last three years he has not served as a director of any other listed company.

John Schmoll
Non-Executive Director
B.Com, FCA, FAICD, CFTP

Mr Schmoll is a former Chief Financial Officer of Coles Myer Limited. He has an extensive career in retail and distribution services including that of Finance Director with the Edgars Group, South Africa's largest apparel and household goods retailer. Mr Schmoll is currently Principal of John Schmoll and Associates, specialising in corporate advisory and executive support services. During the last three years he has served as a director of the following other listed companies:

AWB Limited
Mar 2005 – Present
Australian Leisure and Hospitality Limited
Dec 2003 – Dec 2004

DIRECTORS

The names of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless indicated otherwise.

William Wavish	Executive chairman Non-executive chairman	(8 April 2005 – Present) (Appointed 19 November 2004 – 8 April 2005)
Joseph Hersch	Executive director	
Mark Kirkby	Executive director Managing director	(8 April 2005 – Present) (1 July 2004 – 8 April 2005)
Steven Fisher	Non-executive director	(Appointed 19 November 2004)
Steven Klein	Non-executive director	
John McConnell	Non-executive director	
John Schmoll	Non-executive director	(Appointed 19 November 2004)
Frank Jones	Non-executive chairman	(Retired 23 November 2004)
Peter Morgan	Non-executive director	(Resigned 23 November 2004)

The details of other listed company directorships held by directors in the last three years are contained in the board of directors information on page 16.

Frank Jones, *FCA, CPA, ACIS*
Mr Jones was non-executive chairman until his retirement on 23 November 2004. Mr Jones is a Chartered Accountant and was a senior partner in the accounting firm of Horwath Melbourne until his retirement in 1995. Mr Jones has extensive experience as a tax, financial and general advisor to some of Australia's leading manufacturing, importing, retailing, and shopping centre development companies.

Peter Morgan, *FAICD, FAIM*
Mr Morgan was a non-executive director until his resignation on 23 November 2004. Mr Morgan has had over 38 years extensive retail and merchandise experience with Coles Myer Ltd, holding numerous senior management roles, including being an executive director.

COMPANY SECRETARY

Laurelle Jackson, *B. Bus, CPA*
Ms Jackson has been company secretary for 3 years. She is a Certified Practicing Accountant and has, over the past 11 years, held senior financial roles in a number of Australian consumer products companies.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC class order 98/0100. The company is an entity to which the class order applies.

PRINCIPAL ACTIVITIES

The principal activities during the financial year of the consolidated entity were the development, importation, distribution and marketing of homewares and small electrical appliances in the consumer products industry in Australia, United States of America, Canada, New Zealand, and Hong Kong.

REVIEW OF RESULTS AND OPERATIONS

Financial Performance

The year to June 2005 was a difficult year in Australia for both Housewares International and the industry in general. Consumers reigned in spending as a result of higher interest rates and higher petrol prices, and retailers sought to purchase more products direct from expanded factory capacity in China at deflating prices. The importance of differentiated branded products increased.

The Group's total revenues were $441,047,000 (2004: $457,616,000) down 3.6% on the previous year; reflecting a weak retail environment in Australia and a conscious decision to exit poor performing product categories, particularly in the Homewares division. As an offset to the negative domestic sales trend, the group recorded strong growth in international revenues in its Electrical Division.

The Group's operating profit fell in sympathy with lower sales. Group profit after tax and before significant items at $18,102,000 (2004: $23,840,000) is 24% down on last year's comparative. Pressure on gross margins from a competitive retail environment, increased raw material prices and an increased commitment to sales and marketing spend, particularly in the USA, contributed to the decline in profits.

The Group's Electrical division delivered operating profits that were up on last year. Electrical growth in Australia was subdued due to weak retail conditions, while growth in the offshore markets was strong. Offshore growth is being driven through a high level of acceptance of the company's innovative product offering. The Homewares divisions in Australia, the USA, and Canada all suffered a decline in earnings as a result of a significant shift in industry dynamics towards direct imports and private label programs.

The consolidated earnings per share before specific items decreased from 20.58 cents per share to 15.27 cents per share. After the inclusion of specific items, earnings per share decreased from 19.70 cents per share to 11.16 cents per share.

Directors have declared a fully franked final dividend of 3.5 cents, giving a full year dividend of 13 cents (2004: 10.5 cents), fully franked. This is a high proportion of 15.3 cents underlying EPS, and is in excess of the basic EPS of 11.2 cents, and indicates that the directors have confidence in the recovery and underlying strength of the business. The dividend reinvestment plan will continue to be available at a discount of 2.5%.

Restructure

The shift in the Homewares industry dynamics has been addressed through a restructure program, the acceleration of which was announced to the ASX in April 2005. The restructure program required the company to:

- Focus business initiatives on branded product development.
- Exit non performing product categories.
- Reduce the product SKU count and customer base.
- Reduce its staff headcount and infrastructure costs in line with the reshaped business model.
- Re-engineer business processes to secure greater product development support in China and upgraded information system capabilities.

The restructure program is on plan. The program was originally expected to take between 12 and 18 months to be fully implemented, and we continue to anticipate this timing.

In an additional effort to drive further growth into the Homewares division, the SABCO business is expected to produce stronger results under the guidance of respected industry leader Jeff Kelso, who is joining the business in September.

Financial Position

The Group's balance sheet remains strong with a debt to capital employed ratio of 31.7%. Working capital investment, which represents 57% of the capital employed, increased by some $12.5m during the year. The increase principally relates to increased inventories, which result from slower retail trading conditions in Australia and strong Electrical sales growth in the USA. The inventory days cover is expected to reduce over the new financial year.

DIVIDENDS

The following dividends have been paid, declared or recommended since the end of the preceding financial year. The payment of dividends is subject to shareholder participation in the dividend reinvestment plan.

	Cents per ordinary share	$'000
Final dividends recommended:	3.5	4,211
Dividends paid in the year:		
Interim dividend paid	9.5	11,250
Previous year final dividend paid	3.5	4,115

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the consolidated entity that occurred during the financial year that have not otherwise been disclosed in this report or the consolidated financial statements.

DIRECTORS' INTERESTS

As at the date of this report, the interests of the directors in the shares, options, or other instruments of Housewares International Ltd were:

	Ordinary Shares	Options
W Wavish	104,727	0
J Hersch	2,143,292	166,666
M Kirkby	511,628	0
S Fisher	246	0
S Klein	101,049	0
J McConnell	60,059	0
J Schmoll	10,000	0

REMUNERATION REPORT

This report outlines the remuneration philosophy agreed to in principal for directors and executives of Housewares International Limited ("the company"). We are currently making steady progress in regard to the implementation of the remuneration philosophy and strategy.

REMUNERATION PHILOSOPHY

The performance of the company depends upon the quality of its directors and executives. To prosper the company must attract, retain, motivate and develop highly skilled directors and executives in order to secure the longevity of the business.

Based on this philosophy, the company embodies in its remuneration strategy and framework a total rewards approach that joins two interrelated outcomes: improved business results and a focus on moving towards a performance based culture.

The following principles define the remuneration framework:

- Provision of competitive remuneration (in terms of fixed and variable pay) to attract high calibre and adept executives;
- Return and benefit to the shareholder and linking of executive reward to shareholder value and business results;
- Drive desired value creation and desired behaviours in the workforce, including establishment of demanding performance hurdles in relation to variable executive remuneration; and
- Reinforcement of the overall business strategy and organizational success.

REMUNERATION COMMITTEE

The remuneration committee of the board of directors of the company is responsible for determining and reviewing the total compensation arrangements for directors and the senior executive team.

The remuneration committee assesses the appropriateness of the nature and amount of remuneration of directors and senior executives on an annual basis by reference to relevant market conditions and by also taking into consideration internal relativities.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive and senior executive remuneration is separate and distinct.

NON-EXECUTIVE DIRECTOR REMUNERATION

Objective

The board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of high calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided by the board between the directors. The last determination was at the general meeting held in November 2002 when shareholders approved an aggregate remuneration of $300,000.

The remuneration of non-executive directors is reviewed annually.

Each director receives a fee for being a director of the company. An additional fee is also paid for each director who also acts as chairman of a board committee. The payment of additional fees for acting as chairman of a committee recognizes the additional time commitment required by the director to facilitate the running of the committee.

The remuneration of non-executive directors for the period ending 30 June 2005 is shown in Table 1 on page 22 of this report.

EXECUTIVE DIRECTOR, SECRETARY AND SENIOR EXECUTIVE REMUNERATION

Objective

The company aims to remunerate and reward executives with a level and mix commensurate with their position and responsibilities within the company and to:

- Reward executives for company and individual performance against specific targets set with reference to business objectives and results;
- Align the interest, focus and performance of the executives with those of the shareholders;
- Offer performance based incentives that encourage executives to strive for the achievement of both individual and divisional results;
- Attract and retain talented executives; and
- Ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the remuneration committee engages an external consultant on an annual basis to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executives roles across all global locations. The group human resources manager provides a summary of the report and recommendations to the remuneration committee for consideration.

It is the remuneration committee's policy that employment contracts are entered into with the executive directors. Details of the contracts are provided on page 21.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration
  - Short Term Incentive (STI); and
  - Long Term Incentive (LTI)

The proportion of the fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each senior manager by the remuneration committee.

FIXED REMUNERATION

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the remuneration committee and the process consists of reviewing performance, relevant comparative market remuneration, internal relativities and, where appropriate, external advice on policies and practices. As noted above, the committee has access to external advice independent of management when required.

Structure

Senior executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

VARIABLE REMUNERATION – SHORT TERM INCENTIVE (STI)

Objective

The objective of the STI program is to reward senior executives on the achievement of performance objectives, providing them with the opportunity to earn over and above their fixed remuneration should the agreed objectives be achieved. Executives are eligible to earn a percentage of their base pay, ranging from 10% to 50% based on their position and seniority in the company. The incentive payment is based on the achievement of individual and group objectives and is split on the basis of 60% and 40% respectively.

The principal objectives of the plan are:

- to ensure that the company delivers its primary financial measures and targets on an annual basis to deliver sustainable performance and continuing growth;
- to achieve the business goals through rewarding individual contribution and performance; and
- to promote and facilitate the concept of shared ownership whereby executives who contribute to the success of the company will also share in that success.

The total potential STI available is set at a level so as to provide sufficient incentive to the senior executives to achieve operational targets and such that the cost to the company is reasonable.

Structure

Actual STI payments to each senior executive are dependent on the extent to which the specific operating targets set at the commencement of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance. The company has predetermined benchmarks which must be met in order to trigger payments under the short term incentive scheme and these are varied on a yearly basis in line with the annual budgeting process.

On an annual basis, after consideration of performance against the established KPI's, incorporating both individual and group objectives, a review is undertaken by the remuneration committee to determine the amount, if any, of the short term incentive payment each executive is eligible to receive.

The aggregate of the annual STI payments available for executives across the company is subject to the approval of the remuneration committee and payments are typically paid as a cash bonus.

VARIABLE REMUNERATION – LONG TERM INCENTIVE (LTI)

Executive directors and senior executives who have the ability to influence the long term future of the company receive long term incentives through share options. Options may be issued in accordance with the Senior Executive Option Plan ("SEOP"). The SEOP is currently under review and this review will be finalised in the near future. Any further issue of options is on hold until the new plan rules have been finalised.

EMPLOYMENT CONTRACTS

The executive directors, Mr W. Wavish, Mr J. Hersch, and Mr M. Kirkby are employed under contract. The details of the current contracts are provided below.

Mr. William Wavish

Mr Wavish accepted a short-term part-time executive role on 8 April 2005. The company is currently in the process of negotiating an appropriate contract to reflect his appointment. No executive remuneration was paid to Mr Wavish during the financial year.

Mr. Joseph Hersch

The current employment contract commenced on 1 July 2005 and terminates on 30 June 2007. Under the terms of the present contract:

- Mr Hersch may resign by giving six months written notice.
- The company may terminate this employment agreement by providing 12 months written notice or provide payment in lieu of the notice period (based on the fixed component of Mr Hersch's remuneration).
- The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the executive director is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

Mr. Mark Kirkby

The current employment contract for Mr Kirkby commenced on 1 June 2005. Under the terms of the present contract:

- Mr. Kirkby may resign by giving six months written notice, if resignation is prior to 30 June 2006. If resignation is after 30 June 2006, Mr Kirkby may resign by giving one month's notice.
- The company may terminate this employment agreement by providing one month's notice and 12 months payment (based on the fixed component of Mr Kirkby's remuneration).
- The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the executive director is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

Specified Executives

Other than as specified in this report, none of the specified executives have fixed term employment contracts. Consequently, amounts payable on termination may vary from a minimum statutory entitlement to a maximum of 12 months. In accordance with the terms of the Senior Executive Option Plan any options not vested at the date of termination will be forfeited, unless otherwise determined by the board.

Table 1: Director Remuneration for the year ended 30 June 2005 (Audited)

		Primary			Post Employment		Equity	Other	Total
Includes:		Salary & Fees	Cash STI	Non Monetary benefits	Superannuation	Retirement benefits	Options @	Termination & accrued entitlements	
Directors									
W Wavish	2005	$49,128	$–	$–	$4,422	$–	$–	$–	$53,550
J Hersch	2005	$521,447	$–	$37,486	$48,697	$–	$26,247	$–	$633,877
	2004	$512,504	$–	$40,568	$52,853	$–	$54,334	$–	$660,259
M Kirkby	2005	$411,112	$–	$19,507	$61,667	$–	$1,884	$–	$494,170
	2004	$405,652	$–	$14,409	$68,348	$–	$7,164	$–	$495,573
S Fisher	2005	$27,634	$–	$–	$2,487	$–	$–	$–	$30,121
S Klein ^	2005	$49,050	$–	$–	$–	$–	$–	$–	$49,050
	2004	$36,787	$–	$–	$–	$–	$–	$–	$36,787
J McConnell	2005	$50,000	$–	$–	$4,500	$–	$–	$–	$54,500
	2004	$48,750	$–	$–	$4,388	$–	$–	$–	$53,138
J Schmoll	2005	$30,705	$–	$–	$2,763	$–	$–	$–	$33,468
F Jones	2005	$33,333	$–	$–	$–	$–	$–	$–	$33,333
	2004	$71,250	$–	$–	$6,413	$–	$–	$–	$77,663
P Morgan	2005	$20,833	$–	$–	$–	$–	$–	$–	$20,833
	2004	$48,750	$–	$–	$4,388	$–	$–	$–	$53,138
Total Remuneration: Specified Directors									
	2005	$1,193,242	$–	$56,993	$124,536	$–	$28,131	$–	$1,402,902
	2004*	$1,274,709	$–	$66,079	$157,842	$–	$61,498	$645,619	$2,205,747

Notes

* Group totals in respect of the financial year ended 2004 do not necessarily equal the sums of amounts disclosed for 2004 for individuals specified in 2005, as different individuals were specified in 2004.

