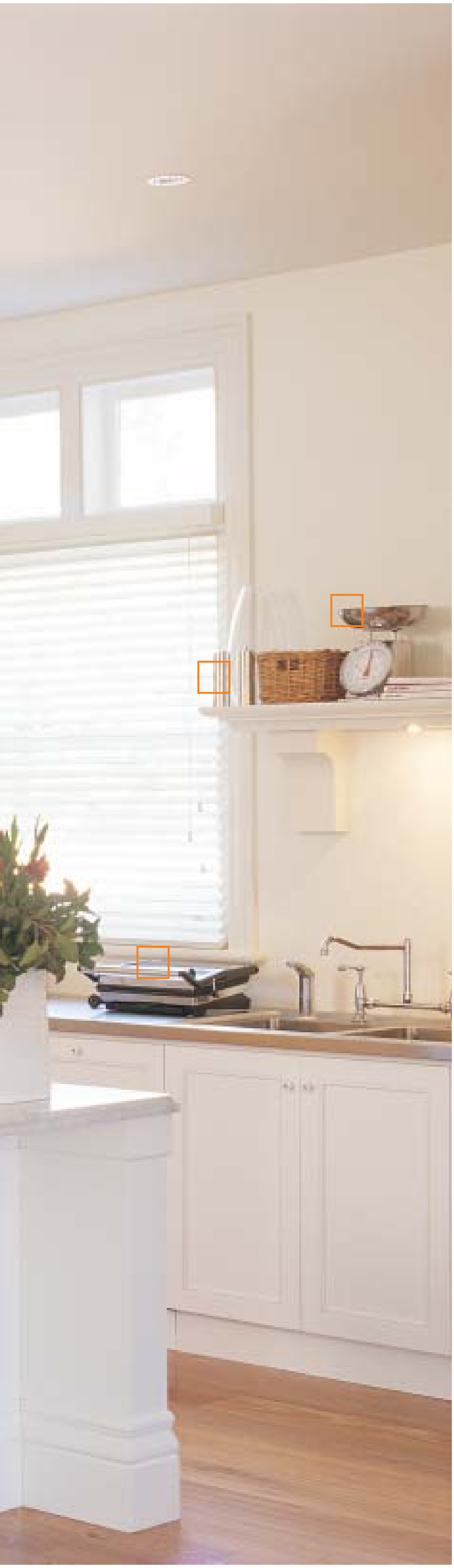
Housewares International Ltd
Annual Report 2003

Thinking outside the box...


and inside the home.
Housewares International Ltd
ACN 086 933 431



Think:

Leading consumer brands

in the Kitchenware, Tabletop, Electrical and Agency categories such as Breville, Kambrook, Ronson, Philips, Baccarat, Arcosteel, Alex Liddy, Forum, Mayfair & Jackson, Peg Perego and Soehnle.

Growing new markets

for both existing and newly developed products including Breville into the USA and Canada, exports from Hong Kong into South Africa and Europe and diversifying into additional home categories including laundry, garage and outdoors with the new SABCO brand.

Innovation and technology

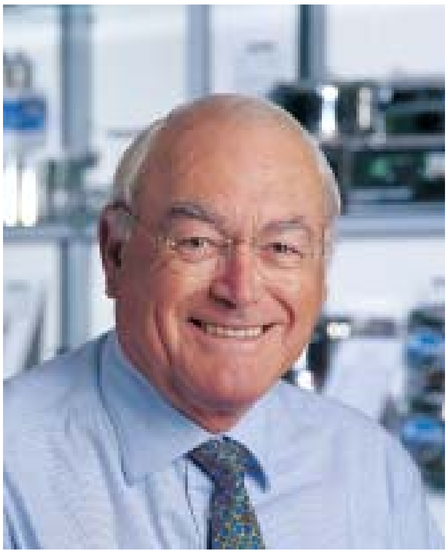
that continues to be a key attribute of the company evidenced by the creation of the 'centre of design excellence' to achieve significant synergies between both product and packaging design capabilities of the group.

Lasting relationships

with a wide range of leading retailers in all of our markets. Most of these relationships around the world have been in place for more than 20 years and continue to be a cornerstone of our success.

Think: Innovative Company

Letter from the Chairman



The Housewares International Group (HWI) has delivered a solid operating performance for the year ended 30 June 2003.

Management has remained focused on consolidating Group operations during the year and have delivered positive results for shareholders on a number of fronts:

- The Breville acquisition has continued to deliver excellent returns for the Group, with its selected niche range of products achieving a successful showing at the January 2003 Chicago Homewares Fair. The retailer interest that has been shown towards the Breville brand in the USA bodes well for the future potential and sustainability of this project.
- Completion of the construction of a 'state-of-the art' Design Centre of Excellence in Sydney, Australia. Design capabilities of both the Electrical and Homewares divisions have been harnessed to deliver world class product to our Group operations around the world.
- Acquisition of the SABCO brand and the business operations of its Maximum Cleaning Division, thereby extending the Group's product offering further into the home, by way of the kitchen and laundry.
- Continued commitment to disciplined capital management, which has resulted in a reduction in the Group's net debt to $43.9m at 30 June 2003. The year end debt to capital employed ratio is 23.6%.

The result of all this, was a Group net profit after tax of $20.9m for the year, which compares with $16.4m for the prior year. Group turnover totalled $455.9m, up 21.6% from the previous years $374.9m.

The current retail environment continues to be tough and Group executives are currently focused on securing results for the all important Christmas and 'Fall' selling seasons.

Our strategy continues to focus on growing the business operations in Australia with complementary product offerings and, where appropriate, seeking to migrate these product categories to the Group's offshore businesses.

I express my thanks to our management team and staff for continuing their focus on our strategic plan, for their achievements during the year and the financial results. May I also thank my fellow directors for their support and substantial contributions over the past twelve months.

Finally, thank you to our shareholders for your loyalty over the year and I trust that this has been rewarded by our performance on the share market, our increased dividend and through our Balance Sheet and Accounts.

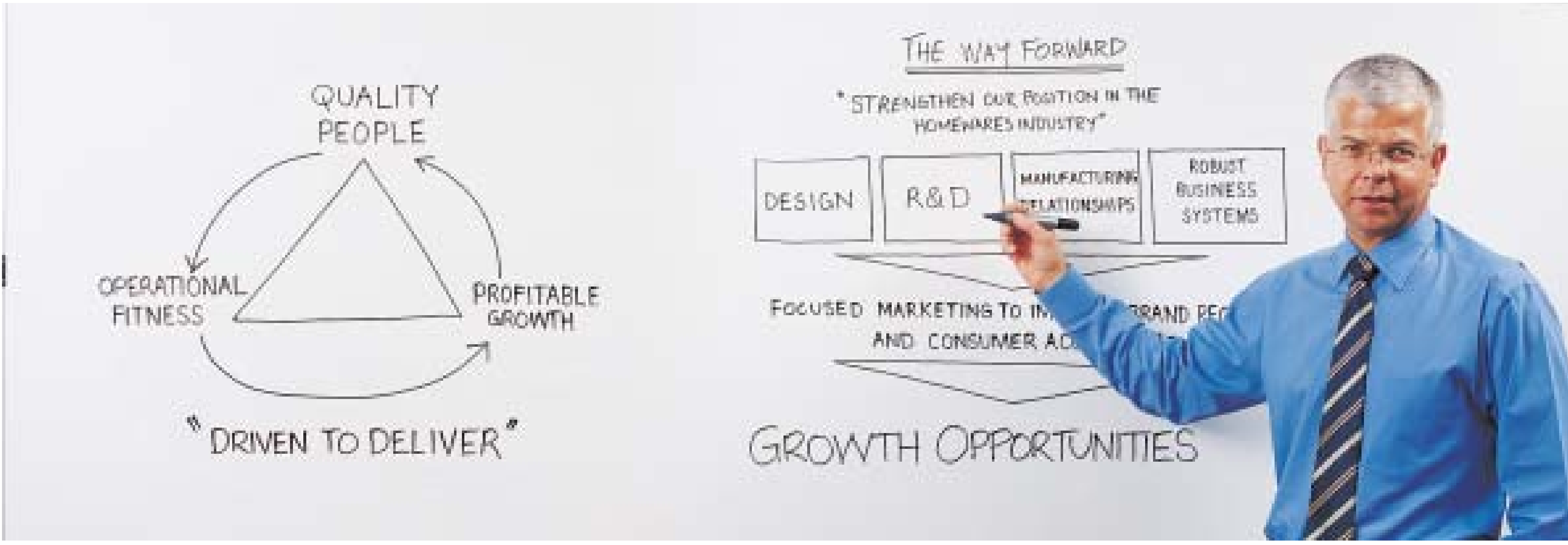
Clive Little
Chairman
2 September 2003

Construction of a first class Design Centre in Sydney, Australia to deliver world class product to our global business operations.

The dedicated commitment of our HWI team across the world, has helped secure returns for shareholders in an environment that promotes service excellence.

Think: Tracking to Plan

Managing Director's Review



Dear shareholders, This year represents another significant milestone in the history of HWI and its dedicated team. As we continue to grow in confidence in our own belief that, as an Australian owned company, we can make a difference in the international arena, our team around the world continues to deliver an excellent operating performance on behalf of our shareholders.

Launched the Breville and Alex Liddy brands at the January 2003 Chicago Homewares Fair.

Acquired the SABCO brand and the business operations of its Maximum Cleaning Division, which will allow HWI to extend its product offering into the laundry and kitchen.

Think: Performance

$millions except where indicated	JUN 03	JUN 02	% CHANGE
SALES	455.9	374.9	**21.6%**
EBITA	36.2	29.2	**24.0%**
AMORTISATION	1.4	1.2	**16.7%**
EBIT	34.8	28.0	**24.3%**
NET INTEREST	4.0	3.0	**33.3%**
NPBT	30.8	25.0	**23.2%**
TAX	9.9	8.6	**15.1%**
NPAT	20.9	16.4	**28.1%**
EPS (CENTS PER SHARE)	18.6	17.7	**5.1%**
DPS (CENTS PER SHARE)	18.4	17.3	**6.4%**

Financial Commentary

This year's sales are up 21.6% to $455.9m; the bulk of this increase comes from Breville with a 46.0% increase in sales, resulting from a full twelve month trading period plus a strong operating performance during the year. The Homewares business, excluding Ronson which was transferred to Breville, grew by 15.0% during the year. Australian sales growth was offset by weaker sales results from our North American business units, which is attributed to continued weakness in the North American economies.

Group EBITA, at $36.2m is up 24.0% on last year's comparative. Despite a competitive trading environment which challenged operating margins, it is pleasing to note, that on average, Group profit margins have been maintained at around 7.9% of sales.

Profit improvement initiatives that focused on margin management and reductions in operation expenses continue to be a core focus for our Group. A lower tax rate, resulting from an increased weighting in Australian earnings helped deliver a profit after tax of $20.9m for the year, up 28.1% on last years comparative of $16.4m.

The Balance Sheet is in good shape with the debt to capital employed ratio falling from 28.5% to 23.6% at the year end. The SABCO acquisition will push debt back to the 30.0% level, still well within the company's guideline objective of 40.0% debt to capital employed.

EBITA to net interest remains conservative at nine times cover. The rate of increase in working capital has been kept well below the rate of increase in sales and margins, which has resulted in an improved return on capital, which increased from 15.5% in 2002 to 18.9% in 2003, well ahead of the company's weighted average cost of capital, which bodes well for the shareholder value equation.

Operating cash flows at $20.7m reflect the company's continued commitment to deliver free cash flow to shareholders. Increased funding for working capital in the USA to support the Breville project and capital expenditure for the Sydney Design Centre are focused towards delivering increased future returns for our shareholders.

The final divided at 4c per share, brings the full year payout to 10c per share, fully franked, which represents a payout ratio of 54%, in line with the company's stated objectives of 50%, payout of profit after tax.

Improved return on capital, which increased from 15.5% in 2002 to 18.9% in 2003, well ahead of the company's weighted average cost of capital, which bodes well for the shareholder value equation.

HWI is committed to the maintenance of a relatively low gearing ratio of net debt to equity and at the 2003 financial year-end, it was at 30.9% providing sufficient capacity to fund further organic or acquisitional growth.

Review of operations

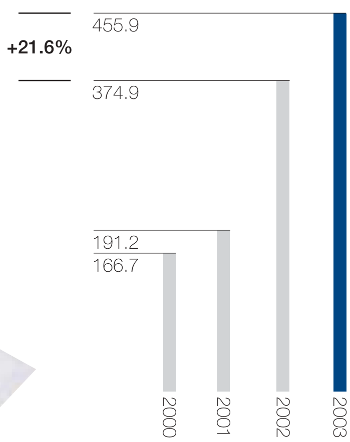
The Breville acquisition continues to deliver a superior performance and opportunities to sell its innovated world class products internationally are outstanding. Breville's strategic focus on innovation has been adopted within the homewares business and as a result we have invested significant funds this year to upgrade the engineering and design capabilities of our group within a first class Design Centre based in Sydney, Australia.

Our strategic focus incorporates the international arena and continued growth in the Australian market. On the international front, aspirations for a profitable and internationally recognised brand is at the forefront of our business strategy. The Design Centre in Sydney will provide us with world class product, for both the Electrical and Homewares Divisions, to enable HWI to continue to build strength into it's product offering to pursue this international vision.

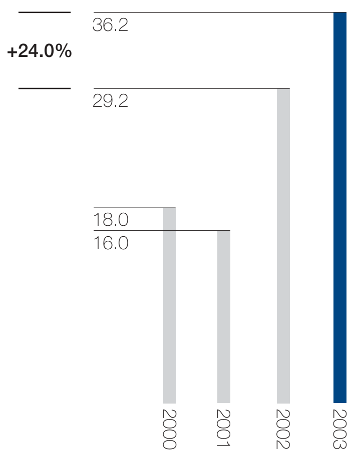
At the same time, we will continue to pursue additional homeware product offerings to secure a complementary local strategic objective to grow our presence further into the home; we already have a significant presence in the kitchen and dining room and believe that we have the capability to grow into the other rooms that make up the home. As we succeed in this quest, we will assess opportunities to take such offerings into the international marketplace where appropriate.

Our electrical brands are making solid progress in both the USA and Canada.

SALES REVENUE ($M)



EBITA ($M)



Increased sales of $455.9m up 21.6% on last year's comparative of $374.9m helped deliver a profit after tax of $20.9m for the year, up 28.1% on last year's comparative of $16.4m.

Improved financial result with disciplined working capital management delivering a 18.9% EBITA to capital employed ratio.

In line with our strategic objectives, we have secured positive outcomes for our shareholders during this year, which include:

– An excellent financial result from our business units despite difficult economic conditions in certain key markets.

