

Housewares International Limited

Appendix 4D - Half Year Report

Note: The numbering marked with [] within this Half Year Report is consistent with the numbering used in the guidelines issued by the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2 A.3.

Current Reporting Period [1]: Half Year Ended 31 December 2005


Previous Corresponding Period [1]: Half Year Ended 31 December 2004

Results for Announcement to the Market

	Percentage Change		Amount	
	Up or Down	%	A\$'000	
Sales Revenue	Down	1.7%	to	\$236,181
Total revenues [2.1]	Down	1.0%	to	\$238,926
Profit from ordinary activities after tax attributable to members [2.2]	Down	33.3%	to	\$11,666
Net profit for the half year attributable to members [2.3]	Down	33.3%	to	\$11,666
Dividends [2.4]	Date paid / payable [5]	Amount per security [2.4]	Franked amount per Security at 30% tax [2.4]	Amount per security of foreign source dividend [5]
Interim Dividend				
Current Reporting Period	5 APR 2006	9.5¢	9.5¢	0.0¢
Previous Corresponding Period	23 MAR 2005	9.5¢	9.5¢	0.0¢
The record date for determining entitlements to the interim dividend [2.5]:			21 March 2006	
Brief explanation [2.6]				
Please refer to the commentary in the review of results and operations section of the Directors' Report.				
For further explanation please refer to the press release accompanying this Half Year Report.				



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Net tangible assets [3]			
		Current period	Previous corresponding period
Net tangible assets per security		69.67 ¢	74.71 ¢
Control gained or lost over entities [4]			
The Group has not gained control of, or lost control of, any entities during the half year ended 31 December 2005.			
Total dividend paid / payable [5]			
		Current period A\$'000	Previous corresponding period A\$'000
Final dividend paid		4,212	4,115
Dividend reinvestment plans [6]			
The dividend plan shown below is in operation: HOUSEWARES INTERNATIONAL LIMITED DIVIDEND REINVESTMENT PLAN The shares pursuant to the Dividend Reinvestment Plan will be issued at a 2.5% discount to the weighted average market price of the company's shares sold on the Australian Stock Exchange during the five consecutive trading days immediately preceding, and inclusive of, the record date.			
The last date for receipt of election notices for the dividend reinvestment plan 5.00pm 10 March 2006			
Associates and joint venture entities [11]			
Name of associates and joint venture entities [11.1]	Percentage holdings in associates and joint venture entities [11.2]	Current period A\$'000	Previous corresponding period A\$'000
Anglo Canadian Housewares, L.P.	50%	1,481	739
HWI China Limited	50%	122	0
Aggregate share of profit of associates and joint venture entities [11.3]		1,603	739
For foreign entities, which set of Accounting Standards are used in compiling the report [8]			
Not applicable.			
Compliance statement			
This report should be in conjunction with the attached Half Year Report for the half year ended 31 December 2005.			
No audit dispute or qualification is contained in the attached Independent Review Report for the half year ended 31 December 2005.			
Sign here:			
 <hr/> Paul Milburn Company Secretary			
Date:			
<hr/> 23 February 2006			

Housewares International Limited

Half Year Report

FOR THE HALF YEAR ENDED

31 December 2005

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Directors' Report

The board of directors of Housewares International Limited has pleasure in submitting its report in respect of the financial half year ended 31 December 2005.

Directors

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

William Wavish	Non-executive chairman	(24 November 2005 – Present)
	Executive chairman	(1 July 2005 – 24 November 2005)
Joseph Hersch	Managing director	(24 November 2005 – Present)
	Executive director	(1 July 2005 – 24 November 2005)
Steven Fisher	Non-executive director	
Steven Klein	Non-executive director	
John McConnell	Non-executive director	
John Schmoll	Non-executive director	
Mark Kirkby	Executive director	(Resigned – 24 November 2005)

Review of Results and Operations

Sales growth has continued to be subdued as a result of deflated retail price points and the less favourable translation of US\$ denominated sales. The company has continued to limit its exposure to price entry point and direct import product categories. Sales revenues of the consolidated entity for the year to 31 December 2005 were \$236,181 thousand, which was down 1.7% from the consolidated sales for the previous corresponding half-year.