@ Options granted as part of remuneration have been valued either using the Binomial or Black Scholes pricing models, which take account of factors such as the option exercise price, the current level and volatility of the underlying share price, and the time to maturity of the option. The valuations are then allocated over the vesting period of the options. Each option entitles the holder to purchase 1 ordinary share in Housewares International Limited. Details of the terms and conditions of the options are set out in note 29.

^ Mr Klein's fees are paid to Arnold Bloch Leibler, a firm of which he is a partner. Accordingly these fees are subject to GST. The amounts shown above are net of GST.

Table 2: Remuneration of Specified Executives and the 5 named executives who received the highest remuneration for the year ended 30 June 2005 (Audited)

		Primary			Post Employment		Equity	Other	Total
Includes:		Salary & Fees	Cash STI	Non Monetary benefits	Superan-nuation	Retirement benefits	Options @	Termination & accrued entitlements	
Specified Executives #									
V Cheung	2005	$384,550	$73,906	$22,380	$31,908	$–	$4,129	$–	$516,873
	2004	$382,508	$73,043	$15,559	$31,192	$–	$9,476	$–	$511,778
M Delauney	2005	$206,541	$30,000	$21,415	$21,012	$–	$4,129	$–	$283,097
R Hoare	2005	$196,329	$34,750	$25,621	$20,677	$–	$2,753	$–	$280,130
L Jackson	2005	$134,119	$–	$16,844	$12,072	$–	$2,753	$–	$165,788
	2004	$125,356	$15,000	$18,397	$13,208	$–	$6,317	$–	$178,278
B Liu	2005	$248,011	$–	$29,025	$9,920	$–	$–	$–	$286,956
	2004	$204,997	$86,768	$26,425	$8,200	$–	$–	$–	$326,390
M Melis	2005	$193,681	$50,000	$26,978	$17,431	$–	$16,907	$–	$304,997
Total Remuneration: Specified Executives									
	2005	$1,363,231	$188,656	$142,263	$113,020	$–	$30,671	$–	$1,837,841
	2004*	$1,103,986	$174,811	$131,492	$76,278	$–	$25,269	$–	$1,511,836

Notes

* Group totals in respect of the financial year ended 2004 do not necessarily equal the sums of amounts disclosed for 2004 for individuals specified in 2005, as different individuals were specified in 2004.

@ Options granted as part of remuneration have been valued either using the Binomial or Black Scholes pricing models, which take account of factors such as the option exercise price, the current level and volatility of the underlying share price, and the time to maturity of the option. The valuations are then allocated over the vesting period of the options. Each option entitles the holder to purchase 1 ordinary share in Housewares International Limited. Details of the terms and conditions of the options are set out in Note 29.

Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity.

^ Short term incentives, which were all paid in cash, were awarded to the executives in accordance with the remuneration policy concerning such incentives as outlined on page 20 and in all cases 100% of the bonus or grant was paid in relation to the relevant financial year, with none forfeited or carried forward.

Table 3: Options as part of remuneration for the year ended 30 June 2005 (in accordance with the LTI Plan)(Audited)

	Options Granted *Value at grant date*	Options Exercised *Value at exercise date*	Options Lapsed *Value at lapse date*	Total value of options granted, exercised or lapsed	Value of options included in remuneration	% of total remuneration
Specified Directors						
J Hersch	N/A	$613,333	N/A	$613,333	$26,247 (a)	4.14
M Kirkby	N/A	$426,665	N/A	$426,665	$1,884 (b)	0.38
Specified Executives						
V Cheung	N/A	$–	N/A	$–	$4,129 (c)	0.80
M Melis	N/A	$–	N/A	$–	$16,907 (d)	5.54
M Delauney	N/A	$–	N/A	$–	$4,129 (c)	1.46
R Hoare	N/A	$–	N/A	$–	$2,753 (e)	0.98
L Jackson	N/A	$44,800	N/A	$44,800	$2,753 (e)	1.66

(a) 500,000 options were granted on the 6 December 2001. A Black Scholes valuation has assessed an indicative value of the options at the date of issue as being $37,550 (7.51 cents per option). The current financial year allocation of the valuation is $1,816.

250,000 options were granted on the 13 June 2003. A Binomial valuation has assessed an indicative value of the options at the date of issue as being $84,165 (33.67 cents per option). The current financial year allocation of the valuation is $24,431.

(b) 500,000 options were granted on the 6 December 2001. A Black Scholes valuation has assessed an indicative value of the options at the date of issue as being $38,950 (7.79 cents per option). The current financial year allocation of the valuation is $1,884.

(c) 90,000 options were granted on the 31 July 2002. A Binomial valuation has assessed an indicative value of the options at the date of issue as being $29,097 (32.33 cents per option). The current financial year allocation of the valuation is $4,129.

(d) 90,000 options were granted on the 15 April 2004. A Binomial valuation has assessed an indicative value of the options at the date of issue as being $33,003 (36.67 cents per option). The current financial year allocation of the valuation is $16,907.

(e) 60,000 options were granted on the 31 July 2002. A Binomial valuation has assessed an indicative value of the options at the date of issue as being $19,398 (32.33 cents per option). The current financial year allocation of the valuation is $2,753.

Table 4: Elements of Remuneration

	% of remuneration related to performance	% of remuneration not related to performance
Specified Directors		
W Wavish	0.00	100.00
J Hersch	4.14	95.86
M Kirkby	0.38	99.62
S Fisher	0.00	100.00
S Klein	0.00	100.00
J McConnell	0.00	100.00
J Schmoll	0.00	100.00
F Jones	0.00	100.00
P Morgan	0.00	100.00
Specified Executives		
V Cheung	15.10	84.90
M Melis	21.94	78.06
B Liu	0.00	100.00
M Delauney	12.06	87.94
R Hoare	13.39	86.61
L Jackson	1.66	98.34

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Full Board	Audit & Risk	Remun-eration
Number of Meetings	14	6	2
W Wavish	8 (c)^	1 ^	1 ^
J Schmoll	8 +	4 (c)+	1 +
J McConnell	14	6	2 (c)
S Klein	14	6	2
S Fisher	8 !	4 !	1 !
M Kirkby	14	–	–
J Hersch	14	–	–
F Jones	6 #	2 #	1 #
P Morgan	5 *	2 *	1 *

Notes:

(c) Designates the current chairman of the board or committee.

– Designates that the director was not a member of the applicable committee during the year.

^ W Wavish attended all board meetings held subsequent to his appointment as chairman on 19 November 2004, and attended all meetings of committees of which he was a member, prior to his appointment as executive chairman on 8 April 2005.

+ J Schmoll attended all board and committee meetings held subsequent to his appointment on 19 November 2004.

! S Fisher attended all board and committee meetings held subsequent to his appointment on 19 November 2004.

F Jones attended all board and committee meetings held prior to his retirement on 23 November 2004.

* P Morgan attended 5 out of 6 board and all committee meetings held prior to his resignation on 23 November 2004.

COMMITTEE MEMBERSHIP

As at the date of this report, the company had an audit and risk committee and a remuneration committee of the board of directors. The details of the functions and memberships of the committees of the board are presented in the Corporate Governance Statement.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Salary continuance insurance arrangements previously established were continued during 2005. The insurance premium relevant to each employee has been allocated in the emoluments disclosure.

Housewares International Limited paid an insurance premium of $88,350 in respect of directors' and officers' liability insurance, insuring each of the directors named earlier in this report and all executive officers of the consolidated entity from all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. The premium has not been allocated for the purposes of the emoluments disclosure.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Disclosure of information as to likely developments in the operations of the consolidated entity and expected results of those operations would be prejudicial to the interests of the consolidated entity. Accordingly, such information has not been included in this report.

ENVIRONMENTAL REGULATIONS

The consolidated entity is not involved in any activities that have a marked influence on the environment within its area of operation.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Housewares International Ltd support the principles of corporate governance. The company's Corporate Governance Statement is contained in the annual report.

AUDITOR'S DECLARATION OF INDEPENDENCE

Attached is a copy of the auditor's declaration provided under section 307C of the Corporations Act 2001 in relation to the audit for the year ended 30 June 2005. This auditor's declaration forms part of this directors' report.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services	$115,250
Tax consolidation	$20,750
Conversion to AIFRS	$5,500
Assurance related	$55,000

SIGNIFICANT EVENTS AFTER YEAR END

Subsequent to 30 June 2005, the directors have declared a fully-franked final dividend of 3.5 cents per share (2004: 3.5 cents per share). In accordance with the group's accounting policy no liability is recognised at 30 June 2005.

No other matters or circumstances have arisen since the end of the year, which significantly affected or may affect the operations of the consolidated entity.

Signed in accordance with a resolution of directors.

William Wavish
Chairman

Mark Kirkby
Director

Sydney
29 August 2005

Corporate Governance Statement

PREAMBLE

The board of directors ("board") of Housewares International Limited ("HWI") is responsible for the corporate governance of the consolidated entity. There is no single model of good corporate governance and therefore what constitutes good corporate governance for HWI will evolve with its changing circumstances and will be tailored to meet those circumstances.

The format of the corporate governance statement reflects the Australian Stock Exchange ("ASX") Corporate Governance Council's ("council") "Principles of Good Corporate Governance and Best Practice Recommendations". The council's principles are as follows:

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the board to add value
Principle 3.	Promote ethical and responsible decision-making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Encourage enhanced performance
Principle 9.	Remunerate fairly and responsibly
Principle 10.	Recognise the legitimate interests of stakeholders

The council explains that the best practice recommendations are not prescriptive, but provide a framework to help companies provide meaningful and comparable disclosure about their governance practices. It also explains that these best practice recommendations are aspirational statements, which may not represent best practice in all situations.

The company's corporate governance practices throughout the year ended 30 June 2005 were compliant with the council's best practice recommendations, except for those differences disclosed and explained in this statement.

The following documents are available on the corporate governance section of the company's website, www.housewares.com.au:

- selection and appointment of directors
- criteria for assessing independence
- code of conduct
- continuous disclosure policy
- share trading policy
- shareholder communications policy
- board charter
- audit and risk committee charter
- remuneration committee charter

Director	Appointed	Term in office	Non -executive	Independent	Last elected	Seeking election or re-election in 2005
William Wavish (chairman)	2004	1 year	No	No	–	Yes
Joseph Hersch	2001	4 years	No	No	2004	No
Mark Kirkby	2001	4 years	No	No	–	Yes
Steven Fisher	2004	1 year	Yes	No	–	Yes
Steven Klein	2003	2 years	Yes	No	2003	No
John McConnell	1999	6 years	Yes	Yes	2003	No
John Schmoll	2004	1 year	Yes	Yes	–	Yes

ROLE OF THE BOARD AND MANAGEMENT

The board guides and monitors the business and affairs of HWI on behalf of the shareholders, by whom it is elected, and to whom it is accountable. The board has adopted formal guidelines for board operation and membership. These guidelines outline the roles and responsibilities of the board and its members, and establish the relationship between the board and management.

The board is responsible for approving the strategic direction of the company, establishing goals for management and monitoring the achievement of those goals, and establishing a sound system of risk oversight and management. The board will regularly review its performance and the performance of its committees.

BOARD STRUCTURE

Board composition

The company's constitution states that there must be a minimum of three directors and contains detailed provisions concerning the tenure of directors. The board currently comprises four non-executive directors and three executive directors (including the chairman).

The directors' report, on page 16, outlines the relevant skills, experience, and expertise held by each director in office at the date of the annual report.

Director independence

In considering whether a director is independent, the board refers to the company's "Criteria for assessing independence of directors", which are consistent with the council's best practice recommendations. Independent directors of HWI are those that are not involved in the day-to-day management of the company and are free from any real or reasonably perceived business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement.

In accordance with the definition of independence above, and the materiality thresholds outlined in the company's 'Criteria for assessing independence for directors' policy, it is the board's view that Mr John McConnell and Mr John Schmoll are independent directors. The following directors are not independent directors:

- Mr William Wavish (executive chairman);
- Mr Steven Klein (non-executive director) is a partner of Arnold Bloch Leibler, which is a professional adviser to the company;
- Mr Steven Fisher (non-executive director) is employed by an entity associated with a substantial shareholder of HWI;
- Mr Mark Kirkby (executive director); and
- Mr Joseph Hersch (executive director).

Regardless of whether directors are defined as independent, all directors are expected to bring independent views and judgment to board deliberations.

Majority independence

Three non-executive directors were appointed during the year. However, as noted below Mr Wavish has consented to act as an executive chairman for an interim period, and Mr Fisher is considered not to be independent for the reason noted above.

As such, the majority of the board is not considered to be independent as at the date of this report.

Notwithstanding this, the board supports the comments made by the ASX Implementation Review Group ("IRG") that: *"Other board structures which do not include a majority of independent directors may also provide an acceptable level of objectivity. The IRG does not believe that an individual director will necessarily be unwilling or unable to safeguard shareholders' interests or will necessarily lack objectivity or independence of mind, simply because they are not deemed to be 'independent'. Safeguarding shareholder interests is a fundamental duty of all directors."*

Independent chairman

Mr William Wavish was appointed on 19 November 2004, as non-executive chairman. In April 2005, the company advised that Mr Wavish would assume a part-time executive role for an interim period until an appropriate point in the homewares division restructure, at which time he will return to an independent, non-executive role. Consequently, he is not currently considered to be independent.

Mr Frank Jones was the chairman until his resignation on 23 November 2004. Mr Jones was not considered to be independent by virtue of the fact that he was at that time a director of a substantial shareholder of HWI.

Material personal interest requirement

The Corporations Act provides that unless agreed by the board, where any director has a material personal interest in a matter, the director will not be permitted to be present during discussions, or to vote on the matter.

Access to independent advice

There are procedures in place to enable directors, in connection with their duties and responsibilities as directors, to seek independent professional advice at the expense of the company.

BOARD STRUCTURE (CONTINUED)

Nomination committee

During the year ended 30 June 2005, the company did not have a separately established nomination committee. All duties and responsibilities typically delegated to such a committee are the responsibility of the full board. Although the council's best practice recommendation 2.4 recommends that a nomination committee can be a more efficient mechanism for the detailed examination of selection and appointment practices, particularly in larger companies, the board does not believe at this time that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

CODE OF CONDUCT

The board has formally adopted a code of conduct ("code") for all employees (including directors). The code aims at maintaining the highest ethical standards, corporate behaviour, and accountability across the group.

These obligations are also consistent with the duties imposed on directors by the Corporations Act. In addition, directors are obliged to be independent in judgment and to ensure that all reasonable steps are taken to be satisfied as to the soundness of board decisions.