– We remained committed to capital management programmes with improvements being made against our 'return on capital' objectives.

– We launched the Breville and Alex Liddy brands at the Chicago Homewares Fair which stimulated interest among key USA and Canadian retailers. It is still early days and the positive reactions need to be converted to actual sales, but the pedigree of retailers willing to 'give us a go' is encouraging.

– We have increased our export sales opportunities through Hong Kong by dedicating additional resources to this task. We have a world class facility in Hong Kong that continues to provide HWI with excellent procurement services and an efficient base to capitalise on export sales opportunities.

– A centre of 'Design Excellence' in Sydney which will equip us to build innovative lifestyle products for our group operations.

– We have acquired the SABCO brand and its business operations to extend our product offerings further into the laundry and kitchen. This acquisition represents an exciting opportunity for HWI to continue in its quest to be Australia's leading provider of homeware products and to leverage such offerings into other international markets. The base case returns from this complementary investment are forecast to exceed internal cost of capital benchmarks, thereby securing positive value for our shareholders.

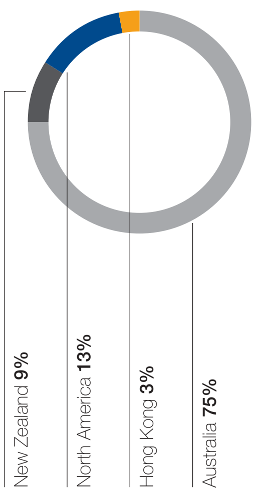
The above mentioned results provide me with confidence that HWI will be able to continue to build sustainable growth into its business operations and thereby secure positive shareholder value into the future.

The most important part of our business is our people. It is their dedicated commitment that helps secure superior returns for our shareholders. We span many continents, speak different languages but are bound by a common objective to grow shareholder value in an environment that promotes excellence in service. For this I am grateful and thank each member of staff for their outstanding contribution during this financial year.

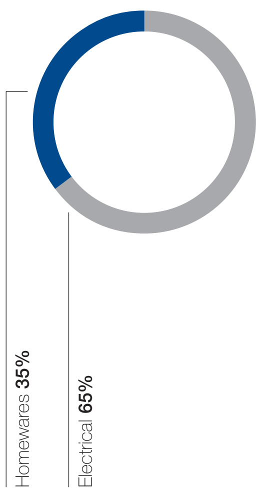
In conclusion and on behalf of our Board, I would like to thank our staff, customers and suppliers for their loyal support during the year and look forward to their participation to help deliver an exciting future for our company and it's shareholders.

Mark Kirkby
Managing Director

SALES BY REGION



SALES BY SECTOR



Focused on growing export sales opportunities from the group's world class facilities in Hong Kong.

The acquisition of the SABCO brand will allow us to extend our product offerings further into the laundry and kitchen allowing HWI to continue in its quest to be Australia's leading provider of homeware products and leverage such offerings into other international markets.

Think: Leading Brands

Our brand strategy and method of presenting to consumers has ensured a wide exposure and consumer demand for our leading brands.

MARKET SECTOR	OUR MAJOR BRANDS	OUR MARKETS*
Kitchenware 	Baccarat Gourmet Edition Metro Arcosteel Pronto!	Australia New Zealand United States of America Canada
Tabletop 	alex liddy International forum Mayfair & Jackson	Australia New Zealand United States of America Canada
Electrical 	Breville Kambrook Ronson Goldair	Australia New Zealand United States of America Canada
Agency 	Philips Soehnle Bormioli Rocco Space Bag Peg-Pérego Leifheit	Various – dependant on agency relationship

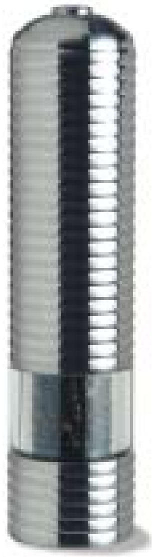
*Note: All brands are not represented in all of our markets.

In tune with trends

Cocktails anyone? This growing Barware category has led to solid growth and an increased range of bar accessories for the Baccarat brand. HWI has grown this category substantially in the last twelve months. From classic stainless steel cocktail shakers, to hip flasks, wine coolers and an assortment of corkscrews – the wide range of accessories on offer will suit all tastes. The Baccarat range of barware makes an occasion out of any gathering, and also makes the perfect gift.

Practical Accessories

Alleviate the 'Daily Grind' with battery operated Salt and Pepper shakers. The product development team at HWI is constantly on the lookout for the 'perfect accessory'. Whether it may be the ideal colander, or a perfectly proportioned yet functional chopping board – a good range of accessories makes the chef of the house a satisfied one. Practical, yet stylish – the accessories on offer across the Baccarat, Arcosteel and Pronto! brands range in price and function to meet the needs of all our customers. The Baccarat battery operated Pepper Mill is a new addition to our wide range of accessories and the perfect addition to any kitchen.



Kitchenware: Think Lifestyle

Product Developments' Tri-ply 'Dimensions'

The Baccarat Dimensions range comes as a result of recent advancements in cookware around the world. Never before has HWI put to market a range of cookware like the Dimensions range. Tri-ply cookware consists of three layers of material permanently bonded together; the interior and exterior skins are stainless steel and the internal core is a thick layer of aluminium. This gives you increased and evenly spread heat transfer and offers you more controlled cooking. Dimensions cookware is suitable for gas, electric, ceramic and induction cooktops. Initial retailer response to the range has been extremely positive – with great results expected from independent homewares retailers and department stores.

Best Seller

Arcosteel – an iconic Australian brand of cookware continues to deliver excellent results. A consistent and substantial contributor to kitchenware sales for an incredible 8 years is the Arcosteel range of frying pans. This range achieved a significant 10% increase in sales to June 2003 compared with the previous year. The core range of frying pans has broad appeal and is sold through department stores, chain stores, and can even be found in various hardware chains. Italian made, the frying pans offer excellent value for money. These consistent performers will continue to add to the success of the Arcosteel brand in the future, with the possibility of various extensions to the range in the future.

Building a brand for long term growth

External qualitative market research was completed in June this year by Sweeney Research to help us better analyse the current position Baccarat holds in the hearts and minds of consumers. Focus groups consisting of 8-12 participants were held in Melbourne and Sydney. The research showed very positive results – brand awareness for the brand after only five years in the market and with little consumer advertising was very encouraging. The awareness in the Australian market can be attributed to a great looking but functional product range, excellent distribution and presence in stores, as well as recommendation. Great insight into the current situation was gained via this research, helping us to steer the brand towards further growth in the next financial year and beyond.

The Baccarat battery operated Pepper Mill is a new addition to our range of accessories.

The Barware category has grown substantially in the last twelve months.

The Arcosteel range of frying pans has been a substantial sales contributor for an incredible 8 years

Initial response to the Baccarat Dimensions range has been extremely positive.

In 2003 came the development of the exciting new brand – Alex Liddy

New for Summer 2003 is the Gift Ideas range of ceramic serving ware.

Gift Ideas

New for Summer 2003 is the Gift Ideas range of ceramic serving ware. Already receiving a positive response from major retailers and independent stores – the range has potential to become an ongoing line – with regular updates and additions influenced by trends and consumer demand. Perfect for Christmas, Mothers Day and any other special occasion, each piece is beautifully gift boxed with a recipe card included.

Best Seller – Modern Mix

One of our success stories in the last twelve months is the acceptance and sell through of the Modern Mix range of tableware. Taking inspiration from a magnificent stretch of untouched Australian coastline, the design features clean lines in neutral tones of sand and sky blue. Decorative yet classical in its concept the range has wide appeal and suits most kitchens. The range has achieved great acceptance by department stores, mass merchants and independent retailers. To capitalise on the success of the range our product development team will be making some exciting additions to the range. New colours and patterns will be introduced to complement the range in the next twelve months, as well as accessory pieces such as placemats and coasters.

alex liddy

Launch of a brand

In 2003 came the development of an exciting new brand at HWI – Alex Liddy. An extension of the perennially popular Liddy brand of decorator ceramics, the new brand is more contemporary and relevant to today's consumer. Positioned at the top of our Tabletop offering, Alex Liddy will provide our customers and end consumers with an affordable yet very stylish solution to entertaining and every-day dining. A wide range of products are available including ceramic dinnerware and serving ware, fine bone china, glassware, melamine, giftware and decorator items. If the feedback received from our recent Melbourne Trade Fair is any indication – the potential for success of the Alex Liddy brand in Australia and internationally looks promising.

Tabletop: Think Chic

Outdoor

Australians love to entertain – indoors and outdoors. The fantastic range of Melamine and Polycarbonate products available across the Alex Liddy and Forum brands are suitable for all types of outdoor environments. Barbeques, picnics, lunch by the pool, or an elegant courtyard dinner – all perfect situations in which to use melamine and polycarbonate products. Strong and unbreakable, yet fashionable – the range is practical but stylish. This profitable category has great potential for growth in the future, as there is a growing demand in the marketplace for outdoor products. HWI is set to take advantage of this opportunity by expanding the range incorporating new products and designs.

New products – sourcing new factories for quality fine bone china.

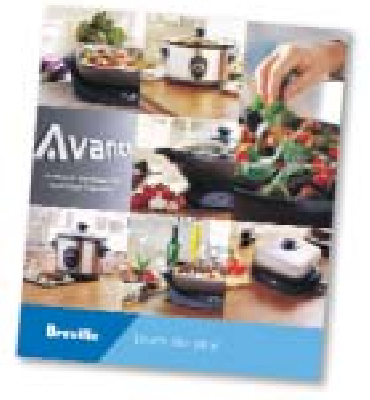
One of the great achievements in the last year has been the development of the Ripple and Aquis range of fine bone china. Sourcing factories in China that are able to supply us with high quality fine bone china with the ability to reproduce our individual designs has been a great step forward. The Ripple range of fine bone china was designed in-house by our industrial designers and samples were made from moulds created in our Sydney design studio and engineering centre. The range also includes matching glassware to add to the exciting range of tableware. Planned extensions to this range for Winter 04 will help to cement this range as an on-going product line.

The Modern Mix range of tableware was one of the success stories of 2003.

The development of the Ripple and Aquis range included sourcing supply from China.

Juicing Category

Drinking fresh juice is now an integral part of the Australian way of life. The juice market has exploded over the last 5 years with Breville pioneering the design of domestic juicers with commercial results. The Juice Fountain, Australia's number one selling small appliance with its unique extra wide feed chute has been instrumental in driving the overall size of the Australian market for this product category. Breville continues to drive sales and category growth in 2003 with continued product innovation, the launch of the next generation Juice Fountain and investment in a strong promotional program.



Kambrook Vacuum Cleaner Range

Kambrook has achieved great success with the Jaguar range of contemporary, high powered vacuum cleaners. Over the past 4 years, Kambrook's unit share in the category has grown. Driving the success of this category over the next 12 months will be the re-launch of the Jaguar series with upgraded wattage, packaging and a new aesthetic appeal.

Avance Cookware Range Launch

Breville launched a new, coordinated range of cookware called the 'Avance' range. Avance is used as a sub-brand across a range of high end products including woks, frypans, rice cookers and slow cookers. Targeting high end cooks, the range has been designed to meet the needs of busy lifestyles. Unique features deliver superior performance whilst making a contemporary design statement in any kitchen.

A national winter promotion endorsed by celebrity chef and author Gabriel Gate supported the launch of the range, linked to a wider marketing and public relations campaign.

Electrical: Think Innovation

Website

The launch of the Breville website gives HWI Electrical an exciting opportunity to improve communications with its customers. www.breville.com.au is much more than just an on-line product catalogue. Investment in an infrastructure to facilitate the maintenance of a highly interactive site with database functionality brings the brand closer to its target market. Geared to provide a greater insight to consumers' needs and priorities while guiding users to information and product innovations most relevant to them, the site was developed with on-going customer interaction and long-term relationship building in mind.

Product Innovation

2002 saw an exciting expansion in HWI Electrical's R&D design and engineering capabilities. The creation of a leading edge Design Centre with state of the art technology together with growth of the design and engineering team has further cemented the company's ability to lead the way in bringing innovative lifestyle solutions to market.

Driven by the philosophy of creating products that deliver real benefits for real people, the Design Centre continues to take on board customer suggestions during the product development process, producing unique design and engineering innovations for which the Breville brand is renowned and driving sales and profitability.

Breville was awarded Australian Design Mark™'s in 2003 for the following products.

– Avance Ultimate Wok
– Sandwich Presses
– Moda Blenders

Breville was proud to continue its support of the National Breast Cancer Foundation, donating a proportion of sales from its personal care range. Breville will also be participating in Breast Cancer Month in October.

Real People. Real Life. Breville launched its successful 'Real People' advertising campaign last Christmas. Actual customers were picked to star in the successful print, TV and outdoor advertisements. The campaign will continue to run for Christmas 2003.

Bodyzone, a new collection of body care products will be launched for Christmas 2003. Promoting consumer well being, the range features coordinated styling and new packaging design targeting consumers seeking sanctuary from stress at home.

Consumer demonstrations are an essential part of the sales process. Breville invests substantial funds and resources to product demonstrations, including a 50-strong consultant team nationally.

Leifheit

Leifheit is a German company that develops and distributes kitchen, laundry, cleaning and storage products throughout the world. Leifheit is the parent company of Soehnle, and has been associated with HWI in Australia since April 2001. HWI has benefited from its relationship with Electrical retailers by achieving significant sales of a large range of Leifheit laundry items – including premium quality ironing tables, indoor drying and storage items as well as a range of new waste disposal products. Over the coming years we plan to consolidate and build our relationship with Leifheit – the largest manufacturer of housewares in Europe.

Bormioli Rocco

The Bormioli Group's hallmarks – quality, design, technology and experience, are reflected in their complete range of products. HWI has been distributing fine quality glassware to the Australian retail market on behalf of Bormioli Rocco since February 2002. HWI has already achieved a significant increase in sales and distribution of the products in this short period of time. The extraordinary amount of glassware available allows us to select the best possible ranges for our customers needs and also allows us to bring into Australia, ranges that are exclusive to particular retailers. In addition to the vast range of glasses, Bormioli Rocco also brings to Australia the Frigoverre and the Quattro Stagioni storage ranges – a must for those who enjoy home cooking and preserving. We are proud to bring the best of Italy to Australia, and will continue to build the already strong relationship we have established with Bormioli Rocco.

