

cool. eating with friends outdoors. gardening. cooking.
for loved ones. organise your life. travel around the
country. eating and drinking. laughing. enjoying music
watching movies. relaxing drinking something cool
eating with friends outdoors. gardening. cooking fo
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gardening. cooking for loved ones. organise your life
with HomeLeisureLimitedAnnualReport2004

HOMELEISURE LIMITED & CONTROLLED ENTITIES
FINANCIAL SUMMARY

THE YEAR'S PERFORMANCE

- :: An operating profit after tax of \$4.4 million, up from \$3.7 million last year.
- :: Substantial completion of the restructuring of the Housewares Division which was initiated in the 2003 year.
- :: Acquisition of a 40% interest in XTen Innovations Pty Limited with the objective to move the Housewares Division into higher gross margin imported product lines at higher price points.
- :: Directors have declared a fully franked 1.75 cent final dividend bringing total for year to 3.0 cents fully franked

	2004	2003	
	\$ 000	\$ 000	VARIATION %
SALES REVENUE	86,326	87,376	(1%)
EBITDA BEFORE RESTRUCTURING	8,094	9,404	(14%)
DEPRECIATION.	1,974	2,260	13%
EBITA BEFORE RESTRUCTURING	6,120	7,144	(14%)
AMORTISATION	330	314	(5%)
EBIT	5,790	6,830	(15%)
NET INTEREST COSTS	1,298	1,003	(29%)
PROFIT BEFORE RESTRUCTURING AND TAX	4,492	5,827	(23%)
RESTRUCTURING COSTS	(562)	(1,771)	68%
NET PROFIT BEFORE TAX	3,930	4,056	(3%)
TAX EXPENSE	453	(312)	-
NET PROFIT AFTER TAX	4,383	3,744	17%
	2004	2003	
DILUTED EARNINGS PER SHARE	3.7c	3.3c	
TOTAL ASSETS EMPLOYED	\$60.0M	\$59.6M	
SHAREHOLDERS EQUITY	\$23.2M	\$21.6M	
NET TANGIBLE ASSETS PER SHARE	11.3c	10.4c	
DIVIDENDS PER SHARE	3.0c	3.0c	

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 country. eating and drinking. laughing. enjoying music.
 watching movies. relaxing drinking something cool.

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David Schwartz
Chairman
Appointed 26 August 2004



The group restructuring is now complete and we are in a position to look forward to organically grow both turnover and profits. In conjunction with our 40% owned design and marketing company, XTen Innovations Pty Ltd, we are looking forward to launching new and exciting products into the Australian market



On behalf of the Board, I am pleased to present this year's Annual Report.



For the year ended 31 December 2004, HomeLeisure reported an after tax profit of \$4.383 million. This profit was achieved on a reduced revenue of \$86.326 million and represents a 17% increase in the net profit after tax and restructuring achieved in the previous corresponding period.



During the year, we completed our strategic objective of restructuring the Housewares Division from an Australian based manufacturer to an outsourcing and import model. The Housewares Division is now consolidated into a single operating company, HomeLeisure Housewares Pty Ltd, with the one warehouse and distribution centre located at Lisarow, New South Wales.



In achieving this objective, we have laid the foundations for a significant improvement in the future performance of the Housewares Division.

Our Entertainment and Giftware Divisions performed well in the 2004 year and are continuing to do so, thereby delivering a sustainable and growing earnings stream.

Additional details and information in relation to each of the Divisions and their performance are provided in the Managing Director's Report.

BOARD OF DIRECTORS

During the year, changes occurred in the composition of the Board of Directors.

I was appointed as a Director and Chairman following the retirement of John Laurie. On behalf of the Board, I thank John Laurie for his direction and leadership during his 5 years as Chairman.

Mark Rogers retired as Managing Director due to ill health. On behalf of the Board, I thank Mark for his efforts and achievements.



Gordon Elkington was subsequently appointed as Managing Director and brings to the Company a wealth of knowledge and experience.

MANAGEMENT AND STAFF

On behalf of the Board, I would like to extend our appreciation to HomeLeisure management and employees. They have all demonstrated their strong commitment to the Company and assisted in ensuring continued growth and returns for the Company and its shareholders.

DIVIDENDS

The Board has already announced the payment of a fully franked dividend of 1.75 cents per share for the year ended December 2004. This brings the total dividends paid for the year to 3 cents fully franked, the same as in the prior corresponding period. The final dividend is payable on 4 May 2005 and the books will close on 22 April 2005.

PROSPECTS

The group restructuring is now complete and we are in a position to look forward to organically grow both turnover and profits. In conjunction with our 40% owned design and marketing company, XTen Innovations Pty Ltd, we are looking forward to launching new and exciting products into the Australian market. The Giftware and Entertainment Divisions are performing well and I am confident they will continue to do so.

We will continue to look for new acquisitions that are in industries that we already understand and which we consider will provide HomeLeisure and its stakeholders with acceptable returns and continued further growth.

David Schwartz
Chairman



Gordon Elkington
Managing Director
Appointed 31 October 2004



The Company accordingly expanded on the previously announced restructuring initiatives in the Housewares Division while building on the continuing success of the Giftware and Entertainment Divisions.

Our Giftware and Entertainment Divisions delivered excellent results in the 2004 year. During the course of the year however it became clear that the Housewares Division required further rationalisation and restructuring. Increasing raw material prices and manufacturing costs in Australia, in conjunction with competition from less costly products increasingly imported direct by the major retailers, necessitated further review of the Housewares Division. The Company accordingly expanded on the previously announced restructuring initiatives in the Housewares Division while building on the continuing success of the Giftware and Entertainment Divisions.

HOUSEWARES DIVISION

During 2004, HomeLeisure sold the Reko Pty Ltd wholesale horticultural business which was adversely affected by increasing raw material prices, ongoing drought conditions and did not fit with our "Housewares" focus.

HomeLeisure also exited direct manufacturing in both die-casting at the Northmead site and injection moulding of plastics housewares products at the Lisarow site. Closure and sale of these manufacturing plants facilitated the move to one distribution centre at Lisarow.

Prestige Group (Australia) Pty Ltd and Reko Pty Ltd, which previously operated as separate entities in the Housewares Division have now been merged into a single company, HomeLeisure Housewares Pty Ltd. The change has reduced management duplication and enables customers to deal with the Division through a single entity.

The sales function was overhauled including closure of the separate

Gladesville office on expiry of the lease and implementation of a revised selling structure.

The changes which have been implemented have significantly reduced the cost base of this Division and made it better able to service the needs of its customers.

Product ranges have been reviewed and significantly rationalised to eliminate unprofitable and slow-moving products. Acquisition of a 40% interest in XTen Innovations Pty Ltd, an innovative product development company, will ensure future product development. The first segment of new XTen designed products are currently being released.

The Housewares Division is now well placed to become a major force in the design, production and import of housewares products and to make a significant contribution to group profits in future years.

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GIFTWARE DIVISION - SKANSEN

The proven Skansen business model facilitates the continued growth of the Giftware Division. The Division is well poised to continue its sales and profit growth in the Australian and overseas markets in which it currently operates. Existing infrastructure includes specialist design and development skills. This infrastructure which is focused on clearly defined product development, leveraged over the width of its customer base provides us with a distinct advantage.

Skansen's brand equity remains strong and product development is currently aligned to:

- :: Beanie Kids - a children's plush collectable
- :: Bean Bag Bears - a children's plush collectable in the UK
- :: Gifted Bears - a sentiment driven plush range
- :: Bad Taste Bears - a poly resin collectable for the adult market
- :: Bratz - a costume jewellery range
- :: And our successful Name programs

ENTERTAINMENT DIVISION - MRA AND CENTRAL STATION

The 2004 year saw a continued dramatic growth in DVD sales with the format now well and truly established. MRA was again well placed to capitalise on this growth with the acquisition of a broad range of new titles as well as the re-release of high selling catalogue titles.

Music sales continued to be a strong contributor to MRA's revenue with the music sector showing a sales increase of 4% on the previous year. This was a good result and highlights the quality of the catalogue and diversity of the customer base.

MRA's future expansion is expected to come from a number of different areas including:

- :: An ever expanding children's DVD catalogue that includes high profile licensed brands such as Sonic X and My Little Pony.

- :: The continued strength of current and future series such as Crusty Demons of Dirt and the further acquisition of household name and cinema release titles.

The purchase and amalgamation of Central Station Records into our Entertainment Division has achieved the anticipated value for MRA through distribution of the Central Station product range.

The Wild, Skitz Mix and Bang On brands, including the anticipated second year release of Wild TV, continue to be developed.

Central Station have pooled their resources with MRA and co-operation on the acquisition of titles and development of new talent is evolving.

GENERAL

In the period since my appointment as Managing Director, I have appreciated the support and co-operation of senior management and staff. I would like to acknowledge the talent and dedication of HomeLeisure's managers and employees who have continued to work hard throughout the year. We are all committed to improving the company's performance and the result for the 2005 year.

Gordon Elkington
Managing Director





Sales of music CDs in 2004 continued as a strong contributor to MRA's revenue with some sectors such as exports showing double digit growth. The establishment of a large international distributor network over the last five years has proven to be extremely successful.

ENTERTAINMENT DIVISION

MRA ENTERTAINMENT AND CENTRAL STATION

In 2004 the DVD market generally continued to show excellent growth with particular product categories starting to stand out as areas with additional growth potential as niche markets for MRA.

Sales of music CDs in 2004 continued as a strong contributor to MRA's revenue with some sectors such as exports showing double digit growth. The establishment of a large international distributor network over the last five years has proven to be extremely successful.

In Australia the music retail sector continued as a successful market for MRA products with increasing sales following the expansion of a number of key retailers such as JB Hi Fi and Sanity. Music DVD showed very good growth in 2004 and we see significant potential for this product in 2005.

MRA has a catalogue of over 500 DVDs and expects to increase this to approximately 750 by the end of 2005. The majority of the catalogue is comprised of high profile titles licensed from major and independent producers in a variety of genres. The most popular film genres include ex theatrical drama, comedy, horror and thriller as well as new release direct to video titles. Other popular genres include extreme sport (Crusty Demons of Dirt), health and fitness and war/military documentaries.

A number of high profile children's ranges were acquired in 2004 many of which have been aired on commercial TV. We expect that these will contribute significantly to the 2005 results. These include titles such as My Little Pony, Sonic X, Archie, Sabrina, My Dad the Rockstar, Cyberchase and the Care Bears movie.

MRA has a large music CD catalogue with over 4,000 titles which enables it to release a continual flow of new titles and to capitalise on sales opportunities in many

areas not open to companies with smaller catalogues. A significant proportion of the catalogue is comprised of quality import titles such as Buena Vista Social Club (double Platinum), Armik (over 200,000 units sold) and the world renowned Putumayo label.

The balance is comprised of quality mid-priced and budget ranges which make MRA a leader in this field. The range of in-house labels includes Mastersong, Performax, Christmas Gold and Essential Collection and utilises a multitude of CD formats, 1CD, 2CDs and 3CDs with over 1800 titles. This enables MRA to offer either genre or label campaigns throughout the year while keeping titles "fresh" to both retailers and end-users thereby maximising sales.

The music DVD format although in its infancy is showing considerable growth potential, in particular classic back catalogue artists. Our current successes include Elton John, Cliff Richard and



Central Station has released the popular WILD and SKITZMIX CD compilations which are typically among the top sellers in the official ARIA sales charts.

Mary Black. During 2005 we will release 5.1 Surround Sound titles by Air Supply, Prince, Chris Isaak, Tom Petty, Stevie Nicks, Travis Tritt, Trace Adkins, Cyndi Lauper, Michael McDonald and Michael Bolton. In addition, MRA was a pioneer of the DVD and CD+G Karaoke market in Australia and continues to command considerable market share of this “home party” entertainment range.

MRA has completed its integration with Central Station, a record label specialising in contemporary dance and pop music. Central Station has continued with the release of CDs by international artists such as Ian Van Dahl, Darude, DJ Sammy as well as Australian artists Nick Skitz, Slinkee Minx and Belinda Chapple.

Additionally Central Station has released the popular WILD and SKITZMIX CD compilations which are typically among the top sellers in the official ARIA sales charts. All Central Station product is distributed by MRA Entertainment.

Central Station is also diversifying its revenue sources and has successfully released new DVD ranges including a Beanie Bear DVD (in conjunction with Skansen Giftware) as well as Wild brand DVDs. Artist based DVD releases have included such leading DJ producers as DJ Tiesto. Others are planned.

New and emerging technologies are presenting additional opportunities for Central Station including:

- :: music and video clips streaming and paid downloads via the Internet;
- :: merchandise and online sales; and
- :: promotion of artists/releases through website and banner advertising, E-Flyers and Electronic Press Kits.

Sales of music and video clips are also made via hand-held devices such as I-pods, media players and mobile phones through SMS and MMS.





HomeLeisure HOUSEWARES

The Agreements between HomeLeisure and XTen will ensure an ongoing flow of new and innovative housewares products for submission to the Houseware Division's significant customer base.