AUDIT AND RISK COMMITTEE

The board has an audit and risk committee (A&RC), which operates under a charter approved by the board. It is the board's responsibility to ensure that an effective internal control framework exists within the consolidated entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards of HWI to the A&RC.

Among its responsibilities, the A&RC:

- reviews all published accounts of the group;
- recommends to the board the appointment and remuneration of the external auditors;
- reviews the scope of external audits;
- assesses the performance and independence of the external auditors, including procedures governing partner rotation;
- reviews corporate governance practices; and
- monitors and assesses the systems for internal compliance and control, legal compliance, and risk management.

Composition of committee

The current members of the A&RC are:

- Mr John Schmoll (chairman)
- Mr Steven Klein
- Mr John McConnell

The directors' report, on page 25, outlines the number of A&RC meetings held during the year and the names of the attendees at those meetings. It also outlines the qualifications of A&RC members on page 16.

The executive directors, company secretary, chief financial officer, the external auditors, and any other persons considered appropriate attend meetings of the A&RC by invitation. The committee also meets from time to time with the external auditors independent of management.

In accordance with the council's best practice recommendation 4.3, the A&RC comprises:

- only non-executive directors;
- an independent chairman, who is not chairman of the board; and
- at least three members.

The current composition of the A&RC contains a majority of independent directors, as recommended by the council.

RISK IDENTIFICATION AND MANAGEMENT

The company is committed to the identification, monitoring, and management of risks associated with its business activities, and has embedded in its management and reporting systems a number of risk management controls. These include:

- guidelines and limits for approval of capital expenditure;
- policies and procedures for the management of financial risk and treasury operations including exposures to foreign currencies and movements in interest rates; and
- annual budgeting and monthly reporting systems for all businesses which enable the monitoring of progress against performance targets and the evaluation of trends.

Management is ultimately responsible to the board for the system of internal control and risk management. The A&RC assists the board in monitoring this function.

PERFORMANCE

The performance of the board and key executives is reviewed regularly against both measurable and qualitative indicators. This involves an assessment of the performance of each board member and key executives against specific and measurable qualitative and quantitative performance criteria, and includes:

- financial measures of the company's performance;
- achievement of strategic objectives;
- development of management and staff;
- compliance with legislative and company policy requirements; and
- achievement of key performance indicators.

Whilst no review was conducted in the reporting period due to the changes in the composition of the board, it has been placed on the agenda of the remuneration committee for the next reporting period.

REMUNERATION

Remuneration committee

The board has a remuneration committee, comprising the following directors:

- Mr John McConnell (chairman)
- Mr Steven Fisher
- Mr Steven Klein
- Mr John Schmoll

In accordance with the council's best practice recommendation 9.2, the remuneration committee comprises:

- a majority of non-executive directors;
- an independent chairman, who is not chairman of the board; and
- at least three members.

For details on the number of meetings of the remuneration committee held during the year and the attendees at those meetings, refer to the directors' report on page 25.

Remuneration policy

Details of the company's remuneration policy are contained in the remuneration report contained in the directors' report on pages 19 to 25.

Remuneration Disclosure

For details of the amount of remuneration and all monetary and non-monetary components for each of the five highest paid (non-director) executives during the year, and for all directors, refer to the remuneration report contained in the directors' report on pages 19 to 25.

FINANCIAL STATEMENTS 2005

Statement of Financial Performance

Year ended 30 June 2005

		Consolidated		Parent	
	Note	30 June 2005 $'000	30 June 2004 $'000	30 June 2005 $'000	30 June 2004 $'000
Sales revenue	2(a)	441,047	457,616	0	0
Cost of sales		(255,312)	(270,853)	0	0
Other costs related to the sale of goods	2(b)	(72,237)	(68,366)	0	0
Gross profit		**113,498**	**118,397**	**0**	**0**
Other revenues from ordinary activities	2(a)	1,683	1,547	15,488	12,745
Share of net profits / (losses) of joint venture partnerships accounted for using equity method	9(b)	(577)	99	0	0
Employee expenses		(48,784)	(45,862)	0	0
Advertising expense		(8,460)	(8,128)	0	0
Depreciation & amortisation expense	2(b)	(5,612)	(5,271)	0	0
Premises, lease & utilities expenses		(14,396)	(12,373)	0	0
Borrowing costs expense	2(b)	(6,275)	(5,370)	0	0
Other expenses from ordinary activities		(6,587)	(7,550)	(20)	0
Underlying profit before income tax expense and specific expenses		24,490	35,489	15,468	12,745
Specific expenses:					
– Restructuring costs related to the Homewares business (including inventory clearance program)		(6,431)	(1,451)	0	0
– Surplus lease space arising on Rydalmere warehouse closure		(1,662)	0	0	0
Profit from ordinary activities before income tax expense		**16,397**	**34,038**	**15,468**	**12,745**
Income tax expense relating to ordinary activities	3	(3,166)	(11,180)	(31)	(62)
Net profit attributable to members of Housewares International Limited	23	**13,231**	**22,858**	**15,437**	**12,683**
Net exchange difference on translation of financial statements of self-sustaining foreign operations	22(b)(i)	(2,656)	(202)	0	0
Share issue costs	21(b)	0	(36)	0	(36)
Total revenues, expenses and valuation adjustments attributable to members of Housewares International Limited and recognised directly into equity		**(2,656)**	**(238)**	**0**	**(36)**
Total change in equity from non-owner transactions attributable to members of Housewares International Limited		**10,575**	**22,620**	**15,437**	**12,647**
Basic earnings per share (cents per share)	24	**11.16**	**19.70**		
Diluted earnings per share (cents per share)	24	**10.94**	**19.20**		
Underlying earning per share (cents per share)		15.27	20.58		
Franked dividend per share (cents per share)	4	13.0	10.5		

The accompanying notes form an integral part of this Statement of Financial Performance.

Statement of Financial Position

At 30 June 2005

		Consolidated		Parent	
	Note	30 June 2005 $'000	30 June 2004 $'000	30 June 2005 $'000	30 June 2004 $'000
Current assets					
Cash assets	25(a)	4,944	7,203	0	0
Receivables	6	63,364	70,761	53,634	47,740
Inventories	7	106,122	93,598	0	0
Other	8	6,923	2,287	0	0
Total current assets		**181,353**	**173,849**	**53,634**	**47,740**
Non-current assets					
Receivables	10	801	983	801	983
Investments accounted for using the equity method	9	6,489	7,246	0	0
Other financial assets	11	0	0	69,429	69,429
Plant and equipment	13	11,346	10,639	0	0
Deferred tax assets	3	7,723	7,111	6	0
Intangibles	14	76,347	78,165	0	0
Other assets	15	1,746	807	0	0
Total non-current assets		**104,452**	**104,951**	**70,236**	**70,412**
Total assets		**285,805**	**278,800**	**123,870**	**118,152**
Current liabilities					
Payables	16	36,473	39,462	0	0
Interest-bearing liabilities	17	9,214	8,022	0	0
Tax liabilities	3	3,100	2,686	37	33
Provisions	18	6,849	6,713	0	0
Total current liabilities		**55,636**	**56,883**	**37**	**33**
Non-current liabilities					
Interest-bearing liabilities	19	69,871	62,400	0	0
Provisions	20	700	771	0	0
Total non-current liabilities		**70,571**	**63,171**	**0**	**0**
Total liabilities		**126,207**	**120,054**	**37**	**33**
Net assets		**159,598**	**158,746**	**123,833**	**118,119**
Equity					
Contributed equity	21	123,686	118,044	123,686	118,044
Reserves	22	(1,892)	764	0	0
Retained profits	23	37,804	39,938	147	75
Total equity		**159,598**	**158,746**	**123,833**	**118,119**

The accompanying notes form an integral part of this Statement of Financial Position.

Statement of Cash Flows

Year ended 30 June 2005

		Consolidated		Parent	
	Note	30 June 2005 $'000	30 June 2004 $'000	30 June 2005 $'000	30 June 2004 $'000
Cash flows from operating activities					
Receipts from customers		481,022	486,162	0	0
Payments to suppliers and employees		(463,333)	(449,177)	0	0
Dividends received		0	0	15,365	12,537
Interest received		368	411	123	208
Borrowing costs paid		(6,319)	(5,427)	0	0
Income taxes paid		(7,386)	(11,973)	(33)	(68)
Net cash flows from operating activities	25(b)	**4,352**	**19,996**	**15,455**	**12,677**
Cash flows from investing activities					
Purchase of plant and equipment	13(a)	(4,732)	(5,642)	0	0
Purchase of other assets	15	(1,153)	(807)	0	0
Proceeds from sale of plant and equipment		309	210	0	0
Distribution from joint venture partnership		151	0	0	0
Purchase of business	25(c)	0	(17,160)	0	0
Investment in SABCO working capital		0	(8,700)	0	0
Purchase of business	25(d)	(465)	(838)	0	0
Net cash flows used in investing activities		**(5,890)**	**(32,937)**	**0**	**0**
Cash flows from financing activities					
Proceeds from borrowings from non related entities		129,118	118,580	0	0
Repayment of borrowings from non related entities		(120,035)	(103,911)	0	0
Payment of dividends on ordinary shares	4(a)	(10,720)	(10,156)	(10,720)	(10,156)
Repayment of borrowings from controlled entities		0	0	(4,735)	(6,109)
Proceeds from repayment of Senior Executive Option Plan loans		1,316	0	0	0
Proceeds from issues of ordinary shares		56	3,624	0	3,624
Payment of share issue costs		0	(36)	0	(36)
Principal repayments finance leases		0	(33)	0	0
Net cash flows from/(used in) financing activities		**(265)**	**8,068**	**(15,455)**	**(12,677)**
Net decrease in cash held		(1,803)	(4,873)	0	0
Cash at the beginning of the financial year		6,634	11,317	0	0
Exchange rate variations on foreign cash balances		(847)	190	0	0
Cash at the end of the financial year	25(a)	**3,984**	**6,634**	**0**	**0**

The accompanying notes form an integral part of this Statement of Cash Flows.

Notes to the Financial Report

Financial year ended 30 June 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention, except for identifiable intangible assets – brand names, measured at fair value.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those applied in the 30 June 2004 Annual Report.

(c) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being Housewares International Limited (the parent company) and its controlled entities as defined in Accounting Standard AASB 1024 *Consolidated Accounts*. A list of controlled entities appears in Note 12 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the parent company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all inter-company balances and transactions, including unrealised profits arising within the consolidated entity are eliminated in full.

(d) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(e) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.

(f) Receivables

Trade debtors are recognised and carried at original invoice amount less a provision for any uncollectible debts.

An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition is accounted for as purchase cost on an average cost basis.

(h) Recoverable amounts of non-current assets

Non-current assets are written down to their recoverable amount when their carrying amount is greater than its recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

(i) Investments

Investments in joint venture partnerships are accounted for under the equity method. The interest in joint venture partnerships is carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial statements.

All other non-current investments are carried at the lower of cost and recoverable amount.

(j) Plant and equipment

The consolidated entity does not own any land or buildings. All plant and equipment is measured at cost and depreciated, so as to write off the net cost or other revalued amount of each asset over its expected useful life.

Owned motor vehicles within plant and equipment are depreciated at 18.75-22.5% on a diminishing basis. The cost of improvements to or on leasehold property is capitalised and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter. All other owned plant and equipment is depreciated over 2 to 5 years on a straight-line basis.

(k) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis. Operating lease incentives, when received, are recognised as a liability and subsequently reduced by allocating lease payments between rental expense and the liability. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance leases

A finance lease is one which effectively transfers substantially all the risks and benefits incidental to ownership of the leased property from the lessor to the lessee. At the beginning of the lease term an asset and a liability will be recognised equal to the present value of the minimum lease payments.

Capitalised leased assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability. The interest expense will be calculated using the interest rate implicit to the outstanding lease liability and charged directly to the Statement of Financial Performance.

(l) Intangibles

Goodwill

At the time of acquisition of a business or shares in a controlled entity, the excess of the cost of acquisition (being the purchase consideration determined as at the date of acquisition, plus costs incidental to the acquisition) over the fair value of identifiable net assets acquired, is initially brought to account as goodwill.

Goodwill is amortised on a straight-line basis over the period during which the benefits are expected to be received, which is currently twenty years.

Brand names

Brand names are included at fair value where fair value has been determined by applying the “relief from royalty” valuation methodology. The fair value adopted was based on a directors’ valuation. The directors believe that the brand names have a very long useful life of not less than forty years. Brand names are not amortised because the directors consider that they could always dispose of the brand names in the foreseeable future for an amount in real terms that is not less than their current carrying value.

(m) Research & development costs

Research costs are expensed as incurred. Product development costs are expensed as incurred, except to the extent that they meet the criterion for deferral.

Costs incurred during the financial year on a product development project are deferred to future financial years only to the extent that such costs, together with unamortised deferred costs in relation to that project, are expected beyond any reasonable doubt to be recoverable. Product development costs that did not previously meet the criterion for deferral and were charged to the profit and loss account are not written back in the light of subsequent events.

Deferred product development project costs shall be amortised over the period in which the related benefits are expected to be realised, generally up to a maximum of three years. Amortisation commences with the commercialisation of the product.

(n) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(o) Interest-bearing liabilities

Bills payable are recognised when issued at the amount of the net proceeds received, with the premium on issue amortised over the period to maturity. Interest is recognised as an expense on an effective yield basis.

Redeemable preference shares that exhibit characteristics of liabilities are recognised as “deferred cash settlement” in the Statement of Financial Position. The corresponding dividends are charged as an interest expense in the Statement of Financial Performance.

Finance lease liability is determined in accordance with the requirements of AASB 1008 *Leases*.

(p) Provisions

Provisions are recognised when the consolidated entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for warranty and faulty goods is recognised for all products under warranty or legislative obligation at the reporting date based on sales volume and past experience of the level of repairs and returns.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

A provision for restructuring is recognised for the expected costs associated with the restructuring of the Homewares business. The provision is based on the best estimate of the direct expenditures to be incurred which are both directly and necessarily caused by the restructuring and not associated with the ongoing activities of the consolidated entity.

(q) Employee benefits

Provision is made for benefits accruing to employees, accumulated as a result of employees rendering services up to the reporting date, when it is probable that settlement will be required and they are capable of being measured reliably. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Provisions made in respect of wages and salaries, annual leave, sick leave and any other employee benefits (including long service leave) expected to be settled within 12 months of the reporting date, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of other employee benefits (including long service leave) which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

The value of the equity-based compensation scheme described in Note 29 is not being recognised as an employee benefits expense.

(r) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(s) Senior Executive Option Plan

Certain senior executives and employees are entitled to participate in the company's Senior Executive Option Plan. The details of the scheme are set out in Note 29. No remuneration expense is recognised in the Statement of Financial Performance in respect of employee shares and options issued.