Agency: Think Expansion

bacino

Bacino – 'Launch of a company owned brand'

New to our growing Nursery range in 2003 is the Bacino brand. A company owned brand, Bacino (little kiss) will offer a wide range of products across the category. The range includes prams and strollers, jogger prams and rockers. Also included in the range are a number of nursery accessories such as travel cots, sleeping bags, nappy bags, nursery furniture and developmental toys – a first for HWI. Our goal is to grow the Bacino brand by offering retailers a great range of products that are in demand by the nursery consumer. The Bacino brand will be exclusive to independent nursery retailers and department stores. We will be supporting the Bacino range with a print advertising campaign in parenting magazines commencing October 2003.

HWI intends to consolidate and build its relationship with Leifheit – the largest manufacturer of housewares in Europe

The 'original' Spacebag continues to both maintain market share and grow its distribution.

Soehnle – Latest technology in scales

Soehnle – a German brand that stands for precision and innovation throughout the world continues to be a favourite amongst Australian consumers. A wide range of kitchen and bathroom scales are available to the Australian market, suitable for all mass merchants, department stores and independent retailers. Since early 2001, HWI has been the exclusive distributor of Soehnle scales in Australia and New Zealand. In this time HWI has managed to increase the distribution of the product in traditional outlets, and has also gained entry to electrical retailers around the country. The goals for the Soehnle brand in the next twelve months include further penetration into new channels and extending the current product line to include new products – particularly in the area of 'wellness' products.

Spacebag

In an increasingly competitive environment, the 'Original' Spacebag continues to maintain market share in Australia. Faced with tough opposition in the latter part of 2002, both HWI and manufacturer, ITW Spacebag, reacted with an aggressive marketing campaign. In the past twelve months, HWI achieved growth from both existing and new retailers including travel stores, and camping and outdoor centres. New business for the current financial year includes co-branded product programs with two major international retailers. Continued development of new product by ITW Spacebag and a fresh new approach to marketing will continue the growth of this brand in Australia.

Philips

The Philips brand continued to strengthen its status as the leading men's shaver brand with the launch in July of the advanced Sensotec range. The new Sensotec models feature the latest in Philips' shaving technology, including the unique Personal Comfort Control system designed to enable a customised shave to suit individual skin type. The rapid growth of the male grooming market gives the brand an ideal platform to further capture the growing dollar spend of men conscious of the benefits of good grooming and skin care.

Peg Perego 'Italian Style'

Peg Perego – a company which for over 50 years has been designing and manufacturing prams, strollers, travel systems, and high chairs to exacting standards. Italian designed and manufactured, Peg Perego continues to be an Australian favourite. Characteristics such as safety, comfort and fashion are just a few of the attributes of Peg Perego's advanced design processes and their extensive experience. HWI has been associated with Peg Perego for fifteen years and is set to continue its longstanding partnership with this quality brand in Australia – building and maintaining relationships with nursery retailers around the country and servicing them with dedicated nursery sales representatives.

A significant increase in sales and distribution of Bormioli Rocco has been achieved.

HWI continues to be the exclusive distributor of Soehnle scales.

Australia: Think Achievements

The Homewares division delivered a solid operating performance for the year ended 30 June 2003, with improved contributions being earned from kitchenware, tabletop and agency brands.

Restructure During the year, the division restructured its business operations into two distinct parts, being kitchenware/agency and tabletop. This was done to facilitate sharper focus on sales and marketing efforts as the Company continues to grow its extensive product offering. The sales and support functions were restructured in line with the product offering to give customers a greater depth of service.

As part of the restructure, the Homewares Design facility was moved to Botany, Sydney alongside the Electrical division's Design Centre. This strategic move will provide group operations with competitive design and product development capabilities across all businesses and internationally.

Brands The Company brands offer a market positioning in the 'good, better and best' categories across a broad customer base. Strong product sourcing relationships and product development capabilities in Sydney provide innovative and proprietary product to secure differentiated product offerings for our customers. This strategy has helped secure continued growth for the company's multiple brands.

The tabletop brands now include a revitalized 'Alex Liddy' offering for the top-end customer, 'Forum' for the mid-market product range and 'Mayfair & Jackson' continues to grow its mass market range. On the kitchenware side of the business, Baccarat continues to enjoy growth at the top-end and Arcosteel continues to consolidate its value-based offer.

Growth Strategy Part of the Company's growth strategy has been to secure new product opportunities for different parts of the home. We have strong offerings in the kitchen and dining room and through the recently announced acquisition of the SABCO brand and the business operations of its Maximum Cleaning Division the company is now able to extend its product offer into the laundry. This acquisition provides the company with an excellent product platform to extend SABCO's cleaning products into a broader laundry and storage category. A separate sales and marketing team will be maintained and, where possible, back office functions will be integrated with the current Homewares infrastructure.

Business Systems The Company is currently reviewing its business processes, IT systems and management development initiatives to ensure that future growth is underwritten through strong management and robust business systems. Improvements are focused towards profitability and working capital management.

International On the international front, products developed in Australia are gradually being pulled into the group's international business units. New Zealand has enjoyed a stand-up start, with customers visiting the Australian showrooms to finalise their product selections. The branding strategy for New Zealand mirrors Australia and HWI New Zealand has faired well with its initial offering of homewares. The 'Alex Liddy' brand has been showcased, through Metro Marketing in the USA, with a tight group of up-market retailers. The initial response has been encouraging and the Company is working to convert this early interest into sales. The Company's investment in Anglo Canadian remains strategically important and product migration opportunities between the USA and Canada are being pursued. However, a subdued Canadian economy, which was aggravated by the severe effects of the SARS virus in that country, forced the slower delivery of product integration initiatives.

Think: Performance

$000s	2003	2002
SALES	340,106	271,403
SEGMENT RESULT	26,200	19,008
SEGMENT ASSETS	202,406	198,197

The Company brands offer a market positioning in the "good, better and best" categories across a broad customer base.

Currently reviewing business processes, IT systems and management development to ensure that future growth is underwritten through strong management and robust systems.

Electrical It is pleasing to report that Breville in its first full year as part of HWI has enjoyed a very successful year.

The rationalisation of the Breville/Philips, Kambrook/Ronson brands under the HWI Electrical banner has been positively received by our customers, and is working effectively.

As a multi-brand company we are pleased with our growth, penetration and market positioning. Breville/Philips, the 'premium' brand offer, is sold by separate sales teams to Kambrook/Ronson the 'value' brand offer, with engineering, administrative and support functions centralised in Sydney.

The forward strategy is to invest in innovation and design so that HWI can sell its unique products throughout the world.

In March this year we launched Breville into the US and Canadian markets at the Chicago Homewares Fair. Products were well received and we are in the process of finalising 'listings'.

The export business has continued to grow with the vegetable juicer being the stand out performing product.

The 'health/well-being' category has continued to be very strong and, in time for the Christmas selling season this year, we will be launching a new two-speed vegetable juicer, shortly followed by a commercial grade vegetable juicer. The Company is benefiting from the fine engineering and innovative design work that has gone into these world class products.

The Philips business has continued to grow and we anticipate increased market share in the 'garment care' category with the launch of a new range of Philips irons in time for Christmas.

Kambrook/Ronson has continued to trade strongly, particularly in the 'floorcare' and 'heating' categories. During the year, Kambrook also entered the retail electric blanket market.

As a multi brand company we are pleased with our growth, penetration and market positioning.

The forward strategy is to invest in innovation and design so that HWI can sell its unique products throughout the world.

New Zealand: Think Challenges

This has been a difficult year for HWI New Zealand. The New Zealand economy started slowing in November/December 2002, which affected Christmas sales. Also, during the year the Company's logistics provider went into liquidation, which severely affected our ability to fulfil orders and necessitated a complete review of the logistics/supply chain management in that country.

We have successfully worked through these challenges, and at the same time launched the homewares range into the New Zealand market.

We will be continuing to grow our product range into the New Zealand market while also working to maintain our leadership position in electrical appliances.

The New Zealand team, has shown strength of character and commitment to the business through this difficult trading period and are confident of an improved financial result in 2004.

Think: Performance

$000s	2003	2002
SALES	41,105	28,164
SEGMENT RESULT	556	2,040
SEGMENT ASSETS	19,383	15,663

USA: Think Growing our brands

During the 2003 financial year, the US economy remained subdued. The homewares industry was challenged with an extended West Coast dock strike, deflation and increasing service and utility costs, in particular insurance and energy. Overall, HWI Metro performed well amidst all this turmoil. HWI Metro's focus during this period was to invest in the launch and growth of the Breville business into North America and to maintain momentum within the traditional homewares business.

The highlight of 2003 was the launch of Breville. Staffing and initial marketing activity for the Breville launch took place early in the fiscal year as HWI Metro staff were committed to the successful launch at the Chicago Homewares Fair in January 2003. Following the showing of the brand at the fair some early sales started to flow in April 2003.

Breville has strategically decided to position itself as an up-market brand, focused on health and innovation. The rationale for this decision was to maximise Breville's competitive advantage (unique and high-quality designs), and to compete in a segment of the American small appliance market where there is sufficient margin to be profitable. Overall, acceptance among the targetted retailers has been above expectations and we have managed to work within budgets for both fixed and variable expenses. Although early results are pleasing the product range is still relatively untested at retail, and selling the stock through to consumers is the next determinant.

The traditional homewares business experienced a 4% sales increase over the prior year in local USA currency terms. This increase did not carry through to the A$ translation due to the comparatively higher A$ average translation rate for 2003, when compared to 2002. The sales growth in US dollar terms represented a good achievement considering the deflationary market and other aforementioned issues.

Earnings for the year declined 11.7% in US dollar terms (15% decline in A$ terms) over the prior year due to the substantial investment in the launch of Breville early in the year. Costs associated with the Breville launch and ongoing sales and marketing accounted for 8.7% of the decline.

The exciting challenges in the next year include:

- Continuing to develop Breville into a household brand name in the USA and Canada.
- Continuing Metro's line extension into ceramics and table-top.
- Continuing to expand business opportunities in the USA, by leveraging more of HWI's commitment to innovative product development.

Last year's difficult trading environment would not have been overcome without the dedication of the HWI Metro staff who are now excited about the future challenges and opportunities offered by the new product ranges and the anticipated improvement in the North American economies.

Think: Performance

$000s	2003	2002
SALES	61,081	65,099
SEGMENT RESULT	6,508	7,672
SEGMENT ASSETS	27,791	28,700

(North American results in AUD)

We will be continuing to grow our product range into the New Zealand market while also working to maintain our leadership

HWI Metro's focus during this period was to invest in the launch of the Breville business into North America and to maintain momentum within its traditional homewares business.

Canada: Think Opportunities

The group's strategic investment in Canada continues to build momentum. However a subdued economy, which was aggravated by the SARS virus, delayed key product integration initiatives planned for this year.

These product opportunities, which include Arcosteel kitchenware and Alex Liddy branded tabletop, have been rescheduled for introduction this financial year. The product procurement skills in the Company have been significantly upgraded through the appointment of a senior merchandising manager, who will partner the national sales function in order to speed up product development opportunities.

The Company employs the same brand strategy as its Australian parent, with a 'good, better and best' offering across a broad range of customers. The Company is also looking to use the Australian product development capabilities in Sydney to provide an innovative and proprietary product offer for its customers in Canada.

In the electrical appliance area, the Company recently launched the Breville brand, through a niche range of products, at the Chicago Homewares Fair. This followed six months of intensive effort in implementing a business infrastructure which will support this new product initiative. Canadian retailers were impressed with the Breville products and the Company was invited to present the range to key retailers during the year. These presentations have resulted in key listings among a number of independent up-market stores.

During the year, the Company upgraded its IT systems to be compatible with its USA and Australian counterparts. The project was completed seamlessly and within budget and the improved management information will be focused towards profit and working capital improvement initiatives.

At this time, the year's 'Fall' trading period looks more promising than the previous year, with key retailers recently completing their winter ranging. Stainless steel kitchenware continues to provide product growth opportunities, with dinnerware and glassware expected to be strong for the important winter and festive selling season.

Hong Kong: Think Quality

One of the strengths of HWI Electrical is the Hong Kong office, which, in addition to monitoring the supply line and taking responsibility for the quality assurance of our products, also oversees exports and FOB sales.

This year we have restructured Hong Kong as a profit centre giving due recognition to the services provided, its quality control, sourcing, shipping and export sales contributions. This enabled Hong Kong to contribute a $2.6m profit before tax and unallocated expenses.

The Hong Kong operation has once again met all its objectives and targets, contributing to the strong result in 2003 with potential for greater contributions as export opportunities grow.

Think: Performance

$000s	2003	2002
SALES	13,691	10,253
SEGMENT RESULT	2,838	190
SEGMENT ASSETS	1,024	2,784

Canada is looking to use the Australian product development capabilities in Sydney to provide an innovative and proprietary product offer for its customers.

The Hong Kong operation has once again excelled in meeting all its objectives and targets and the future looks bright as export opportunities grow.

Board of Directors

Clive Little
Chairman, FCA, FAICD, FAIM

Mr Little was a partner in accounting firm Deloitte Haskins & Sells until 1987. Since then, Mr Little has held various board positions in a diverse range of organisations. Mr Little is currently Chairman of Tricontinental Holdings Limited, Banksia Securities Limited and Aus Bio Limited. Mr Little is also a Director of Adsteam Marine Limited.

Mr Little is the Chairman of Housewares International Limited and is a member of the Audit Committee and a member of the Remuneration Committee.

Mark Kirkby
Managing Director, B.ACC, CASA

Mark Kirkby is the Group Managing Director and is responsible for Group operations, including business strategy and acquisitions. Mr Kirkby also oversees corporate finance matters and supervises the company's offshore business units.

John McConnell
Non-executive Director, BCom, FAICD, FAIM, FAIBF

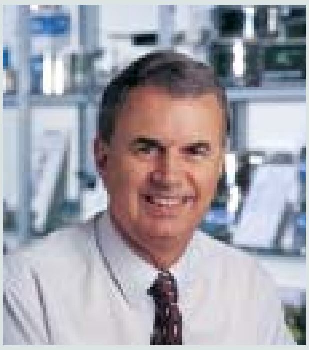
John McConnell has had over 35 years experience in banking and finance with ANZ Banking Group in Australia, New Zealand and the United Kingdom and has held various board positions within that Group. Other current directorships include Equity Trustees Limited. Mr McConnell is a non-executive director and is Chairman of the Audit Committee and a member of the Remuneration Committee.

Phillip Ramsay
Executive Director

Phillip Ramsay is an executive director and is responsible for product procurement, marketing and management of the Homewares' products. Mr Ramsay has over 20 years experience in the Australian Homewares Industry.