The Group's profit after tax adjusted for significant items for the financial year to 31 December 2005 was \$14,148 thousand. This was down 21.3% on the previous corresponding half-year result of \$17,973 thousand. In the current half-year, the after-tax effect of the significant items was \$(1,481) thousand for restructuring costs, \$(228) thousand for a discontinued supplier contract, and \$(773) thousand for reassessment of prior year income tax. While in the prior corresponding half-year, the after-tax effect of significant items was \$(1,163) thousand for an onerous lease arising on the Rydalmere warehouse closure and \$675 thousand for reassessment of prior year income. After the inclusion these significant item, the net profit attributable to shareholders decreased by 33.3% from \$17,485 thousand to \$11,666 thousand for the half-years ending 31 December 2004 and 31 December 2005 respectively.

The underlying consolidated earning per share (adjusted for the significant items) decreased from 15.27 to 11.71. The board has declared an interim fully franked dividend of 9.5 cents per share (FY2005: 9.5 cents). This represents a pay-out ratio of 81.5% of earnings after tax for the half-year, adjusted for the significant items (tax-effected).

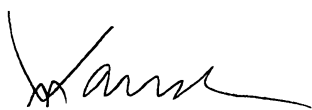
Rounding

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.

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 review for the half year ended 31 December 2005. This auditor's declaration forms part of this directors' report.

Signed in accordance with a resolution of directors.



William Wavish
Chairman



Joseph Hersch
Managing Director

Melbourne
23 February 2006

Condensed Income Statement

for the half year ended 31 December 2005

	Note	Consolidated	
		Half-year ended 31 Dec 2005 \$'000	Half-year ended 31 Dec 2004 \$'000
Revenue	2(a)(i)	236,181	240,352
Cost of sales		(173,633)	(170,800)
Gross profit		62,548	69,552
Other income	2(a)(ii)	2,745	1,092
Share of the profits of joint venture partnerships accounted for using equity method	9(c)	1,603	739
Employee benefits costs	2(a)(iii)	(26,292)	(25,578)
Advertising expense		(4,693)	(4,734)
Depreciation & amortisation expense	2(a)(iii)	(1,948)	(1,788)
Premises, lease & utilities expenses		(7,225)	(7,449)
Other expenses		(2,910)	(2,481)
Underlying profit before tax, finance costs and significant items		23,828	29,353
Finance costs	2(a)(iii)	(3,523)	(3,066)
Individually significant expenses:			
- restructuring costs related to the Homewares business (including inventory clearance program)		(2,116)	-
- discontinued supplier contract		(325)	-
- onerous lease arising on Rydalmere warehouse closure		-	(1,662)
Profit before income tax expense		17,864	24,625
Income tax expense relating to:			
- current year, excluding significant items		(6,157)	(8,314)
- reassessment of prior periods		(773)	675
- significant items		732	499
Profit for the half-year attributable to members of Housewares International Limited		11,666	17,485
Earnings per share:			
- basic (cents per share)		9.66	14.86
- diluted (cents per share)		9.49	14.54
Franked dividend per share (cents per share)	3(b),9(b)	9.5	9.5

The accompanying notes form an integral part of this Condensed Income Statement.



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Condensed Balance Sheet

at 31 December 2005

		Consolidated		
		31 Dec 2005	30 June 2005	31 Dec 2004
Note		\$'000	\$'000	\$'000
Current assets				
Cash and cash equivalents	9(a)	15,107	4,944	13,044
Trade and other receivables		113,033	63,070	116,580
Inventories		96,751	106,122	96,535
Other assets		4,188	6,924	4,388
Other financial assets		2,633	-	-
Total current assets		231,712	181,060	230,547
Non-current assets				
Investments accounted for using the equity method		8,925	6,652	7,757
Plant and equipment		11,157	10,704	10,686
Deferred tax asset		9,308	7,886	6,617
Intangible assets – other		47,714	47,089	46,110
Intangible assets – goodwill		32,799	29,465	29,465
Total non-current assets		109,903	101,796	100,635
Total assets		341,615	282,856	331,182
Current liabilities				
Trade and other payables		55,885	39,798	44,840
Borrowings		9,736	9,214	6,793
Current tax liabilities		3,839	3,100	6,212
Provisions		2,391	3,524	3,199
Other financial liabilities		2,133	-	-
Total current liabilities		73,984	55,636	61,044
Non-current liabilities				
Other payables		1,284	797	450
Borrowings		98,002	69,871	102,891
Deferred tax liabilities		3,267	2,290	2,816
Total non-current liabilities		102,553	72,958	106,157
Total liabilities		176,537	128,594	167,201
Net assets		165,078	154,262	163,981
Equity				
Issued capital	4	124,306	122,572	118,623
Reserves		(256)	(1,650)	(2,095)
Retained earnings		41,028	33,340	47,453
Total equity		165,078	154,262	163,981

The accompanying notes form an integral part of this Condensed Balance Sheet.