Under the terms and conditions of the Senior Executive Option Plan, employees are entitled to apply for a company loan to fund the issue of shares for a fixed period of time. Until the loan is repaid in full, employees are unable to deal in shares issued under the plan.

Company loans granted in relation to the Senior Executive Option Plan are disclosed as assets in the Statement of Financial Position.

(t) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods and disposal of assets

The consolidated entity has passed control of the goods or other assets to the buyer. The transfer of control coincides with the earlier of the transfer of legal title or the passing of possession to the buyer.

Interest

The consolidated entity controls the right to receive the interest payment, as it accrues.

Dividends

The consolidated entity controls the right to receive the dividend payment, when it is declared.

(u) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable, to the taxation authority.

(v) Income tax

Tax effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

(w) Foreign currency

Translation of financial reports of overseas operations

All overseas operations are deemed self-sustaining, as each is financially and operationally independent of Housewares International Limited. The financial reports of overseas operations are translated using the current rate method and any exchange differences are taken directly to the foreign currency translation reserve.

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Except for certain specific hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year. Any gains or costs on entering a hedge are deferred and amortised over the life of the contract.

Specific hedges

Where a purchase is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase and costs, premiums and discounts relative to the hedging transaction are deferred and included in the measurement of the purchase. Exchange gains and losses arising on the hedge transaction after that date are taken to net profit.

Hedges of foreign operations

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation, together with hedges of such monetary items and related tax effects, are eliminated against the foreign currency translation reserve on incorporation of the foreign operation's financial report into the financial report of Housewares International Limited.

(x) Derivative financial instruments

Forward exchange

The consolidated entity enters into forward exchange contracts and put options where it agrees to buy specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from purchases in foreign currencies, to protect the consolidated entity against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than 12 months.

Exchange gains or losses on forward exchange contracts are charged to the Statement of Financial Performance except those relating to hedges of specific commitments that are deferred and included in the measurement of the purchase.

Interest rate swaps

The consolidated entity enters into interest rate swap agreements that are used to convert the short term fixed interest rate of its short-term borrowings to medium-term fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates.

It is the company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

(y) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and any preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognized as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

	Note	Consolidated 30 June 2005 $'000	Consolidated 30 June 2004 $'000	Parent 30 June 2005 $'000	Parent 30 June 2004 $'000
NOTE 2. REVENUES AND EXPENSES FROM ORDINARY ACTIVITIES					
Profit from ordinary activities before income tax expense includes the following revenue and expenses whose disclosure is relevant in explaining the financial performance of the entity:					
(a) Revenue from ordinary activities					
Revenues from operating activities					
Revenue from sale of goods		441,047	457,616	0	0
Revenue from non-operating activities					
Interest from unrelated persons		368	411	123	208
Gross proceeds from the sale of non-current assets	(i)	309	210	0	0
Dividends receivable					
– wholly owned group		0	0	15,365	12,537
Foreign exchange translation gains		780	604	0	0
Other		226	322	0	0
Total revenue from non operating activities		1,683	1,547	15,488	12,745
Total revenue from ordinary activities		442,730	459,163	15,488	12,745
(i) Loss on sale of plant and equipment		(101)	(109)	0	0
(b) Expenses from ordinary activities					
Other costs related to the sale of goods:					
Rebates paid / payable to customers		41,903	39,234	0	0
Costs of delivering goods to customers		20,169	19,703	0	0
Discounts and returns		10,871	10,263	0	0
Provision for diminution in value of inventory		(836)	(983)	0	0
Other costs		130	149	0	0
		72,237	68,366	0	0
Depreciation and amortisation:					
Depreciation of plant and equipment	13(a)	3,580	3,535	0	0
Amortisation of leased assets	13(a)	0	4	0	0
Amortisation of deferred product development costs		214	0	0	0
Amortisation of goodwill	14(a)	1,818	1,732	0	0
		5,612	5,271	0	0
Borrowing costs:					
Interest paid or payable					
– Other interest bearing liabilities		5,152	4,036	0	0
– Redeemable preference shares		49	243	0	0
– Finance lease		0	1	0	0
Other borrowing costs		1,074	1,090	0	0
		6,275	5,370	0	0

	Consolidated		Parent	
	30 June 2005 $'000	30 June 2004 $'000	30 June 2005 $'000	30 June 2004 $'000
NOTE 2. REVENUES AND EXPENSES FROM ORDINARY ACTIVITIES *(continued)*				
Other expense items:				
Bad and doubtful debts	(370)	(475)	20	0
Operating lease rentals	7,648	8,136	0	0
Provision for employee entitlements	3,884	3,816	0	0
Research and product development costs	4,374	4,700	0	0
NOTE 3. INCOME TAX				
The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows:				
Profit from ordinary activities	16,397	34,038	15,468	12,745
Prima facie tax thereon at 30%	4,919	10,211	4,640	3,823
Tax effect of permanent and other differences:				
– amortisation of goodwill	550	520	0	0
– research and development concession	(686)	(60)		
– rebateable dividends	0	0	(4,609)	(3,761)
– other items (net)	125	59	0	0
Adjustments relating to prior periods	(828)	(4)	0	0
Effect of different rates of tax on overseas income	(914)	454	0	0
Total income tax attributable to ordinary activities	3,166	11,180	31	62
Represented by:				
Income tax relating to:				
– ordinary activities, excluding specific expenses	6,388	11,648	31	62
– specific expenses	(3,222)	(468)	0	0
Deferred tax assets and liabilities				
Deferred tax asset – non-current	7,723	7,111	6	0
Tax liabilities – current	3,100	2,686	37	33

	Note	Consolidated 30 June 2005 $'000	Consolidated 30 June 2004 $'000	Parent 30 June 2005 $'000	Parent 30 June 2004 $'000
NOTE 4. DIVIDENDS					
(a) Dividends paid during the year					
Franked dividends paid in cash					
– Current year interim dividend (9.5 cents per share) (2004: 7.0 cents)		7,432	6,532	7,432	6,532
– Previous year final dividend (3.5 cents per share) (2004: 4.0 cents)		3,288	3,624	3,288	3,624
Total franked dividends paid in cash		10,720	10,156	10,720	10,156
Franked Dividends reinvested					
– Current year interim dividend (9.5 cents per share) (2004: 7.0 cents)		3,818	1,626	3,818	1,626
– Previous year final dividend (3.5 cents per share) (2004: 4.0 cents)		827	949	827	949
Total franked dividends reinvested		4,645	2,575	4,645	2,575
Total franked dividends		15,365	12,731	15,365	12,731
(b) Dividends proposed and not recognised as a liability					
– Franked final dividend (3.5 cents per share) (2004: 3.5 cents)	34	4,211	4,106	4,211	4,106
Franking credit balance The amount of franking credits available for the subsequent financial year using the franking rate applicable at 30 June 2005 are as follows:					
Franking credit balance as at the end of the financial year at 30%				15,779	15,509
Franking credits/(debits) that will arise from the payment/(refund) of income tax payable as at the end of the financial year				(418)	1,597
Franking debits that will arise from the payment of dividends as at the end of the financial year				0	0
				15,361	17,106

The tax rate at which paid dividends have been franked is 30% (2004: 30%).
Dividends proposed will be franked at the rate of 30% (2004: 30%).

NOTE 5. SEGMENT INFORMATION

Segment products and locations

The consolidated entity's operating companies are organised and managed separately according to their geographic location. As the consolidated entity provides similar product offerings to each geographic location and serves the one wholesale market there is no secondary business segment disclosed.

Geographically, the group operates in four predominant segments, being Australia, New Zealand, Hong Kong and North America. The head office activities of the group take place in Australia.

Segment reporting – Primary segment – Geographic segments

30 June 2005	Australia $'000	New Zealand $'000	Hong Kong $'000	Nth America $'000	Eliminations $'000	Consolidated $'000
Revenue						
Sales to customers outside the consolidated entity	323,271	47,956	19,848	49,972	0	441,047
Other revenue from outside the consolidated entity	561	121	114	30	489	1,315
Inter segment revenue	744	0	0	0	(744)	0
Total segment revenue	**324,576**	**48,077**	**19,962**	**50,002**	**(255)**	**442,362**
Unallocated revenue						368
Total revenues from ordinary activities						**442,730**
Share of net profits/(losses) of joint venture partnership						(577)
Total consolidated revenue						**442,153**
Results						
Segment result	**12,177**	**2,525**	**5,381**	**2,176**	**(1,028)**	**21,231**
Unallocated expenses						(4,834)
Consolidated entity profit from activities before income tax expense						**16,397**
Income tax expense						(3,166)
Consolidated entity profit from ordinary activities after income tax expense						**13,231**
Segment assets						
Segment assets	228,365	19,934	3,188	33,215	(9,990)	274,712
Unallocated assets						11,093
Total assets						**285,805**
Segment liabilities						
Segment liabilities	32,100	6,309	2,502	3,551	(439)	44,023
Unallocated liabilities						82,184
Total liabilities						**126,207**
Other segment information						
Equity accounted investments included in segment assets	236	0	0	6,253	0	6,489
Acquisition of plant and equipment	5,602	142	8	133	0	5,885
Depreciation	3,456	141	48	149	0	3,794
Amortisation	954	0	0	0	864	1,818

NOTE 5. SEGMENT INFORMATION *(continued)*

Segment reporting – Primary segment – Geographic segments

30 June 2004	**Australia** $'000	**New Zealand** $'000	**Hong Kong** $'000	**Nth America** $'000	**Eliminations** $'000	**Consolidated** $'000
Revenue						
Sales to customers outside the consolidated entity	351,507	38,318	15,471	52,320	0	457,616
Other revenue from outside the consolidated entity	828	65	141	43	60	1,137
Inter segment revenue	1,806	0	0	454	(2,260)	0
Total segment revenue	354,141	38,383	15,612	52,817	(2,200)	458,753
Unallocated revenue						411
Total revenues from ordinary activities						459,164
Share of net profits/(losses) of joint venture partnership						99
Total consolidated revenue						459,263
Results						
Segment result	26,265	1,264	4,421	6,821	(864)	37,907
Unallocated expenses						(3,869)
Consolidated entity profit from activities before income tax expense						34,038
Income tax expense						(11,180)
Consolidated entity profit from ordinary activities after income tax expense						22,858
Segment assets						
Segment assets	231,022	16,460	1,675	31,667	(9,240)	271,584
Unallocated assets						7,216
Total assets						278,800
Segment liabilities						
Segment liabilities	37,734	3,925	1,290	4,074	(77)	46,946
Unallocated liabilities						73,108
Total liabilities						120,054
Other segment information						
Equity accounted investments included in segment assets	251	0	0	6,995	0	7,246
Acquisition of plant and equipment	5,874	421	5	318	0	6,618
Depreciation	3,242	126	61	110	0	3,539
Amortisation	868	0	0	0	864	1,732

	Note	Consolidated 30 June 2005 $'000	Consolidated 30 June 2004 $'000	Parent 30 June 2005 $'000	Parent 30 June 2004 $'000
NOTE 6. RECEIVABLES (CURRENT)					
Trade debtors	(a)	59,967	66,276	0	0
Provision for doubtful debts		(1,299)	(1,467)	0	0
Trade debtors, net		58,668	64,809	0	0
Other receivables	(b)	1,670	1,198	0	0
Loans to specified directors	(c)	158	0	158	0
Loans to other related persons	(c)	135	505	135	505
Amounts due from related parties:					
– loan to joint venture partnership	31(c)	1,091	1,094	0	0
– wholly owned group (controlled entities)	31(b)	0	0	53,341	47,235
Hedging foreign currency receivable	(d)	1,417	2,346	0	0
Hedging foreign currency put option receivable	(e)	225	809	0	0
Total receivables (current)		63,364	70,761	53,634	47,740

Terms and conditions:

(a) Trade debtors are non-interest bearing and are generally on 30 day terms.

(b) Non-trade receivables are non-interest bearing and have repayment terms between 30 and 60 days.

(c) Housewares International Ltd has provided loans to senior executives, specified executives, and specified directors to fund the exercising of options to acquire shares in the company. The loans were issued in accordance with the terms of the Housewares International Senior Executive Option Plan such that interest on the loan equals the dividends and other distributions payable from time to time on the company shares acquired with the loan.

(d) Hedging foreign currency receivable represents the net receivable arising from foreign currency forward contracts.

(e) Hedging foreign currency put options receivable represents the net receivable arising from foreign currency put option contracts.

NOTE 7. INVENTORIES (CURRENT)

	Consolidated 30 June 2005 $'000	Consolidated 30 June 2004 $'000	Parent 30 June 2005 $'000	Parent 30 June 2004 $'000
Finished goods	91,484	76,056	0	0
Stock in transit	20,712	20,064	0	0
	112,196	96,120	0	0
Provision for diminution in value	(6,074)	(2,522)	0	0
Total inventories at lower of cost and net realisable value	106,122	93,598	0	0

	Note	Consolidated 30 June 2005 $'000	Consolidated 30 June 2004 $'000	Parent 30 June 2005 $'000	Parent 30 June 2004 $'000
NOTE 8. OTHER ASSETS (CURRENT)					
Prepayments		6,923	2,287	0	0
Total other assets		6,923	2,287	0	0
NOTE 9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD					
Investment in joint venture partnerships	(c)	6,489	7,246	0	0

Interest in joint venture partnership

	Note	Balance Date	Ownership interest % held by consolidated entity 30 June 2005	Ownership interest % held by consolidated entity 30 June 2004
Anglo Canadian Housewares, L.P.	(a)(i)	30 June 2005	50.0	50.0
HWI China Limited	(a)(ii)	30 June 2005	50.0	–

(a) Principal activities

(i) The principal activities of the joint venture partnership comprise the importation, distribution and marketing of homewares products in Canada.

(ii) The joint venture partnership performs shipping administration, quality control and factory sourcing and liaison services for the exclusive purposes of the consolidated group.