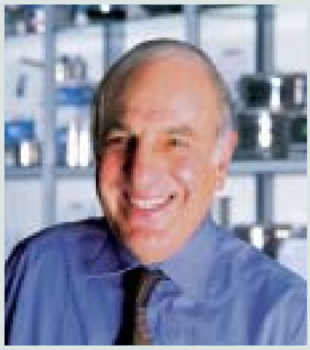
Frank Jones
Non-executive Director, FCA, CPA, ACIS

Frank Jones is a Chartered Accountant and was the Senior Partner in the accounting firm of Horwarth 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. He is a member of the Audit Committee and a member of the Remuneration Committee. Mr Jones is a director of Premier Investments Ltd.



Peter Morgan
Non-executive Director, FAICD, FAIM

Peter Morgan has had extensive retail and merchandise experience during a career with Coles Myer Ltd spanning 38 years. Mr Morgan held numerous senior management positions with Coles Myer Ltd, including being an Executive Director of the company from 1989 to 1997. Other current directorships include SPC Ardmona Limited and Chairman of the Textile Clothing Footwear and Leather Forum. Mr Morgan is a non-executive director and is a member of the Audit Committee and Chairman of the Remuneration Committee.



Joseph Hersch
Executive Director, CASA

Joseph Hersch is an executive director and is responsible for all management aspects of the HWI Electrical division. Mr Hersch has over twenty years experience in the consumer products industry in Australia.

Brian Cartlidge
(not pictured)
Executive Director

Brain Cartlidge was an executive director and was responsible for product procurement, product development, marketing and management of Agency brands. Mr Cartlidge retired on 6 December 2002.

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 2003.

Directors

The names of the directors in office during or since the end of the financial year are:

Clive Little	Frank Jones
Peter Morgan	Phillip Ramsay
Mark Kirkby	Joseph Hersch
John McConnell	Brian Cartlidge (retired 6 December 2002)

Unless indicated otherwise, all directors held their position as a director throughout the entire financial year and up to the date of this report.

Company Secretary

The names of the company secretary in office during or since the end of the financial year are:

Laurelle Jackson	(appointed 13 September 2002)
John McVay	(resigned 13 September 2002)

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
C Little	43,319	–
J McConnell	56,407	–
P Morgan	109,355	–
F Jones	64,977	–
M Kirkby	177,083	333,333
P Ramsay	596,046	–
J Hersch	1,726,625	583,333
B Cartlidge*	500,000	–

*(retired 6/12/2002. Ordinary shares associated with options previously exercised)

Directors' Meetings

The number of meetings of the Board of Directors and of board committees during the financial year, and the number of meetings attended by each director were as follows:

	Full Board	Audit	Remuneration
Number of Meetings	15	5	3
C Little	12 (c)	4	2
J McConnell	14	5 (c)	3
P Morgan	14	4	3 (c)
F Jones	13	5	3
M Kirkby	15	–	–
P Ramsay	14	–	–
J Hersch	13	–	–
B Cartlidge	5 *	–	–

Notes: (c) Designates the chairperson of the Board or committee.

– Designates that the director is not a member of the applicable committee.

* B Cartlidge attended 5 out of 7 Board of Directors meetings held prior to his retirement on 6 December 2002.

Committee Membership

As at the date of this report, the Company had an Audit 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 2003. These arrangements are pursuant to Executive Service Agreements previously entered into by the Company. The insurance premium relevant to each employee has been allocated in the emoluments disclosure.

Housewares International Limited paid an insurance premium of $49,950 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.

Directors and Other Officers Emoluments

Remuneration Policy

Remuneration of Directors and senior executives of the Company is established by the Remuneration Committee. Remuneration is determined as part of an annual performance review, which includes performance evaluation with regard to comparable remuneration and independent advice. For executive Directors and officers, remuneration packages generally comprise a salary, a motor vehicle and superannuation. Some executives are also provided with longer-term incentives through the Senior Executive Option Plan, which acts to align the executives' actions with the interests of shareholders. Some executives are also entitled to performance-based bonuses. Non-executive directors are not entitled to such performance based bonuses. Non-executive directors are not entitled to options.

Details of the nature and amount of each element of the emolument of each director of the company and each of the five executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows:

	Annual Emoluments					Long Term Emoluments		
	Base Fee $	Bonus $	Other $	Termination $	Note	Options Granted@ $	% of remuneration	Super-annuation
Emoluments of directors of Housewares International Ltd								
C Little	75,000	-	-	-	-	-	-	6,750
J McConnell	42,499	-	-	-	-	-	-	3,825
P Morgan	42,499	-	-	-	-	-	-	3,825
F Jones	42,499	-	-	-	-	-	-	3,825
M Kirkby	362,173	40,000	13,046	-	(a)	16,471	3.4%	54,326
P Ramsay	352,391	40,000	12,821	-	-	-	-	52,859
J Hersch	354,947	40,000	38,886	-	(b)	18,132	3.6%	53,242
B Cartlidge (retired 6 Dec 2002)	108,594	-	107,018	424,359	-	-	-	73,880
Emoluments of the five most highly remunerated executive officers # of the company and the consolidated entity.								
S Rosenzweig	258,017	197,031	42,553	-	-	-	-	6,750
D Kin	259,734	65,677	31,433	-	-	-	-	10,389
B Liu	223,601	42,499	43,664	-	-	-	-	8,946
V Cheung	443,715	92,700	-	-	(c)	15,181	2.6%	34,260
L Jackson	99,419	5,963	12,137	-	(d)	10,120	7.4%	9,899

Notes

@ 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 28.

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

(a) 500,000 options were granted on 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 $16,471.

(b) 500,000 options were granted on 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 $15,879.

250,000 options were granted on 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 $2,253.

(c) 90,000 options were granted on 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 $15,181.

(d) 60,000 options were granted on 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 $10,120.

Principal Activities

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

Review of Results and Operations

The consolidated profit after tax of the consolidated entity for the financial year was $20,945, (2002: $16,353).

Consolidated sales for the financial year were $455,982, which is 22% greater than the consolidated sales for the previous financial year. The consolidated profit after tax for the financial year of $20,945 is 28% greater than the consolidated profit for the previous financial year.

In light of these results, the Directors have declared a final fully franked dividend for the financial year of 4.0 cents per share, which results in a total fully franked dividend for the financial year of 10.0 cents per share.

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 share	$ '000
Final dividends recommended:		
– on ordinary shares	4.0	4,567
Dividends paid in the year:		
Interim for the year		
– on ordinary shares	6.0	6,807
Previous year final:		
– on ordinary shares	3.0	3,338

Significant Changes in the State of Affairs

There were no 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.

Significant Events after Year End

Subsequent to year-end, the Company entered into a Sale of Business Agreement to acquire the SABCO brand and business effective from 26 September 2003. This event has no effect on the financial statements for 2003 and is subject to certain conditions precedent.

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.

Rounding

The Company is a company of the kind specified in Australian Securities and Investments Commission class order 98/0100. In accordance with that class order, amounts in the financial statements and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Housewares International Ltd support and have adhered to the principles of corporate governance.

Signed in accordance with a resolution of Directors.

Clive Little
Chairman

Mark Kirkby
Director

Melbourne
2 September 2003

Corporate Governance

The Board of Directors of Housewares International Limited have adopted the following set of principles for the corporate governance of the Company. These corporate governance principles, together with the following committees, establish the framework of how the Board carries out its duties, responsibilities and obligations on behalf of the shareholders.

The Board, in conjunction with its advisers, is currently reviewing the Principles of Good Corporate Governance and Best Practice Recommendations issued earlier this year by the ASX Corporate Governance Council. This Statement of Corporate Governance Practices will be reviewed and updated in next year's Annual Report after the Board determines those corporate governance structures recommended by the ASX Corporate Governance Council that are most appropriate for, and relevant to, the Company.

The Board of Directors

Role of the Board

The Board of Directors is responsible for setting the strategic direction and establishing the policies of Housewares International Limited. It is responsible for overseeing the performance of executive management and the financial position of the Company, and for monitoring the business and affairs of the Company on behalf of the shareholders, by whom the directors are elected and to whom they are accountable. It also addresses issues relating to internal controls and approaches to risk management.

Composition of the Board

The Directors' Report contains details of the directors' skill, experience and education. The Board seeks to consist of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Company's business with excellence. The Board currently consists of four non-executive directors and three executive directors.

The Constitution of the Company states that there must be a minimum of 3 directors and contains detailed provisions concerning the tenure of directors. A director, other than the Managing Director, may not hold office for more than 3 years without submitting himself for re-election. An election of directors is to occur at each annual general meeting of the Company and the particular directors who are to retire or to stand for re-election at any particular AGM are those who have been longest in office. Where the directors have appointed one or more of their body to the office of Managing Director, he or she will remain in office for the period and on the terms agreed by the Board (subject to the terms of any agreement entered into between the Managing Director and the Company.)

Chairperson and Managing Director

The Company recognises that non-executive Directors play an important role of supervising executive management. As such, the Company maintains that there must be a separation between the roles of the Chair and the Managing Director.

The Managing Director is responsible for supervising the management of the business as designated by the Board. The Chairperson is a non-executive Director who is not involved in any executive management.

Independent Professional Advice

The Company has procedures enabling any Director or committee of the Board to seek external professional advice as considered necessary, at the Company's expense with the approval of the Chair.

Conflict of Interest

In the event that a potential conflict of interest may arise at any meeting of the Board of Directors, involved Directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members or receive relevant Board papers.

Dealings in Securities by Directors and Employees

The Board of Directors has adopted a policy and procedure for dealing in the Company's securities by Directors and senior management, which provide that Directors and any employee who from time to time possesses information that is inside information should not deal in Housewares International Ltd securities. It also provides guidance on the periods when securities can be traded by Directors and senior management.

Shareholder Relations

The Company's shareholders are responsible for voting on the appointment of Directors. The Board seeks to inform shareholders of all major developments affecting the Company by:

1. Preparing half-yearly financial reports and making these available to all shareholders.
2. Advising shareholders of the key issues affecting the Company.
3. Submitting proposed major changes in the Company's affairs to a vote of shareholders, as required by the Corporations Act 2001 and the ASX Listing Rules.
4. Conducting an Annual General Meeting each year to enable shareholders to receive reports by the Board of the Company's activities.

Committees of the Board

The Board has established committees to consider issues and strategies, within common areas, in order to advise and guide the Board. Other committees may also be established as the need arises, or regulation requires.

The Board committees in operation at the date of this report and their functions are as follows:

Audit Committee

The purpose of the Audit Committee is to review the adequacy and appropriateness of accounting policies, internal controls and audit functions, and the relationship of these functions to the external audit and the financial statements and to ensure that the principles of corporate governance are observed including continuous disclosure requirements and compliance with the Corporations Act 2001, the ASX Listing Rules, and Australian Accounting Standards. The Committee meets with the external auditors during the year to review the adequacy of existing external audit arrangements with particular reference to the scope and quality of the audit. The Committee reports to the Board on the external auditors' continuance and achievement of the terms of engagement.
The members of the Committee are John McConnell (Chairman), Clive Little, Peter Morgan and Frank Jones.

Remuneration Committee

The purpose of the Remuneration Committee is to determine the amount of the remuneration to be paid to the Executive Directors and Senior Executives of the Group and to determine the manner in which such remuneration is to be paid to, or applied for the benefit of, such Executives. The Committee reports to the Board.
The members of the Committee are Peter Morgan (Chairman), Clive Little, John McConnell and Frank Jones.

Committee Attendance

The membership and details of attendances of Committees of the Board are detailed in the Directors' Report which precedes this statement.

Disclosures About Directors

Details of the directors' remuneration and retirement benefits is disclosed in Note 33 and in the Directors' Report. Details about the indemnity given to Directors are disclosed in the Directors' Report. Details about Directors' shareholdings are disclosed in Note 35 (c) and in the Directors' Report.

Remuneration

The details of directors' and officer's remuneration are provided in the Directors' Report.

Internal Controls

Procedures have been established at both Board and executive management levels that are designed to safeguard the assets and interests of Housewares International Limited, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures.

Ethical Standards and Performance

The Board acknowledges the need for continued maintenance of the highest standards of corporate governance practice and ethical conduct by all directors and employees of Housewares International Limited.

Financial Statements 2002/2003

Statement of Financial Position

at 30 June 2003

	Note	Consolidated		Parent	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
Current Assets					
Cash assets	30(a)	11,322	22,086	0	0
Receivables	6	61,314	52,162	40,094	37,918
Inventories	7	82,881	76,559	0	0
Other	8	2,343	2,661	0	0
Total Current Assets		**157,860**	**153,468**	**40,094**	**37,918**
Non-Current Assets					
Investments accounted for using the equity method	9(c)	7,295	7,866	0	0
Receivables	10	1,725	1,760	1,725	1,760
Other financial assets	11	0	0	69,429	69,429
Plant and equipment	12	8,611	7,691	0	0
Intangible assets	13	67,165	66,940	0	0
Deferred tax assets	14	6,055	5,740	0	0
Total Non-Current Assets		**90,851**	**89,997**	**71,154**	**71,189**
Total Assets		**248,711**	**243,465**	**111,248**	**109,107**
Current Liabilities					
Payables	15	42,888	33,806	0	0
Interest bearing liabilities	16	4,466	18,315	0	0
Tax liabilities	17	3,203	1,364	39	21
Other provisions	18	4,096	7,203	0	3,327
Total Current Liabilities		**54,653**	**60,688**	**39**	**3,348**
Non-Current Liabilities					
Payables	19	465	0	0	0
Interest bearing liabilities	20	50,728	54,380	0	0
Other provisions	21	1,002	1,396	0	0
Total Non-Current Liabilities		**52,195**	**55,776**	**0**	**0**
Total Liabilities		**106,848**	**116,464**	**39**	**3,348**
Net Assets		**141,863**	**127,001**	**111,209**	**105,759**
Equity					
Contributed equity	22	111,086	105,759	111,086	105,759
Reserves	23	966	5,441	0	0
Retained profits	24	29,811	15,801	123	0
Total Equity		**141,863**	**127,001**	**111,209**	**105,759**

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

Statement of Financial Performance

for the year ended 30 June 2003

	Note	Consolidated		Parent	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
Sales revenue	2	455,982	374,919	0	0
Cost of sales		(281,855)	(236,616)	0	0
Other costs related to the sale of goods	2	(69,604)	(50,009)	0	0
Gross profit		**104,523**	**88,294**	**0**	**0**
Other revenues	2	3,331	1,795	6,999	8,725
Share of net profits of joint venture partnership accounted for using the equity method	9(b)	12	49	0	0
Employee expense		(43,285)	(36,350)	0	0
Advertising expense		(7,376)	(4,347)	0	0
Depreciation & amortisation expense	2	(4,519)	(3,632)	0	0
Premises, lease & utilities expense		(10,137)	(9,209)	0	0
Borrowing costs	2	(5,295)	(4,003)	0	0
Other expenses from ordinary activities		(6,393)	(7,609)	0	0
Profit from ordinary activities before income tax expense		**30,861**	**24,988**	**6,999**	**8,725**
Income tax expense relating to ordinary activities	3	(9,916)	(8,635)	(58)	(22)
Net profit attributable to members of the parent entity	**24**	**20,945**	**16,353**	**6,941**	**8,703**
Net increase in asset revaluation reserve	23(a)	0	3,999	0	0
Increase/(decrease) in retained profits on adoption of revised accounting standard: AASB 1028 "Employee Benefits"	24	(117)	0	0	0
Share issue costs	22(b)	(15)	(34)	(15)	(34)
Net exchange difference on translation of financial statements of foreign controlled entities		(4,475)	(1,991)	0	0
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		**(4,607)**	**1,974**	**(15)**	**(34)**
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of the parent entity		**16,338**	**18,327**	**6,926**	**8,669**
Basic earnings per share (cents per share)	4	18.55	17.71		
Diluted earnings per share (cents per share)	4	18.36	17.25		