HOUSEWARES DIVISION

HOMELEISURE HOUSEWARES

The Housewares Division endured a difficult year in 2004 leading to further rationalisation of its operations.

The sales functions were reorganised with the closure of the Gladesville office and the appointment of distributors to service smaller regional customers. The focus of the sales team changed from product based to customer based with specific account representatives appointed to ensure the requirements of each major customer group are fully addressed.

During 2004 the wholesale horticultural business was sold at a significant premium to book value.

The company also exited direct manufacturing in both diecasting at the Northmead site and injection moulding at the Lisarow site. Where the diecasting business was not strategic and unsustainable, in-house injection

moulding offered few advantages over outsourcing to local and overseas manufacturers. Closure and sale of the injection moulding plant and business enabled conversion of the Lisarow site to a warehousing and distribution centre.

Prestige Group (Australia) Pty Ltd and Reko Pty Limited have now been merged into a single company, HomeLeisure Housewares Pty Ltd enabling customers to deal with the Housewares Division through a single entity. This change has enabled a rationalisation of the two company structures with significant savings in administration, selling expenses, warehousing and freight costs.

Action has been taken to enhance the Division's ability to develop innovative housewares products. In June 2004 HomeLeisure acquired a 40% interest in XTen Innovations Pty Limited, a company specifically focused on product design, development and overseas sourcing. The Agreements between HomeLeisure and

XTen will ensure an ongoing flow of new and innovative housewares products for submission to the Houseware Division's significant customer base.

Management is confident that the Division is now well-placed to become a major force in the design and distribution of housewares products and to make a significant contribution to Group profits in future years.



for loved ones. organise your life. travel around the
country. eating and drinking. laughing. enjoying music
watch
eating





The Beanie Kid product range continued its growth with a double digit increase in sales during 2004.

GIFTWARE DIVISION

SKANSEN GIFTWARE

Skansen Giftware has continued with its successful development and marketing of a wide range of giftware, clothing and hair accessory products in Australia and to an increasing number of international markets within the EU, North America and Asia. The Division continues to make a significant contribution to HomeLeisure's earnings and in 2004 achieved significant sales growth, increased margins, operating efficiencies and continued expense control.

Total sales increased from \$15.7 million to \$17.4 million and profits by 27% to \$2.72 million.

The domestic product range was expanded during 2004 to include several ranges of plush bean-filled soft toys, 3D moulded plastic keyrings and mugs, polyresin products, drinkware, general giftware, clothing including socks, boxer shorts and sleepware along with a hair accessories range.

The Beanie Kid product range continued its growth with a double digit increase in sales during 2004. The success and strength of the Beanie Kids brand has led to a number of other product ranges including clothing and music DVDs to be developed and sold utilising the brand awareness and popular designs associated with Beanie Kid products.

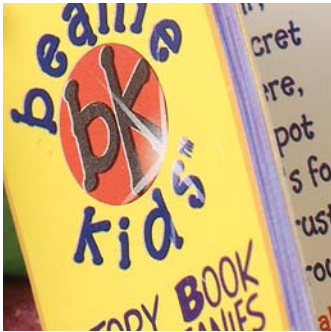
Marketing initiative undertaken during 2004 including loyalty programs and consumer promotions, in conjunction with increased mass media advertising, have been highly successful and have made a major contribution to the sale and profit growth of the Division. Further expansion of these programs is planned for 2005.

Product development and new products remain a major focus. Resources within this function have been increased to ensure growth of the product range offered by the Division to all market segments in which it operates in Australia and internationally.

International operations continued to expand during 2004. Skansen UK continued to grow its product offering and customer base/distribution channels throughout the UK and Europe. It is expected that Skansen UK will start to make a positive contribution during the latter half of 2005 and into 2006 as sales increase and operating efficiencies kick in.

Sales to Canada, USA, New Zealand and Asia via our distributor agreements continued to grow throughout the year. This trend is expected to continue during 2005 with increased product ranges being offered in these markets. North America is a major focus with several strategic commercial options currently being assessed with a view to expanding our activity in this market.

The Division's operating strategy and model continues to be refined to meet the challenges of the markets in which it operates. The Division is well positioned to continue its sales and profit



growth through further expansion of its distribution channels and product range extension. Growing and improving consumer awareness of the existing and new brands is a major objective. Continued development of the staff structure, working culture and further improvement of the core competencies combined with better operational synergies, are key areas which continue to be addressed by management so as to maximise performance and earnings.



HOMELEISURE LIMITED & CONTROLLED ENTITIES
DIRECTOR'S REPORT

YOUR DIRECTORS SUBMIT THEIR REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

DIRECTORS

The names and details of the directors of the company in office during the financial year and until the date of this report are:



David Schwartz
Chairman
Appointed
26 August 2004

David Schwartz has many years of experience in successfully managing manufacturing and distribution businesses in Australia and South Africa.

He is the Chairman of Pascoes Pty Limited, a chemical manufacturer and distributor, ToLife Technologies Pty Limited, Stefani Pure Water Australasia Pty Limited, Chairman of Loftus Capital Partners Limited and a director of Schaffer Corporation Limited and Betts Limited. David is also a member of the audit committee.



Gordon Elkington
Managing Director
Appointed 31
October 2004

Gordon Elkington has over 20 years experience in the housewares and plastics industries.

From 1999 to 2003 Gordon was the Managing Director of Sabco Limited. From 1994 to 1999 he was the Managing Director of Willow Sales Management. He was previously proprietor of Davis Plastics, prior to its acquisition by the Willow Ware Australia Pty Ltd.



Glenn Molloy

Glenn Molloy was appointed to the board of HomeLeisure in January 2001. Glenn has extensive experience in the plastics manufacturing and packaging industries establishing Plaspak in 1979 and growing it to a listed entity, Plaspak Group Limited, of which he is currently a major shareholder and a non executive director.

Glenn has had an active involvement in the financial workouts of various public and private companies and as a professional investor maintains an active involvement in a variety of business interests from manufacturing and distribution to sports and leisure industries. He is a director of Grand Golf Club at the Gold Coast and a member of the Smith Family Learning for Life Advisory Committee. Glenn was also a member of the remuneration committee.

After tax profit increased by 17% to \$4.383 million principally as a result of entering into the tax consolidation regime and a consequent uplift in resetting tax values.



John Abernethy
B.Comm.LL.B.

John Abernethy was appointed to the board of HomeLeisure Limited in February 2001. John has 20 years of experience in funds management and corporate advisory roles. He is currently the Managing Director of Loftus Capital Partners Limited and a director of Wilson Investments Limited and Wilson Leaders Fund Limited, E-Com Investments Capital Limited, Jasco Holdings Limited and other private companies in which Loftus Capital Partners Limited holds equity stakes. John is also a member of the audit committee.



Jury Wowk
B.A. LL.B.

Jury Wowk who is a partner in the Sydney based legal firm, Doherty Partners, was appointed as a director of HomeLeisure Limited in July 2002. Jury's qualifications include a Bachelor of Arts degree and a Bachelor of Law degree from the University of Sydney. He is also a Law Society of New South Wales Accredited Specialist in Business Law, an Associate Member of the Australian Institute of Company Directors and a non executive director of Plaspak Group Limited. Jury is also a member of the audit committee.



Mark Rogers
Resigned as
Managing Director
5 August 2004

Mark Rogers was appointed as Managing Director in April 2002 in conjunction with the company's acquisition of Reko Pty Ltd and Addis (Australia) Pty Ltd. Mark has extensive knowledge and experience in the production and marketing of plastics housewares and horticultural products having grown and developed the Reko Pty Ltd business to become a market leader in its category with sales of \$26 million per annum and 120 employees.

John Laurie
Resigned 25 August 2004
B.Ec.FCPA,FAIM

John Laurie was appointed Chairman of HomeLeisure Limited in June 1999. John is a former senior executive of the CSR Group and a director of related CSR Group companies. John has an extensive background in business management and development. He is currently a director of Techstar Limited and a number of private investment companies. He is also the Chairman of the Twilight Homes Group, a charitable aged care retirement association in the Northern Sydney Region.

CORPORATE STRUCTURE

HomeLeisure Limited is a company limited by shares that is incorporated and domiciled in Australia. HomeLeisure Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the group's corporate structure. All subsidiaries are 100% owned and domiciled in Australia except where indicated.

HomeLeisure Limited

- :: Mastertech Pty Ltd
 - MRA Entertainment Group Pty Ltd
 - Central Publishing Pty Ltd
 - Central Station Pty Ltd
 - Central Station Holdings Pty Ltd
- :: Reko Pty Ltd
 - Awaba Distributors Unit Trust
 - Reko Employees Unit Trust
 - Lisarow Industries Unit Trust
 - Addis Australia Pty Ltd
- :: MRA International Pty Ltd
- :: Prestige Group (Australia) Pty Ltd
- :: Skansen Giftware (UK) Limited (domiciled in the United Kingdom)
- :: O-Cedar Products Pty Ltd
- :: DoDo Holdings Pty Ltd

REGISTERED OFFICE

5 Dividend Street
Mansfield Qld 4122

NATURE OF OPERATION AND PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the consolidated entity were:

- :: Import, manufacture and distribution of giftware;
- :: Import, production and distribution of music compact discs and DVD's;
- :: Import, manufacture and distribution of houseware and consumer products encompassing plastic kitchenware, bakeware, and cleaning products; and
- :: Manufacture and distribution of plastic moulded products for the horticultural and houseware market.

EMPLOYEES

The consolidated entity employed 194 employees as at 31 December 2004 (2003: 310)

DIVIDENDS PAID OR RECOMMENDED

Final 2003 ordinary dividend of 1.75 cents per share paid in April 2004: \$2,076,410

Interim dividend of 1.25 cents per share paid in November 2004: \$1,501,900

REVIEW OF OPERATIONS

Sales revenue in the 2004 year reduced to \$86.3 million as compared to \$87.4 million in 2003. The reduction in sales revenue was principally as a result of the sale of the wholesale horticulture business in August 2004 and the closure of the Die-cast operation during the 2004 year.

After tax profit increased by 17% to \$4.383 million principally as a result of entering into the tax consolidation regime and a consequent uplift in resetting tax values.

Total restructuring costs and provisions of \$2.5 million were expensed in 2004. These were substantially offset by asset sale profits of approximately \$2.0 million resulting in a net restructuring cost of \$562,000.

The Housewares Division restructuring significantly disrupted operations and precipitated a significant reversal in earnings by the Housewares Division which undermined strong performances by the Giftware and Entertainment Divisions.

To enhance the performance of the Housewares Division, HomeLeisure acquired a 40% interest in XTen Innovations Pty Limited and entered into long term Consultancy and Products Supply Agreements. The objective of the XTen arrangement is to move the Housewares Division into higher gross margin imported product lines at higher price points.

Net group debt of \$14.0 million is significantly above projections made earlier in the year. Losses in the Housewares Division and unbudgeted working capital increases were the primary contributors to the increased debt level. Management is focussed on reducing working capital in 2005.

Notwithstanding the negative factors, operating cash flow was strong at \$4.0 million after significant advance payments of tax, ongoing large investments in movie titles and payment of retrenchments associated with the restructuring.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the reporting period HomeLeisure substantially completed the restructuring of its Housewares Division which was initiated in the 2003 year. The wholesale horticulture business was sold in August 2004 and the remaining Reko Pty Ltd manufacturing operations were closed and assets sold in December 2004.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the Directors, it would prejudice the interests of the economic entity to include additional information, except as reported in this Directors report and the annual report, which related to likely developments in the operations of the economic entity and the expected results of those operations in financial periods subsequent to 31 December 2004.

SIGNIFICANT EVENTS AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial year, which significantly affect the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent periods.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity is subject to significant environmental regulation in respect of its manufacturing activities as set out below.

The consolidated entity had manufacturing operations in New South Wales (closed December 2004) which were required to comply with a number of environmental regulations. The businesses concerned take all necessary precautions to minimise the risk of an environmental incident, including the removal of solid and liquid wastes by licensed contractors, arranging appropriate environmental audits and ensuring personnel receive appropriate training. There have been no instances of non-compliance with environmental regulations during the year.

SHARE OPTIONS

During the year, the following options were granted to executive and employees:

- :: 1,000,000 options with an exercise price of 62 cents and expiring on 11 November 2008.

As at the date of this report, there were 3,525,000 unissued ordinary shares under options. Refer to note 22 of the financial

statements for further details of the options outstanding.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the company has paid premiums in respect of a contract insuring all of the directors and certain officers of HomeLeisure Limited against costs incurred in defending proceedings for conduct involving:

- (a) a willful breach of duty; or
- (b) a contravention of Sections 182 or 183 of the Corporations Act 2001; as permitted by section 199B of the Corporations Act 2001.

The company is bound by a confidentiality clause in its insurance policy not to disclose the insurance contract premiums.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

Initially the Remuneration Committee

and now the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the managing director and the executive team. The Board of Directors assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

To assist in achieving these objectives, the Board of Directors links the nature and amount of executive directors' and officers' emoluments to the company's financial performance.