	Consolidated 30 June 2005 $'000	Consolidated 30 June 2004 $'000
(b) Share of joint venture partnership's profits		
Revenues	24,859	22,585
Expenses	(25,262)	(22,285)
Amortisation	(174)	(201)
Net profits	(577)	99
(c) Carrying amount of investment in joint venture partnership		
Carrying amount at beginning	7,246	7,295
Change in exchange rates on opening balance	(29)	(148)
Share of joint venture partnership profits / (losses)	(577)	99
Distributions received from joint venture partnership	(151)	0
Carrying amount at end	6,489	7,246

	Consolidated 30 June 2005 $'000	Consolidated 30 June 2004 $'000
NOTE 9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*		
(d) Share of joint venture partnership's assets and liabilities		
Current assets	12,151	11,727
Non-current assets	760	697
Current liabilities	(8,332)	(7,006)
Non-current liabilities	(1,091)	(1,097)
Net assets	3,488	4,321
(e) Retained profits of the consolidated entity attributable to the joint venture partnership		
Balance at the beginning of the financial year	48	(51)
Share of the joint venture partnership's profits / (losses)	(577)	99
Distributions received from joint venture partnership	(151)	0
Balance at the end of the financial year	(680)	48
(f) Share of joint venture partnerships commitments		
(i) Operating lease expenditure contracted for is payable as follows:		
Not later than one year	566	539
Later than one year but not later than five years	2,332	2,099
Later than five years	786	1,050
	3,684	3,688
(ii) Letters of credit outstanding	1,026	1,728

	Note	Consolidated 30 June 2005 $'000	Consolidated 30 June 2004 $'000	Parent 30 June 2005 $'000	Parent 30 June 2004 $'000
NOTE 10. RECEIVABLES (NON-CURRENT)					
Non-trade amounts owing by:					
– loans to specified directors	6(c)	317	650	317	650
– loans to specified executives	6(c)	0	0	0	0
– loans to other related persons	6(c)	484	333	484	333
Total receivables (non-current)		801	983	801	983
NOTE 11. OTHER FINANCIAL ASSETS (NON-CURRENT)					
Investments at cost comprise:					
Shares in controlled entities – unlisted		0	0	69,429	69,429

NOTE 12. INTERESTS IN SUBSIDIARIES

The consolidated financial statements at 30 June 2005 include the following controlled entities. The financial years of all controlled entities are the same as that of Housewares International Limited.

			% of shares held	
Name of controlled entity	Note	Place of Incorporation/ Formation	30 June 2005	30 June 2004
Thebe International Pty Ltd	(a)	Australia	100%	100%
Breville Holdings Pty Ltd	(a)	Australia	100%	100%
Breville Pty Ltd	(a)	Australia	100%	100%
Sarina Enterprises Pty Ltd		Australia	100%	100%
Srinigar Investments Pty Ltd		Australia	100%	100%
Kashmir Investments Pty Ltd		Australia	100%	100%
Breville R&D Pty Ltd		Australia	100%	100%
Breville NZ Ltd		New Zealand	100%	100%
HWI International Ltd		Hong Kong	100%	100%
Gannet Holdings Ltd		Hong Kong	100%	100%
HWI Export Ltd		Hong Kong	100%	100%
Thebe International, Inc.		USA	100%	100%
Metro/Thebe, Inc.		USA	100%	100%
Holding HWI Canada, Inc.		Canada	100%	100%
HWI Canada, Inc.		Canada	100%	100%
HWI China Holdings Limited		Hong Kong	100%	–

(a) Entities subject to class order relief

Pursuant to Class Order 98/1418, relief has been granted to Thebe International Pty Ltd, Breville Pty Ltd and Breville Holdings Pty Ltd from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, a Deed of Cross Guarantee dated 4 November 1999 was entered into between Housewares International Ltd and Thebe International Pty Ltd. This deed was subsequently assumed by Breville Pty Ltd and Breville Holding Pty Ltd under an assumption deed dated 19 December 2001. The Deed of Cross Guarantee provides that the parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding-up of that company.

The entities comprising the class order "Closed Group" are Housewares International Limited, Thebe International Pty Ltd, Breville Pty Ltd, and Breville Holdings Pty Ltd. The consolidated Statement of Financial Performance and Statement of Financial Position of the entities which are members of the class order "Closed Group" are set out on the following pages.

		Closed Group	
	Note	30 June 2005 $'000	30 June 2004 $'000
(i) Consolidated statement of financial performance for Class Order Closed Group			
Profit from ordinary activities before income tax expense		**10,296**	**25,937**
Income tax expense relating to ordinary activities		(937)	(7,155)
Net profit		**9,359**	**18,782**
Retained profits at the beginning of the financial year		17,545	11,494
Dividends paid or reinvested		(15,365)	(12,731)
Retained profits at the end of the financial year	12(i)	**11,539**	**17,545**

NOTE 12. INTERESTS IN SUBSIDIARIES *(continued)*

(a) Entities subject to class order relief *(continued)*

		Closed Group	
	Note	30 June 2005 $'000	30 June 2004 $'000
(ii) Consolidated statement of financial position for Class Order Closed Group			
Current assets			
Cash assets		3,066	4,578
Receivables		45,900	66,369
Inventories		75,062	66,411
Other		4,382	1,756
Total current assets		128,410	139,114
Non-current assets			
Receivables		801	983
Other financial assets		18,292	18,298
Plant and equipment		12,262	10,341
Intangible assets		70,379	71,777
Deferred tax assets		5,226	3,340
Total non-current assets		106,960	104,739
Total assets		235,370	243,853
Current liabilities			
Payables		25,479	31,213
Interest-bearing liabilities		529	2,236
Tax liabilities		37	1,543
Other provisions		5,921	5,745
Total current liabilities		31,966	40,737
Non-current liabilities			
Interest-bearing liabilities		63,400	62,400
Other provisions		700	771
Total non-current liabilities		64,100	63,171
Total liabilities		96,066	103,908
Net assets		139,304	139,945
Equity			
Contributed equity		123,686	118,044
Reserves		4,079	4,356
Retained profits	12(ii)	11,539	17,545
Total equity		139,304	139,945

	Note	Consolidated 30 June 2005 $'000	Consolidated 30 June 2004 $'000	Parent 30 June 2005 $'000	Parent 30 June 2004 $'000
NOTE 13. PLANT AND EQUIPMENT					
Plant and equipment – owned					
At cost		29,831	26,091	0	0
Accumulated depreciation		(18,485)	(15,452)	0	0
Total written down value of plant and equipment	(a)	11,346	10,639	0	0
a) Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the year:					
Plant and equipment – owned					
Carrying amount at beginning		10,639	8,578	0	0
Additions		4,732	5,642	0	0
Additions through acquisition of business		0	248	0	0
Disposals		(410)	(290)	0	0
Depreciation expense	2(b)	(3,580)	(3,535)	0	0
Currency translation difference		(35)	(4)	0	0
Carrying amount at end		11,346	10,639	0	0
Plant and equipment – leased					
Carrying amount at beginning		0	33	0	0
Disposals		0	(29)	0	0
Amortisation expense	2(b)	0	(4)	0	0
Carrying amount at end		0	0	0	0
NOTE 14. INTANGIBLES (NON-CURRENT)					
Goodwill at cost		35,783	35,783	0	0
Accumulated amortisation		(8,136)	(6,318)	0	0
Goodwill at carrying amount	(a)	27,647	29,465	0	0
Brand names at fair value	(a)	48,700	48,700	0	0
Total intangible assets, net		76,347	78,165	0	0
a) Reconciliations of the carrying amounts of intangible assets at the beginning and end of the year:					
Goodwill					
Carrying amount at beginning		29,465	25,165	0	0
Goodwill on acquisition of business	25(c)	0	6,032	0	0
Amortisation charge	2(b)	(1,818)	(1,732)	0	0
Carrying amount at end		27,647	29,465	0	0
Brand names					
Carrying amount at beginning		48,700	42,000	0	0
Additions through acquisition of business	25(c)	0	6,700	0	0
Carrying amount at end		48,700	48,700	0	0

		Consolidated		Parent	
	Note	30 June 2005 $'000	30 June 2004 $'000	30 June 2005 $'000	30 June 2004 $'000
NOTE 15. OTHER ASSETS (NON-CURRENT)					
Carrying amount at beginning		807	0	0	0
Product development costs incurred during the financial year and deferred		1,153	807	0	0
		1,960	807	0	0
Accumulated amortisation		(214)	0	0	0
Carrying amount at end		1,746	807	0	0
NOTE 16. PAYABLES (CURRENT)					
Trade creditors – unsecured	(a)	34,975	35,233	0	0
Hedging foreign currency payable	(b)	1,417	2,346	0	0
Foreign currency put option payable	(c)	81	1,418	0	0
Deferred cash settlement for business acquired	(d)	0	465	0	0
Total payables (current)		36,473	39,462	0	0

Terms and conditions relating to the above financial instruments:

(a) Trade creditors are non-interest bearing and are normally settled on 30 day terms.

(b) Hedging foreign currency payable represents the net payable arising from foreign currency forward contracts. Under the contracts, consolidated entity is required to purchase a total of US$36,821m at various dates, at fixed exchange rates ranging from US$0.7506 to US$0.7786

(c) Foreign currency put options represents the net payable arising from foreign currency put option contracts. Under the contracts, consolidated entity has the option to purchase a total of US$30,500m at various dates, at fixed exchange rates ranging from US$0.74 to US$0.7550.

(d) At 30 June 2004, the consolidated entity had a deferred cash settlement representing the remaining consideration payable for the acquisition of the business for Liddy Corporation Pty Ltd and E-Lid Pty Ltd (formerly Liddy Design Pty Ltd). The final deferred cash settlement was paid on 1 July 2004.

		Consolidated		Parent	
	Note	30 June 2005 $'000	30 June 2004 $'000	30 June 2005 $'000	30 June 2004 $'000
NOTE 17. INTEREST BEARING LIABILITIES (CURRENT)					
Borrowing secured by a fixed and floating charge:					
Bank overdraft	(a), 25(a)	960	569	0	0
Bills of exchange	(a)	8,254	5,786	0	0
Unsecured:					
Deferred cash settlement for subsidiaries acquired	(b)	0	1,667	0	0
Total interest bearing liabilities (current)		9,214	8,022	0	0

NOTE 17. INTEREST BEARING LIABILITIES (CURRENT) *(continued)*

(a) The bills of exchange and bank overdraft are provided by various banks. Interest rates include both fixed and floating arrangements. The interest rates on fixed rate borrowings are at 5.5% per annum representing the weighted average contract rate in place at year-end. The interest rates on floating borrowings are set on a daily basis at 0.90% per annum above the bank's cost of funds for borrowings in the particular currency. Borrowings include Australian dollar, US dollar, Euro dollars, Japanese yen, Hong Kong dollar and New Zealand dollar denominated amounts. The ANZ bank overdraft is secured by a first ranking fixed and floating registered charge over all the assets and undertakings of Thebe International Pty Ltd and Breville Pty Ltd and is guaranteed by Housewares International Limited. The USA facilities are secured by a first priority security interest over the assets of Metro/Thebe, Inc. in favour of Union Bank of California. The bank bills payable are secured by the inventory and receivables of Metro/Thebe, Inc.

(b) The company's third and final instalment of redeemable preference shares in Thebe International Pty Ltd was redeemed on 6 December 2004. These redeemable preference shares formed part of the deferred cash settlement consideration for the acquisition of the Breville group of companies. These preference shares earn a dividend calculated with reference to the ANZ three year swap rate.

		Consolidated		**Parent**	
	Note	30 June 2005 $'000	30 June 2004 $'000	30 June 2005 $'000	30 June 2004 $'000
NOTE 18. PROVISIONS (CURRENT)					
Employee benefits	29(a)	4,791	4,441	0	0
Warranty and faulty goods	(a)(ii)	1,916	2,272	0	0
Restructuring	(b)(ii)	142	0	0	0
Total provisions (current)		6,849	6,713	0	0
(a) Warranty and faulty goods					
(i) Nature and purpose of provision					
A provision for warranty and faulty goods is estimated based on the current sales levels and recent claims experience.					
(ii) Movement in provision					
Carrying amount at beginning		2,272	2,908	0	0
Additional provision		6,999	5,536	0	0
Amounts utilised during the year		(7,355)	(6,172)	0	0
Carrying amount at end		1,916	2,272	0	0
(b) Restructuring					
(i) Nature and purpose of provision					
A restructuring provision was recognised in April 2005 in relation to the restructure of the Homewares business.					
(ii) Movement in provision					
Carrying amount at beginning of the financial year		0	0	0	0
Additional provision		1,831	0	0	0
Amounts utilised during the year		(1,689)	0	0	0
Carrying amount at the end of the financial year		142	0	0	0

		Consolidated		Parent	
		30 June 2005 $'000	30 June 2004 $'000	30 June 2005 $'000	30 June 2004 $'000
NOTE 19. INTEREST-BEARING LIABILITIES (NON-CURRENT)					
Borrowings secured by a fixed and floating charge:					
Bills of exchange	(a)	69,871	62,400	0	0
Total interest-bearing liabilities (non-current)		69,871	62,400	0	0

(a) The bills of exchange are provided by ANZ Bank and the interest rate is set at rollover periods at the bank bill buying rate. The bills of exchange are secured by a first ranking fixed and floating registered charge over all the assets and undertakings of Thebe International Pty Ltd and Breville Pty Ltd and is guaranteed by Housewares International Limited. These facilities are subject to annual review.

NOTE 20. PROVISIONS (NON-CURRENT)

Employee benefits	29(a)	700	771	0	0
Total provisions (non-current)		700	771	0	0

NOTE 21. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares	123,686	118,044	123,686	118,044
Total contributed entity	**123,686**	**118,044**	**123,686**	**118,044**

(b) Movements in issued shares for the period

		30 June 2005		30 June 2004	
	Note	Number of Shares	$'000	Number of Shares	$'000
Beginning of the year		117,322,262	118,044	114,167,909	111,086
Issued during the year					
– dividend reinvestment plan		2,294,990	4,645	1,115,389	2,575
– placement agreements	(i)	0	0	1,449,630	3,624
– less transaction costs		0	0	0	(36)
– exercise of options	(ii)	696,666	997	589,334	795
End of the year		120,313,918	123,686	117,322,262	118,044

(i) During the previous financial year, 1,449,630 ordinary shares were issued on 30 September 2003 under a Placement Agreement. The value placed on the issue is $2.50 per share. These shares rank equally with existing ordinary shares.

(ii) During the financial year, 696,666 options were exercised resulting in the issue of ordinary shares (2004: 589,334 options). The average value placed on these issues was $1.43 per share (2004: $1.35 per share). Details are provided in Note 29(e).

(c) Options over ordinary shares:

Employee share scheme

During the previous financial year, 300,000 options were issued over ordinary shares, exercisable in thirds over a three year period commencing from the first anniversary from the date of issue and with an issue term of 5 years. The options had an average exercise price of $2.02. Details are provided in Note 29(d).

At the end of the year there were 2,032,666 (2004: 2,840,332) unissued ordinary shares in respect of which options were outstanding.

(d) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

		Consolidated		Parent	
	Note	30 June 2005 $'000	30 June 2004 $'000	30 June 2005 $'000	30 June 2004 $'000
NOTE 22. RESERVES					
Asset revaluation reserve	(a)	3,999	3,999	0	0
Foreign currency translation reserve	(b)	(5,891)	(3,235)	0	0
Total reserves		(1,892)	764	0	0

(a) Asset revaluation reserve

(i) Nature and purpose of reserve

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.