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

Statement of Cash Flows

for the year ended 30 June 2003

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Cash flows from operating activities		Inflows / (Outflows)			
Receipts from customers		488,417	414,748	0	0
Payments to suppliers and employees		(454,121)	(380,303)	0	0
Dividends received		0	0	6,805	5,305
Interest received		407	295	194	71
Borrowing costs paid		(5,295)	(3,497)	0	0
Income taxes paid		(8,686)	(4,976)	(41)	0
Net cash flows from operating activities	**30(b)**	**20,722**	**26,267**	**6,958**	**5,376**
Cash flows from investing activities					
Purchase of business	30(d)	(924)	(60)	0	0
Purchase of plant and equipment		(4,762)	(4,086)	0	0
Proceeds from sale of plant and equipment		279	544	0	0
Distribution from joint venture partnership		112	0	0	0
Loans granted to joint venture partnership		(1,116)	0	0	0
Purchase of controlled entities - net of cash acquired	30(c)	0	(29,248)	0	0
Purchase of equity interest	9	0	(7,817)	0	0
Net cash flows used in investing activities		**(6,411)**	**(40,667)**	**0**	**0**
Cash flows from financing activities					
Repayment of borrowings					
– controlled entities		0	0	(1,425)	(15,340)
– non related entities		(55,383)	(31,306)	0	0
Proceeds from borrowings from non related entities		49,885	42,500	0	0
Proceeds from issues of ordinary shares		1,575	13,316	1,575	13,316
Payment of dividends on ordinary shares	25(b)	(7,108)	(3,352)	(7,108)	(3,352)
Principal repayments finance leases		(145)	(384)	0	0
Net cash flows from/(used in) financing activities		**(11,176)**	**20,774**	**(6,958)**	**(5,376)**
Net increase in cash held		**3,135**	**6,374**	**0**	**0**
Cash at the beginning of the financial year		9,138	5,210	0	0
Exchange rate variations on foreign cash balances		(956)	(2,446)	0	0
Cash at the end of the financial year	**30(a)**	**11,317**	**9,138**	**0**	**0**

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

Notes to the Financial Statements

for the year ended 30 June 2003

Note 1 Statement of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared as a general purpose financial report which complies with the requirements of the Corporations Act 2001, Australian Accounting Standards and Urgent Issues Group Consensus Views. The financial statements have also been prepared in accordance with the historical cost convention and do not take account of changes in either the general purchasing power of the dollar or in the prices of specific assets, except for identifiable intangible assets – brand names.

Changes in accounting policies ($'000)

The consolidated entity has adopted the new Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets", which has resulted in a change in the accounting for dividend provisions. Previously, the consolidated entity recognised a provision for dividend based on the amount that was proposed or declared after the reporting date. In accordance with the requirements of the new standard, a provision for dividend will only be recognised at the reporting date where the dividends are declared, determined or publicly recommended prior to the reporting date. The effect of this revised policy has been to increase consolidated retained profits and decrease provisions at the beginning of the year by $3,338. In accordance with the new Standard, no provision for dividend has been recognised for the year ended 30 June 2003. The change in accounting policy has had no effect on basic and diluted EPS.

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. The effect of the revised policy has been to decrease consolidated retained profits and increase employee benefit liabilities at the beginning of the year by $117. In addition, current year profits have decreased by $27 due to an increase in the employee benefits expense. Current provisions at 30 June 2003 have also increased by $27 as a result of the change in accounting policy.

The consolidated entity has adopted the revised Accounting Standard AASB 1012 "Foreign Currency Translation", which has resulted in a change in the accounting for Foreign Currency Contracts. In accordance with the requirements of the new standard, Foreign Currency Contracts are now recognised on the Statement of Financial Position. The revised policy has had no impact on the net profit of the consolidated entity. Previously, foreign currency contracts that qualified for hedge accounting were not recognised in the Statement of Financial Position. As at 30 June 2003 this has resulted in an increase of $4,741 in current assets and an increase of $4,741 in current liabilities.

Except for the above changes in policy regarding the accounting for dividend provisions, accounting for employee benefits and accounting for Foreign Exchange Contracts, the accounting policies used are consistent with those applied in the 30 June 2002 Annual Report.

Principles of Consolidation

The consolidated financial statements include the financial statements of the parent entity, Housewares International Limited, ("Parent" entity) and its controlled entities, referred to collectively throughout these financial statements as the "Consolidated" entity.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases.

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 inter-entity balances and transactions have been eliminated.

Financial statements of foreign controlled entities are presented in accordance with group policy and generally accepted accounting principles in Australia.

Foreign Currency

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.

Amounts payable to and by the entities within the consolidated entity that are outstanding at the reporting date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year.

Except for certain specific hedges all resulting exchange differences arising on settlement or re-statement are brought to account in determining the net profit or loss for the financial year, and transaction costs, premiums and discounts on forward currency contracts are deferred and amortised over the life of the contract.

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 included with the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to the Statement of Financial Performance.

All overseas operations are considered self-sustaining. 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.

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Income Tax

Tax effect accounting is applied using the liability method whereby income tax expense in the Statement of Financial Performance represents the tax on the pre-tax accounting profit adjusted for income and expenses never to be assessed or allowed for taxation purposes. The provision for deferred income tax liability and the future income tax benefit include the tax effect of differences between income and expense items recognised in different accounting periods for book and tax purposes, calculated at the tax rates expected to apply when the differences reverse. The components of future income tax benefit are shown in Note 14. 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.

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.

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.

Receivables

Trade debtors are initially recorded at the amount of contracted sales proceeds.

Provision for doubtful debts is recognised to the extent that recovery of the outstanding receivable balance is considered less than likely. Any provision established is based on a review of all outstanding amounts at balance date. A specific provision is maintained for identified doubtful debts, and a general provision is maintained in respect of receivables which are doubtful of recovery but which have not been specifically identified.

Receivables from related parties are recognised and carried at the nominal amount due.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is assigned on an average cost basis.

Recoverable Amounts of Non-Current Assets

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount. Recoverable amount is determined using net cash flows which have not been discounted to present values.

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are not capitalised and, except as described below, rental payments are charged against operating profit in the period in which they are incurred. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and the liability.

Finance Leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as plant and equipment. A lease liability of equal value is also recognised.

Capitalised leased assets are depreciated 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 with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

Plant and Equipment

The consolidated entity does not own any land or buildings. Plant and equipment are depreciated over their useful economic lives.

Owned motor vehicles within plant and equipment are depreciated at 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.

Goodwill on Acquisition

On acquisition of a controlled entity or a business, the difference between the purchase consideration plus incidental expenses and the fair value of identifiable net assets acquired is initially brought to account as goodwill on acquisition.

Purchased goodwill is amortised on a straight-line basis over the period during which the benefits are expected to arise, which is currently twenty years. The unamortised balance of goodwill is reviewed at each balance date and charged to profit and loss to the extent that applicable future benefits are no longer probable.

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

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.

Investments

Interest in the Joint Venture Partnership is carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

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

Interest in Joint Venture Partnership's are recognised by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred.

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.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the 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 28.

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".

Contributed Equity

Ordinary share capital bears no special terms or conditions effecting income or capital entitlements of the shareholders.

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

Senior Executive Option Plan

Certain 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 28. 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 non-current assets in the Statement of Financial Position.

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

Control of the goods has passed to the buyer.

Interest

Control of the right to receive the interest payment.

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Dividends

Control of the right to receive the dividend payment.

Derivative Financial Instruments – Forward Exchange

The consolidated entity enters into forward exchange contracts and put options where it agrees to sell 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 sale or purchase.

Derivative Financial Instruments - 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 recognize interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

Earnings Per Share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and 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 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 and dilutive potential ordinary shares, adjusted for any bonus element.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year presentation and with current year disclosures as a result of the first-time application of revised Accounting Standards AASB 1012 "Foreign Currency Translation", AASB 1028 "Employee Benefits", and AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets".

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Note 2. Revenues and Expenses from Ordinary Activities					
Profit from ordinary activities is after crediting the following revenues:					
Revenue from operating activities					
Revenue from sale of goods		455,982	374,919	0	0
Revenue from non-operating activities					
Interest from unrelated persons		407	295	193	71
Gross proceeds from the sale of non-current assets	(a)	279	544	0	0
Dividends receivable					
- wholly owned group		0	0	6,806	8,654
Foreign exchange translation gains		2,603	611	0	0
Other		42	345	0	0
Total revenue from non operating activities		3,331	1,795	6,999	8,725
Total revenue from ordinary activities		**459,313**	**376,714**	**6,999**	**8,725**
(a) Loss on sale of plant and equipment		(435)	(95)	0	0
Profit from ordinary activities is after charging the following expenses:					
Other Costs Related to the Sale of Goods:					
Rebates paid/payable to customers		39,867	31,830	0	0
Costs of delivering goods to customers		18,674	10,609	0	0
Discounts and returns		10,500	7,697	0	0
Other costs		563	(127)	0	0
		69,604	50,009	0	0
Depreciation and Amortisation:					
Depreciation of plant and equipment		3,023	2,328	0	0
Amortisation of leased assets		46	104	0	0
Amortisation of goodwill		1,450	1,200	0	0
		4,519	3,632	0	0
Borrowing Costs:					
Interest expense					
Other interest bearing liabilities		4,115	3,060	0	0
Redeemable preference shares		254	235	0	0
Finance lease		9	22	0	0
Other borrowing costs		917	686	0	0
		5,295	4,003	0	0

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

	Note	Consolidated		Parent	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 2. Revenues and Expenses from Ordinary Activities (continued)					
Other Expense Items:					
Bad and doubtful debts		419	931	0	0
Operating lease rentals		7,983	7,575	0	0
Writeback of redundancy		(260)	0	0	0
Provision for employee entitlements		3,576	2,167	0	0
		11,718	10,673	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		30,861	24,988	6,999	8,724
Prima facie tax thereon at 30%		9,258	7,496	2,100	2,617
Tax effect of permanent and other differences		618	260	(2,042)	(2,595)
Amounts over provided in prior years		(185)	(62)	0	0
Effect of different rates of tax on overseas income		225	941	0	0
Total income tax attributable to ordinary activities		9,916	8,635	58	22

Tax Consolidation

At the reporting date, no election has been made to enter into the tax consolidation regime.

Notes to the Financial Statements
for the year ended 30 June 2003 (continued)

	Consolidated	
	2003	**2002**
Note 4: Earnings Per Share		
Basic earnings per share (cents per share)	18.55	17.71
Diluted earnings per share (cents per share)	18.36	17.25
	$'000	**$'000**
Earnings used in calculating basic and diluted earnings per share		
Net Profit	20,945	16,353
	Number of ordinary shares	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	112,887,593	92,359,373
Effect of dilutive securities – Share options	1,179,809	2,462,239
Adjusted weighted average number of ordinary shares used in the calculation of diluted earnings per share	114,067,402	94,821,612

Conversion, call, subscription or issue after 30 June 2003

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

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 5: Segment Information

Segment Products and Locations

The consolidated entity's operating companies are organised and managed separately according to their geographic location, with each segment offering similar products and serving the wholesale market.

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 information - primary segment - Geographic segments

2003	Australia $'000	New Zealand $'000	Hong Kong $'000	North America $'000	Eliminations $'000	Consolidated $'000
Revenue						
Sales to customers outside the consolidated entity	340,106	41,105	13,691	61,081	0	455,983
Other revenues from outside the consolidated entity	2,087	465	378	39	(46)	2,923
Share of net profit of equity accounted investments	0	0	0	0	12	12
Inter-segment revenues	(1,531)	0	0	0	1,531	0
Total segment revenue	**340,662**	**41,570**	**14,069**	**61,120**	**1,497**	**458,918**
Unallocated revenue						407
Total consolidated revenue						**459,325**
Results						
Segment result	26,200	556	2,838	6,508	(864)	35,238
Unallocated expenses						(4,377)
Consolidated entity profit from ordinary activities before income tax expense						30,861
Income tax expense						(9,916)
Consolidated entity profit from ordinary activities after income tax expense						**20,945**

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 5: Segment Information (continued)

Segment information - primary segment - Geographic segments

2003	Australia $'000	New Zealand $'000	Hong Kong $'000	North America $'000	Eliminations $'000	Consolidated $'000
Segment Assets	202,406	19,383	1,024	27,791	(8,849)	241,755
Unallocated assets						6,956
Total assets						**248,711**
Segment Liabilities	37,636	3,264	662	5,665	(79)	47,148
Unallocated liabilities						59,700
Total liabilities						**106,848**
Other Segment Information						
Equity accounted investments included in segment assets	286	0	0	7,009	0	7,295
Acquisition of plant and equipment	4,452	221	38	51	0	4,762
Depreciation	2,744	107	84	134	0	3,069
Amortisation	586	0	0	0	864	1,450

2002	Australia $'000	New Zealand $'000	Hong Kong $'000	North America $'000	Eliminations $'000	Consolidated $'000
Revenue						
Sales to customers outside the consolidated entity	271,403	28,164	10,253	65,099	0	374,919
Other revenues from outside the consolidated entity	1,220	(41)	(33)	308	46	1,500
Share of net profit of equity accounted investments	0	0	0	49	0	49
Inter-segment revenues	167	0	0	0	(167)	0
Total segment revenue	**272,790**	**28,123**	**10,220**	**65,456**	**(121)**	**376,468**
Unallocated revenue						295
Total consolidated revenue						**376,763**
Results						
Segment result	19,008	2,040	190	7,672	(605)	28,305
Unallocated expenses						(3,317)
Consolidated entity profit from ordinary activities before income tax expense						24,988
Income tax expense						(8,635)
Consolidated entity profit from ordinary activities after income tax expense						**16,353**

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 5: Segment Information (continued)

