METHVEN

METHVEN LIMITED	
Results for announcement to the market	
Reporting Period	Six months ended 30 September 2006
Previous Reporting Period	Six months ended 30 September 2005

	Amount (000s)	Percentage change
Sales revenue from ordinary activities	$34,729	+16.7%
Profit from ordinary activities after tax attributable to shareholders	$3,660	+4.1%
Net Profit attributable to shareholders.	$3,660	+4.1%

Interim Dividend	Gross amount per share	Imputation tax credit per share
	5.72 cents	2.82 cents
Record Date	8 December 2006	
Dividend Payment Date	15 December 2006	

Audit	The abridged financial statements attached to this report have not been audited.

Comments:	Refer to the following section for commentary.

Methven Interim Report for the Half Year to 30 September 2006

Performance Highlights

- Group operating revenue $34.7 million, up 16.7%
- Group NPAT $3.7 million, up 4.1%
- Methven Australia sales very strong, up 58.8% to $11.5 million
- Good growth in New Zealand with sales up 7.8% to $20.3 million
- United States first half market establishment stage on target; second half sales expected to gain traction but at a lower rate than initially planned
- Solid progress in logistics chain development through outsourcing
- Investment continuing in brand, design, sales and marketing capabilities
- Interim dividend of 5.72 cps to be paid on 15 December 2006
- Well positioned to achieve earnings growth targets in second half.

Directors' Report

Methven Group reported a healthy performance for the six months to 30 September 2006 maintaining continued sales growth and progress on scheduled strategic and market expansion plans.

The half year result is slightly better than guidance given to shareholders at the Methven Group AGM in July, reporting a Group NPAT of $3.7 million, up 4.1% over last years half year profit of $3.5 million.

Group operating revenue increased 16.7% on the corresponding period in 2005 to $34.7 million (2005: $29.8 million), buoyed by surging Methven Australia sales, which were up 59% while New Zealand sales grew a further 8% in a challenging market.

The modest 3.7% increase in EBITDA to $6.6 million (2005: $6.4 million) includes the growth in Australian profitability, the planned investment expenditure in establishing the US as a key export market and expanding the New Zealand team by recruiting talented people with the core capabilities in marketing and design essential to achieving longer term growth.

Successful execution of our strategic initiatives will drive profitable growth and competitive advantage into the future, providing us with an enhanced product offering, more compelling brand proposition, wider market reach and lower cost and scalable supply.

Australian Market

Australia delivered significant growth over the same period last year. Methven Australia sales (mostly tap and showerware) grew 58.8% to $11.5 million (2005: $7.2 million) with the Methven exclusive Satinjet range really firing in the target mid to high segments of the market, supported by a dedicated sales, marketing and service team to secure wider distribution and retail placements.

Methven benefited from having branded products available that have consumer appeal for different price points. Sales were also helped by $1.1 million from the one off initiative by the New South Wales state government to subsidise water saving showerheads to consumers, although this was lower margin business.

Methven Australia's EBITDA (excluding NEFA valves) reached $0.9 million for the first half of 2006-07, a marked improvement on the corresponding period EBITDA of $0.2 million.

Our strategy to strengthen Methven's number two position in the Australian valving market is working with a pleasing recovery in both sales and margins.

Methven's solid sales and marketing platform in Australia and our growing reputation as a quality supplier of differentiated, premium products are being successfully leveraged with the expectation of continued growth in the second half and beyond.

New Zealand Market

The focus in New Zealand for the first six months has been to maintain Methven's market leading position and preserve margins in light of expected dampening in consumer spending and continuing cost pressures on raw materials.

Sales grew a pleasing 7.8% to reach $20.3 million (2005: $18.8 million), assisted by relative stability in our core renovation and replacement market.

Sales of Satinjet product ranges continued to show robust gains and particularly strong plumber support for our new NEFA high pressure valve range also contributed to the momentum of ongoing growth in New Zealand. The new NEFA valve range was designed in collaboration with New Zealand plumbers and demonstrates our on-going commitment to serving the specific needs of our home market.

New Zealand EBITDA was marginally down by 0.5% to $6.2 million (2005: $6.3 million). This reflects margin slippage due to higher than expected raw material cost increases as well as the extra costs of planned investment in essential global competencies in developing world class branding, design and engineering and logistics.

United States and Other Markets

The United States market has been in set up mode for the first six months and investment levels were as budgeted, resulting in an EBITDA loss of $0.5 million. Methven USA is now poised to benefit from this investment.

The focus has been on ensuring the distribution, sales and marketing infrastructure is in place as well as having the right US tailored Satinjet product mix and promotions available to now gain traction quickly.

We are continuing to forecast a full year loss in this establishment year which is likely to be bigger than our original projections but are still targeting to deliver first profits from this critical export market in the second half of 2007-08.

In Europe, Methven's other emerging market, work is progressing to plan on customising the Satinjet offering to appeal to high end French and Italian consumers and we are currently exploring distribution options in the United Kingdom.

Strategic progress

Pleasing progress is being made on all fronts to create the platform to support international export growth through enhanced competencies in design, brand management and marketing.

Cost efficiencies are being achieved from the planned outsourcing programme with a Methven team on site in China to oversee quality and logistics flow. The outsourcing programme will also provide the means to rapidly increase production to support our market expansion objectives.

Methven's New Zealand manufacturing operation is now more focused on higher value processes and products and continues to perform well.

Exciting new and unique showering products and brands are being readied for market release in early-mid 2007.

Dividend

Given Methven's strong balance sheet and healthy outlook for continued growth in sales and profitability, Directors have declared a fully imputed interim dividend of 5.72 cents per share to be paid on 15 December 2006.