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:

DIRECTORS OF PARENT ENTITY

	Annual Emoluments			Long Term Emoluments			
	Base Fee	Bonus	Other	Termination & similar payments	Option Grants	Super – annuation	Other
	\$	\$	\$	\$	\$	\$	\$
D Schwartz	19,333	-	-	-	-	-	-
J Laurie	38,667	-	-	19,333	-	-	-
G Elkington	49,666	-	-	-	-	-	-
M Rogers	221,333	-	-	-	-	-	-
G Molloy	48,000	-	31,454	-	-	-	-
J Abernethy	48,000	-	-	-	-	-	-
J Wowk	48,000	-	-	-	-	-	-

Emoluments of the executive officers of the company and the consolidated entity.

	Annual Emoluments			Long Term Emoluments			
	Base Fee	Bonus	Other	Termination & similar payments	Option Grants	Super – annuation	Other
	\$	\$	\$	\$	\$	\$	\$
G Elkington	74,500	-	-	-	-	-	-
N Burton	126,502	16,080	8,246	-	5,156	11,385	-
G Navratil	114,000	25,000	12,996	-	5,729	10,440	-
G Chapman	120,000	70,000	-	-	5,156	-	-
C Sinclair	124,000	4,000	16,892	-	8,594	11,160	-

HOMELEISURE LIMITED & CONTROLLED ENTITIES
DIRECTORS' REPORT

Details of options granted.

- :: Options exercisable at 45 cents
- :: Granted 31 March 2003
- :: No dividend or voting rights
- :: Vesting 50%; 30 June 2003; 25% 30 June 2004; and 25% 30 June 2005.
- :: Expiry date 31 March 2008.
- :: Under the Black Scholes model the fair value of the options was 11 cents per option.

Terms and conditions of the options are contained in note 22 to the financial statements.

The terms "director" and "officer" have been treated as mutually exclusive for the purposes of this disclosure. The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.

Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity. In the director's view, other senior personnel do not fall into the definition above.

The category "other" includes the value of any non-cash benefits provided.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and options of the company were:

	Ordinary Shares Fully Paid	Options over Ordinary Shares
D Schwartz	16,695,294	-
G Elkington	6,070,000	-
M Rogers	6,000,000	-
G Molloy	6,100,000	2,000,000
J Abernethy	14,909,451	-
J Wowk	220,000	-

The shareholding of Loftus Capital Partners Limited is included in the shareholding of both D Schwartz and J Abernethy.

Details of options issued to directors and executives are included in note 22.

DIRECTORS MEETINGS

During the twelve-month period, 11 directors' meetings, 2 audit committee meetings and 1 remuneration committee meeting were held. The number of meetings at which directors were in attendance is as follows:

	Directors' Meetings		Meetings of Committees			
	No. Held While in Office	Meetings Attended	Audit		Remuneration	
			No. Held While in Office	Meetings Attended	No. Held While in Office	Meetings Attended
J Laurie	8	8	2	2	1	1
D Schwartz	3	3	-	-	-	-
G Elkington	1	1	-	-	-	-
M Rogers	11	10	-	-	-	-
G Molloy	11	11	-	-	1	1
J Abernethy	11	10	2	2	-	-
J Wowk	11	11	-	-	-	-

As at the date of this report, the company had an Audit Committee and up to August 2004 a Remuneration Committee of the Board of Directors. The members of the Audit Committee are Messrs. D Schwartz, J Wolk and J Abernethy. The members of the Remuneration Committee were Mr. J Laurie and Mr. G Molloy.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded off under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of HomeLeisure Limited support and have adhered to the principles of corporate governance. The company's corporate governance statement is detailed in the annual report.

Signed in accordance with a resolution of the directors.



D Schwartz
Chairman

Perth, 24 March 2005

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) of HomeLeisure Limited (“HomeLeisure”) is responsible for the corporate governance practices of the consolidated entity. HomeLeisure and its controlled entities are referred to in these policies as “the Group”. The Board guides and monitors the business and affairs of HomeLeisure on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of HomeLeisure supports the core principles developed by the Australian Stock Exchange (“ASX”) Corporate Governance Council (“the Council”) as a basis for enhancing the credibility and transparency of our capital markets. The structures, policies and procedures already in place at HomeLeisure have been developed and implemented by the Board and management over

Principle 6.
Respect the rights of shareholders

Principle 7.
Recognise and manage risk

Principle 8.
Encourage enhanced performance

Principle 9.
Remunerate fairly and responsibly

Principle 10.
Recognise the legitimate interests of stakeholders

The Board believes that each company’s Corporate Governance policies should be tailored to account for the size and structure of the company, risks associated with the company’s operations and the company’s inherent strengths and weaknesses. The ASX concurs with this view and allows companies to explain deviations from the ASX Corporate Governance Council’s recommendations.

- :: reviewing and approving the Group’s Business Plan;
- :: appointing and remunerating the Managing Director;
- :: approving all significant business transactions including acquisitions, divestments and property developments;
- :: monitoring business risk exposures and risk management systems;
- :: approving and monitoring financial and other external reporting;
- :: approving changes to the group’s capital structure;
- :: reporting to shareholders; and
- :: promoting ethical conduct.

The Board delegates responsibility for the formulation of strategy and administration of day-to-day business to the Managing Director and the company’s senior management group.

The structures, policies and procedures already in place at HomeLeisure have been developed and implemented by the Board and management over many years to ensure the company has historically operated on those principles.

many years to ensure the company has historically operated on those principles. In light of the Corporate Government Recommendations issued by the ASX, effective from 1 July 2003, HomeLeisure’s Corporate Governance Statement has been re-structured with reference to the Council’s principles and recommendations discussed below.

- Principle 1.**
Lay solid foundations for management and oversight
- Principle 2.**
Structure the Board to add value
- Principle 3.**
Promote ethical and responsible decision making
- Principle 4.**
Safeguard integrity in financial reporting
- Principle 5.**
Make timely and balanced disclosure

Areas where HomeLeisure has deviated from the Council’s recommendations are discussed below, but the Board believes the areas of non-conformance do not impact on the Group’s ability to operate with the highest standards of Corporate Governance.

1. FUNCTIONS OF BOARD AND MANAGEMENT

The HomeLeisure Board is responsible to shareholders for the Group’s overall corporate governance practices, and is responsible for the direction and oversight of the company’s businesses on behalf of the shareholders.

The Board’s responsibilities include:

- :: reviewing and determining the Group’s strategic direction and operational policies;
- :: establishing goals for management and monitoring the achievement of these goals;

The senior management group comprises the Managing Director, Mr. G W Elkington, General Manager Giftware Division, Mr. G Chapman, General Manager Entertainment Division Mr. G Navratil, General Manager Housewares Division Mr. C Sinclair and the Chief Financial Officer, Mr. N Burton.

The senior management group is responsible for:

- :: ensuring business development and other activities are conducted in accordance with the Group’s overall business strategy;
- :: managing the group’s property developments, businesses and other investments to maximize returns to shareholders;
- :: informing the Board on a regular basis of the status of all projects and the performance of all company assets;

- :: managing relationships with investors and analysts;
- :: approving capital expenditure and business transactions within predetermined limits set by the Board;
- :: planning in accordance with the financial control guidelines which govern the allocation and management of financial resources throughout the Group;
- :: ensuring that appropriate financial reporting is provided to the Board on a monthly, six monthly and annual basis; and
- :: establishing and monitoring the Group's risk management framework to ensure that policies, guidelines and controls are effective in reducing the group's operational and financial exposures to an acceptable level.

is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. The Board considers an item to be material if it is greater than or equal to 5% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it.

In accordance with this definition of independence, Mr. J Wowk is considered to be independent. Mr. D Schwartz, Mr. J Abernethy, Mr. Glenn Molloy are not independent directors by virtue of their substantial shareholdings in HomeLeisure as detailed in the Annual Report. Mr. M Rogers is not considered independent by virtue of his role as Managing Director in the past three years. The Board does

Each director brings a range of complementary skills and experience to the Group as indicated in the Annual Report.

Dr D Schwartz is the current Chairman. In this respect HomeLeisure has not complied with ASX Recommendation 2.2 requiring that the Chairman be an independent director. However the Board has concluded that Dr Schwartz' significant commercial and corporate experience is invaluable in creating and protecting shareholder value. The Board does not believe that its effectiveness has been reduced as a consequence of not having an independent Chairman. The same individual does not exercise the roles of Chairperson and Chief Executive Officer.

Due to the size and structure of the HomeLeisure Board, a Nominations Committee has not been established as required under ASX Recommendation 2.3.

The size and composition of the Board is formulated to provide an appropriate range of experience, skills, knowledge and perspective to enable it to appoint, guide and supervise a high standard of management for the company's business.

2. COMPOSITION OF THE BOARD

The Board comprises the Chairman and four other independent and non-independent directors. The size and composition of the Board is formulated to provide an appropriate range of experience, skills, knowledge and perspective to enable it to appoint, guide and supervise a high standard of management for the company's business. The names, skills, experience and expertise of each Director of the Company are set out in the Annual Report and on the group's website.

Directors of HomeLeisure are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their independent judgement. In the context of director independence, "materiality"

not comprise a majority of Independent directors and consequently its composition does not comply with recommendation 2.1 of the ASX Corporate Governance Guidelines. However, the Board has adopted the following measures to ensure that independent judgment is achieved and maintained in respect of its decision-making processes:

- :: Directors are entitled to seek independent professional advice at the company's expense, subject to the approval of the Board;
- :: Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board Meeting before commencement of discussion on the topic; and
- :: Non-executive directors confer on a needs basis without management in attendance.

All directors may make recommendations to the Board regarding the membership of the Board, including proposed new appointments. However, all directors must agree unanimously on any new director appointments. In addition, HomeLeisure's Constitution provides that at each annual general meeting, one third of directors shall retire (and be eligible for re-election).

The Board believes that these alternative procedures are more than adequate to preserve the integrity of the Board.

3. ETHICAL AND RESPONSIBLE DECISION-MAKING

The Board encourages the highest standards of ethical conduct by all directors and employees of the group. The Board has adopted a Code of Ethics that sets out the principles and standards with which all Group officers and employees are expected to comply in the performance of their respective functions. Officers and employees are expected to:

- :: comply with the law;
- :: act honestly and with integrity;
- :: reduce the opportunity for situations to arise which result in divided loyalties or conflicts of interest;
- :: use HomeLeisure's assets responsibly and in the best interests of HomeLeisure shareholders; and
- :: be responsible and accountable for their actions.

the Chairman in circumstances where there exists a board decision that shares and/or options over such shares ought not to be traded. Senior management and employees require the approval of the Managing Director prior to trading. The Board recognizes that it is the individual responsibility of each Director and employee to ensure that they comply with the spirit and letter of the insider trading laws, and that notification to the Board, the Chairman or the Managing Director of an intention to trade in no way implies their approval of any transaction.

4. INTEGRITY OF FINANCIAL REPORTING

HomeLeisure's Managing Director and Chief Financial Officer report in writing to the Audit Committee that the consolidated financial statements of HomeLeisure Limited and its controlled

- :: review the scope of the audit, the level of audit fees and the performance of the external auditors;
- :: liaison with external auditors, review of audit planning and consideration of audit results; and
- :: evaluation of the adequacy and effectiveness of the company's administrative, operating and accounting policies and controls through active communication with operating management and the external auditors. The group is in the process of codifying these duties and responsibilities in a formal Audit Committee Charter.

The current composition of the Audit Committee complies with the transitional arrangements approved by the ASX, which provide relief from full compliance with Council recommendation 4.3 until 1 July 2005.

The Audit Committee operates throughout the year with the primary objective to assist the Board of Directors in fulfilling the Board's responsibilities relating to the accounting, reporting and financial risk management practices of the company.

Senior management immediately investigates possible failures to comply with the principles of ethical and responsible conduct, employing the use of third party expertise where necessary. The appropriate level of disciplinary action is applied where departures from these principles are confirmed.

DEALING IN COMPANY SHARES

Officers, management and employees are actively encouraged to own shares in the group. The Board's policy is that trading in the company's shares and/or options over such shares by directors and staff should only occur in circumstances where the market is fully informed of the company's activities. The Board considers at each months board meeting whether trading in the company shares is appropriate in the coming month taking into account the circumstances which exist. The policy requires that Directors discuss any intention to trade in the company's shares and/or options over such shares with

entities for each half and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with accounting standards. The Audit Committee operates throughout the year with the primary objective to assist the Board of Directors in fulfilling the Board's responsibilities relating to the accounting, reporting and financial risk management practices of the company. In fulfilling this objective, the audit committee meets at least two times each year. The main duties and responsibilities of the committee include:

- :: review and consideration of statutory compliance matters;
- :: review of the annual and half-yearly financial reports;
- :: recommend to the Board nominations for appointment as external auditors;

5. CONTINUOUS DISCLOSURE TO ASX

Documented procedures are in place to identify matters that are likely to have a material effect on the price of the Company's securities and to ensure those matters are notified to the ASX in accordance with the Company's Listing Rule disclosure requirements. The Managing Director and Chief Financial Officer are responsible for monitoring the Company's activities in light of its continuous disclosure policy and where necessary discussing disclosure obligations with the Board.