Segment information - primary segment - Geographic segments

2002	Australia $'000	New Zealand $'000	Hong Kong $'000	North America $'000	Eliminations $'000	Consolidated $'000
Segment Assets	198,197	15,663	2,784	28,700	(8,457)	236,887
Unallocated assets						6,578
Total assets						**243,465**
Segment Liabilities	32,685	2,874	1,191	5,742	(87)	42,405
Unallocated liabilities						74,059
Total liabilities						**116,464**
Other Segment Information						
Equity accounted investments included in segment assets	286	0	0	7,580	0	7,866
Acquisition of plant and equipment	3,612	246	21	207	0	4,086
Depreciation	2,163	43	68	158	0	2,432
Amortisation	532	0	0	0	668	1,200

Note 6: Receivables (current)

	Note	Consolidated		Parent	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
Trade debtors		55,377	54,407	0	0
Provision for doubtful debts		(3,127)	(3,123)	0	0
Trade debtors, net		52,250	51,284	0	0
Non-trade amounts owing by					
- unrelated persons		591	878	0	0
- related persons		750	0	750	0
- loan to Joint Venture Partnership		1,117	0	0	0
- wholly owned group		0	0	39,344	37,918
Hedging foreign currency receivable		4,741	0	0	0
Foreign currency put option receivable		1,865	0	0	0
Total current receivables; net		61,314	52,162	40,094	37,918

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

	Note	Consolidated		Parent	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 7: Inventories (current)					
Finished goods		72,057	66,996	0	0
Stock in transit		15,694	14,429	0	0
		87,751	81,425	0	0
Provision for diminution in value		(4,870)	(4,866)	0	0
Total inventories, at lower of cost and net realisable value		82,881	76,559	0	0
Note 8: Other Assets (current)					
Prepayments		2,343	2,661	0	0
Total other assets, net		2,343	2,661	0	0
Note 9: Investments Accounted for Using the Equity Method					
Investment in joint venture partnership		7,295	7,866	0	0

Interest in Joint Venture Partnership

Name	Balance Date	Ownership interest % held by consolidated entity 2003	2002
Anglo Canadian Housewares, L.P.	30 June 2003	50.0	50.0

	Consolidated	
	2003 $'000	2002 $'000
a) Principal activities		
The principal activities of the joint venture partnership comprise the importation, distribution and marketing of homewares products in Canada.		
b) Share of joint venture partnership's profits		
- Revenues	20,327	7,163
- Expenses	(20,064)	(7,114)
- Amortisation	(251)	0
- Net profits	12	49

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 9: Investments Accounted for Using the Equity Method (continued)

	Consolidated 2003 $'000	2002 $'000
c) Carrying amount of investment in joint venture partnership		
Balance at beginning of financial year	7,866	0
- cost of acquiring initial interest in joint venture partnership	0	7,817
- change in exchange rates on opening balance	(471)	0
- share of joint venture partnership profits	12	49
- distributions received from joint venture partnership	(112)	0
Balance at end of the financial year	7,295	7,866
d) Share of joint venture partnership's assets and liabilities		
Current assets	10,318	9,894
Non current assets	780	722
Current liabilities	(5,882)	(6,585)
Non current liabilities	(1,134)	(32)
Net assets	4,082	3,999
e) Retained profits of the consolidated entity attributable to the joint venture partnership		
Balance at the beginning of the financial year	49	0
Share of the joint venture partnership's profits	12	49
Distributions received from joint venture partnership	(112)	0
Balance at the end of the financial year	(51)	49
f) Share of joint venture partnership/s commitments		
(i) Operating lease expenditure contracted for is payable as follows:		
Not later than one year	559	
Later than one year but not later than five years	2,158	
Later than five years	1,504	
Balance at the end of the financial year	4,221	
(ii) Letters of credit outstanding at 30 June 2003	2,002	

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

	Note	Consolidated		Parent	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 10: Receivables (non-current)					
Non-trade amounts owing by					
- director related	35(b)	825	1,000	825	1,000
- other related persons		900	760	900	760
		1,725	1,760	1,725	1,760
Note 11: Other Financial Assets (non-current)					
Shares in controlled entities – unlisted		0	0	69,429	69,429
Note 12: Plant and Equipment					
Plant and Equipment – owned					
At cost		21,478	18,978	0	0
Accumulated depreciation		(12,900)	(11,464)	0	0
		8,578	7,514	0	0
Plant and Equipment – leased					
At cost		80	365	0	0
Accumulated amortisation		(47)	(188)	0	0
		33	177	0	0
Total Plant and Equipment, net		8,611	7,691	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	7,514	2,557	0	0
Additions	4,762	4,086	0	0
Disposals	(616)	(409)	0	0
Additions through acquisition of entities	0	3,661	0	0
Depreciation expense	(3,023)	(2,329)	0	0
Currency translation difference	(59)	(52)	0	0
	8,578	7,514	0	0
Plant and Equipment – leased				
Carrying amount at beginning	177	0	0	0
Disposals	(98)	(231)	0	0
Additions through acquisition of entities	0	511	0	0
Amortisation expense	(46)	(103)	0	0
	33	177	0	0

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

	Note	Consolidated		Parent	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 13: Intangible Assets (non-current)					
Goodwill at cost		29,751	28,076	0	0
Accumulated amortisation		(4,586)	(3,136)	0	0
	(a)	25,165	24,940	0	0
Brand names at fair value	(a)	42,000	42,000	0	0
Total Intangible assets, net		67,165	66,940	0	0
a) Reconciliation of the carrying amounts of intangible assets at the beginning and end of the year.					
Goodwill					
Carrying amount at beginning		24,940	16,182	0	0
Goodwill on acquisition of entities		0	9,406	0	0
Goodwill on acquisition of business	30(d)	1,675	552	0	0
Amortisation charge		(1,450)	(1,200)	0	0
		25,165	24,940	0	0
Brand names					
Carrying amount at beginning		42,000	18,001	0	0
Additions through acquisition of entities		0	20,000	0	0
Net amount of revaluation increment		0	3,999	0	0
		42,000	42,000	0	0
Note 14: Deferred Tax Assets (non-current)					
Future income tax benefit is made up as follows					
Attributable to timing differences:					
- provision for employee entitlements		1,542	1,405	0	0
- provision for doubtful debts		1,038	872	0	0
- provision for diminution in value of inventories		1,411	1,477	0	0
- other	(a)	2,064	1,986	0	0
		6,055	5,740	0	0

(a) Other timing differences are attributable to various provisions of the consolidated entity.

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

	Note	Consolidated		Parent	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 15: Payables (current)					
Trade creditors - unsecured		35,103	33,254	0	0
Hedging foreign currency payable		4,741	0	0	0
Foreign currency put option payable		2,206	0	0	0
Deferred cash settlement for business acquired	(a)	838	552	0	0
		42,888	33,806	0	0

(a) During the financial year, a Deed Confirming Contractual Rights was executed varying the provisions of the Sale Agreement with Liddy Corporation Pty Ltd and E-Lid Pty Ltd (formerly Liddy Design Pty Ltd). Subject to this Deed, the timing of the deferred cash settlement will be 1 July 2003, 1 January 2004, 1 July 2004.

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Note 16: Interest Bearing Liabilities (current)					
Secured:					
Bank overdraft	(a), 30(a)	5	12,948	0	0
Bills payable	(a)	2,794	3,569	0	0
Lease liability – finance lease	(b)	0	131	0	0
Unsecured:					
Deferred cash settlement for subsidiaries acquired	(c)	1,667	1,667	0	0
		4,466	18,315	0	0

(a) The bills payable 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 5.94% 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) These finance leases have an average lease term of less than one year with the option to purchase the asset at the completion of the lease terms for the assets market value. Lease liabilities are secured by a charge over the leased asset.

(c) At balance date, the company had a deferred cash settlement representing redeemable preference shares in Thebe International Pty Ltd as part 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. One third of the preference shares were redeemed on 6 December 2002. The remaining two instalments will be redeemed on 6 December 2003 and 6 December 2004.

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

	Note	Consolidated		Parent	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 17: Tax Liabilities (current)					
Provision for tax		3,203	1,364	39	21
Note 18: Other Provisions (current)					
Dividends		0	3,327	0	3,327
Employee entitlements		4,096	3,256	0	0
Redundancy		0	620	0	0
Total current provisions		4,096	7,203	0	3,327
Movements in provisions					
Redundancy (current)					
Carrying amount beginning		620	0	0	0
Provisions acquired		0	620	0	0
Amounts utilised during the year		(405)	0	0	0
Reversal of unused provision		(215)	0	0	0
Carrying amount at end		0	620	0	0
Note 19: Payables (non-current)					
Unsecured:					
Deferred cash settlement for businesses acquired	15(a)	465	0	0	0
Note 20: Interest Bearing Liabilities (non-current)					
Secured:					
Bills payable	(a)	49,028	51,000	0	0
Lease liability – finance lease	16(b)	33	47	0	0
Unsecured:					
Deferred cash settlement for subsidiaries acquired	16(c)	1,667	3,333	0	0
		50,728	54,380	0	0

(a) The bills payable are provided by ANZ Bank and the interest rate is set at rollover periods at the bank bill buying rate. The bank bills payable 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	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Note 21: Other Provisions (non-current)					
Employee entitlements		1,002	1,396	0	0

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

	Note	Consolidated		Parent	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000

Note 22: Contributed Equity

(a) Issued and paid up capital

Ordinary shares	111,086	105,759	111,086	105,759
Total contributed entity	111,086	105,759	111,086	105,759

(b) Movements in issued shares for the period:

		2003		2002	
		Number of shares	$'000	Number of shares	$'000
Beginning of the year		110,887,228	105,759	72,000,002	68,659
Issued during the year					
- exercise of options		806,671	798	1,759,996	1,760
- dividend reinvestment plan	25	1,693,210	3,037	1,143,666	2,024
- Placement Agreement	(a)	0	0	1,892,655	3,350
- less transaction costs		0	0	0	(34)
- Purchase of Breville Group	(b)	0	0	22,727,273	20,000
- Subscription Agreement	(c)	0	0	11,363,636	10,000
- Placement Agreement	(d)	780,800	1,507	0	0
- less transaction costs		0	(15)	0	0
		114,167,909	111,086	110,887,228	105,759

(a) on 11 April 2002, 1,892,655 ordinary shares were issued under a Placement Agreement. The value placed on the issue is $1.77 per share. These shares rank equally with existing ordinary shares.

(b) on 6 December 2001, 22,727,273 ordinary shares were issued as part consideration in acquiring Breville Holdings Pty Ltd and its controlled entities. The value placed on the issue is $0.88 per share. The shares rank equally with existing ordinary shares.

(c) on 6 December 2001, 11,363,636 ordinary shares were issued under a Subscription Agreement to Premier Investments Limited. The value placed on the issue is $0.88 per share. These shares rank equally with existing ordinary shares.

(d) on 2 October 2002, 780,800 ordinary shares were issued under a Placement Agreement. The value placed on the issue is $1.93 per share. These shares rank equally with existing ordinary shares.

(c) Options over ordinary shares:

Employee share scheme

During the financial year, 2,551,000 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 $2.52. Details are provided in note 28.

At the end of the year there were 3,421,000 (2002: 1,706,671) 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.

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

	Note	Consolidated		Parent	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 23: Reserves					
Asset revaluation reserve	(a)	3,999	3,999	0	0
Foreign currency reserve	(b)	(3,033)	1,442	0	0
Total reserves		966	5,441	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

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Balance at beginning of year	3,999	0	0	0
Revaluation increment on revaluation of brand names	0	3,999	0	0
Balance at end of year	3,999	3,999	0	0

(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 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Balance at beginning of year	1,442	3,433	0	0
Exchange fluctuations arising on consolidation of foreign controlled entities	112	201	0	0
Exchange fluctuations on overseas net assets	(4,587)	(2,192)	0	0
Balance at end of year	(3,033)	1,442	0	0

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Note 24: Retained profits and dividends					
Retained profits					
Balance at the beginning of the year		15,801	8,151	0	0
Adjustment arising from adoption of revised accounting standard:					
AASB 1028 "Employee Benefits"		(117)	0	0	0
AASB 1044 "Provisions,Contingent Liabilities and Contingent Assets"		3,327	0	3,327	0
Dividends paid		(10,145)	(5,376)	(10,145)	(5,376)
Dividends provided		0	(3,327)	0	(3,327)
Net profit or loss		20,945	16,353	6,941	8,703
Balance at the end of the year		29,811	15,801	123	0
Note 25: Retained profits and dividends					
(a) Dividends proposed and recognised as a liability					
Franked dividends (2002: 3 cents)		0	3,327	0	3,327
(b) Dividends paid during the year					
(i) Previous Year Final Franked dividends (3 cents per share) (2002: nil)		3,338	0	3,338	0
(ii) Current Year Interim Franked dividends (6 cents per share) (2002: 5 cents)		6,807	5,376	6,807	5,376
Total dividends paid		10,145	5,376	10,145	5,376
Dividends reinvested		(3,037)	(2,024)	(3,037)	(2,024)
Dividends paid in cash		7,108	3,352	7,108	3,352
(c) Dividends proposed and not recognised as a liability					
Franked dividend (4 cents per share) (2002: nil)		4,567	0	4,567	0
Franking credit balance					
The amount of franking credits available for the subsequent financial year using the franking rate applicable at 30 June 2003 are as follows:					
Franking credit balance as at the end of the financial year at 30%				9,218	11,106
Franking credits/(debits) that will arise from the payment/(refund) of income tax payable as at the end of the financial year				2,293	795
Franking debits that will arise from the payment of dividends as at the end of the financial year				0	(1,426)
				11,511	10,475

The tax rate at which paid dividends have been franked is 30% (2002:30%). Dividends proposed will be franked at the rate of 30% (2002:30%). As of 1 July 2002, the new imputation system requires a company's franking credits to be expressed on a tax-paid basis. The franking account surplus existing at 30 June 2002 has been reinstated to a tax paid amount by multiplying the Class C franking surplus by 30/70.

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

	2003		2002	
	Foreign Currency Amount $'000	Average Contract rate	Foreign Currency Amount $'000	Average Contract rate
Note 26: Foreign Currency Exposure				
Summary of foreign exchange contracts				
Amounts to be settled in Australian dollars:				
US dollar	60,251	0.6085	22,000	0.5278
Euro dollar	1,850	0.5698	750	0.6063
Amounts to be settled in New Zealand dollars:				
US dollar	5,200	0.5494	750	0.4093
Summary of foreign exchange put option contracts				
Amounts to be settled in Australian dollars:				
US dollar	52,373	0.5969	0	0
Euro dollar	0	0	0	0
Amounts to be settled in New Zealand dollars:				
US dollar	6,000	0.5450	0	0

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Note 27: Commitments					
(a) Capital expenditure contracted for is payable as follows:					
Not later than one year		0	0	0	0
(b) Finance lease expenditure contracted for is payable as follows:					
Not later than one year		5	187	0	0
Later than one year but not later than five years		29	16	0	0
		34	203	0	0
Future finance charges		(1)	(25)	0	0
Net finance lease liability		33	178	0	0
Reconciled to					
Current liability		0	131	0	0
Non current liability		33	47	0	0
		33	178	0	0

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.