Condensed Cash Flow Statement

for the half year ended 31 December 2005

		Consolidated	
		Half-year ended 31 Dec 2005	Half-year ended 31 Dec 2004
		\$'000	\$'000
Note			
Cash flows from operating activities			
	Receipts from customers	205,315	235,707
	Payments to suppliers and employees	(203,008)	(256,603)
	Finance costs paid	(6,024)	(3,208)
	Income tax paid	(6,554)	(4,837)
	Finance income received	174	145
	Net cash flows used in operating activities	(10,097)	(28,796)
Cash flows from investing activities			
	Proceeds from sale of plant and equipment	85	127
	Purchase of plant and equipment	(1,859)	(2,270)
	Purchase of intangible assets	(1,001)	(368)
	Purchase of business	(3,186)	-
	Deferred settlement payment for purchase of business	-	(465)
	Distribution from joint venture partnership	-	151
	Net cash flows used in investing activities	(5,961)	(2,825)
Cash flows from financing activities			
	Proceeds from borrowings	73,003	77,965
	Repayment of borrowings	(43,957)	(37,562)
	Proceeds from issues of shares	56	1,241
	Equity dividends paid	(2,534)	(3,288)
	Net cash flows from financing activities	26,568	38,356
	Net increase in cash and cash equivalents	10,510	6,735
	Cash and cash equivalents at beginning of the half year	3,984	6,634
	Net foreign exchange difference	588	(650)
	Cash and cash equivalents at end of the half year	15,082	12,719

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

Condensed Statement of Changes in Equity

for the half year ended 31 December 2005

Consolidated				
Attributable to equity holders of Housewares International Limited				
Note	Issued capital \$'000	Reserves (a) \$'000	Retained earnings \$'000	Total Equity \$'000
At 1 July 2004	116,555	153	34,083	150,791
Currency translation differences	-	(2,310)	-	(2,310)
<i>Total income and expense for the half-year recognised directly in equity</i>	116,555	(2,157)	34,083	148,481
Profit for the half-year	-	-	17,485	17,485
<i>Total income and expense for the half-year</i>	116,555	(2,157)	51,568	165,966
Equity dividends	3(a) -	-	(4,115)	(4,115)
Issue of share capital through dividend reinvestment plan	3(a) 827	-	-	827
Movement in non-recourse senior executive option plan loans	1,241	-	-	1,241
Cost of share-based payments	-	62	-	62
At 31 December 2004	118,623	(2,095)	47,453	163,981
At 30 June 2005	122,572	(1,650)	33,340	154,262
Adjustment to opening retained profits in relation to change in accounting policy	1(e)(ii) -	-	234	234
Currency translation differences	-	1,385	-	1,385
<i>Total income and expense for the half-year recognised directly in equity</i>	122,572	(265)	33,574	155,881
Profit for the half-year	-	-	11,666	11,666
<i>Total income and expense for the half-year</i>	122,572	(265)	45,240	167,547
Equity dividends	3(a) -	-	(4,212)	(4,212)
Issue of share capital through dividend reinvestment plan	3(a) 1,678	-	-	1,678
Movement in non-recourse senior executive option plan loans	56	-	-	56
Cost of share-based payments	-	9	-	9
At 31 December 2005	124,306	(256)	41,028	165,078

Note (a) – Reserves includes the employee equity benefits reserve and foreign currency translation reserve.

The accompanying notes form an integral part of this Condensed Statement of Changes in Equity.



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Notes to the Half Year Report

for the half year ended 31 December 2005

Note 1. Basis of Preparation of the Half Year Financial Report

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the consolidated entity as the full financial report would provide.

The half year report should be read in conjunction with the Annual Report of Housewares International Limited as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP').

It is also recommended that the half year report be considered together with any public announcements by Housewares International Limited and its controlled entities during the half year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half year report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

The half year report has been prepared in accordance with the historical cost conventions, except for derivative financial instruments.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

(b) Statements of compliance

The half year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Group under AIFRS are disclosed in Note 1 (d) below.

Note 1(d) also includes reconciliations of:

- AIFRS equity to the balances previously reported under AGAAP (in the 31 December 2004 half-year report and 30 June 2005 full-year financial report) as at 1 July 2004, 31 December 2004, and 30 June 2005; and
- AIFRS profit after tax to the profit previously reported under AGAAP for the half-year ended 31 December 2004 and the full-year ended 30 June 2005.

(c) Summary of significant revised accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Housewares International Limited and its subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Housewares International Limited has control.