The Company Secretary is responsible for all communications with the ASX. All communications with external stakeholders in respect of sensitive company information is subject to the relevant safeguarding and confidentiality procedures. These communications are undertaken in light of continuous disclosure requirements

of the ASX and the broad principles of ensuring the market is fully informed of price sensitive information.

6. COMMUNICATION WITH SHAREHOLDERS

The Group encourages communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. Mechanisms employed include:

- :: regular shareholder communications such as Half-Yearly Reports, and the Full Financial Report;
- :: financial results presentations at the Company's Annual General Meeting ("AGM");
- :: shareholder access to communications through the use of information technology such as the

This framework will incorporate the maintenance of comprehensive policies, procedures and guidelines that encompass the Group's activities. It addresses areas such as contract negotiation, project management, occupational health and safety, environmental management, trade practices, IT disaster recovery and business continuity planning. Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Managing Director and Chief Financial Officer having ultimate responsibility to the Board for the Group's risk management and internal control activities. Arrangements put in place by the Board to monitor risk management include:

- :: regular monthly reporting to the Board in respect of operations and the financial position of the Group;
- :: reports by the Chairman of the Audit Committee and circulation to the

internal compliance and control which implements the policies adopted by the Board; and

- :: the company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

8. PERFORMANCE

The Board reviews its performance and the performance of its Committees during each financial year. The HomeLeisure constitution requires that one third of Directors are required to submit themselves for re-election each year. This provides shareholders with direct input into the assessment of Board and individual Director performance.

Arrangements put in place by the Board to monitor the performance of the Group's senior management group include:

The Board reviews its performance and the performance of its Committees during each financial year. The HomeLeisure constitution requires that one third of Directors are required to submit themselves for re-election each year.

- HomeLeisure website; and
- :: utilising Computershare, the Group's share registry service provider.

The Board encourages full participation of shareholders at the AGM to ensure a high level of accountability and understanding of the Group's strategy and goals. The Company encourages the Group's external auditor to attend the AGM.

7. RISK MANAGEMENT

The Board is responsible for oversight of the Group's risk management and control framework. The Audit Committee assists the Board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the Group's risk management and control framework. The Group is currently implementing a policy framework designed to ensure that the Group's risks are identified and that controls are adequate, in place and functioning effectively.

- Board of the minutes of each meeting held by the Audit Committee;
- :: presentations made to the Board throughout the year by appropriate members of the Group's management team (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which are either in place or can be adopted to manage or mitigate the risk; and
- :: any Director may request that operational and project audits be undertaken by management.

Prior to signing the Group's annual financial statements, HomeLeisure's Managing Director and Chief Financial Officer report in writing to the Audit Committee that:

- :: the statement given in accordance with Council's best practice recommendation 4.1 is founded on a sound system of risk management and

- :: regular monthly reporting submitted to the Board and attendance at all Board Meetings by the Managing Director and Chief Financial Officer; and
- :: a review by the Board of the Group's financial performance and revised forecast results on a half yearly and annual basis.

9. REMUNERATION

The Company's policies relating to Directors' and Senior Executives' remuneration are set out in the Group's annual report. The HomeLeisure Executive Share Option Plan was approved by shareholders at the 2001 Annual General Meeting and amended at the 2003 Annual General Meeting.

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment

market conditions. To assist in achieving this objective, the nature and amount of executive directors' and officers' emoluments are linked to the company's financial and operational performance.

The expected outcomes of the remuneration structure are:

- :: Retention and motivation of key executives;
- :: Attraction of quality management to the company; and
- :: Performance incentives which allow executives to share the rewards of the success of the Group.

In relation to the payment of bonuses and options the Board, having regard to the overall performance of HomeLeisure and the performance of the employee during the period, exercises discretion.

10. INTEREST OF STAKEHOLDERS

HomeLeisure's objective is to maintain and further develop wealth for shareholders and add value for clients and other stakeholders. To ensure this occurs, the Group conducts its business within the Code of Ethics, documented and outlined in the Group's Corporate Governance Policy. In protecting the interest of stakeholders, the Group will:

- :: comply with the law;
- :: act honestly and with integrity;
- :: reduce the opportunity for situations to arise which result in divided loyalties or conflicts of interest;
- :: use HomeLeisure's assets responsibly and in the best interests of HomeLeisure shareholders; and
- :: be responsible and accountable for its actions.

eating and drinking. laughing. enjoying music. watching
movies. something cool. eating with friends outdoors
gardening. cooking for loved ones. organise your life



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INDEPENDENT AUDIT REPORT TO MEMBERS OF HOMELEISURE 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 HomeLeisure Limited (the company) and the consolidated entity, for the year ended 31 December 2004. 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 the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

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*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

- :: examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- :: 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 judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake other services. The provision of these services has not impaired our independence.

AUDIT OPINION

In our opinion, the financial report of HomeLeisure Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of HomeLeisure Limited and the consolidated entity at 31 December 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Paul M Glenny
Partner
Brisbane
24 March 2005

HOMELEISURE LIMITED & CONTROLLED ENTITIES
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of HomeLeisure Limited, I 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 31 December 2004 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.

On behalf of the Board



D Schwartz
Chairman

Perth, 24 March 2005

listening to music. watching movies. relaxing. drinking.
cool. eating with friends outdoors. gardening. cooking.
for loved ones. organise your life. travel around the
country. eating and drinking. laughing. enjoying music.
watching movies. relaxing. drinking something cool for
eating with friends outdoors. gardening. cooking for
loved ones. organise your life. travel around the coun
eating and drinking. laughing. enjoying music. watchin
movies. something cool. eating with friends outdoo
gardening. cooking for loved ones. organise your life
ing with HomeLeisureLimited Financials 2004

HOMELEISURE LIMITED & CONTROLLED ENTITIES
 STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Revenues from ordinary activities					
Revenues from sale of goods	2	86,326	87,376	16,586	15,716
Cost of Sales		(48,729)	(51,405)	(7,608)	(8,870)
Gross Profit		37,597	35,971	8,978	6,846
Other Revenues from ordinary activities	2	1,161	1,684	176	293
Revenues from disposal of non current assets	3	4,063	-	-	-
Revenues from sale of business	3	2,558	-	-	-
Net Reversal of provision for diminution of investments in subsidiary companies.	3	-	-	1,121	-
Distribution expenses		(8,479)	(8,491)	(802)	(696)
Marketing expenses		(10,832)	(10,251)	(1,800)	(1,641)
Occupancy expenses		(1,740)	(1,959)	(250)	(370)
Administration expenses		(10,475)	(8,437)	(2,901)	(1,922)
Other expenses from ordinary activities		(1,404)	(1,562)	(456)	(354)
Borrowing cost expenses	3	(1,336)	(1,128)	(498)	(246)
Operating expenses from ordinary activities		(34,266)	(31,828)	(6,707)	(5,229)
Carrying value of non current assets disposed	3	(3,497)	-	-	-
Carrying value of inventory disposed on sale of wholesale horticulture business	3	(1,184)	-	-	-
Specific Items- Restructuring	3	(2,502)	(1,771)	-	-
Profit from ordinary activities before income tax expense		3,930	4,056	3,568	1,910
Income tax (expense)/benefit relating to ordinary activities	4	453	(312)	885	161
Net profit attributable to members of HomeLeisure Limited		4,383	3,744	4,453	2,071
Total revenues, expenses and valuation adjustments attributable to HomeLeisure Limited and recognised directly in equity		-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of HomeLeisure Limited		4,383	3,744	4,453	2,071
Basic earnings per share (cents per share)	24	3.7	3.5		
Diluted earnings per share (cents per share)	24	3.7	3.3		

HOMELEISURE LIMITED & CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
CURRENT ASSETS					
Cash Assets	20(b)	2,076	3,131	-	-
Receivables	6	19,474	17,824	23,814	21,084
Inventories	7	10,031	9,288	2,571	1,827
Current tax asset		947	-	857	-
Other	8	3,751	2,888	388	190
TOTAL CURRENT ASSETS		36,279	33,131	27,630	23,101
NON-CURRENT ASSETS					
Investments	9	630	38	11,502	9,789
Property, plant and equipment	10	11,031	14,591	173	134
Deferred tax asset		1,412	1,444	1,412	274
Intangibles Assets	11	9,665	9,373	240	-
Other	12	958	1,006	-	-
TOTAL NON-CURRENT ASSETS		23,696	26,452	13,327	10,197
TOTAL ASSETS		59,975	59,583	40,957	33,298
CURRENT LIABILITIES					
Payables	13	17,214	16,879	15,038	9,979
Interest-bearing liabilities	14	11,042	10,321	6,023	5,875
Current tax liabilities		-	817	-	113
Provisions	15	1,763	1,174	174	157
TOTAL CURRENT LIABILITIES		30,019	29,191	21,235	16,124
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	16	5,382	6,805	21	-
Deferred tax liabilities		817	1,154	817	-
Provisions	17	555	851	84	64
TOTAL NON-CURRENT LIABILITIES		6,754	8,810	922	64
TOTAL LIABILITIES		36,773	38,001	22,157	16,188
NET ASSETS		23,202	21,582	18,800	17,110
SHAREHOLDERS' EQUITY					
Contributed Equity	18	31,135	30,320	31,135	30,320
Accumulated losses	19	(7,933)	(8,738)	(12,335)	(13,210)
TOTAL SHAREHOLDERS' EQUITY		23,202	21,582	18,800	17,110

HOMELEISURE LIMITED & CONTROLLED ENTITIES
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		94,312	99,152	17,251	16,486
Payments to suppliers and employees		(81,123)	(89,346)	(13,149)	(14,467)
Interest received		38	125	4	8
Interest and other costs of finance paid		(1,336)	(1,128)	(498)	(247)
Income tax paid		(1,712)	(1,087)	(454)	-
Acquisition of movie rights		(1,902)	(1,130)	-	-
Significant restructuring costs		(732)	(1,994)	-	-
Goods and services tax paid		(3,497)	(2,895)	(971)	(879)
NET CASH INFLOWS FROM OPERATING ACTIVITIES	20(a)	4,048	1,697	2,183	901
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(2,550)	(2,534)	(85)	(36)
Disposal of property, plant and equipment		4,063	150	10	-
Acquisition of subsidiaries	20(e)	-	(703)	-	-
Finance lease principal received		418	-	-	-
Payment of deferred Central Station settlement		(1,000)	-	-	-
Acquisition of 40% of X-ten Pty Ltd		(233)	-	(233)	-
Loan to joint venture company		(10)	(45)	-	-
Acquisition of music masters		(109)	(130)	-	-
NET CASH FLOWS (USED)/RECEIVED IN INVESTING ACTIVITIES		579	(3,263)	(308)	(36)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash proceeds issue of shares		215	2,814	215	2,814
Finance lease principal paid		(1,126)	(300)	(10)	(80)
Dividends paid		(3,578)	(2,902)	(3,578)	(2,902)
Borrowings – Paid		(2,419)	(1,774)	-	(601)
Borrowings – Received		4,421	884	4,017	-
Loans to controlled entities		-	-	1,380	(3,965)
NET CASH FLOWS (USED)/RECEIVED IN FINANCING ACTIVITIES		(2,487)	(1,278)	2,024	(4,734)
NET INCREASE/(DECREASE) IN CASH HELD		2,140	(2,843)	3,899	(3,869)
Add opening cash brought forward		(2,910)	(67)	(5,875)	(2,006)
CLOSING CASH CARRIED FORWARD	20(b)	(770)	(2,910)	(1,976)	(5,875)

HOMELEISURE LIMITED & CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

The accounting policies adopted are consistent with those adopted in the 31 December 2003 annual financial report.

PRINCIPLES OF CONSOLIDATION

The consolidated accounts are those of the economic entity, comprising HomeLeisure Limited (the parent entity) and all entities which HomeLeisure controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

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

FOREIGN CURRENCIES

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

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

Amounts payable to and by the entities within the consolidated entity that are outstanding at the balance 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. All resulting exchange differences where material arising on settlement or re-statement are brought to account in determining the profit or loss for the financial year.

SPECIFIC HEDGES

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

CASH

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

RECEIVABLES

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. The cost of inventories (other than manufactured product) is assigned on an average cost basis and includes expenditure incurred in acquiring the stock.

Net realisable value is the estimated proceeds of sale less, where applicable, all costs to be incurred in marketing and distribution to customers.

MANUFACTURING

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- :: Raw materials – purchase cost on a first-in-first-out basis; and
- :: Finished goods and work in progress – cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity

RECOVERABLE AMOUNT

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining the recoverable amount the expected net cash flows have not been discounted to their present value.

HOMELEISURE LIMITED & CONTROLLED ENTITIES
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE YEAR ENDED 31 DECEMBER 2004

PROPERTY, PLANT AND EQUIPMENT

COST AND VALUATION

Items of property, plant and equipment are carried at cost.

DEPRECIATION

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than freehold land.

Major depreciation periods are:	2004	2003
Leasehold improvements	the lease term	the lease term
Plant and equipment	5 to 15 years	5 to 15 years
Dies and Moulds	5 to 15 years	5 to 15 years
Buildings	40 years	40 years

INVESTMENTS

All investments in subsidiary companies are carried at the lower of cost and recoverable amount.