(ii) Movement in reserve

There were no increments or decrements in the asset revaluation reserve during the financial years ended 30 June 2004 and 30 June 2005.

(b) Foreign currency translation reserve

(i) Nature and purpose of reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

(ii) Movement in reserve

	Consolidated		Parent	
	30 June 2005 $'000	30 June 2004 $'000	30 June 2005 $'000	30 June 2004 $'000
Balance at beginning of year	(3,235)	(3,033)	0	0
Exchange fluctuations arising on translation of foreign controlled entities	(2,656)	(202)	0	0
Balance at end of year	(5,891)	(3,235)	0	0

		Consolidated		Parent	
	Note	30 June 2005 $'000	30 June 2004 $'000	30 June 2005 $'000	30 June 2004 $'000
NOTE 23. RETAINED PROFITS					
Balance at beginning of the year		39,938	29,811	75	123
Net profit attributable to members of Housewares International Limited		13,231	22,858	15,437	12,683
Total available for appropriation		53,169	52,669	15,512	12,806
Dividends paid or reinvested	4	(15,365)	(12,731)	(15,365)	(12,731)
Balance at end of the year		37,804	39,938	147	75
Retained profits are expected to be utilised as follows:					
– Proposed dividend declared	4, 34	4,211	4,106		
– Retained		33,593	35,832		

NOTE 24. EARNINGS PER SHARE

	Consolidated	
	30 June 2005	30 June 2004
	cents per share	
Basic earnings per share	11.16	19.70
Diluted earnings per share	10.94	19.20
	$'000	
Earnings used in calculating basic and diluted earnings per share:		
Net Profit	13,231	22,858

	Consolidated Number of ordinary shares	
	30 June 2005	30 June 2004
Weighted average number of ordinary shares used in the calculation of basic earnings per share	118,543,882	116,014,928
Effect of dilutive securities – Share options	2,405,933	3,063,582
Adjusted weighted average number of ordinary shares used in the calculation of diluted earnings per share	120,949,815	119,078,510

Conversion, call, subscription or issue after 30 June 2005

No issue of ordinary shares or potential ordinary shares occurred after balance date but prior to the completion of the financial statements.

	Note	Consolidated 30 June 2005 $'000	Consolidated 30 June 2004 $'000	Parent 30 June 2005 $'000	Parent 30 June 2004 $'000
NOTE 25. NOTES TO THE STATEMENT OF CASH FLOWS					
(a) Reconciliation of cash					
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:					
Cash on hand		4,944	7,203	0	0
Bank overdraft	17	(960)	(569)	0	0
		3,984	6,634	0	0
(b) Reconciliation of net cash provided by operating activities to operating profit after income tax					
Operating profit after income tax		13,231	22,858	15,437	12,683
Adjustments for non-cash items:					
Depreciation and amortisation		5,612	5,271	0	0
Net loss on sale of plant and equipment		101	109	0	0
Share of joint venture partnerships (profits) / losses		577	(99)	0	0
Changes in assets and liabilities net of effects from purchase of businesses:					
(Increase)/decrease in:					
Accounts receivable		5,412	(6,476)	20	0
Inventory		(17,862)	(103)	0	0
Prepayments and other assets		(4,668)	1,804	0	0
Future income tax benefit		(612)	(1,107)	(6)	0
(Decrease)/increase in:					
Provision for diminution in value of inventories		3,765	(983)	0	0
Provision for employee benefits		302	243	0	0
Provision for doubtful debts		(370)	(475)	0	0
Provision for warranty & faulty goods		(314)	(620)	0	0
Provision for restructuring		142	0	0	0
Trade creditors		(1,301)	27	0	0
Income tax payment		337	(453)	4	(6)
Net cash from operating activities		4,352	19,996	15,455	12,677

		Consolidated	
	Note	30 June 2005 $'000	30 June 2004 $'000

NOTE 25. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

(c) Businesses acquired

On 26 September 2003, the consolidated entity purchased certain assets and liabilities of the Maximum Cleaning business from SABCO Australia Limited. The components of the acquisition cost were:

	Note	30 June 2005 $'000	30 June 2004 $'000
Consideration			
– cash paid for purchase of business		0	17,160
– payables related to purchase of business		0	163
Consideration paid or payable		0	17,323
Net assets acquired			
– inventories		0	4,798
– plant and equipment		0	248
– trade creditors		0	(455)
– fair value of net tangible assets acquired		0	4,591
– brand names acquired	14(a)	0	6,700
– goodwill arising on acquisition	14(a)	0	6,032
		0	17,323

(d) Businesses acquired

	Note	30 June 2005 $'000	30 June 2004 $'000
Deferred settlement current at beginning of financial year		465	838
Deferred settlement non-current at beginning of financial year		0	465
		465	1,303
less cash paid during financial year		(465)	(838)
Deferred settlement current at end of financial year	16	0	465

NOTE 25. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

(e) Financing facilities available

The consolidated entity has access to the following financial facilities with a number of financial institutions:

	Consolidated		
	Facility $'000	Drawn $'000	Unused $'000
2005			
Australia and New Zealand (in $AUD)			
Overdraft facility	1,000	2	998
Bills of exchange facility	75,800	69,870	5,930
Trade finance and foreign currency overdrafts	53,254	17,671	35,583
Other facilities	7,195	1,711	5,484
Business transactions facility	14,848	14,848	0
	152,097	104,102	47,995
United States of America (in $USD)			
Working capital / documentary credit	10,494	7,525	2,969
2004			
Australia and New Zealand (in $AUD)			
Overdraft facility	1,000	2	998
Bills of exchange facility	75,800	62,400	13,400
Trade finance and foreign currency overdrafts	53,555	21,970	31,585
Other facilities	7,195	1,288	5,907
Business transactions facility	14,648	14,648	0
	152,198	100,308	51,890
United States of America (in $USD)			
Working capital / documentary credit	8,835	4,469	4,366

	Consolidated		Parent	
	30 June 2005 $'000	30 June 2004 $'000	30 June 2005 $'000	30 June 2004 $'000

NOTE 26. COMMITMENTS

Finance leases are entered into as a means of funding the acquisition of some motor vehicles. Rental payments are fixed. The leases have purchase options that are exercisable at agreed residual values.

(a) Operating lease expenditure contracted for is payable as follows:

	Consolidated 30 June 2005 $'000	Consolidated 30 June 2004 $'000	Parent 30 June 2005 $'000	Parent 30 June 2004 $'000
– Not later than one year	8,650	8,110	0	0
– Later than one year but not later than five years	27,206	24,535	0	0
– Later than five years	42,779	10,749	0	0
	78,635	43,394	0	0

NOTE 26. COMMITMENTS *(continued)*

Operating leases are entered into mainly as a means of acquiring access to commercial property and storage facilities. Operating leases are also entered into as a means of acquiring access to the use of minor items of plant and equipment. Rental payments are generally fixed; however certain property leases contain a rental inflation escalation clause, an agreed rental percentage increase clause, a market rental review clause, or a mix of these clauses over the term of the operating lease.

Contingent rentals are determined with reference to known existing rental payments and known rental increases during the existing term of each operating lease.

No purchase options exist in relation to operating leases and no operating lease contains restrictions on financing or other leasing activities. Certain property leases contain renewal option clauses.

NOTE 27. CONTINGENT LIABILITIES

Parent Entity

The parent company has guaranteed under the terms of an ASIC Class Order any deficiency of funds if Thebe International Pty Ltd, Breville Pty Ltd and Breville Holdings Pty Ltd are wound up. No such deficiency currently exists.

Consolidated Entity

Contingent liabilities exist for compensation for termination without cause under service agreements with executive directors of the company and certain officers of the consolidated entity. The compensation for termination without cause is equal to the total of amounts that would have been payable under the agreement during the balance of the term of the agreement.

Contingent liabilities exist for compensation for restrictive covenants under service agreements with executive directors of the company and certain officers of the consolidated entity upon expiration or termination of these agreements.

Indemnity agreements have been entered into with executive directors of the company and with certain officers of the consolidated entity in respect of expenses and liabilities they incur in their official capacities. No monetary limit applies to these agreements and no known obligations have emerged as a result of these agreements.

In accordance with the Limited Partnership Agreement for Anglo Canadian Housewares, HWI Canada has granted a put option to the joint venture partner ("partner") that can be exercised during the period of three months commencing on 1 January 2007. If the partner exercises the put option, HWI Canada must purchase the partner's partnership interest for the put option price on the completion date. Consequently, a contingent liability exists that will only be confirmed by the exercising of this put option in the future, and which is outside the control of the consolidated entity. It is impracticable at this time to make an estimate of the potential financial effects, as the put option price is dependent on future financial data.

NOTE 28. FOREIGN CURRENCY EXPOSURE

	30 June 2005		30 June 2004	
	Foreign currency amount $'000	Average contract rate	Foreign currency amount $'000	Average contract rate
Summary of foreign exchange contracts				
Amounts to be settled in Australian dollars				
US dollar	31,321	0.7579	37,002	0.7166
Euro dollar	624	0.6632	300	0.5760
Amounts to be settled in New Zealand dollars				
US dollars	5,500	0.6940	1,550	0.6175
Summary of foreign exchange put option contracts				
Amounts to be settled in Australian dollars				
US dollar	30,500	0.7508	24,500	0.6763
Amounts to be settled in New Zealand dollars				
US dollars	0	0	5,550	0.6000

	Consolidated		Parent	
	30 June 2005	30 June 2004	30 June 2005	30 June 2004

NOTE 29. EMPLOYEE BENEFITS

	Consolidated 30 June 2005	Consolidated 30 June 2004	Parent 30 June 2005	Parent 30 June 2004
The number of full-time equivalents employed as at 30 June are:	544	538	0	0

	Note	Consolidated 30 June 2005 $'000	Consolidated 30 June 2004 $'000	Parent 30 June 2005 $'000	Parent 30 June 2004 $'000
(a) Employee benefits					
The aggregate employee benefit liability is comprised of:					
Provisions (current)	18	4,791	4,441	0	0
Provisions (non-current)	20	700	771	0	0
		5,491	5,212	0	0

(b) Senior Executive Option Plan

An option plan exists where executive directors, executives and certain members of staff of the consolidated entity are issued with options over the ordinary shares of Housewares International Limited. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the directors of Housewares International Limited. The options are issued for a term of five years and are exercisable in equal tranches on the first three anniversaries of the date of issue. The options cannot be transferred and will not be quoted on the ASX.

Options granted under the Senior Executive Option Plan

	Note	30 June 2005 Number of options	30 June 2005 Weighted average exercise price	30 June 2004 Number of options	30 June 2004 Weighted average exercise price
Balance at beginning of year	29(c)	2,840,332	1.7675	3,421,000	1.6218
– granted	29(d)	0	0	300,000	2.0250
– lapsed		(111,000)	1.8500	(291,334)	1.1705
– exercised	29(e)	(696,666)	1.3601	(589,334)	1.3481
Balance at end of year	29(f)	2,032,666	1.8780	2,840,332	1.7675
Exercisable at end of year		914,333	1.8784	634,333	1.7386

NOTE 29. EMPLOYEE BENEFITS *(continued)*

(c) Options held by employees as at 1 July 2004

At 1 July 2004, employees held 2,840,332 options at a weighted average exercise price of $1.7675.

Number of options	Note	Grant date	Vesting date	Expiry date	Weighted average exercise price
551,000		31 Jul 02	31 Jul 03	31 Jul 07	1.8500
83,333	(ii)	13 Jun 03	13 Jun 04	13 Jun 08	1.8500
728,000		31 Jul 02	31 Jul 04	31 Jul 07	1.8500
166,667	(i)	6 Dec 01	6 Dec 04	6 Dec 06	0.9500
166,666		6 Dec 01	6 Dec 04	6 Dec 06	1.0022
50,000	(iii)	1 Jul 03	14 Mar 05	14 Jul 08	1.7600
50,000	(iv)	15 Apr 04	15 Apr 05	15 Apr 09	2.2900
83,333	(ii)	13 Jun 03	13 Jun 05	13 Jun 08	1.8500
728,000		31 Jul 02	31 Jul 05	31 Jul 07	1.8500
50,000	(iii)	1 Jul 03	14 Mar 06	14 Jul 08	1.7600
50,000	(iv)	15 Apr 04	15 Apr 06	15 Apr 09	2.2900
83,333	(ii)	13 Jun 03	13 Jun 06	13 Jun 08	1.8500
50,000	(iv)	15 Apr 04	15 Apr 07	15 Apr 09	2.2900
2,840,332					1.7675

(i) These options may only be exercisable if the weighted average price of the company's shares traded on the ASX on the business day immediately preceding proposed exercise is a least $1.15.

(ii) These options may only be exercisable if the weighted average price of the company's shares traded on the ASX on the business day immediately preceding proposed exercise is a least $2.22.

(iii) These options may only be exercisable if the weighted average price of the company's shares traded on the ASX on the business day immediately preceding proposed exercise is a least $2.11.

(iv) These options may only be exercisable if the weighted average price of the company's shares traded on the ASX on the business day immediately preceding proposed exercise is a least $2.75.

(d) Options granted during the financial years ended

30 June 2004

During the year, 300,000 options were issued at a weighted average exercise price of $2.025.

150,000 options were granted on 1 July 2003 at an exercise price of $1.76, vesting in three equal tranches on 14 March 2004, 14 March 2005 and 14 March 2006. These options may only be exercisable if the weighted average price of the shares traded on the ASX on the business day immediately preceding the proposed exercise of the options is at least $2.11. The options expire on 14 March 2008.

150,000 options were granted on 15 April 2004 at an exercise price of $2.29, vesting in three equal tranches on 15 April 2005, 15 April 2006 and 15 April 2007. These options may only be exercisable if the weighted average price of the shares traded on the ASX on the business day immediately preceding the proposed exercise of the options is at least $2.75. The options expire on 15 April 2009.

30 June 2005

During the year, no options were issued.