(ii) Foreign currency translation

Both the functional and presentation currency of Housewares International Limited and its Australian subsidiaries is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.



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Notes to the Half Year Report (continued)

for the half year ended 31 December 2005

Note 1. Basis of Preparation of the Half Year Financial Report (continued)

(c) Summary of significant revised accounting policies (continued)

(ii) Foreign currency translation (continued)

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiaries is either:

- United States dollars 'USD' (Thebe International, Inc. Metro/Thebe, Inc. and HWI China Holdings Limited);
- Hong Kong dollars 'HKD' (HWI International Ltd, Gannet Holdings Limited, and Breville Export Limited);
- Canadian dollars 'CAD' (HWI Canada, Inc.); and
- New Zealand dollars 'NZD' (Breville NZ Limited).

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Housewares International Limited. They are translated at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(iii) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash on hand and at bank.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(iv) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts.

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

(v) 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 are accounted for as purchase cost on an average cost basis

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

(vi) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation on plant and equipment is calculated on a straight-line basis over the estimated useful life of between 2 and 5 years.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined by the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(vii) Intangible assets - goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.



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Notes to the Half Year Report (continued)

for the half year ended 31 December 2005

Note 1. Basis of Preparation of the Half Year Financial Report (continued)

(c) Summary of significant revised accounting policies (continued)

(vii) Intangible assets – goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(viii) Intangible assets - other

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied; requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists. In the case of indefinite life intangibles these are tested annually, either individually or at the cash generating unit level.

Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

A summary of the policies applied to the Group's intangible assets is as follows:

	Brand names	Computer Software	Development Costs
Useful lives	Indefinite	Finite	Finite
Method used	Not depreciated or revalued	Maximum 3 years – Straight line	Maximum 3 years – Straight line
Internally generated / Acquired	Acquired	Acquired	Internally generated
Impairment test / Recoverable amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(ix) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets. In which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.



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Notes to the Half Year Report (continued)

for the half year ended 31 December 2005

Note 1. Basis of Preparation of the Half Year Financial Report (continued)

(c) Summary of significant revised accounting policies (continued)

(ix) Recoverable amount of assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(x) Interest in jointly controlled entities

The Group's investment in its associate is accounted for under the equity method of accounting in the consolidated financial statements.

The financial statements of the jointly controlled entities are used by the Group to apply the equity method. The reporting dates of the jointly controlled entities and the Group are identical and both use consistent accounting policies.

The investment in the jointly controlled entities is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the jointly controlled entities.

(xi) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

(xii) Trade and other payables

The group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Consequently, the accounting policies relevant for the years ending 30 June 2005 and 30 June 2006 are set out as follows:

Accounting policy applicable for the year ended 30 June 2005

Liabilities for trade and other payables 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.

Accounting policy applicable for the year ended 30 June 2006

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(xiii) Employee leave benefits

(a) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in trade and other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(b) Long service leave

The liability for long service leave is recognised in trade and other payables and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using appropriate market yields at the reporting date to estimate the future cash outflows. This is based on reference to applicable national government bonds with similar terms to maturity and currency.

(xiv) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There is currently a Senior Executive Option Plan (SEOP), which provides benefits to directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value has been determined by an external valuer or internal valuation modelling using a Black Scholes or binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Housewares International Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

Notes to the Half Year Report (continued)

for the half year ended 31 December 2005

Note 1. Basis of Preparation of the Half Year Financial Report (continued)

(c) Summary of significant revised accounting policies (continued)

(xiv) Share-based payment transactions (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(xv) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(xvi) Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

(xvii) Revenue

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

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the earlier of delivery of the goods or the transfer of legal title to the customer.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(xviii) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(xix) Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Notes to the Half Year Report (continued)

for the half year ended 31 December 2005

Note 1. Basis of Preparation of the Half Year Financial Report (continued)

(c) Summary of significant revised accounting policies (continued)

(xx) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(xxi) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT 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 applicable amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST/VAT 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/VAT recoverable from, or payable to, the taxation authority.

(xxii) Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For derivative financial instruments that qualify for hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges (interest rate swaps) which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement.



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Notes to the Half Year Report (continued)

for the half year ended 31 December 2005

Note 1. Basis of Preparation of the Half Year Financial Report (continued)

(c) Summary of significant revised accounting policies (continued)

(xxii) Derivative financial instruments

Any gain or loss attributable to the hedged risk on re-measurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

(xxiii) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- cost of servicing equity (other than dividends);
 - the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised 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.