AUDIO AND MOVIE MASTERS

All masters are carried at cost. Amortisation is provided on a straight line basis over 10 years.

CONTRIBUTED EQUITY

Issued and paid-up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares would be recognised directly in equity as a reduction of the share proceeds received.

INTANGIBLES

GOODWILL

Goodwill is recorded initially at the amount by which the purchase price for a business or for shares in a controlled entity exceeds the fair value of the net tangible assets at the date of acquisition. Goodwill is amortised by the straight-line method over the period during which benefits are expected to be received. This is taken as being up to 10 years (2003: 10 years).

TRADEMARKS

Trademarks are not amortised as the directors believe that their useful lives are of such duration that the amortisation charge, if any, would not be material.

The carrying values of trademarks are reviewed each reporting period to ensure that they are not stated above their recoverable amount.

INCOME TAX

The entity has adopted the liability method of income tax effect accounting. Income tax expense shown in the profit and loss account is calculated on the operating result before tax, adjusted for items which, due to treatment under income tax legislation, create permanent differences between accounting profit and taxable income.

Future income tax benefits represent the expected future tax effect of timing differences which occur when items of expenditure are included in the determination of accounting profit in periods different to the periods in which those items are allowable for income tax purposes.

The net future income tax benefit relating to timing differences and losses are not carried forward as an asset unless the benefit is virtually certain of being realised.

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. Control is deemed to have passed at the time the goods have been despatched.

INTEREST

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

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. Payables to related parties are carried at the principal amount.

EMPLOYEE BENEFITS

Provision is made for long service leave and annual leave estimated to be payable to employees on the basis of statutory and contractual entitlements. The contributions made to superannuation funds are charged against profits.

The value of the employee share incentive scheme described in note 22 is not being recognised as an employee entitlement expense.

LEASES

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

OPERATING LEASES

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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FOR THE YEAR ENDED 31 DECEMBER 2004

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 property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease 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 profit and loss.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

EARNINGS PER SHARE

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

GOODS AND SERVICES TAX

GST received from customers is included in cash flows from customers. GST paid on supplies is included in payments to suppliers and employees. GST paid on acquisitions of plant and equipment is included in payments to suppliers and employees. GST is not included in revenue and expenses but is included in receivables and payables.

FINANCIAL INSTRUMENTS

Refer to note 30 (a) for accounting policies related to financial instruments.

IMPACT OF ADOPTING AASB EQUIVALENTS TO IFRS STANDARDS (AEIFRS)

TRANSITION TO AEIFRS

HomeLeisure Limited will be required to prepare financial statements which comply with the Australian equivalents of International Financial Reporting Standards (AEIFRS), as issued by the Australian Accounting Standards Board, from 1 January 2005. The changes identified to date that will be required to HomeLeisure Limited's existing accounting policies are set out below. The company has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to AEIFRS. As a result of these procedures, HomeLeisure Limited has graded impact areas as either high, medium or low and has established a project team to address each of the areas in order of priority as represented by the gradings. It is anticipated that the project will be completed by June 2005. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when HomeLeisure Limited prepare its first fully AEIFRS compliant financial report for the half year ending 30 June 2005 and the year ending 31 December 2005. Any changes to accounting policies will require Audit Committee approval.

At this stage the company has not been able to reliably quantify the impact on the financial report.

INCOME TAXES

Under AASB 112 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the State of Financial Position or a tax-based balance sheet.

INTANGIBLE ASSETS

Under the AASB138 *Intangible Assets*, intangibles that are assessed as having an indefinite life will be subject to annual impairment tests to support the carrying value of these assets. The change in the policy could result in earnings volatility reflected in the income statement.

Amortisation of goodwill incurred in business acquisitions will cease and will be replaced by annual impairment testing, which may impact future earnings (see Impairment of assets). There will be a change to the Group's current accounting policy which amortises goodwill over a maximum of 10 years.

IMPAIRMENT OF ASSETS

Under the AASB136 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. Changes to the Group's accounting policy will be required to conform with the new requirements for impairment testing under AEIFRS using value in use calculations based on discounted cash flows. The change in the policy could result in earnings volatility reflected in the income statement.

SHARE BASED PAYMENTS

Under AASB2 *Share based payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. The financial effects of this change in accounting policy is not expected to be material.

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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CLASSIFICATION OF
FINANCIAL INSTRUMENTS

Under AASB139 *Financial Instruments*: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. This will result in a change in the current accounting policy that does not classify financial instruments. In addition, companies are required to set processes in place to ensure the hedges meet the designation, effectiveness and documentation criteria if they intend to apply hedge accounting.

The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

For periods on or after 1 January 2005, the consolidated entity will be required to conform to future requirements of designation, effectiveness and documentation, which are stricter criteria than currently required in Australia. The risk is where these criteria are no longer met the impact will be required to be recognised in net profit rather than deferred, leading to slightly greater volatility in net profits.

The key criteria are:

- :: Designation – clear designation of hedged transactions is required prior to the inception of the hedge.
- :: Effectiveness – hedges are required to be effective at inception. There are specific qualitative and quantitative requirements.
- :: Documentation – clear documentation and decision making required.

The consolidated entity will not be able to apply hedge accounting to financial instruments entered into before 31 December 2004. An assessment will be made as to whether to apply hedge accounting during the 2005 year.

This standard is not mandatory until 1 January 2005, and no comparative restatement is required.

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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 FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
2. REVENUE FROM ORDINARY ACTIVITIES					
Revenue from sales of goods		86,326	87,376	16,586	15,716
Interest					
Other persons/corporations		38	125	4	8
Total Interest		38	125	4	8
Royalties		530	541	-	-
Sundry income		593	1,018	172	285
		1,161	1,684	176	293
Revenue from sale of plant and equipment		4,063	-	-	-
Revenue from sale of business		2,558	-	-	-
Total revenues from ordinary activities		94,108	89,060	16,762	16,009
3. EXPENSES AND LOSSES/(GAINS)					
(a) Expenses					
Amortisation of non-current assets					
Goodwill		175	173	-	-
Music masters		155	141	-	-
		330	314	-	-
Depreciation of non-current assets					
Land and buildings		10	-	-	-
Plant and equipment		1,147	1,108	72	63
Plant and equipment under lease		144	340	18	18
Dies and moulds		669	808	-	-
Leasehold improvements		4	4	-	-
	10	1,974	2,260	90	81
Total depreciation and amortisation expense		2,304	2,574	90	81
Bad and doubtful debts					
Trade debtors – other persons		234	43	73	26
Borrowing costs expensed					
Interest expense - other persons/corporations		1,121	979	496	170
Other borrowing costs					
Finance charges – lease liability		215	149	2	76
Total borrowing costs expensed		1,336	1,128	498	246
Rental – operating leases		1,465	865	48	43

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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 FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Specific item – restructure of housewares division					
Revenue from sale of plant and Equipment		4,063	-	-	-
Written Down Value of Plant and Equipment sold		(3,497)	-	-	-
Profit on sale of plant and Equipment		566	-	-	-
Revenue from sale of business		2,558	-	-	-
Carrying value of inventory disposed		(1,184)	-	-	-
Restructuring costs		(2,502)	(1,771)	-	-
Net costs of restructuring housewares division		(562)	(1,771)	-	-
(b) Losses/(Gains)					
Net foreign currency (gains) / losses		(105)	(115)	(71)	(7)
Net gain / (loss) on disposal of fixed assets		63	(18)	9	-
Net reversal of provision of diminution of investments in subsidiary companies		-	-	1,121	-
4. INCOME TAX					
The prima facie tax, using tax rates applicable in the country of operation, on operating result differs from the income tax provided in the accounts as follows:					
Prima facie tax on operating profit at 30% (2003 30%)		1,179	1,217	1,070	573
Tax effect of permanent differences		-	-	-	-
Reversal of provision of diminution of investments in subsidiary companies		-	-	(336)	-
Benefit of tax losses not recognised		-	156	-	-
Amortisation of goodwill		52	52	-	-
Initial recognition of future tax benefit on timing differences		-	(878)	-	(404)
Prior Year under provision for tax		-	97	-	2
Prior Year losses recouped		-	(332)	-	(332)
Other		60	-	43	-
Tax credit from tax balances of subsidiaries transferred to head entity		-	-	(1,662)	-
Recognition of reduction in deferred tax liability upon entry to tax consolidation and resetting tax values		(1,744)	-	-	-
Income tax expense/(credit) attributable to operating result		(453)	312	(885)	(161)
Future Income tax benefit arising from tax losses of a controlled entity not brought to account at balance date.		2,203	1,766	-	-

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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 FOR THE YEAR ENDED 31 DECEMBER 2004

4. INCOME TAX (contd)

This future Income Tax benefit will only be obtained if:

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised.
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

As a result of forming a tax consolidated group, a tax benefit of \$ 1,744,353 which has been recognised in the current year as a result of resetting tax values of certain assets in subsidiaries, led to a reduction in deferred tax liabilities. There was no material impact on the future income tax benefits. Members of the group have not entered into a tax sharing agreement, so that the income tax expenses for the group will be reflected in the head entity, namely HomeLeisure Limited.

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
5. DIVIDENDS PAID					
Dividends paid during the year					
2003 Final dividends (1.75 ¢ per share) – 100% franked (2002: 1.5 ¢ per share)		(2,076)	(1,537)	(2,076)	(1,537)
Interim dividend (1.25 ¢ per share) - 100% franked (2003: 1.25 ¢ per share)		(1,502)	(1,365)	(1,502)	(1,365)
	19	(3,578)	(2,902)	(3,578)	(2,902)
The tax rate at which dividends have or will be franked is 30% (2003: 30%)					
The amount of franking credits available for the subsequent financial year that exist or arise after payment of income tax in the next year:		8,176	8,049	-	-
6. RECEIVABLES (CURRENT)					
Trade debtors	6(a)	18,342	18,167	4,557	3,477
Provision for doubtful debts		(707)	(746)	(199)	(150)
		17,635	17,421	4,358	3,327
Other debtors		1,839	403	3	-
Loan to controlled entities (wholly owned)		-	-	19,453	17,757
		19,474	17,824	23,814	21,084
(a) Australian dollar equivalent of amounts receivable in foreign currencies not effectively hedged:					
US Dollars		372	456	163	288
Canadian Dollars		408	-	408	-
(b) Terms and conditions relating to the above financial instruments are set out in note 30.					

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
7. INVENTORIES (CURRENT)					
Raw Materials		81	601	-	-
Work-in-progress		-	144	-	-
Finished goods		11,323	9,843	2,823	1,988
Provision for diminution in value		(1,373)	(1,300)	(252)	(161)
Total inventories at cost		10,031	9,288	2,571	1,827
8. OTHER CURRENT ASSETS					
Accrued Income		166	1,554	-	-
Prepayments		3,585	1,334	388	190
		3,751	2,888	388	190
9. INVESTMENTS (NON-CURRENT)					
Investments comprise:					
Shares in unlisted companies		630	38	592	-
Shares in controlled entities – unlisted at cost	9(a)	-	-	12,756	12,756
Less provision for diminution		-	-	(1,846)	(2,967)
Total investments in balance sheet		630	38	11,502	9,789

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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(a) Investment in controlled entities	Country of incorporation	Percentage of equity interest held by the consolidated entity		INVESTMENT	
		2004	2003	2004	2003
		%	%		
MRA International Pty Ltd	Australia	100	100	-	-
Skansen Giftware UK Limited	United Kingdom	100	100	-	-
Mastertech Pty Ltd	Australia	100	100	6,054	6,054
MRA Entertainment Group Pty Ltd	Australia	100	100	2,530	2,530
Prestige Group(Australia) Pty Ltd	Australia	100	100	655	655
Reko Pty Ltd	Australia	100	100	6,047	6,047
Awaba Distributors Unit Trust	Australia	100	100	-	-
Reko Employees Unit Trust	Australia	100	100	-	-
Lisarow Industries Unit Trust	Australia	100	100	-	-
Addis Australia Pty Ltd	Australia	100	100	6,104	6,104
DoDo Holdings Pty Ltd	Australia	100	100	-	-
O-Cedar Products Pty Ltd	Australia	100	100	-	-
Total Video Services Pty Ltd	Australia	100	100	-	-
Central Station Holdings Pty Ltd	Australia	100	100	14,750	14,726
Central Station Pty Ltd	Australia	100	100	6,410	6,410
				42,550	42,526
Less					
Consolidation Elimination				(29,794)	(29,770)
Provision for Diminution				(1,846)	(2,967)
				10,910	9,789

Mastertech Pty Ltd has a 50% investment in Silverminds Direct (Australia) Pty Ltd, incorporated in 1 July 2002. The investment and contribution from this company were not material as at 31 December 2004 and have not been included in the accounts.

HomeLeisure Limited has a 40% investment in Xten Innovations Pty Ltd. The investment is carried at a value of \$592,869. Contribution from this company was not material as at 31 December 2004 and has not been included in the accounts.