NOTE 29. EMPLOYEE BENEFITS *(continued)*

(e) Options exercised during the reporting period

The following table summarises information about options exercised by employees during the year ended 30 June 2004:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price	Proceeds from shares issued	Number of shares issued	Issue date	Fair value of shares issued
138,000	31 Jul 02	31 Jul 03	31 Jul 07	1.8500	255,300	138,000	29 Aug 03	2.39
15,000	31 Jul 02	31 Jul 03	31 Jul 07	1.8500	27,750	15,000	2 Oct 03	2.54
10,000	31 Jul 02	31 Jul 03	31 Jul 07	1.8500	18,500	10,000	5 Nov 03	2.55
30,000	31 Jul 02	31 Jul 03	31 Jul 07	1.8500	55,500	30,000	4 Dec 03	2.60
166,667	6 Dec 01	6 Dec 03	6 Dec 06	0.9500	158,334	166,667	31 Dec 03	2.62
166,667	6 Dec 01	6 Dec 03	6 Dec 06	1.0022	167,034	166,667	31 Dec 03	2.54
10,000	31 Jul 02	31 Jul 03	31 Jul 07	1.8500	18,500	10,000	17 Feb 04	2.31
3,000	31 Jul 02	31 Jul 03	31 Jul 07	1.8500	5,550	3,000	3 May 04	2.26
50,000	01 Jul 03	14 Mar 04	14 Mar 08	1.7600	88,000	50,000	7 Jun 04	2.28
589,334				1.3481	794,468	589,334		

The following table summarises information about options exercised by employees during the year ended 30 June 2005:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price	Proceeds from shares issued	Number of shares issued	Issue date	Fair value of shares issued
3,000	31 Jul 02	31 Jul 03	31 Jul 07	1.8500	5,550	3,000	31 Aug 04	2.24
125,000	31 Jul 02	31 Jul 04	31 Jul 07	1.8500	231,250	125,000	31 Aug 04	2.24
83,334	13 Jun 03	13 Jun 04	13 Jun 08	1.8500	154,168	83,334	31 Aug 04	2.24
32,000	31 Jul 02	31 Jul 04	31 Jul 07	1.8500	59,200	32,000	13 Oct 04	2.10
166,666	6 Dec 01	6 Dec 04	6 Dec 06	0.9500	158,333	166,666	9 Dec 04	2.56
166,666	6 Dec 01	6 Dec 04	6 Dec 06	1.0022	167,033	166,666	9 Dec 04	2.56
5,000	31 Jul 02	31 Jul 03	31 Jul 07	1.8500	9,250	5,000	9 Dec 04	2.56
5,000	31 Jul 02	31 Jul 04	31 Jul 07	1.8500	9,250	5,000	9 Dec 04	2.56
30,000	31 Jul 02	31 Jul 03	31 Jul 07	1.8500	55,500	30,000	13 Dec 04	2.52
10,000	31 Jul 02	31 Jul 03	31 Jul 07	1.8500	18,500	10,000	2 Feb 05	2.36
10,000	31 Jul 02	31 Jul 04	31 Jul 07	1.8500	18,500	10,000	2 Feb 05	2.36
20,000	31 Jul 02	31 Jul 03	31 Jul 07	1.8500	37,000	20,000	3 Mar 05	2.02
20,000	31 Jul 02	31 Jul 04	31 Jul 07	1.8500	37,000	20,000	3 Mar 05	2.02
10,000	31 Jul 02	31 Jul 03	31 Jul 07	1.8500	18,500	10,000	3 Mar 05	2.02
10,000	31 Jul 02	31 Jul 04	31 Jul 07	1.8500	18,500	10,000	3 Mar 05	2.02
696,666				1.4319	997,534	696,666		

Fair value of shares issued during the reporting period is estimated to be the market price of shares of Housewares International Ltd on the ASX as at close of trading on their respective issue dates.

NOTE 29. EMPLOYEE BENEFITS *(continued)*

(f) Options held by employees as at 30 June 2005

At 30 June 2005, employees held 2,032,666 options at a weighted average exercise price of $1.8780

Number of options	Note	Grant date	Vesting date	Expiry date	Weighted average exercise price
455,000		31 Jul 02	31 Jul 03	31 Jul 07	1.8500
501,000		31 Jul 02	31 Jul 04	31 Jul 07	1.8500
50,000	(ii)	1 Jul 03	14 Mar 05	14 Jul 08	1.7600
30,000	(iii)	15 Apr 04	15 Apr 05	15 Apr 09	2.2900
83,333	(i)	13 Jun 03	13 Jun 05	13 Jun 08	1.8500
584,000		31 Jul 02	31 Jul 05	31 Jul 07	1.8500
30,000	(iii)	15 Apr 04	15 Apr 06	15 Apr 09	2.2900
83,333	(i)	13 Jun 03	13 Jun 06	13 Jun 08	1.8500
30,000	(iii)	15 Apr 04	15 Apr 07	15 Apr 09	2.2900
186,000	(iv)	Various	Various	Various	1.9677
2,032,666					**1.8780**

(i) These options may only be exercisable if the weighted average price of the company's shares traded on the ASX on the business day immediately preceding proposed exercise is a least $2.22.

(ii) These options may only be exercisable if the weighted average price of the company's shares traded on the ASX on the business day immediately preceding proposed exercise is a least $2.11.

(iii) These options may only be exercisable if the weighted average price of the company's shares traded on the ASX on the business day immediately preceding proposed exercise is a least $2.75.

(iv) These options lapsed subsequent to 30 June 2005.

(g) Fair values of options

The fair value of each option is estimated on the date of grant using a binomial or Black Scholes option-pricing model with the following weighted average assumptions used for the following grants:

Grant date:	6 Dec 01	31 July 02	13 June 03	1 July 03	15 April 04
Average of 1st, 2nd & 3rd tranches:					
Dividend yield	8.70%	5.91%	5.91%	5.20%	5.20%
Expected volatility	45.0%	33.0%	33.0%	32.0%	32.0%
Historical volatility	45.0%	33.0%	33.0%	32.0%	32.0%
Risk-free interest rate	5.36%	5.34%	4.27%	4.60%	5.17%
Expected life of option	2 years *(Black Scholes)*	2 years *(Binomial)*	2 years *(Binomial)*	2 years *(Binomial)*	2 years *(Binomial)*

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

NOTE 29. EMPLOYEE BENEFITS *(continued)*

(g) Fair values of options *(continued)*

The resulting weighted average fair values per option for those options vesting after 1 July 2002 are:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price
500,000	6 Dec 01	6 Dec 02	6 Dec 06	0.0779
750,000	6 Dec 01	6 Dec 02	6 Dec 06	0.0751
2,271,000	31 Jul 02	31 Jul 03	31 Jul 07	0.3233
250,000	13 Jun 03	13 Jun 04	13 Jun 08	0.3367
150,000	1 Jul 03	14 Mar 04	14 Mar 08	0.2767
150,000	15 Apr 04	15 Apr 05	15 Apr 09	0.3667

Currently, these fair values are not recognised as expenses in the financial statements. However, should these granted options be expensed, they would be amortised over the vesting periods resulting in an increase in employee benefits expense of $155,244 for the 2005 financial year (2004: $323,740). Note that no adjustments to these amounts have been made to reflect estimated or actual forfeitures (i.e. options that do not vest).

NOTE 30. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details and remuneration of specified directors and specified executives

These remuneration disclosures of specified directors and specified executives are provided in the directors' report designated as audited. The company has applied the exemption under the Corporations Amendments Regulation 2005 that exempts listed companies from providing remuneration disclosures in relating to their specified directors and specified executives in their annual financial reports by Accounting Standard AASB 1046 "Directors and Executive Disclosures by Disclosing Entities".

(b) Remuneration options: Granted and vested during the year

During the financial year no options were granted as equity compensation benefits to the specified directors and specified executives. The following options previously granted vested during the financial year.

	Vested Number
Specified directors	
M Kirkby	166,666
J Hersch	250,000
Specified executives	
V Cheung	30,000
M Delauney	30,000
R Hoare	20,000
L Jackson	20,000
M Melis	30,000
Total	546,666

(c) Shares issued on exercise of remuneration options

	Shares issued Number	Paid $ per share	Unpaid $ per share
Specified directors			
M Kirkby	166,666	0.9500	0
J Hersch	166,666	1.0022	0
J Hersch	83,334	1.8500	0
Specified executives			
L Jackson	20,000	1.8500	0
Total	436,666		

NOTE 30. DIRECTOR AND EXECUTIVE DISCLOSURES *(continued)*

(d) Option holdings of specified directors and specified executives

	Balance at 1 July 2004	Granted as Remuneration	Options Exercised	Net Change Other #	Balance at 30 June 2005	Vested at 30 June 2005 Total	Not exercisable	Exercisable
Specified directors								
W Wavish	0	0	0	0	0	0	0	0
J Hersch	416,666	0	(250,000)	0	166,666	83,333	83,333	0
M Kirkby	166,666	0	(166,666)	0	0	0	0	0
S Fisher	0	0	0	0	0	0	0	0
S Klein	0	0	0	0	0	0	0	0
J McConnell	0	0	0	0	0	0	0	0
J Schmoll	0	0	0	0	0	0	0	0
F Jones	0	0	0	0	0	0	0	0
P Morgan	0	0	0	0	0	0	0	0
Specified executives								
V Cheung	90,000	0	0	0	90,000	60,000	0	60,000
M Delauney	90,000	0	0	0	90,000	60,000	0	60,000
R Hoare	60,000	0	0	0	60,000	40,000	0	40,000
L Jackson	40,000	0	(20,000)	0	20,000	0	0	0
B Liu	0	0	0	0	0	0	0	0
M Melis	90,000	0	0	0	90,000	30,000	30,000	0
Total	953,332	0	(436,666)	0	516,666	273,333	113,333	160,000

All equity transactions with specified directors and specified executives other than those arising from the exercise of remuneration options have been entered into under the term and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

(e) Shareholdings of specified directors and specified executives

Ordinary shares held in Housewares International Limited (number)

	Balance at 1 July 2004	Granted as remuneration	On exercise of options	Net change other	Balance at 30 June 2005	
Specified directors						
W Wavish	N/A	0	0	104,727	104,727	(Appointed 19 November 2004)
M Kirkby	344,253	0	166,666	709	511,628	
J Hersch	1,893,292	0	250,000	0	2,143,292	
S Klein	96,487	0	0	4,562	101,049	
J McConnell	57,923	0	0	2,136	60,059	
J Schmoll	N/A	0	0	10,000	10,000	(Appointed 19 November 2004)
S Fisher	N/A	0	0	246	246	(Appointed 19 November 2004)
P Morgan	111,106	N/A	N/A	N/A	N/A	(Retired 23 November 2004)
F Jones	68,111	N/A	N/A	N/A	N/A	(Retired 23 November 2004)

NOTE 30. DIRECTOR AND EXECUTIVE DISCLOSURES *(continued)*

(e) Shareholdings of specified directors and specified executives *(continued)*

Ordinary Shares held in Housewares International Limited (number)

	Balance at 1 July 2004	Granted as remuneration	On exercise of options	Net change other	Balance at 30 June 2005
Specified Executives					
V Cheung	0	0	0	0	0
M Delauney	10,000	0	0	0	10,000
R Hoare	0	0	0	0	0
B Liu	0	0	0	0	0
L Jackson	20,000	0	20,000	0	40,000
M Melis	0	0	0	0	0
Total	2,601,172	0	436,666	(56,837)	2,981,001

During the year the specified directors were eligible to acquire shares through participation in the Dividend Reinvestment Plan offered to all shareholders.

(f) Loans to specified directors and specified executives

(i) Details of aggregates of loans to specified directors and specified executives are as follows:

	Balance at beginning of period	Balance at end of period	Repaid	Interest charged	Interest not charged	Number in group
	$'000	$'000	$'000	$'000	$'000	30 June 2005
Specified directors						
2005	650	475	(333)	74	0	2
2004	825	650	(500)	80	0	2
Specified executives						
2005	37	74	0	5	0	1
2004	0	93	0	6	0	2
Total directors and specified executives						
2005	687	549	(333)	79	0	3
2004	825	743	(500)	86	0	4

(ii) Details of individuals with loans above $100,000 in the reporting period are as follows:

	Balance at 1 July 2004	Balance at 30 June 2005	Repaid	Interest charged	Interest not charged	Highest owing in year
	$'000	$'000	$'000	$'000	$'000	$'000
Specified Directors						
M Kirkby	317	475	0	59	0	475
J Hersch	333	0	(333)	15	0	655

Terms and conditions of loans

Housewares International Ltd has provided loans to fund the exercise of options to acquire shares in the company. The loans were issued in accordance with the terms of the Housewares International Senior Executive Option Plan such that interest on the loan equals the dividends and other distributions payable from time to time on the company shares acquired with the loan.

NOTE 30. DIRECTOR AND EXECUTIVE DISCLOSURES *(continued)*

(g) Other transactions and balances with specified directors and specified executives

Services

During the financial year, a subsidiary of Housewares International Limited received consulting services of $4,400, including GST, from John Schmoll & Associates, which is wholly owned by Mr J Schmoll. The fees paid for these services are at arm's length.

Mr Klein is a partner of the legal firm Arnold Bloch Leibler, and his fees of $53,955 are paid to Arnold Bloch Leibler. These fees include GST. Legal services of $406,879, including GST and disbursements, such as Counsel's fees, were also provided by Arnold Bloch Leibler to the consolidated group during the financial year. The fees paid for these services are at arm's length.

There have been no other transactions concerning specified directors and specified executives during the financial year.

Amounts recognised at the reporting date in relation to other transaction and balances with specified directors:

	Consolidated	
	30 June 2005 $'000	30 June 2004 $'000
Assets & liabilities		
Current assets		
Legal services associated with the acquisition of the SABCO business recognised as part of consideration paid and consequently recognised as part of goodwill on acquisition of business	0	215
Total assets	0	215
Revenues & expenses		
Employee expenses (directors fees)	(49)	(37)
Other expenses from ordinary activities	(374)	(418)
Total expenses	(423)	(455)

The amounts shown above are GST exclusive.

NOTE 31. RELATED PARTY DISCLOSURES

(a) Ultimate controlling entity

The ultimate controlling entity of the consolidated entity in Australia is Housewares International Limited.

(b) Wholly owned group transactions

During the financial period, loans were advanced and repayments received on inter-company accounts with related parties in the wholly owned group. These transactions were undertaken on commercial terms and conditions.

The amounts due and receivable are set out in the respective notes to the financial statements.

The ownership interests in related parties in the wholly owned group are set out in Note 12.

(c) Other related party transactions

HWI Canada Inc. (a member of the wholly owned group) has provided a loan to Anglo Canadian Housewares L.P. (Joint Venture Partnership) for Canadian Dollar $1,000,000 (2004: $1,000,000). No interest has been charged, giving rise to no interest income.