Housewares International Ltd
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Notes to the Half Year Report (continued)

for the half year ended 31 December 2005

Note 1. Basis of Preparation of the Half Year Financial Report

(d) Impact on adoption of AIFRS

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards (AIFRS). The consolidated entity has prepared its first set of financial reports applying AIFRS for the half-year ended 31 December 2005.

The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, with 1 July 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 1 July 2005. Comparatives for the half-year ended 31 December 2004 were remeasured and restated in accordance with AIFRS.

The following key differences in accounting policy arising from the application of AIFRS are disclosed below.

(i) Intangible assets - other

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. Upon transition to AIFRS a previous revaluation of the Groups' brand names was reversed, resulting in a decrease in the carrying value of intangible assets and a decrease in the revaluation reserve by \$3,999 thousand.

Software assets and deferred development costs were reclassified from other current and non-current assets to intangible assets on transition to AASB 138. This reclassification increased intangible assets by \$1,223 thousand as at transition date.

(ii) Business combinations

AASB 3 *Business Combinations* was not applied retrospectively to past business combinations (i.e. business combinations that occurred before 1 July 2005).

Previously under AGAAP goodwill was amortised over the period of expected benefit, not exceeding 20 years. Under AASB 3 *Business Combinations* goodwill acquired in a business combination is not amortised, but instead is subject to impairment testing at each reporting date, or upon the occurrence of triggers that may indicate a potential impairment. Consequently, any amortisation of goodwill that was reported under previous AGAAP subsequent to 1 July 2004 was reversed for AIFRS restatements. The effect of this is to increase the carrying amount of goodwill and the net profit before tax by \$909 thousand for the half year ended 31 December 2004 and \$1,818 thousand for the year ended 30 June 2005.

The company has made a similar election not to restate past investments in joint venture partnerships that occurred before 1 July 2004. 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 of the fair value of joint venture assets acquired. As a result the carrying amount of the investment in joint venture partnerships and the equity accounted profit will increase by \$81 thousand for the half year ended 31 December 2004 and \$163 thousand for the year ended 30 June 2005.

(iii) Foreign exchange

Upon transition to AASB 121 *The Effects of Changes in Foreign Exchange Rates*, the Group elected to reset the foreign currency translation reserve to zero under the exemption permitted under AASB 1. As a result, reserves increased and retained earnings decreased by \$3,235 thousand 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.

(iv) Share-based payments

Share-based payment costs were not previously recognised under AGAAP. Under AASB 2 *Share-based Payment* the Group now recognises an expense for share-based remuneration, which is determined at the grant date with reference to their fair value of the equity instruments issued. The fair value is calculated using an appropriate valuation technique to estimate the price of those equity instruments in an arm's length transaction between knowledgeable and willing parties. The fair value calculated is charged against profit on a pro-rata basis over the relevant vesting periods, adjusted to reflect actual and expected levels of vesting, with a corresponding adjustment to equity. Under the transitional exemptions the group has only applied this to equity instruments granted after 7 November 2002 (the effective date of IFRS 2) that had not vested on or before 1 January 2005.

Upon transition this increased reserves and decreased retained earnings by \$153 thousand. During the half-year ended 31 December 2005 the reserves increased to \$215 thousand and profit before tax decreased by \$62 thousand, while during the year ended 30 June 2005 the reserves increased to \$206 thousand and profit before tax decreased by \$53 thousand.



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Notes to the Half Year Report (continued)

for the half year ended 31 December 2005

Note 1. Basis of Preparation of the Half Year Financial Report (continued)

(d) Impact on adoption of AIFRS (continued)

(iv) Share-based payments (continued)

The company's Senior Executive Option Plan (SEOP2002) entitles employees to exercise their share options with non-recourse loans which are secured by a lien over the issued shares. As a result, the shares issued under SEOP2002, in conjunction with the non-recourse loans, have been accounted for as options until repayment in accordance with AASB 2 *Share-based Payment*. Previously under AGAAP, the company recognised the shares issued as capital and a corresponding receivable. Consequently, the outstanding balance of these loans at 1 July 2005 (current receivables of \$505 thousand and non-current receivables of \$983 thousand) was deducted from share capital for \$1,488 thousand). A previous AGAAP net realisable value adjustment against these non-recourse loans of \$14 thousand (tax-effected) has been reversed under AIFRS during the financial year ended 30 June 2005.