HOMELEISURE LIMITED & CONTROLLED ENTITIES
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
10. PROPERTY PLANT & EQUIPMENT					
Land and buildings (at cost)		5,322	4,489	-	-
Accumulated depreciation		(10)	-	-	-
		5,312	4,489	-	-
Leasehold improvements					
At cost		181	141	-	-
Accumulated amortisation		(25)	(20)	-	-
		156	121	-	-
Plant and equipment					
At cost		12,021	15,840	1,196	1,131
Accumulated depreciation		(9,773)	(11,274)	(1,055)	(1,003)
		2,248	4,566	141	128
Plant and equipment under lease					
At cost		908	1,927	366	322
Accumulated amortisation		(665)	(1,405)	(334)	(316)
		243	522	32	6
Dies and moulds					
At cost		9,920	18,114	-	-
Accumulated depreciation		(6,848)	(13,221)	-	-
		3,072	4,893	-	-
Total Property, plant and equipment					
Cost		28,352	40,511	1,562	1,453
Accumulated depreciation and amortisation		(17,321)	(25,920)	(1,389)	(1,319)
Total written down value		11,031	14,591	173	134

(a) Assets pledged as security

Included in the balances of freehold land and buildings are assets over which first mortgages have been granted as security for bank loans. The terms of the first mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times. Fixed and floating charges have been granted over all non current assets as security for the Groups financing facility.

Assets under lease are pledged as security for the associated lease liabilities.

(b) All land and buildings have been acquired within the previous three financial years. Accordingly, the consolidated entity has not obtained valuations for land and buildings carried at cost.

HOMELEISURE LIMITED & CONTROLLED ENTITIES
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(c) Reconciliations					
Reconciliations of the carrying amount of fixed assets at the beginning and end of the current financial year:					
Land and Buildings					
Carrying amount at beginning		4,489	4,489	-	-
Additions		833	-	-	-
Depreciation Expense	3	(10)	-	-	-
		5,312	4,489	-	-
Leasehold Improvements					
Carrying amount at beginning		121	106	-	-
Additions		39	19	-	-
Depreciation Expense	3	(4)	(4)	-	-
		156	121	-	-
Plant and Equipment					
Carrying amount at beginning		4,566	3,727	128	156
Reclassified		208	-	-	-
Additions		708	2,115	85	35
Write- offs		(460)	-	-	-
Disposals		(1,627)	(261)	-	-
Additions through acquisitions of entities/operations		-	93	-	-
Depreciation Expense	3	(1,147)	(1,108)	(72)	(63)
		2,248	4,566	141	128
Plant and Equipment under Lease					
Carrying amount at beginning		522	950	6	24
Reclassified		(230)	-	-	-
Additions		195	-	44	-
Disposals		(100)	(88)	-	-
Depreciation Expense	3	(144)	(340)	(18)	(18)
		243	522	32	6

HOMELEISURE LIMITED & CONTROLLED ENTITIES
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
10. PROPERTY PLANT & EQUIPMENT (contd)					
Dies and Moulds					
Carrying amount at beginning		4,893	4,888	-	-
Reclassified		24	-	-	-
Additions		972	846	-	-
Write-offs		(378)	-	-	-
Disposals		(1,770)	-	-	-
Additions through acquisitions of entities/operations		-	(33)	-	-
Depreciation Expense	3	(669)	(808)	-	-
		3,072	4,893	-	-
11. INTANGIBLES					
Goodwill		5,302	5,076	-	-
Provision for amortisation		(3,942)	(3,768)	-	-
		1,360	1,308	-	-
Trademarks		8,307	8,067	240	-
Provision for amortisation		(2)	(2)	-	-
		8,305	8,065	240	-
		9,665	9,373	240	-
12. OTHER NON-CURRENT ASSETS					
Audio and video masters		1,597	1,490	-	-
Provision for amortisation		(639)	(484)	-	-
		958	1,006	-	-
13. PAYABLES (CURRENT)					
Trade creditors		17,214	14,893	2,980	2,127
Amounts other than trade debts payable to:					
controlled entity		-	-	12,058	7,852
deferred settlement - Central Station acquisition		-	1,986	-	-
		17,214	16,879	15,038	9,979
(a) Australian dollar equivalent of amounts payable in foreign currencies not effectively hedged:					
US Dollars		-	815	121	544
United Kingdom pounds		279	225	2	-
European Euros		34	16	-	-
Other		-	43	-	18
Terms and conditions relating to the above financial instruments are set out in note 30.					

HOMELEISURE LIMITED & CONTROLLED ENTITIES
 NOTES TO AND FORMING PART OF THE ACCOUNTS
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	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
14. INTEREST-BEARING LIABILITIES (CURRENT)					
Borrowings secured					
- lease liability	14(a),21	653	920	13	-
- bank overdraft	14(b),20(b)	2,846	6,041	1,976	5,875
- bank commercial bills		4,040	1,040	3,000	-
- trade finance		1,034	-	1,034	-
- bank loans		480	276	-	-
		9,053	8,277	6,023	5,875
Borrowings unsecured					
- trade bills		1,003	2,044	-	-
- deferred settlement - Central Station acquisition		986	-	-	-
		11,042	10,321	6,023	5,875
(a) Secured lease liability – finance lease		653	920	13	-
The lease liability is secured by a charge over the leased assets.					
(b) The bank facility is secured by a fixed and floating charge over the whole of the group's assets including goodwill and uncalled capital and called capital. The carrying value of the assets pledged as security amounts to \$57.4 million					
(c) Terms and conditions relating to the above financial instruments are set out in note 30.					
15. PROVISIONS (CURRENT)					
Employee benefits		937	1,174	174	157
Provision for Redundancy		826	-	-	-
	22	1,763	1,174	174	157
16. INTEREST-BEARING LIABILITIES (NON-CURRENT)					
Borrowings Secured					
- lease liability	16(a), 21	349	594	21	-
- bank bills		4,180	5,220	-	-
- bank loan		853	991	-	-
		5,382	6,805	21	-
(a) Secured lease liability – finance lease		349	594	21	-
The lease liability is secured by a charge over the leased assets.					
(b) Bank bills/loans					
The Bank Bills and Bank Loans are secured by way of a fixed and floating charge.					
(c) Terms and conditions relating to the above financial instruments are set out in note 30					

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
17. PROVISIONS (NON-CURRENT)					
Employee benefits	22	555	851	84	64
		555	851	84	64
18. CONTRIBUTED EQUITY					
(a) Issued and paid up capital					
- 120,151,993 ordinary shares fully paid (2003 117,217,993)		31,135	30,320	31,135	30,320
		31,135	30,320	31,135	30,320
(b) Movement in shares on issue					
		2004		2003	
		Number of shares	\$'000	Number of Shares	\$'000
Beginning of the financial year		117,217,993	30,320	100,236,193	23,507
Acquisition of 40% of X-ten Innovations Pty Ltd	(i)	1,500,000	600	-	-
Exercise of share options	(ii)	1,434,000	215	3,981,800	597
Issue of securities	(iii)	-	-	5,000,000	2,216
Purchase of Central Station Pty Ltd	(iv)	-	-	8,000,000	4,000
End of the financial year		120,151,993	31,135	117,217,993	30,320

(i) On 31 October 2004, 1,500,000 ordinary shares were issued as part consideration in acquiring 40% of X-Ten Innovations Pty Ltd at a value of 40 cents per share.

(ii) During the 2004 year, 1,434,000 (2003: 3,981,800) options were exercised into 1,434,000 (2003: 3,981,800) ordinary shares at an exercise price of 15 cents per share.

(iii) During the 2003 year, 5,000,000 shares were placed with an institutional investor at 45 cents per share

(iv) On 11 November 2003, 8,000,000 ordinary shares were issued as part consideration in acquiring 100% of Central Station Pty Ltd at a value of \$0.50 per share

(c) 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

(d) Share Options

Options attaching to Redeemable Convertible Notes

During the year, 984,000 options were exercised at an exercise price of 15 cents. At year end no options were outstanding.

Executive and Employee Options

During the year:

- 450,000 options were exercised at an exercise price of 15 cents. At year end there are no options at 15 cents to be exercised.
- 1,000,000 options were granted at an exercise price of 62 cents to seven

employees of Central Station Pty Ltd. These options vest progressively between June 2004 and June 2006 and expire on 11 November 2008. All options remain unexercised.

Director Options

During the year, No options were exercised. At year end 2,000,000 options were yet to be exercised. Exercise price is 15 cents expiring July 2006.

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
19. ACCUMULATED LOSSES					
Balance at the beginning of the financial year		(8,738)	(9,580)	(13,210)	(14,080)
Operating profit from ordinary activities		4,383	3,744	4,453	2,072
Total available for appropriation		(4,355)	(5,836)	(8,757)	(12,008)
Inter-company dividends		-	-	-	1,700
Dividends paid	5	(3,578)	(2,902)	(3,578)	(2,902)
Balance at end of the financial year		(7,933)	(8,738)	(12,335)	(13,210)
20. STATEMENT OF CASH FLOWS					
(a) Reconciliation of the operating result after tax to the net cash flows from operations					
Operating profit after tax		4,383	3,744	4,453	2,071
Depreciation of non-current assets		1,974	2,260	90	81
Amortisation of non-current assets		330	312	-	-
Assets Scrapped		271	-	-	-
Provision movements		(534)	(192)	35	102
Changes in assets and liabilities					
Trade receivables		(1,821)	402	(1,034)	(921)
Inventory		(743)	77	(744)	(546)
Trade and other creditors		3,166	(3,388)	871	410
Future income tax benefit		32	(1,104)	(1,138)	(274)
Deferred tax liability		(337)	(166)	817	-
Provision for tax		(1,764)	590	(970)	113
Prepayments		(909)	(838)	(197)	(135)
Net cash flow from operating activities		4,048	1,697	2,183	901
(b) Cash balance comprises: Reconciliation of cash					
- cash on hand		2,076	3,131	-	-
- bank overdraft		(2,846)	(6,041)	(1,976)	(5,875)
		(770)	(2,910)	(1,976)	(5,875)
(c) The consolidated entity and the parent entity have a bank overdraft/bank bills/letter of credit facility.					
(d) Non-Cash Financing and Investing Activities					
During the year the consolidated entity acquired plant and equipment with an aggregate fair value of \$195,770 by way of finance leases. The parent entity acquired plant and equipment with an aggregate fair value of \$ Nil by way of finance leases					

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20. STATEMENT OF CASH FLOWS (contd)

(e) Acquisition of Controlled Entities.	
On the 11 November 2003, Mastertech Pty Ltd, a subsidiary of HomeLeisure Limited completed its acquisition of 100% of the share capital of Central Station Holdings Pty Ltd and Central Station Pty Ltd with effect from 1 July 2003. The components of the acquisition cost are	
	\$'000
Consideration	
Shares Issued in parent (at fair value)	4,000
Cash Paid	6,117
Vendor Loans	9,035
Deferred Settlement	1,986
	<u>21,138</u>
Net Assets of Entity	
Cash	5,794
Vendor loans	8,655
Trade debtors	1,174
Inventories	120
Trademarks	8,000
Property plant and equipment	93
Other assets	231
Trade creditors	(2,973)
Employee Provisions	(90)
Net Assets	21,004
Goodwill arising on acquisition	134
	<u>21,138</u>
Net Cash Effect	
Cash consideration paid	(6,117)
Cash paid via vendor loans	(9,035)
Cash included in net assets acquired	5,794
Cash received from vendor loans	8,655
Net Cash paid upon purchase of controlled entities as reflected in the consolidated financial report	<u>(703)</u>

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
21. EXPENDITURE COMMITMENTS					
(a) Capital expenditure commitments					
Capital expenditure contracted for at balance date but not provided for, payable					
Not later than one year:		-	-	-	-
(b) Lease expenditure commitments					
(i) Operating Leases					
– not later than one year		982	1,251	7	31
– later than one year and not later than five years		2,083	2,343	-	9
– aggregate lease expenditure contracted for at balance date		3,065	3,594	7	40
Operating leases at the balance date have an average term of 3 years. Assets, which are the subject of operating leases, are buildings, items of small machinery and office furniture.					
(ii) Finance leases					
– not later than one year		709	991	15	-
– later than one year and not later than five years		386	641	24	-
– total minimum lease payments		1,095	1,632	39	-
– future finance charges		(93)	(118)	(5)	-
– lease liability		1,002	1,514	34	-
– current liability	14	653	920	13	-
– non-current liability	16	349	594	21	-
		1,002	1,514	34	-
Refer to note 30 (a) for a general description of finance leases.					

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
22. EMPLOYEE BENEFITS					
Employee benefits					
The aggregate employee entitlement liability is comprised of:					
Accrued salaries, wages and on-costs		-	5	-	-
Provisions (current)	15	1,763	1,174	174	157
Provisions (non-current)	17	555	851	84	64
		2,318	2,030	258	221

EXECUTIVE AND EMPLOYEE OPTIONS

During the reporting period, options were granted to five Central Station Pty Limited employees. The options were granted for nil consideration, vest progressively, have varying exercise prices and expiry dates.