(c) Operating lease expenditure contracted for is payable as follows:					
Not later than one year		8,010	7,658	0	0
Later than one year but not later than five years		25,870	11,618	0	0
Later than five years		9,878	18,100	0	0
		43,758	37,376	0	0

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 either 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.

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

	Note	Consolidated		Parent	
		2003	2002	2003	2002
Note 28: Employee Benefits					
The number of full-time equivalents employed as at 30 June are:		520	490	0	0
(a) Employee Benefits:		$'000	$'000	$'000	$'000
The aggregate employee benefit liability is comprised of:					
Provisions (current)		4,096	3,256	0	0
Provisions (non-current)		1,002	1,396	0	0
		5,098	4,652	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:

		2003		2002	
		Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	28(c)	1,706,671	0.9863	2,250,000	1.00
- granted	28(d)	2,551,000	1.8500	1,250,000	0.9801
- lapsed		(30,000)	1.8500	(33,333)	1.0000
- exercised	28(e)	(806,671)	0.9904	(1,759,996)	1.0000
Balance at end of year	28(f)	3,421,000	1.6218	1,706,671	0.9863
Exercisable at end of year		66,667	1.0000	456,671	1.0000

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 28: Employee Benefits (continued)

(c) Options held by employees as at 1 July 2002:

At 1 July 2002, employees held 1,706,671 options at a weighted average exercise price of $0.9863.

456,671 options were granted on 14 May 1999 at $1.00, with vesting and expiry dates of 13 May 2002 and 13 May 2004 respectively.

500,000 options were granted on 6 December 2001 at an exercise price of $0.95, vesting in three equal tranches on 6 December 2002, 2003 and 2004. 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 $1.15. The options expire on 6 December 2006.

750,000 options were granted on 6 December 2001 at an exercise price of $1.0022, vesting in three equal tranches on 6 December 2002, 2003 and 2004. The options expire on 6 December 2006.

(d) Options granted during the financial years ended:

30 June 2002:

During the year, 1,250,000 options were issued at a weighted average exercise price of $0.9813.

500,000 options were granted on 6 December 2001 at an exercise price of $0.95, vesting in three equal tranches on 6 December 2002, 2003 and 2004. 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 $1.15. The options expire on 6 December 2006.

750,000 options were granted on 6 December 2001 at an exercise price of $1.0022, vesting in three equal tranches on 6 December 2002, 2003 and 2004. The options expire on 6 December 2006.

30 June 2003:

During the year, 2,551,000 options were issued at a weighted average exercise price of $1.85.

2,301,000 options were granted on 31 July 2002 at an exercise price of $1.85, vesting in three equal tranches on 31 July 2003, 2004 and 2005. The options expire on 31 July 2007.

250,000 options were granted on 13 June 2003 at an exercise price of $1.85, vesting in three equal tranches on 13 June 2004, 2005 and 2006. The options expire on 13 June 2008.

(e) Options exercised during the reporting period:

The following table summarises information about options exercised by employees during the year ended 30 June 2002:

Number of options	Grant date	Vesting date	Expiry date price	Weighted ave ex issued	Proceeds from shares issued	Number of shares	Issue date issued	Fair value of shares
1,426,662	14-May-99	13-May-00	13-May-04	1.0000	1,426,662	1,426,662	7-Mar-02	1.58
333,334	14-May-99	13-May-00	13-May-04	1.0000	333,334	333,334	5-June 02	1.93
1,759,996				1.0000	1,759,996	1,759,996		

The following table summarises information about options exercised by employees during the year ended 30 June 2003:

Number of options	Grant date	Vesting date	Expiry date price	Weighted ave ex issued	Proceeds from shares issued	Number of shares	Issue date issued	Fair value of shares
390,004	14-May-99	13-May-00	13-May-04	1.0000	390,004	390,004	25-Sep-02	1.95
166,667	6-Dec-01	6-Dec-02	6-Dec-06	0.9500	158,334	166,667	6-Dec-02	1.89
250,000	6-Dec-01	6-Dec-02	6-Dec-06	1.0022	250,550	250,000	6-Dec-02	1.89
806,671				0.9904	798,888	806,671		

Note 28: Employee Benefits (continued)

(f) Options held by employees as at 30 June 2003:

At 30 June 2003, employees held 3,421,000 options at a weighted average exercise price of $1.6218.

66,667 options were granted on 14 May 1999 at $1.00, with vesting and expiry dates of 13 May 2002 and 13 May 2004 respectively.

333,333 options (a) were granted on 6 December 2001 at an exercise price of $0.95, vesting in two equal tranches on 6 December 2003 and 2004. The options expire on 6 December 2006.

500,000 options were granted on 6 December 2001 at an exercise price of $1.0022, vesting in two equal tranches on 6 December 2003 and 2004. The options expire on 6 December 2006.

2,271,000 options were granted on 31 July 2002 at an exercise price of $1.85, vesting in three equal tranches on 31 July 2003, 2004 and 2005. The options expire on 31 July 2007.

250,000 (b) options were granted on 13 June 2003 at an exercise price of $1.85, vesting in three equal tranches on 13 June 2004, 2005 and 2006. The options expire on 13 June 2008.

(a) These options may only be exercisable if the weighted average price of the Company's shares traded on the Australian Stock Exchange on the business day immediately preceding the proposed exercise of the options is at least $1.15.

(b) These options may only be exercisable if the weighted average price of the Company's shares traded on the Australian Stock Exchange on the business day immediately preceding the proposed exercise of the options is at least $2.22.

(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 grants made on 6 Dec 2001, 31 July 2002 and 13 June 2003:

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

The resulting weighted average fair values per option for those options vesting after 1 July 2001 are:

No of Options	Grant Date	Vesting Date	Expiry Date	Weighted Ave Fair Value
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
250,000	13 Jun 03	13 Jun 04	13 Jun 08	0.3367
2,271,000	31 Jul 02	31 Jul 03	31 Jul 07	0.3233

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 28: Employee Benefits (continued)

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 $439,761 for the 2003 financial year (2002: $110,541). Note that no adjustments to these amounts have been made to reflect estimated or actual forfeitures (ie., options that do not vest).

Note 29: 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.

A contingent liability exists with regard to an uninsurable risk in the United States of America as our operations in California are situated in an identified flood zone. No known losses have been incurred as a result of this uninsurable risk

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 30: 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:

	Note	Consolidated		Parent	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
Cash on hand		11,322	22,086	0	0
Bank overdraft	16	(5)	(12,948)	0	0
		11,317	9,138	0	0

(b) Reconciliation of Net Cash Provided by Operating Activities to Operating Profit After Income Tax

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent 2003 $'000	Parent 2002 $'000
Operating profit after income tax	20,945	16,353	6,941	8,703
Adjustments for non-cash income and expense items:				
Depreciation and amortisation	4,519	3,632	0	0
Net loss on sale of assets	435	95	0	0
Unrealised foreign exchange (gain)/loss	(1,476)	(723)	0	0
Share of joint venture partnerships (profits)	(12)	(49)	0	0
Transfers to provisions:				
Provision for diminution in value of inventories	385	(1,285)	0	0
Employee entitlements	364	19	0	0
Doubtful debts	419	(1,415)	0	0
Dividends receivable	0	0	0	(3,349)
Movement in provision for:				
Income tax payment	1,877	959	17	22
Future income tax benefit	(646)	1,547	0	0
Changes in assets and liabilities net of effects from purchase of controlled entities:				
(Increase)/decrease in assets:				
Accounts receivable	(2,369)	8,069	0	0
Inventory	(7,721)	13,405	0	0
Prepayments and other assets	158	614	0	0
(Decrease)/increase in liabilities:				
Trade creditors	3,844	(14,954)	0	0
Net cash from operating activities	20,722	26,267	6,958	5,376

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 30: Notes to the Statement of Cash Flows (continued)

(c) Controlled entities acquired

The following controlled entities were acquired by the consolidated entity at the date stated and their operating results have been included in the Statement of Financial Performance from that date.

Entity and consideration given	Date acquired	Proportion of shares acquired	Consolidated 2003 $'000	Consolidated 2002 $'000
Breville Group of companies comprising the following	28 Sept 2001	100%		
Sarina Enterprises Pty Ltd				
Srinigar Investments Pty Ltd				
Kashmir Investments Pty Ltd				
Breville Holdings Pty Ltd				
Breville Pty Ltd				
Breville R&D Pty Ltd				
Breville NZ Ltd				
Breville International Pty Ltd				
Gannet Holdings Ltd				
Breville Export Ltd				
Consideration:				
- cash paid			0	34,774
- ordinary shares issued			0	20,000
- cash deferred			0	5,000
Total consideration			0	59,774
The amounts of assets and liabilities acquired by major class are:				
Cash assets			0	5,526
Receivables			0	35,850
Other current assets			0	499
Inventories			0	38,488
Deferred tax assets			0	2,753
Plant and equipment			0	4,172
Intangible assets including goodwill on acquisition			0	29,406
Payables			0	(33,794)
Interest bearing liabilities			0	(19,562)
Provisions			0	(3,280)
Tax liabilities			0	(284)
			0	59,774
Outflow of cash to acquire the entities, net of cash acquired:				
Cash consideration			0	34,774
Cash balance acquired			0	(5,526)
Outflow of cash			0	29,248

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 30: Notes to the Statement of Cash Flows (continued)

(d) Businesses Acquired

	Note	Consolidated 2003 $'000
Deferred cash settlement recognised 30 June 2002	13	552
Recognition of goodwill 30 June 2003	13	1,675
less deferred settlement current	15	(838)
less deferred settlement non-current	19	(465)
		924

Note 31: Financing Arrangements:

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

2003	Note	Facility $'000	Drawn $'000	Unused $'000
Australia and New Zealand (in $AUD)				
AUD overdraft facility		1,000	1	999
Commercial bills facility		60,000	49,028	10,972
Trade Finance and foreign currency overdrafts		53,461	21,847	31,614
Other facilities		7,195	1,288	5,907
Business Transactions facilities		13,189	13,189	0
		134,845	85,353	49,492
USA (in $USD)				
Working capital/ documentary credit		8,852	2,692	6,160
2002				
Australia and New Zealand (in $AUD)				
AUD overdraft facility		1,000	0	1,000
Commercial bills facility		44,500	37,500	7,000
Trade Finance		30,000	18,247	11,753
Multi option facility		41,500	39,054	2,446
Business Transactions facilities		3,804	0	3,804
		120,804	94,801	26,003
USA (in $USD)				
Working capital/documentary credit		7,362	2,738	4,624

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 32: Controlled Entities

The consolidated financial statements at 30 June 2003 include the following controlled entities. The financial years of all controlled entities are the same as that of Housewares International Ltd.

Name of controlled entity	Note	Place of Incorporation/ formation	% of shares held 2003	2002
Thebe International Pty Ltd	(a)	Australia	100%	100%
Thebe International, Inc.		USA	100%	100%
Metro/Thebe, Inc.		USA	100%	100%
Sarina Enterprises Pty Ltd		Australia	100%	100%
Srinigar Investments Pty Ltd		Australia	100%	100%
Kashmir Investments Pty Ltd		Australia	100%	100%
Breville Holdings Pty Ltd	(a)	Australia	100%	100%
Breville Pty Ltd	(a)	Australia	100%	100%
Breville R&D Pty Ltd		Australia	100%	100%
Breville NZ Ltd		New Zealand	100%	100%
Breville International Pty Ltd		Hong Kong	100%	100%
Gannet Holdings Ltd		Hong Kong	100%	100%
HWI Export Ltd		Hong Kong	100%	100%
Holding HWI Canada, Inc		Canada	100%	100%
HWI Canada, Inc		Canada	100%	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 consolidated Statement of Financial Performance and Statement of Financial Position of all entities included in the class order "closed group" are set out as follows. The entities comprising the class order "closed group" are Housewares International Ltd, Thebe International Pty Ltd, Breville Pty Ltd, and Breville Holdings Pty Ltd.

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 32: Controlled Entities (continued)

Financial Information for Class Order Closed Group.

	Closed Group Consolidated	
	2003 $'000	2002 $'000
Current Assets		
Cash assets	6,991	19,517
Receivables	58,815	45,627
Inventories	55,329	61,124
Other	1,085	1,594
Total Current Assets	**122,220**	**127,862**
Non-Current Assets		
Other financial assets	18,661	17,915
Receivables	1,725	1,760
Plant and equipment	7,857	6,843
Intangible assets	60,928	59,783
Deferred tax assets	3,410	3,684
Total Non-Current Assets	**92,055**	**89,985**
Total Assets	**214,275**	**217,847**
Current Liabilities		
Payables	33,484	27,499
Interest bearing liabilities	1,671	14,746
Tax liabilities	2,239	744
Other provisions	3,983	6,295
Total Current Liabilities	**41,377**	**49,284**
Non-Current Liabilities		
Payables	465	0
Interest bearing liabilities	45,000	54,380
Other provisions	1,001	1,396
Total Non-Current Liabilities	**46,466**	**55,776**
Total Liabilities	**87,843**	**105,060**
Net Assets	**126,432**	**112,787**
Equity		
Contributed equity	111,086	105,759
Reserves	3,852	3,999
Retained profits	11,494	3,029
Total Equity	**126,432**	**112,787**

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

	Closed Group Consolidated	
	2003 $'000	2002 $'000
Note 32: Controlled Entities (continued)		
Financial Information for Class Order Closed Group. Sales revenue	340,106	299,566
Other revenues	334	1,217
Borrowing costs	(4,134)	(3,054)
Other expenses from ordinary activities	(314,021)	(280,867)
Profit from ordinary activities before income tax expense	**22,285**	**16,862**
Income tax expense relating to ordinary activities	(6,917)	(5,229)
Net profit	**15,368**	**11,633**
Retained profits at the beginning of the financial year	3,029	98
Adjustment arising from adoption of new or revised accounting standard:		
AASB 1028 "Employee Benefits"	(86)	0
AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	3,327	0
Dividends provided for or paid	(10,144)	(8,702)
Retained profits at end of financial year	**11,494**	**3,029**

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 33: Remuneration of Officers

(a) Income of Directors

Parent

The number of directors of the parent entity who were paid, or were due to be paid, income (including brokerage, commissions, bonuses, retirement payments and salaries, but excluding prescribed benefits disclosed later in this note under “retirement benefits” and excluding the allocated option valuation as disclosed in the Director’s Report), directly or indirectly from the Company or any related party, as shown in the following bands, were:

	Parent	
	2003	2002
$40,000 – 49,999	3	3
$70,000 – 79,999	0	1
$80,000 – 89,999	1	0
$340,000 – 349,999	0	2
$380,000 – 389,999	0	1
$400,000 – 409,999	0	1
$450,000 – 459,999	1	0
$460,000 – 469,999	1	0
$480,000 – 489,999	1	0
$710,000 – 719,999 *	1	0
The aggregate income of the directors referred to above:	$2,434,939	$1,695,485
*Relates to Brian Cartlidge who retired on 6 December 2002.		