(v) Revenue from sale of property plant and equipment

Under previous AGAAP, the gross proceeds on sale of non-current assets were recognised as revenue and the cost in other expenses. 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 being recognised on a net basis as revenue or expense. This resulted in proceeds from the sale of non-current assets being reclassified from "revenue from ordinary activities" to other income and expense items in the income statement. For the financial year ended 30 June 2005, revenue decreased by \$309 thousand, other expenses decreased by \$410 thousand and a loss on sale of non-current assets of \$101 thousand will be recognised from a disclosure perspective.

(vi) Income taxes

AASB 112 *Income Taxes* requires the consolidated entity to use a "balance sheet approach", rather than the "income statement approach" required under previous AGAAP. 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.

As outlined in the company's 30 June 2005 annual report, the AIFRS project team's review of the full extent of the deferred tax balances was not yet complete, but it was foreshadowed that the adoption of the "balance sheet approach" would result in a number of additional deferred tax balances being recognised, as well as adjustments to existing deferred tax balances.

Upon transition to AIFRS, the Group has recognised a deferred tax liability associated with brand names acquired in a previous business combination of \$1,875 thousand. Under the transitional arrangements of AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, this deferred tax liability has been adjusted against retained earnings as at 1 July 2004.

(vii) 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 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.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

(viii) Employee benefits

Under previous AGAAP, no liability was recognised for the net position of the post employment plan in Hong Kong. This was recognised on 1 July 2005 in accordance with AASB119 *Employee Benefits*, with a corresponding adjustment to retained earnings.

A revised AASB119 was issued in December 2005 and applies to annual reporting periods beginning on or after 1 January 2006. We have elected under s.334(5) of the Corporations Act 2001 to early adopt this revised accounting standard for the financial year commencing 1 July 2005.

Notes to the Half Year Report (continued)

for the half year ended 31 December 2005

Note 1. Basis of Preparation of the Half Year Financial Report

(d) Impact on adoption of AIFRS (continued)

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

(ix) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	Note	Consolidated		
		30 Jun 2005	31 Dec 2004	1 Jul 2004
		\$'000	\$'000	\$'000
Total equity under AGAAP		159,598	169,826	158,746
Adjustments to equity:				
Reversal of revaluation to brand names	(i)	(3,999)	(3,999)	(3,999)
Write-back goodwill amortisation	(ii)	1,818	909	-
Write-back goodwill amortisation associated with investment in joint venture partnership	(ii)	163	81	-
Recognition of long-term employee benefit	(viii)	(82)	(79)	(83)
Treatment of non-recourse loans issued under the SEOP as options	(iv)	(1,095)	(1,098)	(1,488)
Recognition of deferred tax liability associated with brand names acquired	(vi)	(1,875)	(1,875)	(1,875)
Recognition of deferred tax assets and liabilities	(vi)	(266)	216	(510)
		(5,336)	(5,845)	(7,955)
Total equity under AIFRS		154,262	163,981	150,791

(x) Reconciliation of profit after tax under AGAAP to that under AIFRS

	Note	Consolidated	
		Year ended	Half-year ended
		30 Jun 2005	31 Dec 2004
		\$'000	\$'000
Profit after tax as previously reported under AGAAP		13,231	16,825
Write-back of goodwill amortisation	(ii)	1,818	909
Adjustment to share of joint venture profits as a result of the write-back of goodwill amortisation associated with investment in joint venture	(ii)	163	81
Recognition of share-based payment expense	(iv)	(53)	(62)
Reversal of net realisable value adjustment against non-recourse loans	(iv)	14	-
Recognition of long-term employee benefit	(viii)	(3)	(2)
Tax effect of AIFRS adjustments in current period		(548)	(266)
		1,391	660
Profit after tax under AIFRS		14,622	17,485

(xi) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.



Housewares International Ltd
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Notes to the Half Year Report (continued)

for the half year ended 31 December 2005

Note 1. Basis of Preparation of the Half Year Financial Report

(e) Change in accounting policy

(i) Reconciliation of financial instruments as if AASB 139 was applied at 1 July 2005

In the current financial year the Group adopted AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments with the scope of AASB 132 and AASB 139.

The impact on the balance sheet in the comparative period is set out below as an adjustment to the opening balance sheet at 1 July 2005. The transitional provisions will not have any effect in future reporting periods.