	2004			2003		
	Exercise price			Exercise price		
	15 cent	45 cent	62 cent	15 cent	45 cent	62 cent
Balance of options issued at beginning of year	450,000	1,825,000	700,000	1,545,000	-	-
Granted	-	-	1,000,000	-	1,825,000	700,000
Lapsed	-	-	-	(153,200)	-	-
Exercised	(450,000)	-	-	(941,800)	-	-
Balance of options issued at end of year	-	1,825,000	1,700,000	450,000	1,825,000	700,000
Options exercisable at beginning of year	450,000	912,500	-	-	-	-
Exercised during the year	(450,000)	-	-	-	-	-
Vested during the year	-	456,250	850,000	-	912,500	-
Options exercisable at end of year	-	1,368,750	850,000	450,000	912,500	-

Details of options

Options exercisable at 15 cents

- Granted 12 August 2002
- No dividend or voting rights
- Fully vested at grant date
- Expiry date 12 August 2007
- Proceeds of options exercised in period amounted to \$67,500 with 450,000 ordinary shares issued. Fair value of options exercised were at a fair value of 38 cents which represents the average market value at exercise date.

Options exercisable at 45 cents

- Granted 31 March 2003
- No dividend or voting rights
- Vesting 50%; 30 June 2003; 25% 30 June 2004; and 25% 30 June 2005.
- Expiry date 31 March 2008.
- Under the Black Scholes model the fair value of the options was valued at 11 cents

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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22. EMPLOYEE BENEFITS (contd)

Options exercisable at 62 cents

- Granted 11 November 2003
- No dividend or voting rights
- Vesting 50%; 30 June 2004; 25% 30 June 2005; and 25% 30 June 2006.
- Expiry date 11 November 2008.
- Under the Black Scholes model the fair value of the options was valued at 18 cents

23. CONTINGENT LIABILITIES

The directors are not aware of any material contingent liabilities existing at balance date or at the date of signing of the financial report.

24. EARNINGS PER SHARE

	2004	2003
Basic earnings per share		
(a) Net Profit	4,382,530	3,743,634
(b) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	118,677,883	106,592,443
Diluted earnings per share		
(c) Net profit	4,382,530	3,743,634
(d) Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	119,630,979	111,768,600

There have been no conversions, calls, subscription or issues after 31 December 2004.

25. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of directors and specified executives

(i) Directors

D Schwartz	Chairman (non-executive)
GW Elkington	Managing Director
J Abernethy	Director (non-executive)
G Molloy	Director (non-executive)
J Wowk	Director (non-executive)
M Rogers	Director (non-executive)

(ii) Executives

G Elkington	Managing Director
N G Burton	Chief Financial Officer/Company Secretary
G Navratil	General Manager Entertainment Division
G Chapman	General Manager Giftware Division
C Sinclair	General Manager Housewares Division

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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(b) Remuneration of directors and specified executives

	Annual Emoluments				Long Term Emoluments			Total
	Base Fee /Cash Salary	Bonus	Other	Termination & similar payments	Super-annuation	Options		
	\$	\$	\$	\$	\$	\$		
Directors								
D Schwartz								
2004	19,333	-	-	-	-	-	-	19,333
G Elkington								
2004	49,666	-	-	-	-	-	-	49,666
M Rogers								
2004	221,333	-	-	-	-	-	-	221,333
2003	244,666	-	-	-	-	-	-	244,666
G Molloy								
2004	48,000	-	31,454	-	-	-	-	79,454
2003	48,000	-	214,500	-	-	-	-	262,500
J Abernethy								
2004	48,000	-	-	-	-	-	-	48,000
2003	48,000	-	-	-	-	-	-	48,000
J Wowk								
2004	48,000	-	-	-	-	-	-	48,000
2003	48,000	-	-	-	-	-	-	48,000
J Laurie								
2004	38,667	-	-	19,333	-	-	-	58,000
2003	58,000	-	-	-	-	-	-	58,000
Total								
2004	472,999	-	31,454	19,333	-	-	-	523,786
2003	446,666	-	214,500	-	-	-	-	661,166
Specified executives								
G Elkington								
2004	74,500	-	-	-	-	-	-	74,500
N Burton								
2004	126,502	16,080	8,246	-	11,385	5,156	-	167,369
2003	103,366	27,000	14,331	-	9,303	17,531	-	171,531
G Navratil								
2004	114,000	25,000	12,996	-	10,440	5,729	-	168,165
2003	103,013	47,000	12,996	-	14,258	19,479	-	196,746
G Chapman								
2004	120,000	70,000	-	-	-	5,156	-	195,156
2003	108,000	70,000	-	-	-	17,531	-	195,531
C Sinclair								
2004	124,000	4,000	16,892	-	11,160	8,594	-	164,646
2003	116,000	12,000	15,000	-	10,440	29,219	-	182,659
Total								
2004	559,002	115,080	38,134	-	32,985	24,635	-	769,836
2003	430,379	156,000	42,327	-	34,001	83,760	-	746,467

Notes

- (i) options have been valued, at grant date, using the Black Scholes option pricing model. The value of the options has been apportioned over the vesting period. Refer note 22

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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(c) Remuneration Policy.

The Board of Directors of HomeLeisure Limited is responsible for determining and reviewing compensation arrangements for the directors, the chief executive and the senior management. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash, fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Board links the nature and amount of executive directors' and officer emoluments to the company's financial and operational performance. All executives have the opportunity to qualify for participation in the employee Share option plan. The share option plan approved by shareholders is in place, which provides the Board with the discretion to grant options and provide loans to Eligible executives for the purpose of acquiring shares.

In addition, senior executives may receive annual bonuses based on achievement of specific goals related to the performance of their respective division.

(d) Option holdings of directors and specified executives.

	Balance as at 1 Jan 2004	Granted as remuneration	Options exercised	Balance at 31 Dec 2004	Vested at 31 Dec 2004 Exercisable
Directors					
G Molloy	2,000,000	-	-	2,000,000	2,000,000
Specified Executives					
N Burton	225,000	-	-	225,000	168,750
G Navratil	250,000	-	-	250,000	187,500
G Chapman	225,000	-	-	225,000	168,750
C Sinclair	375,000	-	-	375,000	281,250

Options granted to G Molloy are exercisable at 15 cents.

Options granted N Burton, G Navratil, G Chapman and C Sinclair are exercisable at 45 cents.

(e) Shareholdings of directors and specified executives

	Balance as at 1 Jan 2004	Granted as remuneration	Options exercised	Net Change Other	Balance at 31 Dec 2004
Directors					
David Schwartz	-	-	-	16,427,545	16,427,545
Gordon Elkington	-	-	-	5,900,000	5,900,000
Mark Rogers	15,600,000	-	-	(9,600,000)	6,000,000
Glenn Molloy	13,600,000	-	-	(7,500,000)	6,100,000
John Abernethy	9,579,627	-	-	5,013,075	14,592,702
Jury Wowk	120,000	-	-	100,000	220,000
Specified Executives					
N Burton	184,000	-	-	-	184,000
G Navratil	155,000	-	-	-	155,000
G Chapman	25,000	-	-	7,575	32,575
C Sinclair	-	-	-	-	-

The shareholding of Loftus Capital Partners Limited is included in the shareholding of both D Schwartz and J Abernethy.

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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	NOTES	CONSOLIDATED		PARENT ENTITY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
26. AUDITORS' REMUNERATION					
Amounts received or due and receivable by the auditors of HomeLeisure Limited for:					
– an audit or review of the financial report of the entity and any other entity in the consolidated entity		210,106	209,246	74,554	65,600
– other services in relation to the entity and any other entity in the consolidated entity		22,824	28,709	22,824	24,980
		232,930	237,955	97,378	90,580
Amounts received or due and receivable by auditors other than the auditors of HomeLeisure Limited					
		11,728	3,658	-	-
		244,658	241,613	97,378	90,580

27. RELATED PARTY DISCLOSURES

(a) The directors of HomeLeisure Limited during the financial year were:

David Schwartz
 (appointed 26 August 2004)
 Gordon Elkington
 (appointed 31 October 2004)
 Glenn Molloy
 John Abemethy
 Mark Rogers
 Jury Wowk
 John Laurie
 (resigned 25 August 2004)

(b) The following related party transactions occurred during the financial year. All were on normal commercial terms and conditions unless stated otherwise:

(i) Transactions with related parties in wholly-owned group

1. Sales made under normal commercial terms and conditions were made within the group.
2. Loans made by HomeLeisure Limited to controlled entities (wholly-owned) repayable on demand.
3. Loans made to HomeLeisure Limited by controlled entities (wholly-owned) repayable on demand.
4. Accounts payable balances existed at 31 December 2004 between HomeLeisure Limited & controlled entities arising from expenses paid by one entity on behalf of another.

(ii) Transactions with director-related entities.

In respect of companies of which Mr. J Laurie is a director, the following transactions occurred:

1. 84,000 options were exercised on the 16 March 2004 at 15 cents.

In respect of companies of which Mr. G Molloy is a director, the following transactions occurred:

1. Consultancy fees totalling \$31,454 (2003: \$214,500) was paid or payable to Corso Management Pty Ltd, a company of which G. Molloy has a controlling interest.
2. Accommodation fees totalling \$4,400 (2003: \$Nil) were paid or payable to Spa Finders Pty Ltd, a company of which G. Molloy has a controlling interest.
3. Purchases totalling \$174,227 (2003: \$274,189) were made from Plaspak Pty Limited and group companies, a company of which G. Molloy is a director and major shareholder. At reporting date \$ Nil (2003: \$3,193) remained payable, forming part of the balance of trade creditors.
4. Purchases totalling \$16,764 (2003: \$29,727) were made from Quality Dispensers Pty Ltd, a company in which G. Molloy has a controlling interest. At reporting date \$ Nil (2003: \$2,871) remained payable, forming part of the balance of trade creditors.
5. Rent totalling \$13,739 (2003: \$15,509) for use of warehouse was received from Quality Dispensers Pty Ltd.

In respect of companies of which Mr. J Wowk is a director, the following transactions occurred:

1. Legal services totalling \$409,798 (2003: \$384,696) were paid or payable to Doherty Partners, a firm in which Mr. J. Wowk is a partner. At reporting date \$43,253 (2003: \$124,621) remained payable, forming part of the balance of trade creditors.
2. Purchases totalling \$174,227 (2003: \$274,189) were made from Plaspak Pty Limited and group companies, a company of which J. Wowk is a director. At reporting date \$ Nil (2003: \$3,193) remained payable, forming part of the balance of trade creditors.

(iii) Transactions with specific executive-related entities.

In respect of companies of which Mr. G Elkington is a director, the following transactions occurred:

1. Consultancy fees totalling \$124,166 (2003: \$Nil) was paid or payable to Cobarm Pty Ltd, a company of which G. Elkington has a controlling interest

(c) HomeLeisure Limited is the ultimate parent entity.

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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27. RELATED PARTY DISCLOSURES (contd)

(d) Equity instruments of directors

(i) Interests in the equity instruments of entities in the consolidated entity held by directors of the reporting entity and their director-related entities at balance date, being the number of instruments held:

	Ordinary Shares Fully Paid		Options over Ordinary Shares	
	2004	2003	2004	2003
	Number	Number	Number	Number
John Laurie	-	1,112,050	-	84,000
David Schwartz	16,427,545	-	-	-
Gordon Elkington	5,900,000	-	-	-
Mark Rogers	6,000,000	15,600,000	-	-
Glenn Molloy	6,100,000	13,600,000	2,000,000	2,000,000
John Abernethy	14,592,702	9,589,627	-	-
Jury Wowk	220,000	120,000	-	-

The shareholding of Loftus Capital Partners Limited is included in the shareholding of both D Schwartz and J Abernethy.

Movements in directors' equity holdings.

Mr. M. Rogers and his director related entities disposed of 9,600,000 ordinary shares.

Mr. G Molloy and his director related entities acquired 4,600,000 ordinary shares from on market trading with 12,100,000 ordinary shares being sold.

Mr. J Abernethy and his director related entities acquired 5,003,075.

Mr. G Elkington and his director related entity acquired 5,000,000 ordinary shares from on market trading and 900,000 ordinary shares as part consideration in the acquisition of 40% equity of Xten Innovations Pty Ltd.

Mr. D Schwartz and his director related entities acquired 627,000 ordinary shares since his appointment as Director.

Mr. J Wowk and his director related entities acquired 100,000 ordinary shares.