The interim dividend is in line with the stated policy of distributing 80% of net profit after tax and corresponds to an annualised gross dividend yield of 11.1% based on the 30 September 2006 share price of $1.54.

Outlook

Methven is on track to deliver a full year performance and profitability slightly ahead of 2006 with better results in Australia and modestly higher performance in New Zealand, offsetting the expectation of a higher first year loss in the United States than originally anticipated.

Cost pressures on raw materials, downstream components, fuel, freight and wages are likely to continue to impact margins in the second half. Longer term we expect the margin impact to be mitigated through better buying practices and market price adjustments.

Ongoing investment in market expansion, new product design, brand development, outsourced manufacturing and logistics as well as in house capabilities, are all progressing in line with our long term strategy timelines.

The Directors are confident that this investment will make Methven a world class competitor in 2007-08 and beyond.

Consolidated Statement of Financial Performance

For the six months ended 30 September 2006

NZ$000	6 mths ended 30- Sept-06 unaudited	6 mths ended 30-Sept-05 unaudited
Continuing activities		
Operating revenue	34,729	29,757
Operating expenses	(29,183)	(24,397)
Net profit before tax	5,546	5,360
Income tax expense	(1,886)	(1,845)
Net profit attributable to parent shareholders	3,660	3,515

Consolidated Statement of Financial Position
For the period ended 30 September 2006

NZ$000	as at 30- Sept-06 unaudited	as at 30-Sept-05 unaudited
Equity		
Share capital	17,116	17,116
Retained earnings	5,607	3,510
Foreign currency translation reserve	92	(83)
Total equity	22,815	20,543
Non-current liabilities		
Employee accruals	84	
Borrowings		3,107
Total non-current liabilities	84	3,107
Current liabilities		
Trade creditors	6,128	3,918
Employee accruals	1,930	1,534
Other creditors and accruals	3,428	2,857
Provisions	708	633
Income tax payable	553	773
Current portion of borrowings	266	79
Total current liabilities	13,013	9,794
Total liabilities	13,097	12,901
Total liabilities and equity	35,912	33,444
Non-current assets		
Property, plant & equipment	6,555	6,512
Patents and trademarks	301	216
Future tax benefit	544	624
Intangible assets	5,460	5,809
Total non-current assets	12,860	13,161
Current assets		
Cash and bank balances	879	2,785
Trade receivables	10,623	8,223
Prepayments and other assets	352	160
Inventories	11,198	9,115
Total current assets	23,052	20,283
Total assets	35,912	33,444

Consolidated Statement of Cash Flows

For the six months ended 30 September 2006

NZ$000	6 mths ended 30- Sept-06 unaudited	6 mths ended 30-Sept-05 unaudited
Operating Activities		
Cash was provided from:		
Receipts from customers	32,948	28,601
Interest received	15	12
Cash was applied to:		
Payments to suppliers	(20,351)	(15,152)
Payments to employees	(7,007)	(6,559)
Interest paid	(89)	(149)
Income tax paid	(1,392)	(1,394)
Net cash inflows (outflows) from operating activities	4,124	5,359
Investment Activities		
Cash was applied to:		
Purchase of property, plant, equipment, patents and trademarks	(800)	(1,074)
Net cash inflows (outflows) from investment activities	(800)	(1,074)
Financing Activities		
Cash was applied to:		
Repayment of borrowings	(1,769)	(954)
Dividends paid to shareholders	(2,606)	(1,300)
Net cash inflows (outflows) from financing activities	(4,375)	(2,254)
Net increase (decrease) in cash held	(1,051)	2,031
Foreign currency translation adjustment	(112)	56
Cash at beginning of period	2,042	698
Cash at end of period	879	2,785

Segment results

In NZ$'000	6 mths ended 30- Sept-06 unaudited	6 mths ended 30-Sept-05 unaudited
Segment assets		
New Zealand	31,382	30,795
Australia	10,675	7,749
USA	109	
Eliminations	(6,254)	(5,100)
Consolidated	35,912	33,444
Sales revenue		
New Zealand	23,205	22,503
Australia	11,501	7,242
USA	8	
Consolidated	34,714	29,745
EBITDA		
New Zealand	6,230	6,261
Australia	903	151
USA	(487)	
Consolidated	6,646	6,412
NPBT		
New Zealand	5,557	5,452
Australia	481	(92)
USA	(492)	
Consolidated	5,546	5,360

Segment EBITA and NPBT are reported before Group charges. This is to provide the reader with a clear understanding of the underlying trading performances of each segment. Comparative segmental results have been restated for this change.

The Australian segment sales exclude sales of NEFA valves as they are sold through a third party distributor. The Australian segment results only include the Methven Australian entity which sells tapware, showerware and gas flues.

New Zealand segment sales include export sales of $2,879,000 (2005 $3,655,000), including NEFA valves.

Methven established a USA subsidiary in September 2005 to distribute Satinjet showers to the US market.

The Group operates in one industry segment, being the design and supply of tap and showerware and domestic water control valves. Intersegment sales are on an arm's length basis.

Earnings per Security (EPS)

Calculation of basic and fully diluted EPS in accordance with IAS 33: Earnings Per Share

	Current half-year (cents per share)	Previous corresponding half-year (cents per share)
Basic EPS	7.15	6.87
Diluted EPS	7.15	6.87

Dividends Paid / Payable

	Date Paid	Cents per share (fully imputed)
Final Dividend for the year ending 31 March 2006	30 June 2006	5.09
Interim Dividend for the year ending 31 March 2007	15 December 2006	5.72

Net Tangible Assets per share

	Current half-year	Previous corresponding half-year
Net Tangible Assets per share	$0.33	$0.28