(ii) Application of AASB 132 and AASB 139 prospectively from 1 July 2005

	Consolidated		
	30 Jun 2005	Effect of adoption	1 Jul 2005
Note	\$'000	\$'000	\$'000
Trade and other receivables (current)			
Hedging foreign currency receivable	1,417	(1,417)	-
Hedging foreign currency put option receivable	225	(225)	-
Derivatives asset (current)	-	572	572
Trade and other payables (current)			
Hedging foreign currency payable	(1,417)	1,417	-
Hedging foreign currency put option payable	(81)	81	-
Derivatives liabilities (current)	-	(194)	(194)
Impact on net assets		234	
Retained earnings	33,340	234	33,574
Impact on equity		234	



Housewares International Ltd
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Notes to the Half Year Report (continued)

for the half year ended 31 December 2005

	Consolidated	
	Half-year ended 31 Dec 2005	Half-year ended 31 Dec 2004
Note	\$'000	\$'000
Note 2. Revenue and expenses		
(a) Specific items		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
(i) Revenue		
Sale of goods	236,181	240,352
(ii) Other income		
Net translation gains	2,524	855
Finance income	141	145
Other	80	92
	2,745	1,092
(iii) Expenses		
Operating lease rentals	4,288	3,957
Net translation losses	40	-
Loss on disposal of plant and equipment	35	67
Bad and doubtful debts	(237)	(542)
Employee benefits costs		
Wages & salaries and leave benefits	26,281	25,514
Post-employments benefits	2	2
Share-based payments expense	9	62
	26,292	25,578
Depreciation and amortisation		
Depreciation of plant and equipment	1,573	1,606
Amortisation of development costs	231	-
Amortisation of capitalised computer software	144	182
	1,948	1,788
Finance costs		
Finance costs paid or payable on borrowings and bank overdrafts	3,523	3,066
	3,523	3,066

(b) Seasonality of operations

The financial performance of the consolidated entity is exposed to seasonality in the volume of sales; such that the Company's financial performance is historically weighted in favour of the half year to 31 December. This seasonality is a reflection of the additional retail sales generated during the Christmas trading period each year.

This seasonality in the volume of sales also results in a higher level of the receivable and inventory balances at the half year compared to year-end, which consequently results in a higher working capital requirement and negative operating cash flows at the half year.



Housewares International Ltd
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Notes to the Half Year Report (continued)

for the half year ended 31 December 2005

	Note	Consolidated	
		Half-year ended 31 Dec 2005 \$'000	Half-year ended 31 Dec 2004 \$'000
Note 3. Dividends			
(a) Equity dividends on ordinary shares paid during the half year to equity holders			
Final dividend for financial year ended 30 June 2005 of 3.5 cents per share (FY2004: 3.5 cents) fully franked at 30% tax rate			
- Dividend paid in cash		2,534	3,288
- Dividend reinvested		1,678	827
Total 2005 final dividend		4,212	4,115

(b) Equity dividends proposed and not recognised as a liability to equity holders

Interim dividend for the financial year ending 30 June 2006 of 9.5 cents per share (FY2005: 9.5 cents) fully franked at 30% tax rate

	11,531	11,242
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Note 4: Issued capital

Ordinary shares	Note	31 Dec 2005 \$'000	31 Dec 2004 \$'000
Issued and fully paid		124,306	118,623

Movement in ordinary shares on issue	Note	Half-year ended 31 Dec 2005	
		Number '000	\$000
At the beginning of the half year		120,314	122,572
Issued on 6 October 2005 from dividend investment plan		1,055	1,678
Issued on 15 December 2005 from exercise of senior executive option plan shares granted with non-recourse loans		10	-
Proceeds from repayment of non-recourse loans associated with senior executive option plan restricted shares		-	56
At the end of the half year		121,379	124,306



Housewares International Ltd
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Notes to the Half Year Report (continued)

for the half year ended 31 December 2005

Note 5. Segment Reporting

Geographic Segments

The following table represents the revenue and profit information regarding geographic segments for the half-year periods ended 31 December 2005 and 31 December 2004.

	Australia \$'000	New Zealand \$'000	Asia \$'000	Nth America \$'000	Eliminations \$'000	Consolidated \$'000
31 December 2005						
Revenue						
External sales	156,316	24,831	12,564	42,470	-	236,181
Other income	1,690	535	44	10	325	2,604
Inter segment income	489	-	-	-	(489)	-
Total segment revenue	158,495	25,366	12,608	42,480	(164)	238,785
Unallocated revenue						141
Total revenues						238,926
Results						
Segment result	10,095	2,541	3,279	3,748	(20)	19,643
Unallocated expenses						(3,382)
Share of profits of joint venture partnerships						1,603
Consolidated entity profit before income tax expense						17,864
Income tax expense						(6,198)
Consolidated entity profit after income tax expense						11,666
31 December 2004						
Revenue						
External sales	178,307	25,330	9,655	27,060	-	240,352
Other income	300	-	55	16	576	947
Inter segment revenue	370	-	-	-	(370)	-
Total segment revenue	178,977	25,330	9,710	27,076	206	241,299
Unallocated revenue						145
Total revenues						241,444
Results						
Segment result	18,999	2,251	2,656	3,551	(432)	27,025
Unallocated expenses						(3,139)
Share of profits of joint venture partnerships						739
Consolidated entity profit before income tax expense						24,625
Income tax expense						(7,140)
Consolidated entity profit after income tax expense						17,485