HOMELEISURE LIMITED & CONTROLLED ENTITIES
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28. SEGMENT INFORMATION

Primary segment

2004

Business Segments	Entertainment	Giftware	Housewares	Other	Elimination	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to customers outside consolidated entity	26,336	17,372	42,618	-	-	86,326
Other revenues from customers outside consolidated entity	628	175	320	-	-	1,123
Inter-segment revenue	-	-	-	-	-	-
Total segment revenue	26,964	17,547	42,938	-	-	87,449
Interest Income	28	4	6	-	-	38
Total Consolidated Revenue	26,992	17,551	42,944	-	-	87,487
Segment Result before Restructuring	3,282	2,727	(393)	351	(139)	5,828
Net Restructuring Costs	-	-	(562)	-	-	(562)
Interest Expense						(1,336)
Unallocated expenses						-
Consolidated entity result						3,930
Income Tax						453
Segment Result						4,383

Business Segments	Entertainment	Giftware	Housewares	Other	Elimination	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets	21,887	7,914	19,068	10,069	-	58,938
Unallocated assets	-	-	-	-	-	1,037
Liabilities	11,983	4,397	14,953	5,440	-	36,773
Unallocated Liabilities	-	-	-	-	-	-
Acquisition of property plant and Equipment (excl acquisitions)	298	129	1,492	833	-	2,752
Depreciation	196	93	1,675	10	-	1,974
Amortisation	191	-	-	-	139	330
Non-Cash Expenses other than depreciation and amortisation	-	-	-	-	-	-

HOMELEISURE LIMITED & CONTROLLED ENTITIES
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE YEAR ENDED 31 DECEMBER 2004

28. SEGMENT INFORMATION (contd)

2003

Business Segments	Entertainment	Giftware	Housewares	Other	Elimination	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to customers outside consolidated entity	20,794	15,784	50,798	-	-	87,376
Other revenues from customers outside consolidated entity	846	286	427	-	-	1,559
Inter-segment revenue	-	-	-	-	-	-
Total revenue	21,640	16,070	51,225	-	-	88,935
Interest Income	-	-	-	-	-	125
Total Consolidated Revenue						89,060
Segment Result before Restructuring	3,029	2,155	1,910	27	(166)	6,955
Restructuring Costs	-	-	(1,631)	(140)	-	(1,771)
Segment Result	3,029	2,155	279	(113)	(166)	5,184
Interest Expense						(1,128)
Unallocated expenses						-
Consolidated entity result						4,056
Income Tax						(312)
Segment Result						3,744

Business Segments	Entertainment	Giftware	Housewares	Other	Elimination	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets	21,433	5,797	30,545	845	(218)	58,403
Unallocated assets	-	-	-	-	-	1,180
Liabilities	10,258	2,429	19,726	5,808	(221)	38,000
Unallocated Liabilities	-	-	-	-	-	-
Acquisition of property plant and Equipment	179	-	2,588	-	-	2,767
Depreciation	211	81	1,968	-	-	2,260
Amortisation	148	-	-	-	166	314
Non-Cash Expenses other than depreciation and amortisation	-	-	-	-	-	-

Secondary Segment

HomeLeisure Limited and its subsidiaries operate predominantly in one geographical area, being Australia, except Skansen Giftware (UK) Limited which operates in the United Kingdom. Due to its materiality, this has not been treated as a separate reportable segment.

29. SUBSEQUENT EVENTS TO REPORTING DATE

No matters or circumstances have arisen since the end of the period which significantly affected the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the financial year subsequent to 31 December 2004.

HOMELEISURE LIMITED & CONTROLLED ENTITIES
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE YEAR ENDED 31 DECEMBER 2004

30. FINANCIAL INSTRUMENTS

30(a) Terms, conditions and accounting policies

The consolidated entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

RECOGNISED FINANCIAL INSTRUMENTS	BALANCE SHEET NOTES	ACCOUNTING POLICIES	TERMS AND CONDITIONS
(i) Financial assets			
Receivables – trade	6	Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Credit sales are normally on 30 day terms. Trade debtors are not charged interest.
Other debtors	6	Other debtors are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Other debtors are on various terms and are not charged interest.
(ii) Secured liabilities			
Bank overdrafts	14	The bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.	Interest is charged at the bank's base lending rate plus a margin. As at balance date \$2,846,359 of the \$3,780,000 facility had been used
Bank Bills	14,16	The bank bills are carried at the principal amount. Interest is charged as an expense as it accrues.	Average interest rate is 7.4%. Terms range between 30 days and 10 Years. The amount owing as at 31 December 2004 was \$ 8,220,000. Unused facility Nil
Bank Loans	14,16	The bank loans are carried at the principal amount. Interest is charged as an expense as it accrues.	The bank loans were funded in February 2002 and October 2003 for a five year term. The amount owing at 31 December 2004 was \$1,334,425. Average interest rate is 7.9%.
Finance lease liability	14,16	The lease liability is accounted for in accordance with AASB 1008.	As at balance date, the consolidated entity had finance leases with an average lease term of 1.3 years. The average discount rate implicit in the leases is 6.9%, (2003: 7.2%). unused facility amounted to \$2,066,312. The security over finance leases is disclosed in notes 14(a) and 16(a).
(iii) Unsecured liabilities			
Trade creditors and accruals	13	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity.	Trade liabilities are normally on 30 day terms.
Trade Bills	14	The trade bills are carried at the principal amount plus interest. Interest is charged as an expense as it accrues.	Each trade bill is for a term of 67 days. Average interest rate is 9.8% The amount owing as at 31 December was \$1,033,773. Unused facility \$966,227.
(iv) Equity			
Ordinary shares and options	18	Ordinary share capital is recognised at the fair value of the consideration received by the company.	Details of shares and options issued at balance date are set out in note 19.

HOMELEISURE LIMITED & CONTROLLED ENTITIES
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE YEAR ENDED 31 DECEMBER 2004

30. FINANCIAL INSTRUMENTS (contd)

RECOGNISED FINANCIAL INSTRUMENTS	BALANCE SHEET NOTES	ACCOUNTING POLICIES	TERMS AND CONDITIONS
(v) Derivatives			
Forward exchange contracts		The consolidated entity enters into various types of foreign exchange and hedging contracts. The objective is to match the contract with anticipated future cash flows from purchases in foreign currencies and to protect the consolidated entity against the possibility of loss from future exchange rate fluctuations.	
		The consolidated entity enters into forward exchange contracts where it agrees to buy specified amounts of foreign currencies in the future at a predetermined rate. The forward exchange contracts are usually for no longer than 6 months. Exchange gains or losses on forward exchange contracts are charged to the profit and loss except those relating to hedges of specific commitments which are deferred and included in the measurement of the purchase.	At 31 December 2003 the company had commitments to purchase US\$3,868,765 under 16 forward exchange contracts.
		The company also enters into other foreign currency hedging contracts which protect the company against adverse currency fluctuations.	
Specific hedges		Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are deferred and included in the measurement of the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to the Statement of Financial Performance.	At 31 December 2004 there are no specific hedging contracts in place.
Letters of credit		The consolidated entity enters into letters of credit with some of its suppliers where it agrees to pay for goods upon the presentation of shipping documents to its bank. These are entered into to provide additional security over specific purchases.	As at 31 December 2004, there are no outstanding letters of credit

30(b) Net Fair Value

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, approximates the carrying amounts as disclosed in the Balance Sheet. The carrying amounts of cash assets and liabilities approximates fair value because of their short-term to maturity.

30(c) Credit risk exposures

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

Trade receivables: The company minimises concentrations of credit risk in relation to trade debtors by undertaking transactions with a large number of customers within the industry. The majority of customers are in Australia. Credit risk is managed by having payment terms of normally of 30 days and performing trade reference checks of all proposed new customers.

HOMELEISURE LIMITED & CONTROLLED ENTITIES
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE YEAR ENDED 31 DECEMBER 2004

30. FINANCIAL INSTRUMENTS (contd)

2004	Weighted Average Interest rate	Floating Interest Rate \$000	Fixed Interest Rate Maturing			Total
			Within 1 Year \$000	1 to 5 Years \$000	Non-interest Bearing \$000	
FINANCIAL ASSETS						
Cash	3.7%	2,076	-	-	-	2,076
Receivables	-	-	-	-	19,474	19,474
Total Financial Assets		2,076	-	-	19,474	21,550
FINANCIAL LIABILITIES						
Bank overdrafts	9.2%	2,846	-	-	-	2,846
Bank Loans	7.9%	1,188	-	145	-	1,333
Bank Bills	7.3%	8,220	-	-	-	8,220
Trade Bills	9.8%	1,003	-	-	-	1,003
Trade Finance	5.0%	1,034	-	-	-	1,034
Leases & Hire Purchase	6.9%	-	653	349	-	1,002
Deferred Settlement Central Station	8.0%	986	-	-	-	986
Trade & Other Creditors	-	-	-	-	17,214	17,214
Total Financial Liabilities		15,277	653	494	17,214	33,638

2003	Weighted Average Interest rate	Floating Interest Rate \$000	Fixed Interest Rate Maturing			Total
			Within 1 Year \$000	1 to 5 Years \$000	Non-interest Bearing \$000	
FINANCIAL ASSETS						
Cash	3.5%	3,131	-	-	-	3,131
Receivables	-	-	-	-	17,824	17,824
Total Financial Assets		3,131	-	-	17,824	20,955
FINANCIAL LIABILITIES						
Bank overdrafts	9.2%	6,041	-	-	-	6,041
Bank Loans	8.0%	1,063	-	204	-	1,267
Bank Bills	7.4%	6,260	-	-	-	6,260
Trade Bills	9.7%	2,044	-	-	-	2,044
Leases & Hire Purchase	7.2%	-	920	594	-	1,514
Deferred Settlement Central Station	-	-	-	-	1,986	1,986
Trade & Other Creditors	-	-	-	-	14,893	14,893
Total Financial Liabilities		15,408	920	798	16,879	34,005

HOMELEISURE LIMITED & CONTROLLED ENTITIES
SHAREHOLDER INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2004

Additional information required by the Australian Stock Exchange Limited not shown elsewhere in this report is as follows:

The information is made up to 14 March 2005

1. Substantial Shareholders

Shareholder:	Shares	
Thorney Holdings Pty Ltd	15,000,000	12.5%
Loftus Capital Partners Limited	14,244,451	11.9%
National Nominees Limited (EquipSuper Account)	9,671,129	8.0%
Black Mountain Corporation Pty Ltd / Giuseppe Palumbo and Morgan Williams	8,255,000	6.9%
Samtyl Investments Pty Ltd	6,100,000	5.1%
Cobarm Pty Ltd / Gordon Elkington	6,070,000	5.1%

2. Securities subject to Voluntary Escrow:

- 2,000,000 ordinary shares ending 11 May 2005.
- 2,000,000 ordinary shares ending 11 November 2005.

3. Statement of shareholdings

Shareholder	20 Largest Shareholders Ordinary Shares No. of Shares
Invia Custodian Pty Limited (Thirty Five A/C)	15,000,000
Loftus Capital Partners Limited	14,244,451
National Nominees Limited	9,671,129
Samtyl Investments Pty Ltd	6,100,000
Nescan Pty Ltd	5,964,000
Cobarm Pty Ltd	5,000,000
Giuseppe Palumbo	4,000,000
Morgan Williams	4,000,000
Equipment Company of Australia Pty Ltd	3,537,575
Contemplator Pty Ltd	2,500,000
Kerry Paul Galloway	2,167,428
ANZ Nominees Limited	1,992,000
Stephen & Jacqueline Chiu-Yueh Hsu	1,525,425
Invia Custodian Pty Limited (WAM Capital Limited)	1,298,219
JW & M Laurie	1,201,050
HSBC Custody Nominees (Australia) Limited	1,194,438
Gordon Elkington	1,070,000
W J Hartley	899,999
Invia Custodian Pty Limited (WAM Equity Fund)	869,563
Invia Custodian Pty Limited (Black A/C)	850,000
	83,085,277

HOMELEISURE LIMITED & CONTROLLED ENTITIES
 SHAREHOLDER INFORMATION
 FOR THE YEAR ENDED 31 DECEMBER 2004

Proportion Held by 20 Largest Holders	69.2%
Number of Shareholders Holding Less than a Marketable Parcel.	63
Shareholder Spread Ordinary Shares	No. of Holders
1 - 1,000	37
1,001 - 5,000	239
5,001 - 10,000	223
10,001 - 100,000	492
100,001 - Over	92
	1,083

3. Voting Rights

Ordinary shares - carry one vote per share without restriction.

DIRECTORS

David Schwartz
Director and Chairman

Gordon Elkington
Managing Director

Mark Rogers
Director (Non-Executive)

Glenn R Molloy
Director (Non-Executive)

John Abernethy
Director (Non-Executive)

Jury Wowk
Director (Non-Executive)

Neil Burton
Company Secretary

**HEAD OFFICE &
REGISTERED OFFICE**

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Services Pty Limited**
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Sydney NSW 2000
Telephone 02 8234 5000
Facsimile 02 8234 5050

www.computershare.com

AUDITORS

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Level 5 1 Eagle Street
Brisbane Qld 4001
Telephone 07 3011 3333

**THE HOMELEISURE GROUP
OF COMPANIES**

Skansen Giftware
1c Redbank Road
Northmead NSW 2152
Telephone 02 9890 6000
Facsimile 02 9630 3760

MRA Entertainment Group Pty Ltd
5 Dividend Street
Mansfield Qld 4122
Telephone 07 3849 6020
Facsimile 07 3349 8806

Central Station Pty Ltd
14 Holt Street
McMahons Point NSW
Telephone 02 9957 2938
Facsimile 02 9957 2040

HomeLeisure Housewares Pty Ltd
151 Awaba Street
Lisarow NSW 2250
Telephone 02 4328 1599
Facsimile 02 4328 5767

HomeLeisureLimited

www.homeleisure.com.au

country. eating and drinking. laughing. enjoying music