Consolidated

The total of all income paid or payable, directly or indirectly, to all the directors of each respective entity in the consolidated group was $3,651,983 (2002: $4,621,746). This amount includes the value of insurance premiums made for the benefit of executive directors.

(b) Income of Executives

The number of executive officers whose total income for the year falls within the following bands, were:

	Consolidated		Parent	
	2003	2002	2003	2002
$130,000 – 139,999	1	0	0	0
$170,000 – 179,999	0	1	0	0
$310,000 – 319,999	1	0	0	0
$340,000 – 349,999	0	2	0	0
$360,000 – 369,999	1	0	0	0
$380,000 – 389,999	0	1	0	0
$400,000 – 409,999	0	1	0	0
$500,000 – 509,999	1	0	0	0
$580,000 – 589,999	1	0	0	0
The aggregate income of the Executives referred to above:	$2,065,174	$1,663,225	0	0

Income of executives comprises amounts paid or payable to executive officers domiciled in Australia, directly or indirectly, by the consolidated entity or any related party (but excluding amounts disclosed later in this note under “retirement benefits”) in connection with the management of the affairs of the entity or consolidated entity, whether as executive officers or otherwise.

(c) Retirement Benefits

There were no prescribed benefits given to a person, or to a prescribed superannuation fund, in connection with the retirement of a person from a prescribed office in relation to an entity in the consolidated entity during the financial period.

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

	Consolidated 2003 $	Consolidated 2002 $	Parent 2003 $	Parent 2002 $
Note 34: Remuneration of Auditors				
Amounts received or due and receivable by Ernst & Young Australia for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	170,500	117,550	55,000	30,000
- other services in relation to the entity and any other entity in the consolidated entity				
- tax compliance	23,800	5,000	0	0
- assurance related	17,500	0	0	0
- tax related	38,978	0	0	0
Amounts received or due and receivable by Ernst & Young affiliates for:				
- an audit or review of the financial report of subsidiary entities	116,927	97,227	0	0
- other services in relation to the entity and any other entity in the consolidated entity				
- tax compliance	45,406	0	0	0
- assurance related	27,545	0	0	0
Amounts received or due and receivable by auditors other than Ernst & Young for:				
- an audit or review of the financial report of subsidiary entities	492	51,267	0	5,000
- other services in relation to the entity and any other entity in the consolidated entity				
- tax compliance	0	73,815	0	0
- tax advice	0	38,590	0	0
- valuation of options	6,000	0	0	0
- financial due diligence	0	330,476	0	0
- tax due diligence	0	240,110	0	0
	447,148	954,035	55,000	35,000

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 35: Related Party Disclosures

(a) Directors

The following persons held the position of director of Housewares International Limited since the end of the previous financial year, unless otherwise stated:

Clive Little	John McConnell
Peter Morgan	Frank Jones
Mark Kirkby	Phillip Ramsay
Joseph Hersch	Brian Cartlidge (retired 6 December 2002)

(b) Director transactions

Loans

Housewares International Ltd has provided loans to the following 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.

Director Related	Balance at 30 June 2002	Additions	Repayments	Balance at 30 June 2003
Phillip Ramsay	500,000	0	0	500,000
Mark Kirkby	0	158,334	0	158,334
Joseph Hersch	0	167,034	0	167,034
	500,000	325,368	0	825,368
Brian Cartlidge (retired 6 Dec 2002)	500,000	0	0	500,000

Equity Instruments of Directors

Interest in the equity instruments of Housewares International Limited held by directors of the reporting entity as at balance date.

	Ordinary Shares		Share Options	
	2003	2002	2003	2002
C Little	43,319	41,131	0	0
J McConnell	56,407	54,820	0	0
P Morgan	109,355	103,833	0	0
F Jones	64,977	61,695	0	0
M Kirkby	177,083	10,142	333,333	500,000
P Ramsay	596,046	586,272	0	0
J Hersch	1,726,625	3,505,467	583,333	500,000
B Cartlidge	*500,000	518,920	0	0
	3,273,812	4,882,280	916,666	1,000,000

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 35: Related Party Disclosures (continued)

(b) Director transactions (continued)

Movements in directors' equity holdings

During the year the following Directors acquired ordinary shares through participation in the Dividend Reinvestment Plan offered to all shareholders:

	Final 2003 @ 1.93	Interim 2002 @ 1.62
C Little	639	1,549
J McConnell	464	1,123
P Morgan	1,616	3,906
F Jones	960	2,322
M Kirkby	80	194
P Ramsay	1,343	3,431
J Hersch	54,491	0

Mr M Kirkby acquired 166,667 ordinary shares through the exercise of options at an exercise price of $0.95.

Mr J Hersch acquired 166,667 ordinary shares through the exercise of options at an exercise price of $1.0022.

Mr P Ramsay purchased 5,000 shares on the open market on 25th September 2002 for $1.93 per share.

Mr J Hersch sold 2,000,000 ordinary shares on the open market on 6 June 2003 for $1.80 per share.

There have been no other transactions concerning equity instruments during the financial year with directors or their director-related entities.

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

*As Mr B Cartlidge has retired, this balance only represents shares issued pursuant to the Senior Executive Option Plan. These shares secure the loan disclosed earlier in this note.

(c) Wholly Owned Grouped Transactions

Transactions with related parties

During the financial period, loans were advanced and repayments received on Intercompany 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 32.

(d) Ultimate Controlling Entity

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

(e) 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 (2002: $nil). No interest has been charged, giving rise to no interest income.

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 36: Financial Instruments

(a) Objectives for Holding Derivative Financial Instruments.

The consolidated entity uses derivative financial instruments to manage identified interest rate and foreign currency risks. The consolidated entity is primarily exposed to the risk of adverse movements in the Australian dollar relative to certain foreign currencies, including the United States dollar, Euro dollar and New Zealand dollar and movements in interest rates.

Foreign currency forward exchange contracts and put options are purchased to hedge the Australian dollar value of US dollar, Euro dollar and New Zealand Dollar payments rising from anticipated import purchases. Forward exchange contracts and put options commit the company to buy US dollars and Euro Dollars at an agreed rate of exchange. The consolidated entity hedges a portion of its anticipated future purchases for periods up to 12 months from the end of the financial period.

The consolidated entity raises short-term debt at both fixed and floating rates. Interest rate swap agreements are used to convert fixed interest rate exposures on certain short-term debt to fixed rates over a longer period. These swaps entitle the consolidated entity to receive, or oblige it to pay, the amounts, if any, by which actual interest payments on nominated loan amounts exceed or fall below specified interest amounts.

(b) Interest Rate Risk Exposures.

The consolidated entity is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the consolidated entity, together with effective interest rates as at balance date.

		Fixed interest rate maturing in:					Average interest rate:	
2003	Floating Interest Rate (a)	1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total	Floating	Fixed
	$'000	$'000	$'000	$'000	$'000	$'000	(a)	(b)
Financial Assets								
Cash assets	6,407	0	0	0	4,915	11,322	4.47%	–
Trade debtors	0	0	0	0	52,250	52,250	–	–
Non-trade debtors	2,475	0	0	0	8,314	10,789	5.92%	–
	8,882	0	0	0	65,479	74,361		
Financial liabilities								
Payables	0	0	0	0	42,888	42,888	–	–
Bank overdrafts	5	0	0	0	0	5	1.81%	–
Bills payable	0	51,822	0	0	0	51,822	–	5.94%
Finance lease liability	0	33	0	0	0	33	–	6.00%
Deferred cash settlement	0	1,667	1,667	0	1,303	4,637	–	6.63%
Interest rate swaps (c)	0	(32,500)	32,500	0	0	0	–	5.54%
	5	21,022	34,167	0	44,191	99,385		

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 36: Financial Instruments (continued)

(b) Interest Rate Risk Exposures.

2002	Floating Interest Rate (a)	Fixed interest rate maturing in: 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total	Average interest rate: Floating (a)	Fixed (b)
	$'000	$'000	$'000	$'000	$'000	$'000		
Financial Assets								
Cash assets	12,285	0	0	0	9,801	22,086	4.03%	–
Trade debtors	0	0	0	0	51,284	51,284	–	–
Non-trade debtors	1,760	0	0	0	878	2,638	12.86%	–
	14,045	0	0	0	61,963	76,008		
Financial liabilities								
Trade creditors	0	0	0	0	34,426	34,426	–	–
Bank overdrafts	12,948	0	0	0	0	12,948	3.68%	–
Bills payable	0	54,570	0	0	0	54,570	–	5.89%
Finance lease liability	0	131	47	0	0	178	–	6.00%
Deferred cash settlement								
for subsidiaries acquired	0	1,667	3,333	0	0	5,000	–	8.34%
Interest rate swaps (c)	0	(35,000)	35,000	0	0	0	–	5.49%
	12,948	21,368	38,380	0	34,426	107,122		

(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 $817,785. 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.

Notes to the Financial Statements

for the year ended 30 June 2003 (continued)

Note 36: Financial Instruments (continued)

(c) Foreign Exchange

The following table summarises by currency the Australian dollar value of forward foreign exchange contracts and put option agreements (refer Note 26). Foreign currency amounts are translated at rates current at the reporting date. The 'buy' amounts represent the Australian dollar equivalent of commitments to purchase foreign currencies. Contracts to buy foreign currency are entered into from time to time to offset purchases so as to maintain a desired hedge position.

Currency	Average Exchange Rate 2003	Average Exchange Rate 2002	2003 Buy $'000	2002 Buy $'000
United States dollars:				
12 months or less	0.6031	0.5278	186,752	41,681
Euro dollars:				
12 months or less	0.5698	0.6063	3,247	1,237
Total			189,999	42,918

(d) 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.

(e) 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 37: Significant Events after Year-End

Subsequent to year-end, the Company entered into a Sale of Business Agreement to acquire the SABCO brand and business effective from 26 September 2003. This event has no effect on the financial statements for 2003 and is subject to certain conditions precedent.

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 statements and notes of the company and of the consolidated entity 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 2003 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. 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 32 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.

Clive Little
Chairman

Mark Kirkby
Director

Melbourne
2 September 2003

ERNST & YOUNG

120 Collins Street
Melbourne VIC 3000
Australia

GPO Box 67B
Melbourne VIC 3001

Tel 61 3 9288 8000
Fax 61 3 9654 6166
DX 293 Melbourne

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 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards, 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.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it 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 is 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 presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards 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 its performance as represented by the results of its 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
- 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. These and our other procedures did not include consideration or judgment 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*. In addition to our statutory audit work, 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 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 2003 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the *Corporations Act 2001*; and

(b) other mandatory professional reporting requirements in Australia.

Ernst + Young

May B. Waldron

Ernst & Young

Mary B Waldron
Partner
Melbourne 2 September 2003

Shareholder Information

Substantial Shareholders as at 2 September 2003.

The following information is extracted from the Company's Register of Substantial Shareholders.

Name	Number of ordinary shares
S. Lew Custodians Pty Limited (a)	33,157,111
Perpetual Trustees Australia Limited	9,957,955
Commonwealth Bank	7,383,767

(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 2 September 2003.

Size of holding	Ordinary shareholders
1 to 1,000	257
1,001 to 5,000	1,135
5,001 to 10,000	654
10,001 to 100,000	629
100,001 and over	56
Total shareholders	2,731
Number of ordinary shareholders with less than a marketable parcel	191

Voting Rights

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

Shareholder Information (continued)

Twenty Largest Shareholders as at 2 September 2003.

Name	Number of Ordinary Shares	Percentage of Ordinary Shares
Premier Investments Limited	26,903,207	24.09
RBC Global Services Australia Nominees Pty Limited (pipooled account)	6,560,877	5.87
Westpac Custodian Nominees Limited	6,098,030	5.46
J P Morgan Nominees Australia Limited	5,861,607	5.25
Citicorp Nominees Pty Limited (CFS Future Leaders Fund account)	5,798,073	5.19
National Nominees Limited	4,270,925	3.82
RBC Global Services Australia Nominees Pty Limited (RA account)	2,988,447	2.68
Mr William John O'Brien & Mrs Barbara Mary O'Brien	2,749,474	2.46
RBC Global Services Australia Nominees Pty Limited (PIIC account)	2,402,480	2.15
Berne No 132 Nominees Pty Limited (357351 account)	1,840,800	1.65
Nofusa Pty Limited	1,559,958	1.40
Citicorp Nominees Pty Limited (CFSIL CFS WS Small Company account)	1,486,317	1.33
Queensland Investment Corporation	1,413,740	1.27
M F Custodians Limited	1,249,775	1.12
Lew Family Investments Limited	1,238,850	1.11
IOOF Investment Management Limited	1,228,390	1.10
S L Nominees Pty Limited	1,035,219	0.93
Mirrabooka Investments Limited (Investment Portfolio account)	1,000,000	0.90
Government Superannuation Office (State Super Fund account)	979,086	0.88
Permanent Trustee Australia Limited (MMC0002 account)	950,000	0.85
Total	77,615,255	69.51

Corporate Directory

Directors

Clive Little
Chairman
(Retired 25 September 2003)

Frank Jones
Non-Executive Director
(Appointed Chairman 25 September 2003)

John McConnell
Non-Executive Director

Peter Morgan
Non-Executive Director

Mark Kirkby
Managing Director

Phillip Ramsay
Executive Director
(Resigned 26 September 2003)

Joseph Hersch
Executive Director

Steven Klein
Non-Executive Director
(Appointed 26 September 2003)

Company Secretary

Laurelle Jackson

Registered Office

461 Plummer Street
Port Melbourne Victoria 3207
Telephone (03) 9646 5500

Share Registers

Computershare Investor Services Pty Ltd
Level 12/565 Bourke Street
Melbourne Victoria 3000
Enquiries within Australia: 1300 850 505
Enquiries outside Australia: 61 3 9611 5710
Website: www.computershare.com

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.

Websites

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

DESIGN: COLLIER & ASSOCIATES STRATEGIC DESIGN FOR INVESTORS #9821

Think: Housewares

www.housewares.com.au