Housewares International Ltd
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Notes to the Half Year Report (continued)

for the half year ended 31 December 2005

	Consolidated	
	Half-year ended 31 Dec 2005	Half-year ended 31 Dec 2004
Note	\$'000	\$'000
Note 6. Change in Composition of Entity		
On 1 December 2005, the consolidated entity purchased certain assets and liabilities of the commercial cleaning business from Britette Australia Pty Limited. The fair value of the identifiable assets and liabilities as at the date of acquisition were:		
Inventories	951	-
Plant and equipment	258	-
Trade and other payables	(95)	-
Fair value of net tangible assets acquired	<u>1,114</u>	-
Goodwill arising on acquisition	<u>3,334</u>	-
	<u>4,448</u>	-
Consideration:		
Cash paid for purchase of business (including costs associated with the acquisition)	3,186	-
Payables related to purchase of business	<u>1,262</u>	-
Consideration paid or payable	<u>4,448</u>	-
Note 7. Contingent Assets and Liabilities		
Since 30 June 2005, there has been no material change of any contingent liabilities or contingent assets.		
Note 8: Subsequent events		
Subsequent to 31 December 2005, the directors have declared a fully-franked interim dividend of 9.5 cents per share (FY2005: 9.5 cents per share). In accordance with the Company's accounting policy no liability is recognised at 31 December 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.		



Housewares International Ltd
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Notes to the Half Year Report (continued)

for the half year ended 31 December 2005

Note 9: Additional Information

(a) Reconciliation of cash

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2005:

	Consolidated	
	Half-year ended 31 Dec 2005 \$'000	Half-year ended 31 Dec 2004 \$'000
Cash at bank and on hand	15,107	13,044
Bank overdraft	(25)	(325)
	15,082	12,719

(b) Housewares International Limited Dividend Reinvestment Plan

The company has established a dividend reinvestment plan, under which the holders of ordinary shares may elect to have their dividend entitlements satisfied by the issue of new fully paid ordinary shares, rather than being paid in cash.

The shares pursuant to the Dividend Reinvestment Plan will be issued at a 2.5% discount to the weighted average market price of the company's shares sold on the Australian Stock Exchange during the five consecutive trading days immediately preceding, and inclusive of, the record date.

The last date for receipt of election notices for the dividend reinvestment plans is 5:00 pm AEST, 10 March 2006.

(c) Details of Associates and Joint Venture Entities

Name of joint venture entities	Ownership Interest Percentage Holding	
	Half-year ended 31 Dec 2005	Half-year ended 31 Dec 2004
Anglo Canadian Housewares, L.P.	50%	50%
HWI China Limited	50%	-

	Consolidated	
	Half-year ended 31 Dec 2005 \$'000	Half-year ended 31 Dec 2004 \$'000
Aggregate share of profit for each of these entities	1,603	739
Contribution to net profit for each of these entities	1,603	739



Housewares International Ltd
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Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) giving a true and fair view of the financial position as at 31 December 2005 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 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.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Wavish', written over a horizontal line.

William Wavish
Chairman

A handwritten signature in black ink, appearing to read 'Hersch', written over a horizontal line.

Joseph Hersch
Director

Melbourne
23 February 2006



Housewares International Ltd
A.B.N. 90 086 933 431

Company Directory

Directors

William Wavish
Non-Executive Chairman

Joe Hersch
Managing Director

Steven Fisher
Non-Executive Director

Steven Klein
Non-Executive Director

John McConnell
Non-Executive Director

John Schmoll
Non-Executive Director

Company Secretaries

Laurelle Jackson
Paul Milburn

Registered Office

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

Share Registers

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067

Enquiries with Australia: 1300 850 505
Enquiries outside Australia: +613 9611 5710
Website: www.computershare.com

Auditors

Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000

Solicitors

Arnold Bloch Leibler
333 Collins Street
Melbourne Victoria 3000

Stock Exchange Listings

Housewares International Limited shares are quoted on the Australian Stock Exchange.

Website

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