NOTE 32. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

	Floating interest rate (a)		Fixed interest rate maturing in:						Non-interest bearing		Total carrying amount		Weighted average effective interest rate			
			1 year or less		Over 1 to 5 years		More than 5 years						Floating (a)^		Fixed (b)^	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 %	2004 %	2005 %	2004 %
Financial assets																
Cash assets	2,768	3,303	–	–	–	–	–	–	2,178	3,900	4,946	7,203	5.3	5.0	–	–
Trade receivables	–	–	–	–	–	–	–	–	58,668	64,809	58,668	64,809	N/A	N/A	N/A	N/A
Other receivables	1,095	1,488	–	–	–	–	–	–	4,403	5,321	5,498	6,809	13.37	10.4	–	–
Total financial assets	3,863	4,791	–	–	–	–	–	–	65,249	74,030	69,112	78,821				
Financial liabilities																
Bank overdrafts	960	569	–	–	–	–	–	–	–	–	960	569	3.4	4.7	–	–
Payables	–	–	–	–	–	–	–	–	36,473	38,997	36,473	38,997	N/A	N/A	N/A	N/A
Bills payable	–	–	78,124	68,186	–	–	–	–	–	–	78,124	68,186	–	–	6.8	6.3
Finance lease liability	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deferred cash settlement	–	–	–	1,667	–	–	–	–	–	465	–	2,132	–	–	8.3	8.3
Interest rate swaps	–	–	(32,500)	(32,500)	32,500	32,500	–	–	–	–	–	–	N/A	N/A	N/A	N/A
Total financial liabilities	960	569	45,624	37,353	32,500	32,500	–	–	36,473	39,462	115,557	109,884				

Notes

^ Disclosure of the effective interest rates does not apply to non-monetary and derivative instruments that do not bear a determinable effective interest rate.

(a) Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.

(b) The fixed rates on the bank loans represent the weighted average contract rate in place at year-end.

(c) The fixed rate on interest rate options represents the weighted average contract rate on swaps at year-end. These interest rate swaps are used to hedge bank loans on fixed interest rates maturing in one year or less over a longer period. The carrying amount of the consolidated entity's financial assets and liabilities approximate net fair value. The exception to this is the net fair value of the interest rate swap contracts, being unrecognised in the financial statements, amounting to $5,255. This value represents the estimated gain on cancelling the instruments at balance date and is determined using independent market quotations and adopting conventional market valuation techniques.

NOTE 32. FINANCIAL INSTRUMENTS *(continued)*

(b) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentration of credit risk by undertaking transactions with a large number of customers. The consolidated entity is not materially exposed to any individual overseas country or individual customer.

Forward foreign exchange agreements are subject to credit risk in relation to the relevant counterparties, which are large banks. The maximum credit risk exposure on forward foreign exchange agreements is the full amount of the foreign currency the consolidated entity pays when settlement occurs, should the counterparty fail to pay the amount which it committed to pay the consolidated entity.

(c) Net fair value of financial assets and liabilities

Recognised financial instruments

The carrying amounts and estimated net fair values of financial assets and financial liabilities held at balance date are not materially different. The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs.

Unrecognised financial instruments

Interest rate swap agreements: The fair value of interest rate swap contracts is determined as the difference in present value of the future interest cash flows.

Options over ordinary shares: The fair value of options over ordinary shares is determined using the Black-Scholes or Binomial option-pricing model.

NOTE 33. AUDITOR'S REMUNERATION

Amounts received or due and receivable from the entity and any other entity in the consolidated entity:

	Consolidated		Parent	
	30 June 2005 $	30 June 2004 $	30 June 2005 $	30 June 2004 $
Ernst & Young Australia & affiliates				
– an audit or review of the financial report	324,117	292,187	57,750	55,000
– other services				
– tax compliance	115,250	141,068	0	0
– tax related	0	49,763	0	0
– tax consolidation	20,750	45,500	0	0
– assurance related	55,000	0	0	0
– AIFRS related	5,500	37,535	0	0
– corporate governance related	0	5,830	0	0
– due diligence	0	54,650	0	0
	520,617	626,533	57,750	55,000

NOTE 34. SIGNIFICANT EVENTS AFTER YEAR-END

Subsequent to 30 June 2005, the directors have declared a fully-franked final dividend of 3.5 cents per share (2004: 3.5 cents per share). In accordance with the Company's accounting policy no liability is recognised at 30 June 2005.

No other matters or circumstances have arisen since the end of the year, which significantly affected or may affect the operations of the consolidated entity.

NOTE 35. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

Housewares International Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS), which will be applicable for the financial year ended 30 June 2006. In 2004, the company allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, Housewares International Limited established project teams to address each of the areas in order of priority. An AIFRS steering committee was established to oversee the progress of each of the project teams and make necessary decisions. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Housewares International Limited transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Housewares International Limited prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and the best estimate of the quantitative impact of the changes based on work performed to date.

The issues and figures disclosed are management's best estimates of the material impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project teams; (b) potential amendments to AIFRS's and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

(a) Key impact areas

(i) Intangible assets

Under AASB 138 *Intangible assets* revaluation of intangible assets is only allowed when it represents a fair value determination by reference to an active market. A reversal of a previous revaluation of the groups' brand names will therefore be required as there is not an active market for these assets. This adjustment will result in a decrease in the carrying value of intangible assets and of the revaluation reserve by $3,999,000 (Parent $nil) on transition as at 1 July 2004.

(ii) Business combinations

On initial adoption of AASB 3 *Business Combinations* the Company elected not to restate business combinations that occurred before 1 July 2004. As a result, the impacts of the adoption of this standard is limited to the cessation of goodwill amortisation. In accordance with the requirements of this standard, goodwill is not permitted to be amortised but instead is subject to a more stringent impairment testing regime on at least an annual basis. Goodwill would then be written down to the extent it is impaired. Currently, the consolidated entity amortises goodwill over its useful life, but not exceeding 20 years. As a result of the cessation of goodwill amortisation, as at 30 June 2005 goodwill and profit after tax for the year ended on that date will both increase by $1,818,000 (Parent $nil).

The Company has made a similar election not to restate past investments in joint ventures that occurred before 1 July 2004 and consequently the effect of adopting AASB 131 *Interests in Joint Ventures* will also be limited to no longer amortising the excess of the purchase consideration over the fair value of joint venture assets acquired. As a result, the investment in joint venture partnership at 30 June 2005 and the equity accounted profit for the year ended on that date will both increase by $174,000 (Parent $nil).

(iii) Impairment of assets

Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of its net selling price and value in use. The current accounting policy of the consolidated entity is to determine the recoverable amount of an asset on the basis of expected net cash flows which have not been discounted to their present value. Based upon work performed to date no impairment of the consolidated entity's assets, including goodwill and brand names, has been identified.

NOTE 35. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS *(continued)*

(a) Key impact areas *(continued)*

(iv) Foreign exchange

Upon adoption of AASB 121 *The Effects of Changes in Foreign Exchange Rates*, the Company elected to reset the foreign currency translation reserve to zero. As a result, reserves will increase by $3,235,000 (Parent $nil) and retained earnings decrease by the same amount on transition as at 1 July 2004. These translation differences will be excluded from the calculation of any gain or loss on any subsequent disposal of the foreign operation.

(v) Share based payments

Under AASB 2 *Share-based Payments*, the company will recognise remuneration by way of the fair value of options granted to employees as an expense on a pro-rata basis over the vesting period with a corresponding adjustment to equity. Share-based payment costs are not recognised under AGAAP. At 30 June 2005 this will result in an increase in the group's contributed equity of $206,000 (company $206,000) a decrease in profit for the year of $87,000 (Parent $87,000) and a decrease in opening retained earnings of $119,000 (Parent $119,000).

(vi) Income taxes

AASB 112 *Income Taxes* requires the consolidated entity to use a balance sheet liability method, rather than the current income statement method. The balance sheet method recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This different method of measurement will recognise a broader range of differences than those that arise currently. Consequently the group will be required to recognise additional levels of deferred tax assets and liabilities.

Application of AASB 112 for the first time involves determining the tax effect of any transitional adjustments and then applying the rules of the balance sheet method to the group's existing balance sheet. This is a very complex exercise and determining the full extent of the additional deferred tax balances remains work in progress for the AIFRS project team. Based on a preliminary assessment, no material issues have been identified.

(vii) Revenue from sale of property plant and equipment

Although not impacting on the net profit of the company or the consolidated entity, the adoption of AASB 118 *Revenue* and AASB 116 *Property Plant and Equipment* will result in the gain or loss on disposal of an item of property plant and equipment to be recognised on a net basis as revenue or expense rather than separately recognising the consideration received as revenue. This will result in proceeds from the sale of non-current assets being reclassified from "revenue from ordinary activities" to other income and expense items in the statement of financial performance. For the financial year ended 30 June 2005, revenue from ordinary activities will decrease by $309,000 (Parent $nil), other expenses will decrease by $410,000 (Parent $nil) and a loss on sale of non-current assets of $101,000 (Parent $nil) will be recognised from a disclosure perspective.

(viii) Financial instruments

The Company has elected to apply the first-time adoption exemption to defer the date of transition of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* to 1 July 2005. Accordingly, there are no quantitative impacts on the 30 June 2005 financial statements. The Company has determined the classifications that will apply to the various financial assets and financial liabilities, other than derivatives, from 1 July 2005. This classification determines the measurement basis, being fair value or amortised cost, to be adopted.

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk. Under AASB 139 specific criteria are required to be met in order for hedging instruments to qualify for hedge accounting treatment. Changes in the fair value of cash flow hedges qualifying for hedge accounting will be recognised directly in equity until the underlying hedged transaction occurs, with these changes offsetting changes in the fair value of the underlying asset or liability. Changes in the fair value of derivatives classified as fair value hedges will be recognised in profit or loss as will the changes in the fair value of the underlying hedged transaction.

The financial instruments project team is in the process of determining the impact that adopting these standards would have on the opening balance sheet at 1 July 2005. Based on a preliminary assessment, no material issues have been identified.

(ix) Format of financial statements

In addition to the transitional adjustments detailed above, which will impact the measurement and recognition of certain items, the adoption of IFRS will introduce a number of changes to the format of the income statement, balance sheet and other financial statement disclosures. The IFRS project team is currently evaluating these requirements.

Directors' Declaration

In accordance with a resolution of the directors of Housewares International Limited, we state that:

1. In the opinion of the directors:
   (a) the financial report and the additional disclosures included in the directors' report designated as audited, are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
      (ii) complying with Accounting Standards and Corporations Regulations 2001: and
   (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2005.
3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 12 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the deed of cross guarantee dated 4 November 1999.

Signed in accordance with a resolution of the directors.

William Wavish
Chairman

Mark Kirkby
Director

Sydney
29 August 2005

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Independent audit report

to members of Housewares International Limited

SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Housewares International Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the company are responsible for preparing a financial report and the additional disclosures in accordance with the AASB 1046, Table 1: Director Remuneration for the year ended 30 June 2005, Table 2: Remuneration of specific executives and the 5 named executives who received the highest remuneration for the year ended 30 June 2005, and Table 3: Options as part of remuneration for the year ended 30 June 2005 (in accordance with the LTI Plan), included in the directors' report designated as audited ("the additional disclosures") that gives a true and fair view of the financial position and financial performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report and the additional disclosures.

Audit approach

We conducted an independent audit of the financial report and the additional disclosures in order to express an opinion on them to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report and the additional disclosures are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report and the additional disclosures present fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the additional disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the additional disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors' of the company a written Auditor's Independence Declaration a copy of which is included in the directors' report. In addition to our audit of the financial report and the additional disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report and the additional disclosures included in the directors' report designated as audited of Housewares International Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the financial position of Housewares International Limited and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst + Young

Ernst & Young

Mary B. Waldron

Mary Waldron
Partner

Melbourne
29 August 2005

ERNST & YOUNG

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Auditor's Independence Declaration

to the Directors of Housewares International Limited

In relation to our audit of the financial report of Housewares International Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Mary Waldron
Partner

Melbourne
29 August 2005

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

Shareholder Information

Substantial Shareholders as at 29 August 2005.

The following information is extracted from the company's register of substantial shareholders.

Name	Number of Ordinary Shares	Percentage of Ordinary Shares
Lew Custodians Pty Limited [(a)]	33,157,111	27.56
Perpetual Trustees Australia Limited	17,551,677	14.59
Renaissance Smaller Companies P/L	6,255,385	5.20
Investors Mutual Limited	6,131,869	5.10

(a) The interests of S. Lew Custodians Pty Ltd include a deemed relevant interest in the 26,903,207 shares held by Premier Investments Ltd.

Distribution of Shareholdings as at 29 August 2005.

Size of holding	Ordinary shareholders
1 to 1,000	475
1,001 to 5,000	1,496
5,001 to 10,000	816
10,001 to 100,000	709
100,001 and over	47
Total shareholders	**3,543**
Number of ordinary shareholders with less than a marketable parcel	146

Voting Rights

All ordinary shares issued by Housewares International Limited carry one vote per share without restriction.

Twenty Largest Shareholders as at 29 August 2005.

Name	Number of Ordinary Shares	Percentage of Ordinary Shares
Premier Investments Limited	26,903,207	22.36
J P Morgan Nominees Australia Limited	8,082,279	6.72
National Nominees Limited	7,635,377	6.35
Westpac Custodian Nominees Limited	7,472,701	6.21
RBC Global Services Australia Nominees Pty Limited (pipooled account)	7,014,447	5.83
RBC Global Services Australia Nominees Pty Limited (BK cust account)	6,765,283	5.62
RBC Global Services Australia Nominees Pty Limited (PIIC account)	5,060,297	4.21
Queensland Investment Corporation	2,267,910	1.88
Berne No 132 Nominees Pty Limited (357351 account)	1,840,800	1.53
Citicorp Nominees Pty Limited (CFS Wsle 452 Aust Share account)	1,626,680	1.35
Nofusa Pty Limited	1,559,958	1.30
Cogent Nominees Pty Limited	1,274,131	1.06
Lew Family Investments Limited	1,238,850	1.03
ANZ Nominees Limited (Cash income account)	1,231,979	1.02
S L Nominees Pty Limited	1,035,219	0.86
Citicorp Nominees Pty Limited	971,978	0.81
ANZ Nominees Limited (Income reinvestment plan account)	806,039	0.67
UCA Growth Fund Limited	755,008	0.63
Merrill Lynch (Australia) Nominees Limited	611,127	0.51
Lew Family Investments Pty Limited	600,000	0.50
Total	**84,753,270**	**70.45**

Company Directory

Directors

William Wavish
Executive Chairman

Joseph Hersch
Executive Director

Mark Kirkby
Executive Director

Steven Fisher
Non-Executive Director

Steven Klein
Non-Executive Director

John McConnell
Non-Executive Director

John Schmoll
Non-Executive Director

Company Secretary

Laurelle Jackson

Registered Office

461 Plummer Street
Port Melbourne Victoria 3207
Telephone (03) 8698 2800

Share Registers

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452 Johnston Street
Abbotsford Victoria 3067

Enquiries within Australia: 1300 850 505
Enquiries outside Australia: 61 3 9611 5710

Auditors

Ernst & Young
120 Collins Street
Melbourne Victoria 3000

Solicitors

Arnold Bloch Leibler
333 Collins Street
Melbourne Victoria 3000

Stock Exchange Listings

Housewares International shares are quoted on the Australian Stock Exchange.

Website

www.housewares.com.au
www.breville.com.au

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